



THE LAW SOCIETY
OF NEW SOUTH WALES

Our ref: ELCS:EEsh1749505

26 June 2019

Mr Jonathan Smithers
Chief Executive Officer
Law Council of Australia
DX 5719 Canberra

By email: Natasha.Molt@lawcouncil.asn.au

Dear Mr Smithers, *Jonathan,*

Centrelink deeming rates on bank accounts

Concerns have been raised with the Law Society that the Centrelink rules for calculating income from financial investments (“deeming rates”) are higher than the interest rates offered by banks on fixed term deposits, resulting in Centrelink reducing its payments to holders of low interest-bearing bank accounts.

The current deeming rates were determined in 2015.¹ The current “below threshold rate” is 1.75% and the “above threshold rate” is 3.25%.

The Explanatory Memorandum of the current determination states the rates are subject to continual review to reflect market changes.² However, as **Table 1** demonstrates, since 2015, while the threshold amounts have increased, the deeming rates have remained the same.

Table 1 - Deeming rates³

Date	Below threshold rate	Above threshold rate	Threshold Amounts		
			Single pensioner or allowee	Pensioner couple (one or both members of the couple are receiving a pension)	Member of non-pensioner couple (allowee whose partner is also an allowee or is not receiving income support)
20/03/2015	1.75%	3.25%	\$48,000	\$79,600	\$39,800
01/07/2015	1.75%	3.25%	\$48,600	\$80,600	\$40,300

¹ [Social Security \(Deeming Threshold Rates\) Determination 2015 \(No. 1\) \(Cth\)](#).

² Explanatory Memorandum, Social Security (Deeming Threshold Rates) Determination 2015 (No. 1) (6 March 2015).

³ Australian Government, 4.4.1.10 Overview of Deeming, Social Security Guide 1.254 (May 2019) <http://guides.dss.gov.au/guide-social-security-law/4/4/1/10>.

Date	Below threshold rate	Above threshold rate	Threshold Amounts		
			Single pensioner or allowee	Pensioner couple (one or both members of the couple are receiving a pension)	Member of non-pensioner couple (allowee whose partner is also an allowee or is not receiving income support)
01/07/2016	1.75%	3.25%	\$49,200	\$81,600	\$40,800
01/07/2017	1.75%	3.25%	\$50,200	\$83,400	\$41,700
01/07/2018	1.75%	3.25%	\$51,200	\$85,000	\$42,500

While deeming rates have remained constant, a decline in interest rates since 2015 has seen both the Reserve Bank of Australia (“RBA”) official cash rates and market term deposit rates decreasing. As at 4 June 2019, the RBA official cash rate is 1.25%.⁴ **Table 2** sets out current term deposit rates:

Table 2 - Current market term deposit rates

1 year term deposit (big four banks) – 4 June 2019 ⁵			
ANZ	Westpac	Commonwealth Bank	NAB
1.95%	1.95%	1.90%	2.00%
Average term deposit rate (180 days to 5 years) – last updated 5 March 2018 ⁶			
Term	Min	Max	Average
180 days	1.69%	2.65%	2.24%
270 days	1.39%	2.70%	2.09%
1 year	1.55%	2.75%	2.35%
2 year	1.50%	2.90%	2.51%
3 year	1.50%	3.00%	2.61%
4 year	1.50%	3.10%	2.65%
5 year	1.50%	3.20%	2.73%

⁴ Reserve Bank of Australia, Media Release, 4 June 2019, <https://www.rba.gov.au/media-releases/2019/mr-19-15.html>.

⁵ Canstar, ‘CBA, NAB, ANZ & Westpac Term Deposit Rates: June 2019’, <https://www.canstar.com.au/term-deposits/term-deposit-rates/>.

⁶ Canstar, The Current Term Deposit Environment: Highest, Lowest & Average Rates, (6 March 2018), accessed 16 May 2018 <https://www.canstar.com.au/term-deposits/the-current-term-deposit-environment/>.


This issue particularly affects pensioners whose Centrelink payments are supplemented by a modest income. Older people who rely on "safe investments" such as savings accounts or fixed-term deposits receive a modest return on their investments due to low interest rates. The gap between market rates and the deeming rates can result in pensioners having their payments reduced despite not earning the return interest as expected by the deeming rates.

By way of example, one of our members, a solicitor, holds a Power of Attorney for a 90 year old client who lives in an aged care facility. The client's limited funds are held in bank accounts including one fixed-term account which earns 0.50% up to \$9,999.99, 0.80% between \$10,000.00 and \$49,999.99, 1.50% between \$50,000.00 and \$249,999.99 and 1.70% thereafter. By contrast Centrelink's deeming rates are 1.75% on amounts up to \$51,200.00 and 3.25% on amounts above \$51,200.00. Centrelink has accordingly reduced payments to the client's age care facility which costs the client approximately \$500.00 per month in additional fees. These extra costs are unsustainable for the client and place her housing security at risk.

In our view there is a need for advocacy in this area. We recommend an approach to the Minister for Families and Social Services requesting that, pursuant to the Explanatory Memorandum, the deeming rates be adjusted to reflect market rates. We also recommend bringing the matter to the attention of the Minister for Aged Care and Senior Australians inviting him to endorse the Law Council's request.

If you have any further questions in relation to this letter, please contact Sue Hunt, Principal Policy Lawyer on (02) 9926 0218 or by email: sue.hunt@lawsociety.com.au.

Yours sincerely,



Elizabeth Espinosa
President