



Association of Independent Retirees (AIR) Ltd.

ACN 102 164 385

Queensland Division

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Caring for Older Australians - Draft Recommendations Supplementary Submission to the Productivity Commission

As a result of continuing investigation into the ramifications of the recommendations contained in the draft report Caring for Older Australians I request that the Commissioners attention be draw to the following details. One of the recommendations raised in the report was to do away with any taxation rebate to persons in a nursing home. AIR foreshadows that many of its members and others will face a serious financial disadvantage. The problem arises for those not set up with an allocated pension and operating in pension mode. This group of older Australians is generally in the over 75 aged group and are the main candidates for nursing home accommodation.

The Framework Proposed Continues an Inequitable Divide of seniors in Aged Care.

Our Association has members along with other persons in the aged community that can be divided into two types.

(a) Those that have long membership and are aged in excess of 75 years. They have worked hard, paid their taxes and raised good Australian families. They provided for their retirement by way of saving and investing in their own names property, shares and fixed investments. Superannuation was not available and they had no avenue of setting up an S.M.S.F. with a follow on to an allocated pension. They cannot, because of their age and their inability to meet a work test, set up an S.M.S.F. and transfer their assets into an allocated pension. Even those under 75 years would have to pay Capital Gains Tax to transfer assets into superannuation.

(b) Those that during their working life were given the opportunity to participate in Superannuation and retire with allocated pensions. These members also worked hard, saved, paid taxes and raised good Australian families.

The recommendations in the draft report impact differently on each of these groups. The inequity between these two groups should be removed and all treated equally.

The following points are made in support of this principle.

- (1) The Australian Tax Office currently collects over \$7 billion in tax annually from over 65's. This covers over one third of all pensions paid by the Government to all Australians. A further \$8 billion is collected by the 15% tax levy on super contributions which covers a further third of all pensions. So much for the theory that an ageing population is going to send the nation broke.
- (2) An article published in the Courier Mail Brisbane by Noel Whittaker, a financial guru well know in Queensland reveals that the average retiree spends more on medical and nursing home expenses in the last three years of their life than the whole of their previous life.
- (3) There are 170,000 aged persons in nursing homes in the whole of Australia. Of these some 70% as Commonwealth pensioners have the Federal Government paying for the total bill. Some 15% are self funded retirees with allocated pensions leaving approx 15% (25,000 persons) who are self funded retirees with their retirement assets held outside super. They are a small component of our total population and are a fading proportion of the community. The cost of extending equal treatment to this group is not a serious imposition on the federal budget.

This principle will require additional recommendations to be included in the final report to Government to overcome the continuing inequity between the each of these groups.

Removal of Tax Rebate on Aged Care Expenses.

In the draft report from the Productivity Committee it was recommended that taxation rebate for medical and nursing homes expenses are withdrawn. At present a person in a nursing home is allowed a tax rebate medical and nursing home expenses. A 20% tax offset is applied to the annual charges after deducting first \$2000 from the

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total expenses. Members are concerned that removing this tax concession threatens the financial capacity of self funded retirees who are in receipt of an allocated pension. Removal of this concession must be locked to the recommendation related to a *lifetime stop loss limit, the costs of care and basic accommodation*.

I apologise for making this late submission. However the concern of AIR members has risen as they become familiar with the content of the voluminous Commission's January 2011 draft report. Perhaps it is too late to include but AIR members consider it important enough to at least make the Commission aware of the facts. This submission has the endorsement of AIR - Queensland Division and should you need further clarification please contact Vince Watson who has prepared the basic facts used to assemble this submission.

Vince Watson can be contacted on telephone 07 3219 2421 or email superwsp@bigpond.com.au.

Yours truly,

Max Barton

President

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