# Association of Independent Retirees (A.I.R.) Limited

ACN 102 164 385

# 2009-2010
# Pre-Budget Submission
# to Government

**15 December 2008**

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Hon Wayne Swan, MP
Treasurer
Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Treasurer

**Association of Independent Retirees (A.I.R.) 2009-10 Pre-Budget Submission**

The attached Pre-Budget Recommendations describe some issues that are of concern to Self-funded Retirees and which affect their lives and living standards. They are submitted by A.I.R. in the sincere hope that the Government will accept the need for a more equitable recognition of the current needs of self-funded retirees, in the context of their ongoing economic and social contributions to Australia.

The great majority of Self-funded Retirees are not 'fat cats' in terms of income or capital assets. Most are being hurt very badly in the current economic turmoil, and they need help. The Recommendations in this Submission, which have been developed in consultation with A.I.R. members across all States and Territories, are realistic measures by which this help can be provided via the Federal Budget mechanism.

May I also advise you that the A.I.R. is well placed to inform and educate retirees about Government policies affecting their financial security. In this context, we would welcome the opportunity to participate in appropriate Government Consultative/Advisory Committees.

I hope that this Submission will be accepted as positive and supportive of Government policy objectives. Should you require any further information in relation to this or other matters, my contact details are as follows:

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Yours sincerely

Theresa Kot

Theresa Kot
National President

# Summary of Recommendations

A summary of the Recommendations in this submission from the Association of Independent Retirees (A.I.R.) Limited is set out below.

**Recommendation 1:**

That the Federal Government fulfills its 2007 election promise to provide $50 million over four years to establish a National Reciprocal Public Transport Entitlement to ensure that State Government Seniors Card holders can travel at concessional rates anywhere in Australia.

**Recommendation 2:**

That the upper income eligibility thresholds for the Commonwealth Seniors Health Card be reviewed, and that

(a) the threshold used for eligibility of a single person be reset to four times the full single-person Age Pension; and

(b) the ratio between single and partnered income thresholds be kept at 1.6.

**Recommendation 3:** That

(a) essential and extraordinary one-off withdrawals from Taxed Superannuation funds not be included in the 'adjusted' income that determines eligibility for the Commonwealth Seniors Health Card (CSHC), as is the Government’s intention in 2009; and

(b) because of the practical difficulty of defining 'essential and extraordinary' one-off withdrawals, the adjusted income to be used in 2009 (and for each tax year thereafter) to determine eligibility for the CSHC, be based on the average adjusted income determined for the previous three-year period (after automatically excluding any withdrawal used to provide for an Accommodation Bond).

**Recommendation 4:**

That the Medicare Safety Net and the Pharmaceutical Benefits Scheme Safety Net for single retirees who are not in receipt of an Age Pension be set at 60% of that for couples and families.

**Recommendation 5:** That

(a) the current Governmental requirement specifying that a minimum percentage (at least 5%) of the assets in a Taxed Superannuation Fund be withdrawn each year be re-set as the difference in percentages between the rolling average Superannuation Fund return and the CPI over the previous 10-year period; and

(b) given the impacts of the current economic turmoil on self-funded retirees, that the withdrawal requirement be suspended for at least the 2009-10 tax year and, preferably, for the tax years 2009-12.

**Recommendation 6:**

For retirees over the age of 65, capital gains tax (CGT) arising from the sale of capital assets held outside superannuation, for whatever purpose, should not be included in taxable income until the retiree's taxable income exceeds the upper income threshold for the 40% marginal tax rate.

**Recommendation 7:**

That the components of a retiree's income that are derived from an untaxed superannuation scheme and from non- superannuation 'outside' sources be assessed separately for taxation purposes, as is the case with a retiree who derives an income from a taxed superannuation scheme.

**Recommendation 8:**

That the Commonwealth Superannuation and Defence Pensions be indexed consistently using the same formula as is used to adjust the Age Pension.

# Introduction

The Association of Independent Retirees (A.I.R.) is the peak body representing the interests of retirees who are wholly or partly self-funded in retirement. A.I.R.'s members include full self-funded retirees, part-pensioners, and superannuants.

Formed in 1990, the A.I.R. is a not-for-profit, non-party political, volunteer organisation that is focused on matters affecting the standard of living, health and welfare of retired and partly-retired people. As well as carrying out research and gathering information that will assist its members in maximising their life opportunities, the A.I.R. is committed to educating the wider community (including political parties at all levels of Government) regarding the views and concerns of self-funded retirees.

