



**Australian Government**  
**Department of Social Services**

MC14-013010

Mr Theo Marinis  
Authorised Representative  
Marinis Financial Group  
67 Kensington Road  
NORWOOD SA 5067

Dear Mr Marinis

Thank you for your letter of 27 October 2014 to the Minister for Social Services, the Hon Kevin Andrews MP about extending the deeming provisions to account-based income streams. The Minister has asked me to reply to you on his behalf.

In your letter you suggest that applying the deeming provisions to account-based income streams will result in people spending their account-based income stream due to an implicit dis-incentive in the deeming rules.

The deeming rules are a simple and equitable way of assessing income from financial investments. Deeming rates are a proxy for actual returns from the underlying investments. By treating all financial investments in the same way, the deeming rules encourage people to choose investments on their merit rather than on the effect the investment income may have on the person's income support entitlement. The evidence is that people currently do not "spend up" their deemed financial investments in order to qualify for a higher income support payment.

As stated in my previous letter on 12 August 2014, by applying the deeming provisions to account-based income streams it removes bias when making investment decisions based on income support 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, and people with similar levels of investments receive the same income support entitlement.

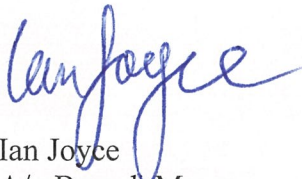
The current income test rules for account-based income streams were intended to disregard the return of the customer's own capital from the income they were drawing so as to assess for social security purposes an amount of income which reflected how much income the investor received each year from their underlying investments. That is, the same outcomes as for the deeming rules.

However, since the superannuation changes in 2007 where minimum payment factors replaced the pension valuation factors, the minimum payment factors have resulted in no or little income being assessed for social security purposes. This is contrary to the original policy intent.

Applying the deeming provisions to account-based income streams realigns the original policy intention with the social security income test assessment.

Thank you again for writing.

Yours sincerely



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

14 November 2014