

Helping clients receiving a National Redress Scheme payment

A guide for financial counsellors,
community lawyers and
caseworkers

August 2023

About this guide

The National Redress Scheme (NRS) is making redress payments of up to \$150,000 to survivors of institutional child sexual abuse in Australia. Some recipients will be managing a large lump sum of money for the first time in their lives, and many are vulnerable due to issues that include ongoing trauma, mental and physical health issues, and questions of capacity.

This guide is for financial counsellors, community lawyers and caseworkers assisting clients in this unique situation.

Disclaimer

The information provided in this guide is for information only. It must not be relied on as legal advice. You should seek legal advice about your own particular circumstances. Last updated August 2023 ©knowmore

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The National Redress Scheme

About the scheme and how it works.

The Royal Commission

In 2012 the Commonwealth Government established a Royal Commission into Institutional Responses to Child Sexual Abuse. Over five years, from 2013, the Commission heard more than 8,000 personal stories of abuse that occurred at more than 4,000 institutions – a national tragedy.

The National Redress Scheme (NRS)

In response to the Royal Commission's recommendations the government established a National Redress Scheme (NRS) to provide support to survivors. The NRS is administered by the National Redress Scheme branch of the Commonwealth Government Department of Social Services. As well as ongoing counselling and a direct personal response, survivors will receive a redress payment of up to \$150,000. The amount offered may cause distress, as many people believe the abuse, they experienced deserves the maximum amount.

More information

The NRS was established through the **National Redress Scheme for Institutional Child Sexual Abuse Act 2018 (Cth)**, www.legislation.gov.au/Details/C2018A00045. This Guide refers to various sections of the legislation.

Calculating the redress payment amount

The redress payment acknowledges and recognises the impact of the abuse, and offers an amount up to \$150,000, with an average payment of approximately \$83,000.

Any previous state government or institutional payments made to survivors in relation to sexual abuse will be indexed and deducted from the amount assessed. Indexation, at 1.9% **compounded** per year from the date of the previous payment until the date of the NRS application, will be added to the calculation. For example:

Redress payment offered	\$ 100,000
Less a previous payment in 2014 of	\$ 40,000
Indexation on \$40,000 @1.9% p/a x 8 years	<u>\$ 6,500</u>
Total to be deducted as a relevant prior payment	<u>\$ 46,500</u>
Balance of redress payable	<u>\$ 53,500</u>

All state and territory governments as well as the Commonwealth have joined the National Redress Scheme. Many of the large non-government institutions such as Scouts, YMCA, Salvation Army, Uniting Church, and most Catholic and Anglican institutions, have also joined. The institutions that have joined is subject to change.

Timing of the NRS

The NRS will operate for 10 years with the last day for regular applications being 30 June 2027.

Importantly, an application can continue to be processed even if the applicant dies before a determination is made. Clients with life-threatening illnesses or who are elderly should lodge their applications now, even if the institution where they were abused has not yet joined the NRS. It is also important to ensure that your client has a valid will to indicate the payment will be distributed according to their wishes in the event that it is paid after their death.

More information

For current information about which institutions have joined, visit the **NRS website**
www.nationalredress.gov.au/institutions

knowmore legal service

knowmore is a national legal service that was established to provide advice and information to people engaging with the Royal Commission into Institutional Responses to Child Sexual Abuse. It provided advice to more than 8,500 people who were engaging with the Royal

Commission, with approximately one-quarter of them being Aboriginal and Torres Strait Islander.

knowmore has been funded to provide survivors of child sexual abuse – many of whom are vulnerable and need expert support – with legal advice and referrals. knowmore provides quality, trauma-informed, culturally safe advice on legal options with regard to the NRS, other compensation schemes and common law claims.

knowmore is a multidisciplinary service, with intake workers, social workers and counsellors, Aboriginal and/or Torres Strait engagement advisors and financial counsellors who work alongside the lawyers to support clients through the process of applying for a NRS payment.

knowmore receives funding from the Department of Social Services to employ financial counsellors to assist people engaging with the National Redress Scheme.

Protected payments

Payments from the National Redress scheme are protected from Commonwealth Government debt recovery processes (such as Centrelink debts, tax debts, Child Support debts and HECS/HELP debts) and State Government debt recovery (such as fines).

Bank account

Recommendation to open new bank account for NRS payment

Applicants will need to provide a bank account to have their payment made to. The account must be in their own name. The acceptance document for a redress payment allows applicant to choose for the payment to be made into their bank account that Centrelink has on record.

We recommend opening a brand new bank account for the purpose of receiving redress funds. The banks can only protect the NRS payment if they can identify it, and this is extremely difficult if the NRS payment is mixed together with other money.