**Recommendation 1:**
**That the Federal Government fulfills its 2007 election promise to provide $50 million over four years to establish a National Reciprocal Public Transport Entitlement to ensure that State Government Seniors Card holders can travel at concessional rates anywhere in Australia.**

Every State and Territory in Australia has a Seniors Card that is available to its senior citizens for use within the issuing State or Territory. Whilst individual States and Territories may offer particular concessions to their cardholders, all of the schemes classically have four things in common, viz.:(i) all Cards are made available, free of charge, by a given State or Territory to their retirees upon reaching a certain age, (ii) all offer concessions on the fees charged for travel on public transport in urban areas and on entrance fees to Museums and National Parks, (iii) all offer local business discounts, and (iv) none of the benefits associated with having a Seniors Card are legally available to Senior Citizens who live outside the issuing State or Territory.

Retirees visiting cities from afar are disadvantaged in that, for example, they do not have access to their motor cars, and must use public transport - for which they must then pay a much higher cost than would be paid by local retirees. Mainland retirees living in regions close to State/Territory borders are continually frustrated by their inability to access lower-cost public transport facilities after they have crossed into another State/Territory.
The non-availability of transport concessions often results in personal embarrassment for elderly retirees who are under the impression that their Seniors' Cards have reciprocal rights in other States/Territories, and are therefore valid for use on all public transport vehicles throughout Australia.

In its Plan for Older Australians, published in the lead-up to the Federal Election, the ALP stated that, if elected, it would provide $50 million over four years toward the provision of national reciprocal transport entitlements for Senior Card holders, and would negotiate with the State and Territory Governments to ensure that national reciprocal public transport concessions for Seniors are in place by no later than 1 January 2009.

The A.I.R. welcomed this commitment at the time of its publication, and notes that the Federal Government has, since then, entered into discussions with the State and Territory Governments regarding its implementation. The A.I.R. now seeks that the funds necessary to ensure the policy's implementation are included in the 2009-10 Federal Budget.

**Recommendation 2:**
**That the upper income eligibility thresholds for the Commonwealth Seniors Health Card be reviewed, and (a) the threshold used for eligibility of a single person be reset to four times the full single-person Age Pension, and (b) the ratio between single and partnered income thresholds be kept at 1.6.**

Retirees, by definition, are at the uncertain stage of their lives when health and financial concerns assume an enormous importance. The main benefit of the Commonwealth Seniors Health Card (CSHC) is that it provides some self-funded retirees whose incomes are above those at which the Age Pension phases out, with access to concessional prescription medicines under the Pharmaceutical Benefits Scheme. If access to the CSHC is not available, a prolonged illness can lead to a significant drawdown of a self-funded retiree's assets.

The CSHC is currently available to a single retiree with an income of $50,000 per annum: the income at which the Age Pension is phased out is now (since September 2008) $40,501. For couples the equivalent figures are $80,000 and $67,652, respectively. No asset test is required in order to obtain this health card. There are approximately 300,000 recipients of the CSHC compared with nearly two million Age Pension recipients, and the CSHC cost to the Federal Government is approximately 1% of the cost of the Age Pension.

The CSHC was introduced in 1994, and the upper income eligibility threshold levels up to which the health cards are available were increased in January 1999 and in July 2001. However, they have not been changed since 2001 and, as a consequence, very many self-funded retirees have since lost their right of access to these health cards as a result of inflation and the non-indexation of the upper thresholds over the past 7.5 years.

The current practice of non-indexing the CHSC thresholds is a clear case of discrimination against self-funded retirees. Due to inflation, the real values of the CSHC threshold limits have declined since 2001, such that they have simply become a de facto means of reducing the numbers of eligible CHSC users over time.

The A.I.R. completely rejects the statement in the Bills Digest, which spoke of the changes to the adjusted taxable income for the CSHC announced in the 2008 budget, as follows: *"With the income test limits being set at $50,000 single and $80,000 partnered, the CSHC is now no longer a low-income health card".*

If the CSHC had been indexed in the same way as the Age Pension from 1 July 2001, the $50,000 p.a. singles' threshold limit would have risen to approximately $70,000 - which is close to the upper income threshold for the 30% marginal tax rate (currently $75,000 p.a.). If indexed since 2001, the $80,000 p.a. income threshold limit for couples would now be in excess of $110,000 - this latter figure is more closely related to recent Federal Government means-tested cut-off points (which take account of current Australian incomes). For example (i) the October 2008 changes to the Medicare Levy Surcharge raised the threshold at which the surcharge is payable to $140,000 p.a. per household, and (ii) the subsidy relating to the installation of solar electric panels in homes has an income cut-off of $100,000 p.a.

