



SEPTEMBER 2025

For adviser use only

What are the new deeming rates and when did they take effect?

By Minh Ly, Technical Services Manager

Deeming rates and thresholds determine the amount of income that is assessable from financial investments under the social security pension income test.

Unlike deeming thresholds, deeming rates are determined by the Minister for Social Services on an irregular basis. Deeming thresholds are indexed each year on 1 July.

The current level of deeming rates have been in place since 1 May 2020 when they were reduced as an emergency COVID-19 measure. The Government subsequently committed to leaving deeming rates at these levels until 30 June 2025.

On 20 August, the Minister for Social Services has announced that a deeming rate of 0.75% for financial assets under \$64,200 for singles and \$106,200 for couples (combined) will apply from 20 September 2025. Assets over this amount will be deemed at a rate of 2.75%. This is an increase of 0.5% over the current lower and upper deeming rates.

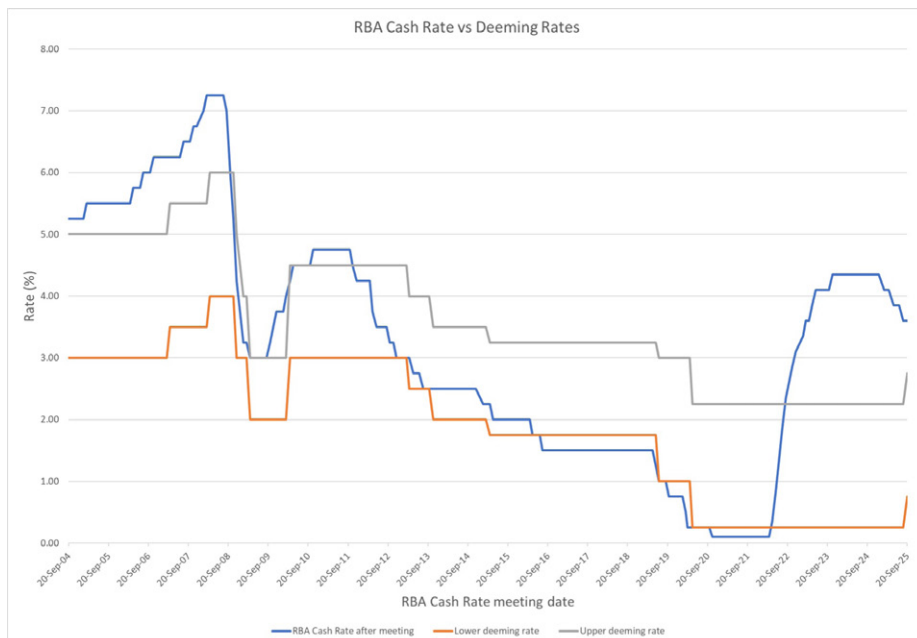
The Minister also announced that the Australian Government Actuary (AGA) will take on the role of recommending future deeming rates. Guided by the returns that income support recipients can reasonably access on their investments, the AGA will advise the Government on the most appropriate rate to apply. They will not have the power to change the actual rate and this will remain with the Minister.

	Prior to 20 September 2025			From 20 September 2025		
	Deeming threshold	Lower deeming rate	Upper deeming rate	Deeming threshold	Lower deeming rate	Upper deeming rate
Single	\$64,200	0.25%	2.25%	\$64,200	0.75%	2.75%
Couple	\$106,200	0.25%	2.25%	\$106,200	0.75%	2.75%

Despite the increase, deeming rates are still well below the current RBA cash rate of 3.6% (see chart below). Income support recipients will likely continue to earn higher returns on their investments than what they are 'deemed' to earn under the income test. For example, Challenger's 3- year fixed term annuity rate is 4.25% p.a. at the time of writing.¹

On 20 August, the Minister for Social Services has announced that a deeming rate of 0.75% for financial assets under \$64,200 for singles and \$106,200 for couples (combined) will apply from 20 September 2025. Assets over this amount will be deemed at a rate of 2.75%. This is an increase of 0.5% over the current lower and upper deeming rates.