This also has the advantage of keeping the NRS payment separate from other money which can assist the recipient to manage a lump sum payment.

Applicants will need to provide proof that the account is in their name. They may provide any of the of the following:

- A printed screenshot of their internet banking account that shows the recipient's name and bank account details.
- A copy of the top of a bank statement, that shows their name and bank account details.
- A copy of signed confirmation from their financial institution that shows their current bank account details.

Note: The Scheme does not need to see the account balance or any transactions.

Joint accounts

If an NRS payment is made to a joint account, only 50% of the payment may be protected. Money that is given away (gifted) is no longer protected. This includes situations where a client puts their payment into a joint account.

NRS Payment options

All final offer letters from the NRS will now include the option for an applicant to select how they would like to receive their payment. The applicant may select from the following options:

- Single Lump Sum
- Instalments Only
- Combination of Lump Sum and Instalments

These options give the applicant real choice on how to receive the payment, with the option of being able to spread regular payments out over a period up to a few years (currently five 5 years). Depending on the recipient's financial situation this can help to manage or protect the payment.

It is important to note that the option to accept a payment by instalment can be changed if the recipient's circumstances change.

REDRESS PAYMENT CHOICE

You can choose how you want your redress payment paid. The Scheme can pay redress as a single lump sum payment or by instalments.

Please mark a box next to the **payment option** that best suits you. If you do not mark a box, the Scheme will make a single lump sum payment to your nominated bank account.

Option A – Single Lump Sum Only

I want to receive my redress payment as a single lump payment.

Option B – Instalments Only

I want to receive my redress payment as a series of instalments:

Choose from the list below how often you want to receive your instalment payments:

- | | |
|---|---|
| <input type="checkbox"/> every 12 months (1 payment a year) | <input type="checkbox"/> every month (12 payments a year) |
| <input type="checkbox"/> every 6 months (2 payments a year) | <input type="checkbox"/> every fortnight (26 payments a year) |
| <input type="checkbox"/> every 3 months (4 payments a year) | |

You can spread your instalments out over 5 years. Please **circle** how many years you want your instalment payments paid.

1 year

2 years

3 years

4 years

5 years

Option C – Combination of Lump Sum & Instalments

I want to receive my redress payment as an upfront lump sum payment amount paid with the balance paid by instalments.

Please write in the boxes below the amount you want to receive as an upfront lump sum:

\$

Choose from the list below how often you want to receive the balance paid by instalments:

- | | |
|---|---|
| <input type="checkbox"/> every 12 months (1 payment a year) | <input type="checkbox"/> every month (12 payments a year) |
| <input type="checkbox"/> every 6 months (2 payments a year) | <input type="checkbox"/> every fortnight (26 payments a year) |
| <input type="checkbox"/> every 3 months (4 payments a year) | |

You can spread your instalments out over 5 years. Please **circle** how many years you want your instalment payments paid.

1 year

2 years

3 years

4 years

5 years

If you choose one of the **instalment options** above, the Scheme will contact you with a payment schedule. You can change your instalment plan if your circumstances change.

\$10,000 advance payments

Some older and terminally ill applicants are eligible for a \$10,000 advance payment. Those who are eligible will be notified directly by the scheme. The scheme can be called to discuss if an advance payment is relevant.

It is important for people considering the option of an advance payment to speak with a financial counsellor prior to accepting the offer, particularly if they have debts or receive Centrelink benefits.

It is critical that applicants accepting the advance payment understand the risks of receiving the advance payment before they accept the offer.

The advance payment has the same protections and obligations as a full NRS Payment.

Eligibility

An advance payment is available for applicants who are:

- Terminally ill - there is no definition for 'terminal illnesses'. The Scheme may require some evidence of a terminal illness diagnosis; however, the intent is to be trauma-informed and not to make this an onerous requirement.
- 70 years of age and over
- Aboriginal and Torres Strait Islander people 55 years of age and over
- Have exceptional circumstances that justify the payment to the applicant (to be determined by the scheme operator on a case-by-case basis).

Implementation

- Applicants will **not** be able to apply for an advance payment.
- The scheme will identify eligible applicants from:
 - Applications that have already been received
 - New redress applications received.
- The Scheme will contact eligible applicants to offer an advance payment.
- The Scheme will not be making an advance payment if an offer is imminent.
- If an applicant chooses to accept the advance payment, \$10,000 will be deducted from any offer they may receive for redress.
- If an applicant's final offer of redress is nil or less than \$10,000, they will not have to pay the money back to the Commonwealth Government.
- An applicant may be eligible for an advance payment even if an institution is defunct.

