"Fair Go for Pensioners Queensland"

An Alliance of Retired Unionist, Pensioner and Community Organizations

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Retired Members **RTBU Retired Members** **CFMEU Retired Members Qld** **APSLQ** **MUA Veterans**

Retirement and Income Review
Secretariat, The Treasury,
Langton Crescent,
Parkes ACT 2600.
Email: retirementincomereview@treasury.gov.au

5th December 2019

Submission "Retirement and Income Review" 2019

Dear Sir/Madam,

The "Fair Go for Pensioners Queensland" formally submit this submission to the "Retirement and Income Review".

The FGFPQ was established in 2007 and is made up of State based alliances across Australia. The organization grew out of an increasing awareness in the aged community and indeed all those on welfare of the ever-increasing cost of living and the subsequent hardship that this brings

Whilst the composition of the alliance varies across states, they bring together three key groups; Retired Unionist, Ethnic and Community Organizations. and has since grown into an alliance of many organizations some of which appear on our letterhead.

FGFPQ aims to improve the living standards of older Australians by increasing their participation in economic and social policies and to ensure that the needs of retirees and pensioners remain a high priority for both Federal and State Governments along with the Union movement and the wider community.

As individual organizations we go about our activities in our normal manner, whether political or social, but where we can share information and combine on a particular issue we do.

As a consequence, we have noticed a marked difference in Government attitudes when we combine our efforts as opposed to working as individual organizations.

The FGFPQ has attended Canberra on six occasions in co-operation with other States and lobbied politicians from all parties including independents in regard to our statement of claims.

On behalf of the FGFPQ
Yours sincerely Col Davies

Retired members Qld **Transport Workers Union Retired Members Qld.** **Vintage Reds QLD** **Ethnic Communities Queensland** **Honorary Members Group**

1--Adequacy of the Age Pension:

Recent figures show that the majority of older people are left behind with 54 per cent of full-rate age pensioners with assessable assets (excludes family home) worth below $50,000 (quoted by ASFA, 2019).

In short, income poverty research provides strong evidence of the inadequacy of the current pension based on the safety net approach. This research should be included in the policy considerations of the current Retirement Income Review.

We see the Age Pension in Australia as totally inadequate and fails to provide a decent standard of living for pensioners especially those that rely solely on the Aged Pension. Being totally reliant on the pension in Australia makes it extremely difficult if not impossible to live with any degree of dignity and comfort.
These are the people who cannot afford heating or cooling, people who if their rent or rate of accommodation rises their standard of living goes down proportionally.
The people where the smallest unforeseen expense, causes the maximum amount of stress and anxiety.
The people who have to scour the supermarket shelves for the cheapest items, where steak, lamb and other expensive cuts of meat are never ever on the radar let alone the menu.
And ironically these are the same people who were the builders of wealth in Australia during their working lives and more often than not, did not have access to superannuation to assist in them in retirement.

The Age Pension should ensure that pensioners, irrespective of their circumstances enjoy a reasonable minimum living standard of living in their old age, one that would be acceptable to all Australians.

We submit as we do in our statement of claims that the rate of the single age pension be raised from 27.7% of the Male Total Average Weekly Earnings (MTAWE) to 35% of MTAWE and adjusted for the combined couple pension rate using the current formula as now.

2-- Independent Age Pension Tribunal:

We submit that just as Parliamentarians and senior Commonwealth office holders' remuneration is set by an independent tribunal, so should the Aged Pension be set by an **independent tribunal.**

This tribunal should ensure that the Aged Pension provides a decent and equitable standard of living for all pensioners so that they may live in dignity.

3--Assistance for Non Home Owners:

Commonwealth Rent Assistance (CRA). CRA is a non-taxable income supplement to Age Pension payments for eligible age pensioners renting in the private rental market or in community housing owned and/or managed by private housing associations.

