

Australia needs more revenue, but it is not the sole responsibility of self-funded retirees [SFRs] who have contributed much over many years and now save the country billions of dollars.

Politicians must acknowledge and repair the gross inequity of the historical system, in which:

- SFRs, who are not necessarily rich, are severely penalised;
- Age pensioners, who are not necessarily poor, benefit, thus:

Current coupled pension plus term deposits:

[2.4% was the best 12 month rate for Commonwealth Bank term deposits on 19/06/15].

Age pension [including supplements] pa	= \$33,716.80
\$286,500 x 2.4% pa	= <u>\$ 6,876.00</u>
Total	= <u>\$40,592.80</u>

SFRs age pension	= \$NIL
\$823,000 x 2.4% pa	= <u>\$19,752.00</u>
Total	= <u>\$19,752.00</u>

*Full pensioners get more than double the income of SFRs.*

Current coupled pension plus superannuation:

Age pension	= \$33,716.80
\$286,500 x 5% pa	= <u>\$14,325.00</u>
Total	= <u>\$48,041.80</u>

SFRs age pension	= \$NIL
\$823,000 x 5% pa	= <u>\$41,150.00</u>
Total	= <u>\$41,150.00</u>

*Full pensioners are up to \$8,000 better off [income + discounts] than SFRs.*

Foreign Pensions:

- If denied Australian age pensions, foreign pensioners are treated as SFRs;
- Senior Australians' Health Card [SAHC] provides a welcome, but only small, part of the benefits;
- British pensions are frozen so over the years recipients go backwards;
- Because exchange rates have been very poor, a pension of £5,200 has varied between \$10,000 and \$7,400;
- An Australian part pensioner who took a \$2,600 per annum "hit" could get a top-up. A foreign pensioner, who is officially an SFR, gets nothing;
- Foreign pensioners – they are still aged pensioners - save the country billions per year but are refused Australian pension cards to access full perks and top-ups.

Assets test exemption for the family home:

Liberals decry Labor's alleged intent to "make people sell their family homes", **but have no compunction expecting SFRs to sell down their assets.** Because of money market cycles, this is most likely to be necessary when returns are low.

Governments claim taxpayers should not assist beneficiaries but:

- those who by circumstance, choice or regional constraints, live in modest homes are penalised and can leave very little;
- those who live in very expensive housing get full rate pensions and can leave huge estates:

Full pensioner couple with allowable assets	= \$ 286,500
House in Sydney or Melbourne suburbs, say \$2,000,000	= <u>\$2,000,000</u>
Total assets	= <u>\$2,286,500</u>

SFR couple with only upper rate assets	= \$ 823,000
House in regional area	= <u>\$ 400,000</u>
Total	= <u>\$1,223,000</u>

*Full pensioners can have more than double the assets of SFRs.*

The government's answer would be [1] buy a more expensive house or [2] arrange your affairs differently, but:

1. it is foolish to buy expensive houses in country areas because property prices are always very volatile. If it became necessary to sell, timing could mean the new house could fetch less, or only fractionally more, than it cost;
2. it is not always possible to rearrange your affairs and why should it be necessary?

Australian Governments claim to recognise the valuable contribution SFRs make to the economy, but in reality, see them as fools, to be used and abused because they cannot do anything about it.

Instead of buying very expensive houses and cars, living life to the max and then being granted full pensions, SFRs were careful and now get only disdain. With the draconian changes, they can't even look forward to a one dollar pension with associated full perks.

No-one disputes that those who, by ill health or other unfortunate reasons have lost out, should be supported.

However, it is galling that those who earned good money but were profligate get full pensions while SFRs get nothing.

### Family Trusts:

Millions of Australians have trusts, which, I have been informed, allow ownership of assets and distribution of income in a tax and pension-effective way.

In reality, the older members can own well in excess of even the current upper limit, which could easily generate far more than the income of many SFRs.

### Checks and Balances:

- People who misrepresent their assets/incomes to qualify for age pensions must be stopped;
- Centrelink must start asking really difficult questions e.g. “how can someone allegedly on only an age pension afford to travel overseas twice a year or buy a new car without touching their capital?”

### Summary:

A 28% cut in the upper allowable limit is outrageous and grossly unfair.

It is infuriating to hear politicians and commentators referring to all SFRs as extremely wealthy. Some are, but most are not.

In the end it all comes down to the size of estates. As I have shown above it is perfectly possible for a “poor” full pensioner to leave twice as much as a “rich” SRF – courtesy of the taxpayer.

Politicians must stop penalising soft targets and go after the real culprits.