- An applicant may receive an advance payment if the institution named in their application as responsible for the abuse does not join the Scheme.

Exceptional circumstances

'Exceptional circumstances' are not defined in the act. Although the act allows for an advance payment under 'exceptional circumstances', there is no specific eligibility criteria to guide this process. It is expected that advance payments for applicants with exceptional circumstances will be very rare.

However, if the Scheme becomes aware of exceptional circumstances of an applicant, the Scheme may make an offer of an advance payment on a case-by-case basis. It is not intended to cover additional defined cohorts. When supporting an applicant with an exceptional circumstances request, in addition to the exceptional circumstance, you should inform the Scheme what support services they have attempted to access and how the advance payment will improve their situation. The Scheme may ask the applicant, or their nominee, for more information to determine eligibility for an advance payment under exceptional circumstances.

Risks

The \$10,000 advance payment will need to be repaid if:

- the applicant withdraws their NRS application
- the applicant does not accept the final offer
- the applicant provides false information in their application.

If an applicant withdraws their application for redress, or declines an offer of redress, they will need to repay the \$10,000 advance payment. The Scheme will work through this with the applicant on a case-by-case basis, to recover the debt.

Note: there is no clear outline of hardship considerations by the scheme for clients who are asked to repay the advance payment.

Centrelink

Informing Centrelink

If your client is receiving an income support payment, they are obliged to inform Centrelink of any redress payment within 14 days of receiving it, where their financial position changes by \$2,000 or more Centrelink may require a copy of the bank statement that the NRS funds have been paid in to. Your client should tell Centrelink that the amount is an exempt lump sum (this is also known as an 'excluded amount'). To maintain their privacy your client could ask to speak to a team leader and state that they wish to advise that an exempt lump sum, also known as an 'excluded amount', has been deposited into a new bank account.

In our experience, Centrelink is likely to ask the NRS recipient to verify that it is an exempt lump sum or excluded amount. This can be distressing for some clients. knowmore was successful in advocating for a letter to support the process of recipients advising Centrelink of their payments. All recipients will receive this letter with their remittance advice.

Even where a client selected to have their NRS funds paid into the account on record with Centrelink they still need to report the payment as received. The NRS does not notify Centrelink about making the NRS payment.

Income and assets tests

Receiving a redress payment may affect your client's Centrelink income support.

Centrelink does not treat an NRS payment as income, so it is not subject to their income test. However, deemed amounts are counted as income and assessed under the income test (see next section).

If your client receives a Centrelink income payment the redress payment is treated as an asset under the Assets Test. Depending on the amount of the redress payment and the client's other assets, this

More information

Read more on the Services Australia website about:

- **Assets Disability Support Pension**
www.servicesaustralia.gov.au/assets-test-for-disability-support-pension?context=22276
- **Assets tests Allowances**
www.servicesaustralia.gov.au/assets-test-for-allowances
- **Assets tests Aged Pension**
<http://www.servicesaustralia.gov.au/assets-test-for-age-pension?context=22526>
- **Income and assets test JobSeeker**
www.servicesaustralia.gov.au/individuals/services/centrelink/jobseeker-payment/how-much-you-can-get/income-and-assets-tests
- **Deeming rules**
www.servicesaustralia.gov.au/individuals/topics/deeming/29656
- **Liquid Asset waiting period**
www.servicesaustralia.gov.au/individuals/topics/liquid-assets-waiting-period/28631

may or may not affect their rate of Centrelink income or eligibility.

If your client is a Centrelink recipient, the effects on the payment will depend on whether they:

- are receiving a pension (e.g., Age, Veterans, Disability) or a benefit (e.g., Jobseeker, Youth Allowance or Austudy)
- are single or partnered
- are a homeowner or non-homeowner
- have assets and other income.

It is also important to note that there is a 'liquid assets' waiting period for people applying for Jobseeker, Youth Allowance or Austudy. This applies to anyone with funds in excess of:

- \$5,500 for a single person with no dependants
- \$11,000 for a person with a partner or dependants.

The NRS payment is NOT omitted from this calculation, and it may mean that someone with an NRS payment in their bank account will need to wait up to 13 weeks to receive a benefit.

Details on the 'liquid assets' waiting period are available on the Services Australia Website.

If your client has any queries on how the NRS will affect their benefit or pension, they can call the Financial Information Service at Centrelink on 132 300 to discuss their situation.

Deeming rates

Centrelink assumes that any money or shares and investments (financial assets) earn a set amount of income. This is referred to as deeming.

Deeming will be calculated on NRS payments as well as other financial assets.

This is important as the deemed income may have an effect on your client's Centrelink payment or public or social housing rent payments.