CRA is indexed to the Consumer Price Index (CPI) not housing costs (*Department of Social Security (*2019). This means age pensioners are substantially worse off as average rents rise faster than CRA (Smith & Hetherington, 2016, p: 40, Productivity Commission, 2017, Housing and Homelessness, pp: 202-204).

As reported by AIHW (2018):

- 335,000 age pensioners received CRA in 2017.

Pensioners that do not own their own home desperately need assistance as rent increases move far and above pension or rent assistance increases.

We submit that "Non Home Owner" support be seen as a priority, by increasing the Commonwealth Rent Assistance (CRA) maximum rate by 30% for couples and 50% for singles. We also ask that the CRA be **indexed to housing costs** not the Consumer Price Index (CPI) as housing costs change at very different rates to CPI, leaving renters in the main worse off.

4-- Superannuation

Compulsory superannuation is the cornerstone of our retirement income system and one of the most important methods of saving for working people and their families.

The superannuation guarantee assists with the income required to have a reasonable living standard on retirement.

To ensure the superannuation guarantee and voluntary savings are used by superannuation funds to achieve the best living standards on retirement the funds should be invested in the best interest of their members

The royal commission into banks and financial institutions it was clearly demonstrated that superannuation industry fund was a superior product

Therefore, a superannuation model plan should be established using the industry funds, top performers.

- Administration policy
- Board members policy
- Governance policy
- Training requirements
- Members costs
- Government to legislate changes to ensure those ordinary default members' account fees and costs are reduced – about 22% of total super assets in the system and over $A2.1 trillion – and invested in the My Super default products
- Government to abolish the threshold for access to the super system for workers on low-incomes, currently threshold cap $450 a month.
- Government to increase low income superannuation tax offset (LISTO) up to $1,000 to assist low-income earners save towards retirement.

We submit that the Superannuation Guarantee Levy continue as the current legislation proposes, this a social justice issue that should continue to allow the working people and their families a reasonable outcome for their future as the legislation clearly states **[the superannuation guarantee]**

5--The age pension means test taper rate:

On the 1st January 2017 the taper rate per $1000.00 over the full age pension asset test was increased from $1.50 to $3.00 per fortnight.

This equates to a tax of approximately **7.8%** on assets over the age pension asset limit, **well above current market rates**.

Furthermore, it encourages those on a part pension to draw down their assets to obtain the full pension which is counterproductive.

Therefore, we submit that the taper rate reverts back to the pre 2017 amount of $1.50 per thousand over the full age pension amount.

6--Home as an asset in the Aged Pension Asset Income Test

It doesn't make economic sense to decrease the aged pension by including the home as an asset in the Aged Pension Asset Income Test, especially under the current economic climate, currently pensioners relying solely on the Aged Pension, are subjected to increased cost of living increases with regards to food, maintaining their home, medical bills power bills, petrol, etc., and therefore are struggling to maintain a decent standard of living, and would be further disadvantaged by a reduction in their Aged Pension due to factoring the home as an asset.

There are other issues why the home should not be included as an asset.

- The home to pensioners is a place in which they wish to live out their remaining years and represents security, family gatherings, comfort, convenience, and a place of memories in a home they have worked hard to pay for.
- Only income bearing assets should be included in the assets test.
- A pensioner, with no or very little financial income other than the pension has no ability to save, which results in them progressively diminishing any capital they may have accumulated
- Pensioner may have purchased their home when the value was far less than it is today so why should they be disadvantaged because the market has determined the current value well in excess of the amount bought for, and does not produce any income.
- **The home is not a financial asset until it is sold.**

The concept of having a decent baseline level of welfare for the elderly is about doing what is right.

It is therefore our submission that the home should not be included in the Aged Pension Asset Test and the current relevant applicable Legislation should continue to apply**.**

7-- Maintaining the Right for Large Sum Withdrawal of superannuation:

An essential component of retirement income is the ability to access superannuation entitlements to assist in maintaining a reasonable standard of living. The ability to access superannuation entitlements is currently available through the process of mandatory drawdown's (allocated pensions) and the ability to obtain lump sum withdrawals.