Therefore, the A.I.R. proposes that the upper income thresholds for the Commonwealth Seniors Health Card be reviewed as a matter of urgency, and tied to the Full Single Age Pension, viz. that the upper limit used for single person eligibility be reset to four times the Full Single-person Age Pension, and that the relationship between single and couple income thresholds remain fixed at the (current) ratio of 1.6.

On the basis that the CSHC thresholds are restructured as recommended here, the A.I.R would support the CSHC being restored to its original medical purpose, viz. to provide assistance with pharmaceutical benefits, hearing aids, and dental care.

**Recommendation 3:**
**That (a) essential and extraordinary one-off withdrawals from Taxed Superannuation funds not be included in the 'adjusted' income that determines eligibility for the Commonwealth Seniors Health Card (CSHC), as is the Government's intention in 2009; and (b) because of the practical difficulty of defining 'essential and extraordinary' one-off withdrawals, the adjusted income to be used in 2009 (and for each tax year thereafter) to determine eligibility for the CSHC, be based on the average adjusted income determined for the previous three-year period (after automatically excluding any withdrawal used to provide for an Accommodation Bond)**.

It is well recognised that activity in retirement is essential to the maintenance of a retiree's good health and the minimisation of his/her medical costs.

Retirees are living longer. Consequently, it is logical that very many will need to expend some of their superannuation assets at various times in order to replace major capital items, e.g. cars, washing machines, hot water cylinders, etc. that are essential to their needs.

The use of a car is essential for retirees who want to remain socially active and independent in their latter years, e.g. to access shopping centres, visit medical facilities, etc. The 2006 A.I.R. National Survey of full and partly self-funded retirees showed that over 90% of the survey's respondents between the ages of 75 and 84 years, and 77% of those over the age of 85, owned a car. If a car is kept for 10 years (which is well above the average length in Australia), this means that it must be replaced at least once during an average retirees' life span of 17.7 years.

In the case of superannuation funds, the Government requires that, from 2009, ALL withdrawals from taxed funds (including one-off lump sum withdrawals) be interpreted as income and included in the adjusted income that will be used to determine eligibility for the CSHC. Whilst the limited advice available at this time from the Department of Families, Housing, Community Services and Indigenous Affairs allows a retiree to appeal to Centrelink to exclude one-off lump sum withdrawals from the adjusted income used to assess eligibility for the CSHC, no guidance is provided to either the appellant or to Centrelink as to what exclusions might be acceptable.

The A.I.R. accepts that a one-off withdrawal to provide for a nursing home Accommodation Bond is a unique lump sum item that would likely be accepted for exemption purposes, but for other than that the onus (and stress) is put on the retiree to 'prove' his/her case when the withdrawals are used to fund essential and extraordinary one-off capital items such as are described above – and, consequently, different exemption answers may well be received at different times from different Centrelink officers at different Centrelink offices.

The A.I.R. recognises that, with the exception of a withdrawal for the purpose of paying for an Accommodation Bond, there are practical difficulties in defining 'essential and extraordinary' one-off asset withdrawals from a taxed superannuation fund. It therefore recommends that, when calculating the 'adjusted' income for CSHC eligibility, a fair approach would be to automatically exclude any withdrawal used to pay for an Accommodation Bond and then to use the average income withdrawn from the taxed superannuation fund over the previous three years.

**Recommendation 4:**
**That the Medicare Safety Net and the Pharmaceutical Benefits Scheme Safety Net for single retirees who are not in receipt of an Age Pension be set at 60% of that for couples and families.**

Many self-funded retirees are widows or widowers who are not in receipt of an Age Pension, but are at the stages of their lives when they need expensive and sustained medical attention. Currently, the expenditure eligibility criteria for the Medicare Safety Net and for the Pharmaceutical Benefits Scheme Safety Net are the same for single retirees as for couples and families. Taking other allowances into account, this means that single retirees who are not in receipt of an Age Pension are heavily discriminated against.