From June 2023, the following rates have been used to calculate deemed income. The rates change from time to time but can be confirmed on the Services Australia website.

- Single Pensioner: 0.25% on the first \$60,400 and 2.25% on the balance.
- For someone who is in a partnership where at least one person receives a pension, the first \$100,200 of the combined financial assets has the deemed rate of 0.25% per year and anything over \$89,000 is deemed to earn 2.25%.
- For someone who is a member of a couple and not receiving a pension the first \$50,100 of each of their own and their share of joint financial assets has a deemed income of 0.25% per year. Anything over \$50,100 is deemed to earn 2.25%.

If the investment return is higher than the deemed rates, the extra amount earned is not counted as deemed income.

Example: Calculating the effect of deeming rules (Deeming rates current as at 1 July 2021)

Your client is a single woman on a Disability Support Pension (DSP) who receives no other income and owns her own home. She accepts an offer of \$150,000 and decides to invest her \$150,000 redress payment in full.

The deemed rate of 0.25% is applied to the first \$ 60,400 of her financial assets. The deeming rate for the remainder (i.e. \$89,600) is 2.25%.

\$60,400 @ 0.25% = \$151 per annum

\$89,600 @ 2.25% = \$2016 per annum

Total = \$2167

\$2167 divided by 26 fortnights = \$83.35 income per fortnight

In this example, your client's income is well under the threshold of \$204 per fortnight, so her DSP is **not affected**. However, if her income were to go above that threshold the DSP would be reduced by 50 cents for every dollar earned over \$204.

Income thresholds

People receiving Centrelink payments are allowed to earn some income before their pension or benefit starts to be reduced.

The amount that people can earn before their Centrelink payment is affected changes from time to time and varies according to their individual situation.

Full details are available on the Services Australia website www.servicesaustralia.gov.au/ or by calling the Financial Information Service at Centrelink on 132 300.

Work Bonus

The Work Bonus is designed to keep people over the Age Pension age engaged in the paid workforce. Under this arrangement, your client can earn up to \$300 per fortnight without affecting the income test, due to their age and employment status.

The Work Bonus may apply to your client if they are:

- over the age to receive an Age Pension
- earning an income from employment
- not receiving the Parenting Payment single.

More information

Read more about the **Work Bonus** on the Services Australia website.

www.servicesaustralia.gov.au/individuals/services/centrelink/work-bonus

Gifting

If a client gives away more than \$10,000 in a year (or more than \$30,000 over five years) the amount will be treated as an asset for five years and may affect their Centrelink income throughout that period.

Special Benefit recipients

The Special Benefit is a payment granted to someone ineligible for any other income support payment. Most recipients are newly arrived migrants and refugees, so it is unlikely that a redress payment recipient will be on the Special Benefit payment.

If a client does receive the Special Benefit, their redress payment is counted as 'savings' and their Special Benefit cancelled if their savings go over \$5,000. The Special Benefit is intended as a 'payment of last resort'. Its rules are highly restrictive, and if a person's financial circumstances improve, they become ineligible.

Compensation separate to the NRS

If your client has received a payment that has been directly paid by an institution, government department or church-based organisation, rather than received through the NRS, the above may not apply and the payment may be treated as income. This could have serious implications for your client's eligibility for Centrelink over an extended period (the assessed preclusion period), depending on the size and nature of the payment.

More information

If your client needs legal advice on a compensation payment, they can contact their local social security rights service.

The Financial Information Service (FIS) at Centrelink can provide information for people that have received compensation payments and how these payments may affect their Centrelink entitlements. The FIS can be contacted on 132 300.

Further information and advice

Most states have Social Security Rights Legal Services that can provide further advice on these issues. Contact details for these services are located at the Economic Justice Australia website here: <https://www.ejaustralia.org.au/wp/legal-help-centrelink/>

Aged care facilities

NRS payments are considered assets by Aged Care Services.

Residents of an Aged Care home are required to contribute to the cost of their care by paying a 'basic daily fee', currently \$58.98 per day. The fee is deducted from the resident's income. In most cases this is deducted from the resident's Centrelink Pension and is equivalent to 85% of the Aged Pension.

Aged care residents are required to undergo an assets test. Where the resident has more than \$57,000 in assets, they are required to contribute extra as an 'accommodation contribution'. The NRS payment is considered an asset by Aged Care Services, and this can result in NRS recipients having to pay significant extra fees once they receive the payment.

Some examples of the impact this can have on an Aged Care resident:

Single person residing in Aged Care with no assets and receiving full aged pension.

Current Basic Daily is: \$58.98 (\$825.72 per fortnight).

