



Ministers for the Department of Social Services



The Hon Amanda Rishworth MP

Media Releases

Pensioners incentivised to downsize to free up housing stock for young families

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The Albanese Labor Government will seek to reduce the financial impact on pensioners looking to downsize their homes in an effort to minimise the burden on older Australians and free up housing stock for younger families.

Legislation will be put to the Parliament today that gives pensioners an additional 12-month asset test exemption on their home sale proceeds to give more time to purchase, build, rebuild, repair or renovate a new principal home before their pension being impacted.

The changes will see the deeming rate on principal home sale proceeds intended to purchase a new home significantly lowered from 2.25 per cent per annum to 0.25 per cent per annum.

The deeming rate is an assumed rate of return on financial assets which is used in determining pension amounts.

Minister for Social Services Amanda Rishworth said the Social Services and Other Legislation Amendment (Incentivising Pensioners to Downsize) Bill 2022 would benefit thousands of pensioners and other recipients each year.

More than 8000 pensioners downsized last year and it is hoped this number will increase if the changes are legislated.

“We don’t want people putting off downsizing to a more suitable home because they are concerned about the impact it could have on their payment rate and overall income,” Minister Rishworth said.

“These changes will give pensioners more flexibility to find a suitable new home and it will hopefully free up larger housing stock for younger families who need it.”

Currently, when a pensioner (or other eligible income support recipient) intends to use the proceeds from selling their home to purchase or build another home, those proceeds are exempt from the social security assets test for up to 12 months.

An additional 12-month extension is available in extenuating circumstances - such as building delays due to a natural disaster.

The majority of these proceeds are usually deemed to earn income at the upper deeming rate, currently 2.25 per cent per annum. This can have a significant impact on a person's pension or other payment rate.

The legislation to be tabled today will extend the assets test exemption to 24 months for principal home sale proceeds. The additional 12-month extension will still be available in extenuating circumstances.

During the exemption period, only the lower deeming rate will apply to these sale proceeds in the income test. The lower deeming rate is currently 0.25 per cent per annum.

Pensioners during exemption periods continue to be treated as homeowners for means testing purposes and are eligible for Commonwealth Rent Assistance if they are paying private rent for their alternative accommodation.

This measure builds on the Government's earlier commitment to freeze the deeming rates at their current levels for two years to 30 June 2024.

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