As part of the three pillars of the Australia's retirement income system home ownership is an essential feature in determining whether pensioners will be able to maintain a reasonable standard of living in retirement.

Over the last twenty years we have witness a steady decline in home ownership particularly amongst older households with perspective retirees facing a mortgage debt up from 13% of households aged 55-64 in 1995 to 40% in 2017-18 as a result we can expect an increasing number of households will either enter retirement as renters or facing the prospect of trying to continue paying a mortgage debt while receiving the age pension which would be a mission impossible.

Home ownership in Australia was part of the Australian tradition known as the Great Australian Dream; now home ownership is fast becoming the Great Australian Nightmare. In the 2015-16 Survey of Income and Housing, it was found that an estimated 30% of households owned their homes outright (i.e. without a mortgage) and 37% were owners with a mortgage. A further 25% were renting from a private landlord and 4% were renting from state or territory housing authority. Between June 1995 and June 2015, the proportion of households without a mortgage declined from 42% to 31% while the proportion with a mortgage rose from 30% to 36%. By 2011 Home ownership in Australia decreased to 67% the lowest level in 50 years.

The age pension is moving to 67 years of age on the basis of increasing 6 months every two years and reaching 67 1st July 2023. The number of people currently claiming the age pension is 2.3million and based on current data and living expectations around 20% of men and 31% of women can expect to live to 90 years (2016 Intergenerational Report.)

Currently 4 out of 5 people who have retired own their own home, however a large percentage of those currently retiring are, either with a mortgage debt or are renting in the private rental system. By 2040 it is estimated that the number of people retiring owning their home will have declined to 2.5 out of 5 people putting greater pressure on the private rental markets and public housing system.

In June 2018 The Australian Institute Health and Welfare released its report titled “Home Ownership increasingly unstable in Australia.” The AIHW report shows fewer Australians are owning their home at retirement, with financial hardship forcing growing numbers of older Australians to transition from home ownership to renting as they approach retirement.

The decline has significant implications for our standard of living in retirement, and will put increased pressure on the age pension system, which was devised around the assumption of home ownership, Dr Ong said.

“It is more common for older people to fall out of home ownership in their 50s due to mortgage stress, and the chance of getting back into home ownership (at that age) is low." Dr Ong said while falling home ownership particularly amongst the older generation is a concern for the community and particularly for governments to provide alternative housing supplies. The ability of perspective retirees to pay off their mortgage when reaching retirement is enhanced through their superannuation.

Currently the average balance of superannuation for a male 60 years is $170,445 and for a female $147,143. While in principal it is recognised that superannuation is to supplement the age pension not to replace it owning your own home in retirement is a major factor when charting your live-in retirement.

Under those circumstances it is only natural that when people reach the age of retirement, they need to map out a retirement plan particularly when it relates to expenditure and relieve themselves of mortgage stress. For this purpose, the right to withdraw down on their superannuation is fundamental to this plan and not only does it relieve them of any mortgage stress but it also reduces the need for the Federal Government to pay rental assistance.

We submit that under those circumstances we believe it is not only essential but a fundamental right for retirees to draw lump sums from their superannuation to eliminate mortgage stress and to maintain a healthy and active lifestyle.

8—Franking credits.

Imputation / Franking credits have and will increasingly have a huge impact on current and future policy settings of the Government.

Treasury advice states that in 2005/06 the cost to the budget was $1.9 billion, 2014/15 $5.9 billion and is predicted that in 2019/20 it will reach more than $8 billion.

This is clearly unsustainable, and needs to be addressed by the **Retirement and Income Review Panel.**

Treasury advice also states that two thirds of those refunds are paid to Self-Managed Funds with an average balance of over $1 million.

We submit that Franking credits continue as they are currently used by **taxpayers**, that is to offset their taxable income.

For **non-taxpayers** that receive Franking credits that they be remain tax free, up to the tax-free threshold amount of $18,200.00