¹ Challenger rates as at 25/08/2025.



Who is impacted?

Those who have financial investments and currently have their social security pensions determined by the income test (income tested), are the ones that will see a negative impact to their entitlements.

However, by increasing deeming rates at the same time as the regular indexation of social security pension rates, the impact was minimised.

For pensioners, the impact of the 20 September 2025 changes (indexation to the maximum rate of pensions and the increase in deeming rates) can be summarised as follows²:

- **Single homeowners** with assets between \$309,000 and \$324,000 (inclusive) will see a negative impact to their pensions of between \$1 p.a. to \$37 p.a. with the maximum negative impact occurring at an asset level of \$323,500.
- **Single non-homeowners** with assets between \$309,000 and \$637,250 (inclusive) will see a negative impact to their pensions of between \$1 p.a. to \$791 p.a. with the maximum negative impact occurring at an asset level of \$625,000.
- **Couple homeowners** (illness separated and not illness separated) will not see a negative impact to their pensions (indexation to maximum pension rate more than offsetting the impact from higher deeming rates).
- **Couple non-homeowners** (not illness separated) with assets between \$521,500 and \$786,000 (inclusive) will see a negative impact to their pensions of between \$1 p.a. to \$770 p.a. (combined) with the maximum negative impact occurring at an asset level of \$774,000.
- **Couple non-homeowners** (illness separated) with assets between \$618,000 and \$780,000 (inclusive) will see a negative impact to their pensions of between \$1 p.a. to \$391 p.a. (combined) with the maximum negative impact occurring at an asset level of \$774,000.

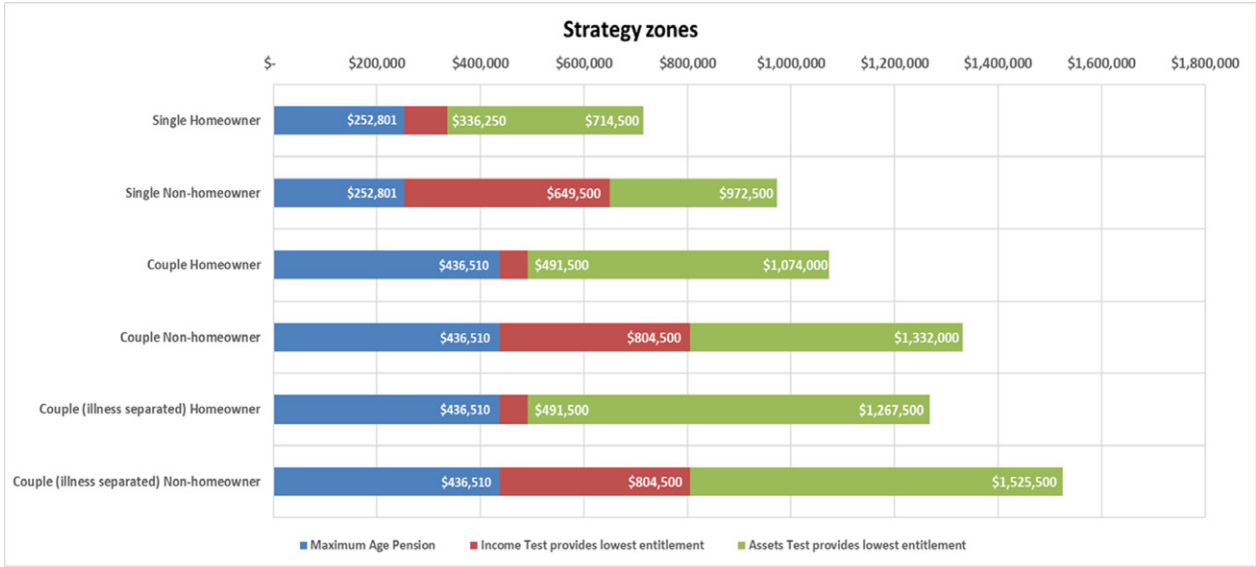
What are the new income and assets test 'crossover points' with the new deeming rates?

