

PROVIDING SUPPORT FOR OUR RETIREES

COVID-19 FACT SHEET

Retirees haven't missed out in the major economic response to the coronavirus.

The Australian Government is helping retirees to manage the impact of volatility in financial markets on their retirement savings by temporarily reducing superannuation minimum drawdown requirements.

The Government is also reducing social security deeming rates in recognition of the impact of the low interest rates on savings.

SUMMARY

The Australian Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20 and 2020-21 income years.

The Government is also reducing both the upper and lower social security deeming rates by a further 0.25 percentage points in addition to the 0.5 percentage point reduction to both rates announced on March 12, 2020.

This effectively halves the default minimum drawdown rates, and will have no impact on the underlying cash balance for 2019-20 and a negligible impact in 2020-21.

CHANGES TO SOCIAL SECURITY DEEMING RATES

As of May 1, 2020, the upper deeming rate will be 2.25 per cent

and the lower deeming rate will be 0.25 per cent.

The reductions reflect the low interest rate environment and its impact on the income from savings.

The change will benefit around 900,000 income support recipients, including around 565,000 people on the Age Pension who will, on average, receive around \$105 more from the Age Pension in the first full year that the reduced rates apply.

The changes will be effective from May 1, 2020. This measure is expected to have a cost of \$876 million over the forward estimates.

TEMPORARY REDUCTION IN SUPERANNUATION MINIMUM DRAWDOWN REQUIREMENTS

This measure will benefit retirees with account-based pensions and similar products by reducing the need to sell investment assets to fund minimum drawdown requirements.

The reduction applies for the 2019-20 and 2020-21 income years.

These measures are important at a time of global financial uncertainty.

FOR MORE INFORMATION

For more information on the Economic Response to the Coronavirus see the link below.

Fast facts...

- The Australian Government's economic response to the COVID-19 coronavirus totals \$189 billion across the forward estimates.
- The Australian Government is temporarily reducing superannuation minimum drawdown requirements.
- The Australian Government has also effectively halved default drawdown rates.
- Changes to deeming rates will benefit around 900,000 income support recipients, including around 565,000 people on the Age Pension.