If this survivor receives \$50,000 from the NRS, they will be under the Aged Care asset thresholds and still only have to pay the 'basic daily fee'.

If they receive \$80,000 from the NRS, they will be required to pay the basic daily fee plus an accommodation contribution of \$11.05 per day (\$154.7 per fortnight or \$4022.20 per year).

If they receive \$100,000 from the NRS, they will be required to pay the basic daily fee plus an accommodation contribution of \$20.67 per day (\$289.38 per fortnight or \$7523.88 per year).

A survivor who receives the maximum NRS payment of \$150,000 would be required to pay an accommodation contribution of \$44.71 per day (\$625.94 per fortnight or \$16274.44 per year).

You can use this calculator to estimate aged care cost
<http://www.myagedcare.gov.au/how-much-will-i-pay>

Other entitlements

Advise clients on whether and how a redress payment affects other entitlements.

Tax

Redress payments are **not taxable**.

Social housing (public, community and Aboriginal housing)

Redress payments should not affect a client's qualification for social housing. The interest earned on assets can affect the calculation of rental payments. knowmore successfully advocated to state and territory housing ministers for redress payments to be exempted from eligibility assessments and assets tests. As of October 2019, all have agreed to introduce processes to exempt the NRS payment. They have indicated that the interest received on investing the payment will be calculated as income and may cause a small increase in rent. If a client has given their housing provider permission to gather income information from Centrelink, Centrelink will be providing any deemed income amounts as a form of income.

Each state public housing jurisdiction has different income and assets thresholds, but in relation to the NRS payment, generally only the income threshold may affect those clients who are in social housing.

Community housing organisations either own housing stock or manage it on behalf of government departments. The national peak body for the sector, the Community Housing Industry Association, has indicated that if state housing authorities agree to exempt redress payments, it will do the same.

Affordable housing

Issues have been identified around the asset tests for NRS recipients who live in affordable housing (as distinct from public or social housing). There have been concerns raised by some NRS recipients that they may lose their homes if the NRS payment is included in the asset test for their property.

Some affordable housing providers have been able to clarify that the NRS payment will be excluded from asset tests, however this has been on a case-by-case basis with each affordable housing provider.

NRS payments and client estates

Financial counsellors regularly have discussions with clients around paying for funerals, funeral insurance and the need to have a valid will.

It is important to deal with all outstanding debts prior to an NRS payment being paid to a client's estate upon their death. The protections surrounding an NRS payment cease upon a person's death, and it is possible that some of the debts that the redress payment may have been protected from may need to be paid out of the estate.

Insurance - TPD, income protection

Some clients may receive a total and permanent disability (TPD) insurance lump sum and/or income protection monthly payments through employment superannuation or through private or group insurance policies.

Generally, a redress payment will not affect such insurance payments. Life insurance, trauma and TPD lump sums are only rarely offset by other payments or benefits.

More information

If you have a case where a life insurer proposes to offset the redress lump sum against their income protection policy, please contact the financial counsellors working at knowmore on **1800 605 762**.

However, some life insurers reserve the right to reduce income protection payments by 'offsetting' other income received. Such policies typically offset other income or statutory compensation payments, and a redress payment does not fall under either of these categories. A few policies also offset any other 'payments' or 'benefits', and depending on the policy's wording, a redress payment could be captured by these. If your client is adversely affected, please contact the financial counsellors at knowmore and access to expert advice can be provided.

National Disability Insurance Scheme (NDIS)

NDIS eligibility is based on an assessment of the level of disability. A person's income and assets are not included in this assessment. The **redress payment does not affect NDIS eligibility**.

There is a question in the NDIS assessment (Part F), which asks whether the applicant previously sought compensation related to their disability or injury. Any NRS application is **not** relevant to this question and does not need to be disclosed.

Legal Aid Grants

To qualify for a grant from Legal Aid, clients must satisfy the means and merits tests. knowmore has advocated with state and territory legal aid commissions in Australia, to

request that redress payments be exempted from the means test. Most states and territories have decided to exempt redress payments from their means test.

Sometimes a written request is needed to be sent to the relevant grants section to request that the NRS payment be excluded from the means test. If relevant, the request can be made on the basis that a payment to acknowledge the abuse that a person suffered as a child should not cause them any disadvantage as an adult.

If an exemption is granted, it is important to note that the payment will continue to be exempt while it remains in the client's bank account. If the client spends the NRS money buying other assets which are not exempt, the means test may be reassessed and the grant of legal aid may be withdrawn.

Client debts

Financial counsellors can advise clients on how a redress payment relates to debts and support them to avoid using the payment to settle debts if there are other options. It should be noted that while the NRS payments will be excluded from some collections processes, the debts do not go away, and the client will still need to manage the debts.

