



What is Deeming?

Deeming is a method of determining income on specified financial investments held by applicants for or recipients of Government Income Support payments and people seeking assisted residential aged care. It does not impact on the assets test.

Financial investments include, among other things, all bank, building society and credit union accounts, cash, shares, managed investments, money lent, friendly society and life insurance bonds regardless of the date purchased.

Deeming is a tiered system of two rates. The rates apply to the total market value of financial investments held. For couples it is usually their combined financial investments but this depends if the support payment is a pension or an allowance. The rates are reviewed regularly and may be increased or reduced. Current rates can be obtained by phoning NICRI.

The tier thresholds are adjusted annually. Full details can be found at Centrelink's website, www.centrelink.gov.au, by phoning their Financial Information Service (FIS) or NICRI.

It is assumed money earns the deemed rates regardless of what is actually earned. If a higher rate is earned the extra interest will not affect the amount of the income support payment. If a lower rate is earned the applicable deeming rate will apply for assessment.

Deeming Accounts

Most banks, building societies and credit unions offer at call deeming accounts which pay interest at the deeming rates and use the threshold for singles. Some institutions restrict access to these accounts to recipients of the Age Pension while others offer them to all Government Income Support recipients and to self-funded retirees aged over 55 years.

Government income support recipients with small amounts of savings may not be affected by deeming but may still benefit by earning at least the deemed rate of interest.

Opening an Account

Identification is required when opening a new account. Even if accounts are already held with the same institution further identification may be required.

Tax File Numbers

The institution will deduct tax from the interest at the highest marginal rate if they are not advised of:

- the tax file number/s (TFN) of the account holder/s; or
- the account holder/s pension exemption status.

Other Accounts

Not everyone needs to have a special deeming account. Some may prefer a cheque or ordinary savings account for daily use, but consideration should be given to the effects of deeming on the money in these accounts.

Alternatively there are many other investment options which may provide returns equal to, or above, the deeming rates. For example high yield call accounts, term deposits, shares, or managed investments etc. NICRI has a range of leaflets on investment options to provide further information to assist with these choices.

Under the income test income support payments will not be affected if extra interest is earned above the amounts deemed, therefore higher interest paid will be of benefit to investors. Always be aware that higher returns may mean a higher risk.

The tax office assesses the actual income earned, including interest above the deemed rates. Taxation implications should be looked at carefully when considering any investment.

The Choice is Yours

Banks, building societies and credit unions offer deeming accounts with different features. These may include:

- passbook, cheque or statement accounts;
- phone, internet and ATM access;
- no account fees or government charges;

- interest is calculated either on daily balance basis or minimum monthly balance;
- interest is credited monthly, quarterly, six monthly or yearly;
- regular payments may be debited from the account;
- regular income credited to the account.

Some deeming accounts may pay interest at the two tiered deeming rates while others may pay only the lower or higher rate depending on the balance of the account. Check how interest is calculated and conditions that may apply.

Investors should choose an account which provides the features they require. Asking questions and reading the information leaflets before selecting a suitable deeming account is recommended.

Many financial institutions offer similar types of accounts so shop around.

Other assets subject to deeming

Information on financial investments can be found at Centrelink's website or by phoning FIS or NICRI. Those mentioned are not an exhaustive list. Cash held in safe custody or at home, precious metal bullion and gifts outside the gifting rules are among other things subject to deeming.

Investing with Safety

All investments have degrees of risk. However, institutions which have government supervision are among the safest investment providers available.

Banks, building societies and credit unions are regulated and supervised by the Australian Prudential Regulation Authority (APRA).

Before investing, investors should satisfy themselves as to the level of security of the institution.

HIDING MONEY IN THE HOUSE IS THE GREATEST RISK OF ALL. INVESTORS RISK LOSS THROUGH FIRE AND THEFT OR, EVEN WORSE, COULD SUFFER PERSONAL INJURY IF A BURGLARY WERE ATTEMPTED.

PO Box 893 WODEN ACT 2606, Tel: (02) 6281 5744

Tollfree: 1800 020 110

E-mail: NICRI@nicri.org.au

Websites: www.nicri.org.au

<http://moneymap.nicri.org.au>

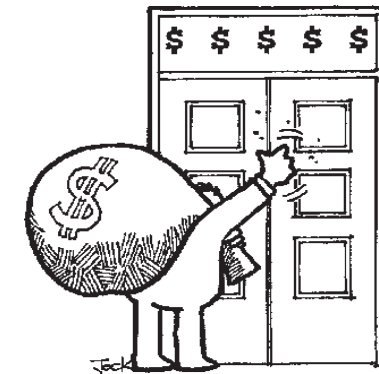
The National Information Centre on Retirement Investments Inc (NICRI) is an independent organisation funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs. NICRI provides a free independent source of investment information for consumers and works at arms length from Government and the financial services industry.

THIS PUBLICATION IS INTENDED AS A GUIDE ONLY AND IS NOT IN ANY WAY AN ENDORSEMENT OF ANY PRODUCT MENTIONED. READERS SHOULD NOT RELY ON THIS INFORMATION ALONE AS A BASIS FOR MAKING AN INVESTMENT. LAST REVIEWED 30/10/08



National Information Centre on Retirement Investments Inc.

Deeming Accounts



www.nicri.org.au

<http://moneymap.nicri.org.au>