Thank you for the opportunity to comment on draft legislation evidently designed to encourage retiree homeowners to downsize accommodation by allowing them to contribute to superannuation.

I regret to say that I find the logic behind this proposal confounding, unless it's intended as yet another concession to wealthy retirees, funded by less well off taxpayers.

While I can see how a wealthy person who has never lived in the real world of retirement might imagine this proposal is a good thing for the nation, I wish politicians and senior bureaucrats would make it their business to learn a little about the reality of retirement for working Australians. The glaring flaws in this proposal ought to be obvious.

1. Downsizing is costly and emotionally stressful. Stamp duty, estate agent commissions, advertising and marketing costs, conveyancing costs, moving costs, upgrades and and special fittings to the new residence may well eat up most of the savings achieved by downsizing. Then there is the emotional trauma of relocation and getting accustomed to life in a new neighbourhood. The real costs may well exceed any benefit this proposal purports to offer.

2. Downsizing, for some, might mean moving into a home unit or retirement village. The problems unit owners face with body corporate levies and group decision-making will shock many who have not experienced this kind of living before. Retirement complexes have been in the news for their unfair contracts. It's a minefield out there for an elderly person, and one we should NOT be encouraging older folk to try to navigate without a lot of expertise and help. Tempting them with promises of tax-free money and increased income - promises that may well never be fulfilled anyway - is cruel given the hazards they may encounter.  
  
The proposal may also encourage earlier entry to aged care, which is surely not a good thing either for the still-active retiree or for a nation that is struggling with the hideously high costs of aged care and battling to maintain acceptable standards of care across all facilities.

3. Downsizing, for vast numbers, will result in pension loss that will leave them worse off. Sure, it might help the nation to throw yet more responsible savers off the pension, but its cruel and unfair to mislead people into believing they will benefit when in fact they will suffer loss. And I question what benefit it is to the nation to fund tax cuts for the wealthy and corporations by reducing the wealth of those retirees who worked hard and saved, hoping to leave a little behind to help their children and grandchildren. Sure, those who have been forced to use their assets to survive while the less responsible live off the taxpayer may save the taxpayer a little. The long term result is that they may need more support in old age - having drained their assets - and their children and grandchildren are likely to be more needy, while the government hands out more to pensioners with $500,000 in the bank and wealthy ''self-funded'' superannuants. This is wealth redistribution, not budget improvement. And it's patently unfair and sends a strong signal to the working class that it's futile working and saving much for retirement,  because you are favoured if you have a few hundred thousand less and you end up with a higher income than if you save more.

Even the self-funded who have limited assets and will qualify for a pension in future years, having been forced to spend their capital, will suffer loss from downsizing rather than benefiting from this proposal.

4.  So who does the proposal potentially benefit?  Clearly the wealthy self-funded who will never qualify for a pension will pick up a nice saving by being able to downsize their million dollar home and contribute more to superannuation to generate more tax free income.  Investors who lived in a house for a short time and 'couples' who became couples recently to cash in on benefits might do well, provided they are never likely to need a pension. Then again, these psuedo-couples can take the booty and then split and one keeps the house and the other ends up on the pension anyway, so goodbye budget savings!  To extend the legislation to allow make-believe couples and investors to gain demonstrates total hypocrisy and contempt for the struggling pensioner retirees who are finding themselves constantly challenged just to pay for essentials like electricity and gas.

5.  What about the housing affordability crisis?  Well, given that a pensioner or potential future pensioner would be foolish to take up the government's offer, it's unlikely that a lot of very modest homes will come onto the market. No. It's far more likely that owners of million+ dollar mac-mansions will sell up and downsize. Logically, owners of small and modest homes are unlikely to want to downsize anyway because they don't have more space than they need, and few will want to move into cheaper neighbourhoods - away from family, friends and everything familiar - for a very small cash yield (after meeting all the high costs of relocation), even if the cash benefit didn't reduce their pension entitlements.   
  
So we have well-to-do owners of very expensive homes benefiting from the legislation and maybe selling homes struggling young folk can't afford to buy, while competing with struggling young folk to buy the more affordable smaller home in the less desirable location!

Add to that, the proposal is saying ''well, you can't buy near a school or employment hub'', so cashed up retiree buyers will be competing with the working-class battlers whose only hope of buying a house is to accept a modest little cottage in an area where prices are lower because of remoteness from employment opportunities and facilities. Logically, the housing affordability crisis will get WORSE.  And for beating a struggling young couple to the punch in the auction of that affordable little cottage out in the boon-docks - which might present huge problems for the retiree couple when they lose the capacity to drive - the well-to-do self-funded retiree is rewarded with a tax saving, giving him/her an income boost that is not needed and will probably not increase spending and therefore contribute nothing to economic growth. All that will have been achieved is to give someone who didn't need help a tax-free bonus and to elevate the price of the kind of housing battling young people actually CAN afford!

Sorry, this legislation is utterly illogical and totally unhelpful either to the retirees who need help or to the nation as a whole. It's just more handouts for the wealthy - and perhaps more votes bought for the LNP, whose focus seems to be to indulge the greediest at the cost of the neediest.

Please go back to the drawing board and come up with something that actually makes sense. Maybe ask working classs retirees for advice - you know, the ones who live in the real world and understand how the real world works!

Oh, and just one more point:  If you talked to people who live in the real world, they would tell you they so distrust the government that they wouldn't believe even a hint that this proposal would benefit them, and they certainly don't trust the superannuation system. They would say (are saying) that this government is constantly fiddling with the rules for superannuation and pensions - to the point where retirees are living in fear and even the more affluent live with insecurity that makes them sick with stress and terrified of the reduced capacity that comes with increasing age. And as for the younger folk - they are shaking their heads in dismay and saying ''What do we have to look forward to?  Why bother to work hard, when only the privileged get to enjoy the rewards and there's no certainty of anything tomorrow. The struggling savers are just constantly bashed, insulted and slandered and their living standards attacked so that multi-million-dollar corporations and the tax-dodging wealthy are relieved of any obligation to pay their dues to society. And now the government is killing off our inheritance, making mum and dad's retirement years tough, and wrapping their ill-conceived and over-generous concessions to the wealthy in a cloak of deception.''

Sadly, those saying this are right.

Lorraine

Lorraine Cobcroft