Commonwealth debt

Under the *National Redress Scheme Act 2018*, redress payments are **protected from Commonwealth government debt recovery processes**. This includes child support debts, social security (Centrelink) debts, HECS/HELP (Higher Education Loan Program) debts, and taxation debts.

State debt (fines and infringements)

Under section 49.2 of the NRS legislation, redress payments are **protected from state government debt recovery processes**. This most commonly applies in the recovery of infringement and fines.

Debts owing to a bank or credit union

Both the banking and credit union sector have **voluntarily agreed to take steps to quarantine redress payments from any debt recovery processes**. Clients may still want to use their redress payment to pay or settle debts owing to a bank or a credit union and should seek advice from a financial counsellor or community legal centre before doing so.

Third party debts owing to insurers

Suncorp has agreed that NRS payments will be quarantined from debt recovery action and not included in any third-party debts (typically uninsured motorists). Their brands include AAMI, Suncorp, APIA, Bingle, Vero and Terri Scheer (landlord insurance).

Child support payments

If a person has a debt for unpaid child support, the redress payment cannot automatically be used to pay it as it is protected as a Commonwealth debt.

If the recipient of the child support payment becomes aware of changed financial circumstances (including an NRS payment), they may request a review of current payments **because the person's property and**

Important

For more information please refer back to the **DSS Child Support Guide**

guides.dss.gov.au/child-support-guide/2/6/14#earningcapacity

financial resources have changed. An NRS payments will not be included in an assessment of changed financial assets, however, may be included in an overall **assessment of earning capacity** e.g., where the NRS recipient decides to work less because of receiving the NRS payment.

Debts owing to other creditors

Other creditors are not prevented from taking legal action to recover debt allegedly owing to them.

Garnishee orders

The laws around garnishee of a NRS payment are complicated. It is much simpler to address the client's debts before they receive a payment. We encourage anyone who has debts and who is likely to receive a NRS payment to speak with a financial counsellor prior to accepting an offer from the NRS.

Where a redress payment is being, or has been, paid to the credit of an account, and a **garnishee order** comes into force in relation to that account, the court order does not apply to any 'saved amount'.

Section 50 and Section 53 of the legislation sets out a method statement:

Step 1. Work out the amount of the redress payment that has been paid to the credit of the account in the year immediately before the court order came into force.

Step 2. Subtract from the amount of that payment the total amount withdrawn from the account during that year: the result is the **saved amount**.

Example: Calculating the saved amount

Your client receives a \$75,000 redress payment, which is paid into his nominated bank account. He withdraws \$25,000 over the course of the year before a court order was granted. The saved amount is \$50,000, which is protected from any garnishee order.

If your client has a debt that is subject to a garnishee order and the creditor is not a bank or credit union (which have agreed to quarantine NRS lump sums from debt recovery), consider referring the client to a financial counsellor for assistance.

Bankruptcy

Redress payments are protected in bankruptcy because they **are not divisible property**. This means that while the NRS payment is held in a bank account, it cannot be used to pay any debts under the bankruptcy order.

However, if a NRS recipient uses the redress money to purchase an asset, the asset can be used in debt collection and enforcement. This means that once the money is spent, the item/s that are purchased are not protected the same way the cash payment was, and the item/s may be sold by the trustee to pay creditors.

It is for this reason that we strongly recommend that a separate bank account be opened into which the redress payment can be paid. This will keep the payment separate from other money, easily identified, and therefore protected.

Managing a lump sum

Support vulnerable clients to manage a lump sum to their best advantage, while upholding their right to spend the redress payment as they wish.

Budgeting

Some vulnerable clients may not have the experience or financial literacy to manage a lump sum to their best advantage and may be tempted to spend their redress payment all at once. While clients have an inalienable right to decide how they will spend their payment, consider giving them as much help as possible learning how to make the money last so that it benefits them in the long run.

High-interest savings accounts and term deposits

For clients who do not need to use the money immediately, placing the redress payment into a high-interest savings account or term deposit may be a good option.

Savings accounts help savings grow faster. They pay a higher interest rate than basic transaction accounts. Some also make it harder to access the money, restricting when the account holder can redraw the funds.

Term deposits earn a fixed rate of interest over a fixed term. Banks, credit unions and building societies offer term deposits.

The benefits of term deposits are:

- there is virtually no risk of losing a deposit as the Australian government currently guarantees all deposits of up to \$250,000 with Authorised Deposit-taking Institutions (ADIs)
- the interest rate does not change over the term and is usually higher than a transaction account.