It is unfair that a retired single person has to incur the same medical expenditure as a couple or a family before he/she is eligible for Safety Net support under either the Medicare or Pharmaceutical Benefits Schemes.

Safety Net concessions should be available on a fair and reasonable basis, and the A.I.R. proposes that Safety Net access for single retirees who are not in receipt of an Age Pension should therefore be set at 60% of the requirement for couples or families.

**Recommendation 5:**
**That**
**(a) the current Governmental requirement specifying that a minimum percentage (at least 5%) of the assets in a Taxed Superannuation Fund be withdrawn each year be re-set as the difference in percentages between the rolling average Superannuation Fund return and the CPI over the previous 10-year period; and**

**(b) given the impacts of the current economic turmoil on self-funded retirees, that the withdrawal requirement be suspended for at least the 2009-10 tax year and, preferably, for the tax years 2009-12.**

The minimum withdrawal percentages specified in the Regulations applicable to current Taxed Superannuation Funds are too high, from both short-term and long-term aspects. Ideally, they should be removed for the immediate future; in the long-term they should be at least reduced to more realistic figures.

Self-funded retirees with most of their life-savings in Taxed Superannuation Funds are hurting very badly in this volatile economic climate, e.g. a recent ASIC report indicated that returns for the 10-year period to 30 June 2008 were significantly lower than those for the 1996- 2006 decade. Anecdotal evidence indicates that the asset values of most self-managed superannuation funds have been reduced by at least 20 to 30% in the past year alone. Because of the economic turmoil, bank interest rates are also declining and income from cash management and savings accounts are being substantially reduced. Unlike most working families, retirees are not normally able to return to work to replenish their savings.

Current Regulations require that at least 5% of a taxed superannuation fund's assets must be withdrawn each year; this withdrawal percentage increases with the age of the retiree. Many self-managed funds are short on cash, so the compulsory withdrawal requirement usually means that assets must be sold, and 'paper' losses realised in order to raise the cash that must be taken out. The Fund's asset base is then further reduced by the amount of the withdrawal.

To alleviate the extraordinary impacts on self-funded retirees in these volatile economic times, the A.I.R. recommends that the compulsory withdrawal requirement from Taxed Superannuation funds be waived for at least the 2009-10 tax year and, preferably, for the following two years also. Self-funded retirees need help at this time so that they can withdraw the minimum amounts that they need to meet their cost-of-living needs without being required to sell assets at reduced rates in order to meet Governmental requirements.

Long-term, the current compulsory withdrawal rates aggravate the outlook for the self-funded retiree who is reliant on a superannuation fund for his/her future income. Simply put, the current minimum withdrawal percentages specified by the current Taxed Superannuation fund regulations are far too high for, in particular, the less well-off self-funded retirees.

APRA's performance figures for taxed superannuation funds show that over the period 1996-2006, retail superannuation funds achieved an average Return on Investment (RoI) to contributors of 5.3%. During the same 10-year period, however, the CPI increased at an average annual rate of 2.6%. Hence, the real increase in superannuation assets averaged 2.7%; in other words, the income available to fund contributors who might seek to retain the real value of their assets (as measured by the CPI), was only 2.7% over the decade. However, the superannuation regulations require that at least 5% of a taxed fund's assets be withdrawn each year. Hence, under the current regulations, it was impossible for the average self-funded retiree to retain the real value of his/her superannuation assets over the 1996-2006 decade, as the fund's assets had to be reduced by at least an additional 2.3% each year due to the withdrawal requirement.

Given the current financial turmoil and instability, a consensus is emerging that future returns from taxed superannuation funds will, very likely, be below the levels achieved in the past decade. Thus, the likelihood of the 'average' self-funded retiree being able to retain the real value of his/her superannuation fund assets into the foreseeable future is extremely low - which means that the 'life expectancy' of a typical self-funded retiree's superannuation fund will be reduced.

In the case of lower-income self-funded retirees, e.g. holders of the CSHC and part-pensioners, this means that the current (high) compulsory withdrawal requirements will force many to be more reliant on Government-funded pensions, at an earlier stage than should be the case. This is neither in the Federal Government's nor the retiree's interests.