The pension 'crossover points' can be a useful tool to quickly determine whether clients are likely to have their pensions determined by the income test (income tested) or by the assets test (assets tested). This can then help with determining whether clients should focus on asset test strategies or income test strategies to maximise their entitlements.

The pension 'crossover points' can be a useful tool to quickly determine whether clients are likely to have their pensions determined by the income test (income tested) or by the assets test (assets tested).

² Assumes all assets are financial investments subject to the deeming rules.

The new deeming rates changes these ‘crossover points’ to the ones shown on the chart below³.



As an example, couple homeowners now with financial investments of less than \$436,510 will receive the full rate of pension. From \$436,510 couple homeowners will see a reduced pension under the income test (income tested) and from \$491,500 their pensions will reduce under the assets test (asset tested). Couple homeowners will not be entitled to a part pension once assets reach \$1,074,000.

3 Centrelink rates and thresholds as at 20 September 2025 and assumes all assets are financial investments subject to deeming. Non-homeowner cut-out thresholds may be higher if eligible for rent assistance.

Contact details



Visit
challenger.com.au



Email
challengertech@challenger.com.au



Call Challenger Tech team
1800 176 486
(during Sydney business hours)

The information in this article is current as at 1 September 2025 unless otherwise specified and is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger, our, we), the issuer of the Challenger annuities (Annuity(ies)) and Challenger Retirement and Investment Services Limited ABN 80 115 534 453, AFSL 295642 (CRISL). The information in this article is general information and is intended solely for licensed financial advisers or authorised representatives of licensed financial advisers, and is provided to them on a confidential basis. It is not intended to constitute financial product advice. This information must not be distributed, delivered, disclosed or otherwise disseminated to any investor, without our express prior approval. Investors should consider the applicable Annuity Target Market Determination (TMD) and Product Disclosure Statement (PDS) available at challenger.com.au and the appropriateness of the applicable product to their circumstances before making an investment decision. This information has been prepared without taking into account any person’s objectives, financial situation or needs. Neither Challenger and/or CRISL, nor any of its officers or employees, are a registered tax agent or a registered tax (financial) adviser under the *Tax Agent Services Act 2009* (Cth) and none of them is licensed or authorised to provide tax or social security advice. Before acting, we strongly recommend that prospective investors obtain financial product advice, as well as taxation and applicable social security advice, from qualified professional advisers who are able to take into account the investor’s individual circumstances. Each person should, therefore, consider its appropriateness having regard to these matters and the information in the TMD and PDS for the applicable Annuity before deciding whether to acquire or continue to hold the product. A copy of the TMD and PDS is available at challenger.com.au or by contacting our Adviser Services Team on 13 35 66. Any examples shown in this article are for illustrative purposes only and are not a prediction or guarantee of any particular outcome. Age Pension benefits described in this article will not apply to all individuals. Age Pension outcomes depend on an individual (or couple’s) personal circumstances and may change over time. This article may include statements of opinion, forward looking statements, forecasts or predictions based on current expectations about future events and results. Actual results may be materially different from those shown. This is because outcomes reflect the assumptions made and may be affected by known or unknown risks and uncertainties that are not able to be presently identified. Challenger and CRISL relied on publicly available information and sources believed to be reliable, however, the information has not been independently verified by Challenger and CRISL. While due care and attention has been exercised in the preparation of this information, Challenger and CRISL gives no representation or warranty (express or implied) as to its accuracy, completeness or reliability. The information presented in this article is not intended to be a complete statement or summary of the matters to which reference is made in this article. To the maximum extent permissible under law, neither Challenger, CRISL, nor its related entities, nor any of their directors, employees or agents, accept any liability for any loss or damage in connection with the use of or reliance on all or part of, or any omission inadequacy or inaccuracy in, the information in this article.