However, term deposits do have downsides:

- if your client decides they want to access their money before the term deposit matures, they will have to pay a penalty

Important

If your client is receiving payment from Centrelink, they can contact the Financial Information Service at Services Australia to work out how they are likely to be affected by Centrelink's deeming rules. Call **132 300**

Important

Make sure that clients do not confuse term deposits, offered only by Authorised Deposit-taking Institutions (ADIs), with less secure investments where the interest rate is also fixed for a number of years.

See the Australian Prudential Regulation Authority's list of ADIs.

www.apra.gov.au/register-of-authorized-deposit-taking-institutions

- term deposits may offer a smaller return than comparable products, such as bank online savings accounts
- honeymoon rates can drop if the investment automatically rolls over to a new term at maturity. To maximise the return, your client should renegotiate the term deposit interest rate every time it matures.

Buying real estate

Your client may want to use the redress payment to put down a deposit on a property or purchase property jointly. If your client has not owned property or borrowed large amounts of money before, advise them on:

- the costs of owning property, including council and water rates, insurance, repair and maintenance, tax where applicable (i.e., investment properties), and the costs of borrowing
- the risks of taking on a mortgage that is not affordable in the long run
- the risk that some real estate agents, property spruikers, finance and mortgage brokers may try to convince the client to buy property they cannot afford. If the client purchases property they cannot afford, they may end up losing the property – and their redress payment with it.

Investment advice

Help clients to get reputable investment advice if they want to invest their redress payment.

Financial advisers

A financial planner or financial adviser is a person or authorised representative of an organisation, licensed by ASIC (Australian Securities and Investments Commission) to provide advice on finances, which may include investing, superannuation, retirement planning, estate planning, risk management, insurance and taxation.

More information

Learn more about financial advisers on the **MoneySmart** website
www.moneysmart.gov.au

Financial Information Service (FIS) – Services Australia

The Financial Information Service (FIS), part of Services Australia, is a free service that helps people make informed decisions about their finances. FIS officers can help your client to understand their financial affairs and options, including investment options, and provide information about the roles of financial professionals and how to use their advice. They can also discuss how the NRS payment will affect their Centrelink payments.

Financial Information Service (FIS)

Centrelink advises on their website that you can contact FIS on the usual number for the payment type received and request to speak with the Financial Information Service.

www.servicesaustralia.gov.au/how-to-contact-financial-information-service?context=21836

Economic abuse

Support clients to protect themselves from potential economic abuse by family or friends.

Discussing the issue

Clients may be vulnerable to pressure to give their redress payment to family members. This can be a sensitive issue. Consider using these talking points:

- taking care of your family is a good thing to do, but if you give all your money to your family, you won't have enough to pay for rent, bills and food. You might have to borrow money to make ends meet and end up getting into debt yourself
- to help your family now **and** in the future, look after your money and yourself first so that your money will last for when you and your family really need it.

Making a budget

Encourage clients to make a budget covering essential expenses, and then, if there is money left over, decide how much to give to family and how much to save. The client can tell family members that there is only a set amount of money for them each payday so the family members will be discouraged from asking for more money.

Checking bank statements

Advise clients to:

- regularly check their bank statements to make sure no extra money is being taken out
- talk to the bank about getting a new card or changing their PIN if money is being taken out by someone else
- keep statements somewhere safe and private (if other people can't look at your statements or account, they won't know how much money is in the account).

Keeping bank cards and PINs safe

Advise clients to keep their bank card somewhere only they can find it. They should keep their PIN safe by memorising it. Advise clients to **avoid**:

- writing the PIN on their card
- keeping a note of the PIN in their wallet or purse
- telling anyone else their PIN, not even family or friends.

Setting up a savings account

If you are concerned that your client may be experiencing financial abuse, you might advise them to set up a new account where the money **cannot** be accessed with an ATM card.

You may be able to help the client to choose a low- or no-fee account.

More information

Read more about savings accounts on the **MoneySmart** website www.moneysmart.gov.au/

Elder abuse help lines

These organisations can offer assistance to people who may be experiencing or who are at risk of elder abuse.

WA	AdvoCare	1800 655 566	www.advocare.org.au
NT	Darwin Community Legal Service	1800 812 953	www.dcls.org.au
SA	Aged Rights Advocacy Service (ARAS)	08 8232 5377	www.sa.agedrights.asn.au
QLD	ADA Australia	1800 818 338	www.adaaustralia.com.au
NSW	NSW Aging and Disability Abuse Helpline	1800 628 221	www.ageingdisabilitycommission.nsw.gov.au
ACT	ACT Disability Aged Carer Service (ADACAS)	02 6242 5060	www.adacas.org.au
VIC	Seniors Rights Victoria	1300 368 821	www.seniorsrights.org.au
TAS	Advocacy Tasmania	1800 005 131	www.advocacytasmania.org.au

Exploitation and scams

Advise clients on how to protect themselves from scams and exploitive commercial practices.

