Centrelink blow for 460,000 pensioners as major change to deeming rates announced: 'Gradually return'

The government has revealed it will begin changing deeming rates for pensioners and other Centrelink recipients. Deeming rates are the rates of return the government assumes people earn on financial assets, including shares, superannuation and bank accounts.

They have been frozen at 0.25 per cent and 2.25 per cent, respectively, since 2020. But Social Services Minister Tanya Plibersek has revealed this is about to change.

"*As Australians begin to feel the positive impacts of inflation easing, the government will now gradually return deeming rates to pre-pandemic settings*," she said.

"*That is, to reflect rates of return that pensioners and other payment recipients can reasonably access on their investments*."

How do deeming rates work?

They impact means testing for Centrelink payments, including the Age Pension, JobSeeker and parenting payments.

For singles, the first $64,200 of your financial assets has a deemed rate of 0.25 per cent.

Anything over $106,200 is deemed to earn 2.25 per cent.

For couples where at least one person gets a pension, the first $103,800 of your combined assets has a deemed rate of 0.25 per cent. Anything over $103,800 is deemed to earn 2.25 per cent.

Centrelink uses this method to work out your eligibility for certain payments that takes into account your future income as well as other streams of money like superannuation.

There are a little more than 771,000 people who receive government welfare and who have income from other sources that are affected by deeming rates.

That includes about 460,000 aged pensioners, 96,000 on JobSeeker payments, and 62,000 disability support pension recipients.

Why are the deeming rates changing?

The government froze deeming rates at the start of the decade while the country was in the grips of the pandemic.

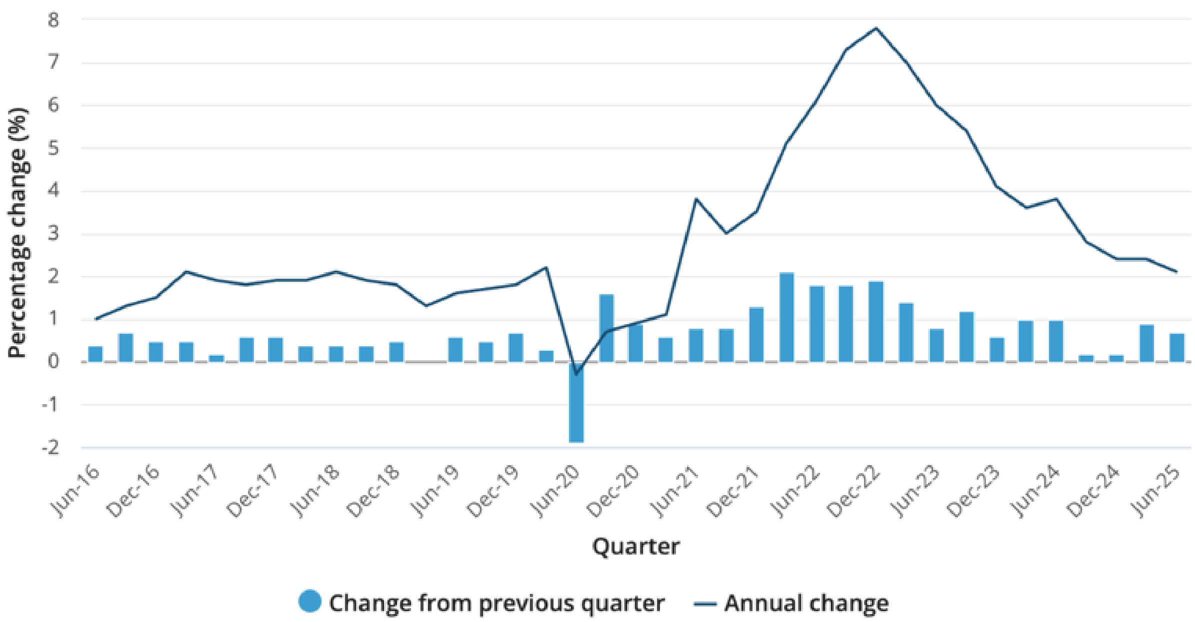
The rate is typically tied to the Reserve Bank of Australia's (RBA) official cash rate.

In mid-2022, the central bank began an interest rate-hiking cycle, which saw the cash rate jump from the record low of 0.10 per cent to a 13-year high of 4.35 per cent.

As a result, the government kept deeming rates frozen to prevent people from suffering a double hit to their finances.

But headline inflation has gradually been coming down from its December 2022 peak of 7.8 per cent to 2.1 per cent at the June 2025 quarter.

Interest rates have also fallen three times this year and could drop again in November, which would see the cash rate fall 1 per cent in 2025.



What will the new deeming rates be?

Plibersek said the lower deeming rate will rise to 0.75 per cent from September 20.

This will apply to financial assets under $64,200 for singles, and $106,200 for a couple's combined assets.

The upper rate will rise in a similar 0.5 per cent increment to 2.75 per cent for assets above both thresholds.

The Social Services Minister indicated this will be the first of a series of phased increases in the deeming rate.

September 20 will also be the date that certain Centrelink payments go up due to indexation.

After that, the decision to raise, lower, or hold deeming rates will be governed by the Australian Government Actuary.

Plibersek said the body will be able to advise the government on the "most appropriate rate" that reflects current economic conditions, but there will still be some oversight.

“The government will retain the power to make adjustments, including during exceptional circumstances or events," she added

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