**Australian Government**

**Department of Social Services**

MC14-009657

Mr Theo Marinis
Financial Strategist
Marinis Financial Group
67 Kensington Road
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Dear Mr Marinis

Thank you for your letter of 22 July 2014 to the Minister for Finance, Senator the Hon Mathias Cormann about extending the social security deeming provisions to account-based income streams. Your letter was referred to the Minister for Social Services, the Hon Kevin Andrews MP, as this matter falls within his portfolio responsibilities. The Minister has asked me to reply to you on his behalf.

As you are aware, from 1 January 2015 the social security deeming rates will be applied to the total value of a person's financial assets, including new account-based income streams, to calculate the amount of deemed income that is to be assessed under the income test when determining a person's income support entitlement.

This change will simplify the income test assessment and ensure people with similar levels of financial assets, held either directly or within an account-based income stream, will receive similar amounts of income support. For example, two people with the same underlying assets: one has an account-based income stream with a balance of $190,000 while the other person holds the same assets directly. The person with the account-based income stream can receive $36.44 a fortnight ($947.50 a year) more in Age Pension compared to the person holding the assets directly.

Existing account-based income streams held by income support recipients as at 31 December 2014 will be 'grandfathered' and continue to be assessed under the existing rules unless the account holder chooses to change products, or ceases to receive an income support payment.

Unlike the current rules, the deeming provision removes bias when making investment decisions based on Age Pension expectations. By treating similar assets in a consistent way, the extension of deeming to account-based superannuation income streams will help ensure social security means test settings do not distort people's investment decisions.

Given the generous taxation concessions and attractive product features, the department considers it is unlikely that extending the deeming provisions to these products will impact customer demand.

Also, given that the income test has a 50 per cent taper rate, it is unlikely to encourage pensioners to reduce their financial assets in order to get more income support, as this would result in them having lower overall disposable income.

Thank you again for writing.

Yours sincerely

Ian Joyce

Ian Joyce
A/g Branch Manager
Rates and Means Testing Policy
12 August 2014