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Aged to lose on pension changes

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PENSIONERS may never fully recover losses made during the global financial crisis and have "every right" to be outraged if their benefits are cut because of an increase in the deeming rate for investments.

Aged-care advocates hit back yesterday at news that the government would revise the pension deeming rate because of Australia's strengthening economy, saying that many part-pensioners were already doing it tough due to massive cuts to their superannuation and investments during the financial downturn.

"Some of these people lost up to 50 per cent of their investments, and the reality is, due to their age, they will never see it regained during their lifetime," said Anne-Marie Elias from the Council of the Ageing in NSW.

The deeming rate, currently set at a maximum of 3 per cent, is the interest rate pensioners are assumed to earn on investments and is used to calculate their income and how much pension they get.

Hundreds of thousands of part-pensioners expecting a rise this week of up to $29 a fortnight for singles could instead face a cut of up to $50 because the deeming rate is to rise to 4.5 per cent.

Ms Elias said many of these "rises" would never reach the pockets of pensioners as banks "would not necessarily" pass on interest rate increases.

"The reality is a $50 cut could make a huge difference (to pensioners) . . . most of them aren't, by any means, wealthy and are on a fairly tight budget," Ms Elias said.

"The government needs to cut them some slack and give them a break to regroup."

The chief executive of Aged and Community Services Australia, Greg Mundy, echoed Ms Elias's comments, saying the government needed to reassess to what extent interest rate rises were being passed on.

"They need to routinely check they are setting the rate right," he said. "If the government has the policy setting wrong, then of course pensioners have a right to be very angry."