The Background Paper prepared for the Government's Pension Review shows that only a small percentage of partly self-funded retirees (i.e. part pensioners) have superannuation assets at or above $211,000, which is the capital amount required to support an income of $120 per fortnight (i.e. this is the ‘free' income allowed for each partner of a couple on the full Age Pension). Now consider, for example, a self-funded retiree with a taxed superannuation fund with assets of, say, $200,000. If the 1996-2006 average CPI of 2.6% is applied into the future, if the current age-related minimum-withdrawal percentages are also continued, and if it is also assumed that he/she has to make two withdrawals of, say, 20% of the fund's assets for 'essential and extraordinary' capital purchases at ages 71 and 80 (e.g. for a car or home maintenance or some such emergency), then the real value of the fund's assets (in 2006 dollars) will be reduced to about $62,000 at age 90. This sum (which could well be less if current predictions re future rates of return are fulfilled) is obviously not a significant 'nest egg' (from an estate planning aspect) and it provides few comforts or reassurances for an aged retiree facing his/her final years.

The Regulations that force the withdrawal of a fixed percentage of the assets in a taxed superannuation fund pre-suppose that a retiree may reinvest the withdrawn assets outside superannuation, and that this investment will then be subject to normal taxes. Using the above example of a retiree with initial taxed fund assets of $200,000, the amount withdrawn each year is simply too small for a retiree to bother to reinvest it - albeit the impact of the withdrawals on the superannuation fund is relatively large. Indeed, the likely effect will be to encourage the retiree to spend the total amount withdrawn, rather than preserving it. The end result, therefore, is that the policy benefit to the Federal Government is at least negligible and, probably, negative.

If, however, the compulsory minimum withdrawal figure was set at the *difference* between the rolling average 10-year superannuation fund return and the average CPI over the same period, the self-funded retiree with an initial superannuation asset of $200,000 could have, under the same conditions as above, assets of approximately $128,000. Whilst this sum is still low, it will be much more re-assuring to the aged retiree. The A.I.R. respectfully submits that this approach to controlling the use of assets over a retiree's life span is entirely reasonable, more humane, and compatible with Government policy.

The A.I.R. submits that the present regulations that require a minimum amount (*at least* 5%) to be withdrawn from a taxed superannuation fund each year are too rigorous. The withdrawal requirement should be removed entirely for the 2009-10 financial year and, preferably, for an additional two financial years, so as to help self-funded retirees to better cope with their individual needs in the current volatile economic times.

In the long-term, the withdrawal percentage should be set at the difference between the rolling average 10-year superannuation fund return and the average CPI over the same period.

**Recommendation 6:**
**For retirees over the age of 65, capital gains tax (CGT) arising from the sale of capital assets held outside superannuation, for whatever purpose, should not be included in taxable income until the retiree's taxable income exceeds the upper income threshold for the 40% marginal tax rate.**

Many older self-funded retirees over the age of 75 had to accumulate their retirement assets under policy settings that were superannuation-restrictive and subject to frequent change. Many who do not belong to superannuation schemes have spouses who 'stayed at home' after they were married, as the social practices of the day encouraged, and their financial arrangements are now such that they are unable to split their incomes for tax purposes. Many older women retirees - especially those who worked in private industry - were openly discriminated against in terms of superannuation because of historical social practices and past legislation. Consequently, many of today's over-75 retirees do not belong to superannuation schemes and, under current rules, cannot gain access to superannuation.

Recent and future retirees now have a clear policy setting within which to decide the extent to which they wish to accumulate superannuation (to gain its income-surety benefits) or, conversely, the extent to which they choose to invest outside superannuation (to gain flexibility). Notwithstanding the ready availability of superannuation many new retirees (especially those in the lower income brackets) still prefer to maintain assets outside its umbrella, not for flexibility reasons but because of the significant capital gains tax (CGT) implications of transferring them into superannuation.

Many working families invest their savings in directly-owned rental property, in equities or in property trusts: these are perceived to be attractive classes of investment in preparation for retirement. Upon retirement, these assets (which were initially bought with after-tax income) may need to be sold so that the proceeds can be used to fund their on-going living expenses or invested more productively, e.g. in superannuation funds or converted into pensions, etc.