Avoiding paid intermediaries

While the focus will be on managing a lump sum, it is possible that clients may be influenced by a growing number of services advertised on television, radio and in local newspapers that claim they can solve debt problems. These services often do not set out the full range of choices clients may have available. Instead, they may focus on one solution, such as a Debt Agreement under the *Bankruptcy Act*, or personal budgeting services with upfront and ongoing fees. These 'solutions' can be costly, and often benefit the provider more than the client.

Assist your client to tackle any debt issues and consider advising them to avoid these 'debt management' firms.

Avoiding scams

Clients may be vulnerable to scams and dodgy traders, particularly if people know they have received a redress payment. You could share these tips:

- Be careful who you tell about the redress payment.
- Be wary of anybody who approaches you with an offer on how to spend your money – it may be a trick. If an offer sounds too good to be true, it probably is!
- Someone may contact you by phone, email, and social media or in person to ask you to invest in a company. Do not give them any information. Stop dealing with them: walk away, hang up the phone, or delete and block any emails or messages.
- **Never** give out your personal, banking or credit card information or SMS code to anyone who contacts you. When someone calls or emails you, you can never be sure the person is who they say they are. They might say they are from your bank or a government agency when they are not.
- When paying bills online or over the phone, check directly with the company that you have the correct account details. Some scammers send fake invoices which may look like they come from legitimate companies.

More information

Read more about scams on the **MoneySmart** website

www.moneysmart.gov.au

Redress nominees

The difference between an assistance nominee and a legal nominee

Some clients may not have the capacity to make informed decisions about whether to accept a redress payment and how to manage it. If clients do not have capacity to make a decision about accepting or rejecting a redress offer, they will need to have in place a 'legal nominee' who can make that decision on their behalf. Section 83 of the NRS legislation outlines the duties, functions and responsibilities of an assistance nominee or legal nominee.

An assistance nominee can:

- help a client to complete the redress application
- receive copies of all letters
- ask questions about the redress application
- receive phone calls about the redress application
- ask for an offer of redress to be reviewed.

An **assistance nominee cannot** make an application for redress or accept or reject a redress offer. Rather, their role is to assist the person through the process.

A **legal nominee** has wider powers. The legal nominee must already have been appointed to act for the person under an arrangement such as a power of attorney, or guardianship or financial management order. As a result, they will be able to make important decisions for the applicant in relation to redress such as accepting or declining the offer.

This means that a legal nominee can:

- do anything an assistance nominee can do
- apply for redress on a person's behalf
- accept or decline a redress offer on a person's behalf.

If capacity to make a decision about finances is an issue

If you believe that a client has an intellectual disability or cognitive impairment that prevents them from making reasoned financial judgments, seek advice from a relevant disability legal service or the relevant public trustee body.

Key contacts

knowmore legal service	1800 605 762	www.knowmore.org.au
National Debt Helpline	1800 007 007	www.ndh.org.au
Mob Strong Debt Help Line (For Aboriginal and Torres Strait Islander peoples)	1800 808 488	
National Redress Scheme	1800 737 377	www.nationalredress.gov.au

To find a **Financial Counsellor** near you go to:

<https://moneysmart.gov.au/managing-debt/financial-counselling> and type the suburb or post code into the search field.

Adelaide

Level 1, 99 Gawler Pl, Adelaide SA 5000
GPO Box 1365, Adelaide SA 5001
t 08 7092 2740

Brisbane

Level 20, 144 Edward St, Brisbane QLD 4000
PO Box 2151, Brisbane QLD 4001
t 07 3218 4500

Darwin

Level 2, 13 Cavenagh St, Darwin City NT 0800
GPO Box 413, Darwin NT 0801
t 08 7918 8455

Melbourne

Level 15, 607 Bourke St, Melbourne VIC 3000
PO Box 504, Collins St West VIC 8007
t 03 8663 7400

Sydney

Level 15, 175 Liverpool Street, Sydney NSW 2000
PO Box 267, Darlinghurst NSW 1300
t 02 8267 7400

Perth

Level 5, 5 Mill St, Perth WA 6000
PO Box 7072, Cloisters Sq WA 6850
t 08 6117 7244

Image inspired by original artwork by Dean Bell, depicting knowmore's connection to the towns, cities, missions and settlements within Australia.

knowmore acknowledges the Traditional Owners of the lands and waters across Australia upon which we live and work. We pay our deep respects to Elders past and present for their ongoing leadership and advocacy.

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