



A.I.R. 2013 Pre-Election Statement:

Issues of concern to fully and partly self-funded retirees in the lead up to the 2013 Federal Election

Background

Successive Federal Governments have encouraged through their policies a position where Australians can ultimately self fund their retirement. Yet, in the eyes of many, they do little to support this philosophy for those who are self funding, either in part or in full, their retirement income stream and everyday expenses. Despite this policy position of encouraging self funding of retirement, governments have in practice consistently failed to fully support this group by restricting or taking benefits away.

The actions of successive Federal Governments have been to change and readjust the accumulation phase of superannuation and yet they do little to simplify or enhance the current restrictive drawdown phase of superannuation.

There has been little, if any, attempt made to address the ongoing stigma associated with the words and title “a self funded retiree” by governments at all levels and the media.

It should be appreciated that self funded retirees are a very diverse group of ordinary Australians who have worked hard to provide for their life in retirement. They are generally not high wealth individuals as many seem to infer. It is suggested that the majority of A.I.R.'s members are from lower middle class and middle class working employment background or are former small business owners. It is not disputed that high wealth retirees do not need any government support but these high wealth retirees are the exception and are an extremely small number of those retirees in Australia who self fund their retirement.

At the time of the 2011 census there were 3,012,289 persons in Australia aged 65 years and older. Of these, some 50% either partly or fully self fund their retirement. The remaining 50%, therefore, are either full age pensioners or still in the workforce.

Issues of Concern

FINANCIAL

- The proportion of people retiring with superannuation has now increased significantly. We believe there is a need for all aspects of regulation of the drawdown phase, including longevity financial management, to be reviewed and streamlined to reduce the cost of superannuation fund management in the pension phase.
- There remains a group of retirees who were unable to access superannuation in the past but who have funded their retirement through prudent investment in property and other assets outside the superannuation system. Currently sale of such assets acquired post 1983 attracts Capital Gains Tax (CGT). The issue is that by their nature and particularly in regard to property, these assets have to be sold in their entirety thereby attracting a significant CGT impost. We believe there is a case for taxation relief in these circumstances to meet day to day living expenses, at least to the same extent as applies for those with an account-based pension superannuation scheme or an annuity.
- Entry into a superannuation scheme should be allowable at any time – the age limits on superannuation co-contributions and individual voluntary superannuation contributions should be removed.

The discriminatory age and work tests for retirees 65 years and over should be abolished. The work test is based on the definition of 'gainful employment'; undertaking paid work for a minimum of 40 hours in a thirty day period in a financial year. Many retirees 65 years and over need greater flexibility than available with this definition because of their retirement priorities, economic circumstances, and family needs. Consequently, discrimination occurs often depriving those most in need from building their retirement savings in superannuation.

- While acknowledging the current economic situation, we believe that for reasons of equity, the ex-Commonwealth Government employee pension and the Defence Forces retiree pension indexing methods should be changed to that used for the Age Pension. This would remedy the present discrimination against these groups of retirees.
- A.I.R. believes that Safety Net concessions should be available on an equitable basis and that the Medicare and PBS Safety Net thresholds for single and widowed retirees should be set at 65% of the couples / families threshold level.
- The community benefit and support provided by the Commonwealth Seniors Health Card (CSHC) has been well documented and accepted by successive Governments for that small group of self-funded retirees above the Age Pension age who have qualified to receive the CSHC. It is acknowledged that CSHC does assist a small group of senior Australians of age pension age who are not in receipt of the age pension or another income support payment; however the upper qualifying limit for the CSHC has not been indexed for more than 11 years.

We believe that the upper threshold for eligibility for the Commonwealth Seniors Health Card (CSHC) should be indexed using the same calculation method and timetable as used for the Age Pension.

HEALTH CARE and THE IMPLEMENTATION OF THE NATIONAL HEALTH REFORM AGENDA

- The challenge for consumers is the rising out of pocket costs. Are health services actually improving with the National Health Reform Agenda so that consumers can have better and more affordable access to the services that they need?

We believe there is a need for a fundamental rethink of the central funding mechanisms for Australia's health system.

- We would like to see an end to the blame shifting between the Commonwealth and State Government on funding for the health system and real progress made in implementation of the reform agenda.

Consumers are only interested in accessing services and are also very concerned with:

- achieving better health outcomes for themselves;
- the continuing drift downwards of the percentage gap and thus higher out of pocket costs to consumers;
- the continuing increase in the difference between the scheduled fee and the fee charged to consumers;
- an improvement in the numbers of specialists providing bulk billing;
- the provision of rebated fees by specialists for Commonwealth Seniors Health Card holders;
- the indirect increase in health insurance premiums resulting from the rebate, to be only increased by CPI regardless of the quantum of the increase approved by the Government on annual premiums.

AGED CARE

A.I.R. acknowledges that the *Living Longer, Living Better (LLLBB)* aged care reform program represents a substantial start to reforming aged care and moving the system from being provider oriented to consumer directed.

The need for this program has been agreed by all parties and significant progress has been made to date with the implementation phase. It is imperative that this reform program be continued and strengthened with full support from all political parties.

OTHER ISSUES

- We acknowledge the introduction of the National Disability Insurance Scheme. However, we believe there is a need for an extension of the NDIS to assist retired people aged 65 years and older who develop a disability at this stage of life and who require additional care and support.

- We believe the Federal Government should recognise and take action to offset the financial impact on retirees on limited, fixed incomes arising from the rapidly increasing costs for federal, state and local government services. A good example of this is the Government's decision under the *Clean Energy (Household Assistance) Amendments Act 2001* to grant equal compensation to full and part age pensioners and holders of Commonwealth Seniors Health Card.
- 410 Visas: We believe that all 410 Temporary Retirement Visa Holders living in Australia should be granted Permanent Residency after a "probationary" period of 10 years. This group makes a significant contribution to the economy of Australia in many ways.
- Reforms to the Superannuation System
The Government's announcements on 5 April 2013 of reforms to implement changes to the drawdown phase of superannuation to improve the fairness, sustainability and efficiency of Australia's superannuation system created more concern for fully and partly self-funded retirees. A.I.R. called on Ministers Swan and Shorten to provide the level of detail required to allay the fears of self-funded retirees and provide reassurance that no further negative changes to the drawdown phase of superannuation will be implemented.

CONCLUSION

As noted in the Background section of this statement, successive Federal Governments have encouraged through their policies a position where Australians can ultimately self fund their retirement. Despite the rhetoric people who have, through their diligence and careful management, reached a position where they fully or partly self-fund their own retirement needs continue to be faced with uncertainty as Governments change policy positions.

A.I.R. is seeking from all members of the Federal Parliament and candidates standing for election in 2013, a response to the concerns of fully and partly self funded retirees raised in this paper. Following the election, A.I.R. will be seeking commitments from those elected that this group of the Australian community will be actively supported through policy initiatives and that there will be no further restriction or withdrawal of benefits.