Whilst all retirees, whether they be elderly or newly retired, or inside or outside a superannuation umbrella, are expected to draw down their assets to fund their retirement, those not in superannuation funds have to declare all income as taxable income and must pay capital gains tax when they sell their investments. The need to pay CGT not only erodes the non-superannuated retiree's asset base (very harshly, in today's turbulent economic climes) but, usually, also causes the tax rate on the retiree's income in the financial year of the sale to be raised well above his/her normal tax rate - with the result that the asset's retention is encouraged (i.e. retention makes the retiree feel more 'financially secure'), rather than its sale (to provide a more productive on-going income for the retiree).

The fact that the ATO takes no account of the purpose for which the capital gain is to be used, when calculating the taxable income for a self-funded retiree who sells capital assets, is a major disincentive to the good management of retirement resources that are held outside the superannuation umbrella.

The A.I.R. acknowledges the concern of Government that the purpose of superannuation is not to enable assets to be built for estate planning purposes, using favourable Government incentives. However, it believes that the number of self-funded retirees with sufficient assets outside the superannuation umbrella to make this a significant concern is relatively small, and that any such concern would be obviated by linking an exemption from the payment of CGT to the upper income threshold for the 40% marginal tax rate.

The A.I.R. therefore recommends that a simple method of making a productive CGT exemption available to the bulk of retirees over 65, would be for any capital gains tax arising from the sale of capital assets held outside superannuation, for whatever purpose, not to be included in taxable income until the retiree's taxable income exceeds the upper income threshold for the 40% marginal tax rate.

**Recommendation 7:**
**That the components of a retiree's income that are derived from an untaxed superannuation scheme and from non- superannuation 'outside' sources be assessed separately for taxation purposes, as is the case with a retiree who derives an income from a taxed superannuation scheme.**

Retirees who derive income from taxed superannuation schemes, i.e. schemes on which the requisite taxes were paid on superannuation contributions and earnings, are treated differently for taxation purposes than retirees who derive income from untaxed defined-benefit superannuation schemes (e.g. Commonwealth, State and Defence Force personnel).

In the case of a taxed superannuation scheme the component of a retiree's income that is derived from the scheme is regarded as having a value of zero for tax assessment purposes. If the retiree has an additional income component that is derived from 'outside' sources that are not within the superannuation umbrella, that outside component is then assessed at normal taxation rates as if it were the sole income for taxation purposes.

In the case of an untaxed scheme, however, the pension stream derived from the superannuation fund is not tax-free. Instead, the pension income is added to the income from 'outside' sources, and the tax payable is calculated. Then, a concessionary tax offset of 10% of the pension is subsequently applied to the tax payable - whose derivation usually involves the application of a higher marginal tax rate - on the combined taxable income.

The anomaly associated with the differing treatments of ‘outside’ incomes was addressed in the bipartisan Report of the Senate Economics Committee (dated February 2007) which recommended that, for equity reasons, the two types of income should be treated separately, viz: *“(Para) 3.58 The committee is of the view that the government should reconsider the way in which total taxable income is classified for those in untaxed schemes. Instead of combining both a superannuation income stream and additional income to produce a total assessable income, the two types of income should be assessed separately. This would enable additional income received by all superannuation income stream recipients to be assessed for tax purposes from a starting point of zero. Recommendation 4: The government should consider separately assessing, for taxation purposes, superannuation income streams and assessable income.”*

In the event, the Senate Committee's Recommendation 4 was not acted upon by the then Government. Consequently, A.I.R. now seeks that this anomaly be re-addressed by the Federal Government.

**Recommendation 8:**
**That the Commonwealth Superannuation and Defence Pensions be indexed consistently using the same formula as is used to adjust the Age Pension.**

The indexation of various Commonwealth pensions is inconsistent. Commonwealth and Defence Force Superannuation pensions are indexed for inflation at the CPI rate whereas Age Pensions are tied to Male Total Average Weekly Earnings (MTAWE) and are indexed in line with the *greater* of movements in the MTAWE or the CPI.

Two Senate Select Committees recommended (in 2001 and 2002) that the CPI index used for Commonwealth and Defense Force superannuation pensions be replaced by a wage-based index such as MTAWE. Much angst would be relieved amongst retirees who consider that they are unfairly treated - especially those who live on marginal incomes and whose quality of life would be beneficially affected by a small financial increase - if all of the above were indexed at the Age Pension rate. Whilst the A.I.R. recognises that consistency in indexation would be a relatively minor cost to the Federal Government’s budget, it believes that this would be more than compensated for by the increased confidence that Commonwealth Superannuation and Defence pensioners would have that they are all being treated fairly and equitably.