

Dear Treasury,

I will try to keep this short and to dot points. My main concerns are in relation to the rate of the government age pension, the age at which it can be accessed, and the amount by which it diminishes as a result of other income earned post retirement.

1) The age pension should be set as a percentage of the annual average income (not annual average full time earnings). Average annual income (and I will describe "average" as understood by most Australians in item 2 below) is realistically around \$53,000, and this is in fact the mode (again, see my item 2 below), as opposed to the average annual income (ABS May 2019) of \$84,900. My suggestion is 85% of annual average income, as defined by the statistical mode.

2) Annual average full time earnings, as defined by the ABS, are not what most Australians would understand as being the "average" annual income. The ABS reports average full time earnings based on a straw poll of average full time weekly wages as reported by representative industries selected by the ABS. There are three problems with this, firstly, which industries are approached, and what those industries chose to report, directly and unavoidably distorts the "average", secondly, averages are useless in statistics if what you really want to know what "most" people earn. To know what most people earn what you actually need is the "mode", and thirdly, there are less and less full time employees out there. If one used the mode for annual incomes (data for which is readily available from the ATO as they hold the annual income records of all tax paying Australians), the so called "average" annual income would be significantly less than the ABS reports.

3) There is a cohort born between 1955 and 1975 (ie those who commenced at the beginning of compulsory superannuation) whose super contributions may never amount to enough to live on comfortably. This is particularly true for those who have remained in low paid (blue collar) jobs, for those whose wages haven't grown over the last 10 years, and, for a significant number, those with a poor/broken employment (ie self-employed, women exiting the workforce to have children, farm workers/owners etc).

4). Retirement for government age pension. The retirement age needs to come down. Why? Because the people mentioned in item 3) are the most likely, under the current system, to need to keep working until they are 67 or above. In terms of equity, this seems less than reasonable. The lowest paid workers (who probably have worked in jobs that exact a heavy toll on their bodies) will not be able to achieve self-funded retirement probably ever, and are thus expected to keep working until they drop. Conversely, those who have enjoyed a higher income for most of their lives will be able to achieve self-funded retirement at age 60 (a consequence of their lifelong higher incomes). If the retirement age for the government age pension were dropped to 63 those on the lowest incomes would be the greatest beneficiaries....entirely appropriate and equitable. Additionally, people retiring from low paying employment will create employment openings at entry level for the unemployed. It's a win win.

5). Perspective. Governments need to stop thinking of the age pension as a burden and start treating it as an unavoidable responsibility to the lower paid workers of the economy. If governments think that too many people will be needing the age pension, then the gem to extract from that conclusion is that although the economy is doing well, a very large number of its constituents are not doing well at an individual level.

6) Superannuation. For those who have higher incomes there is the dual benefit of higher compulsory contributions and the ability to voluntarily contribute more, and even get a tax deduction for doing so. This is fine, but for those on low incomes it is an uphill struggle to amount a substantial super' nest egg. I think both compulsory and voluntary contributions by those earning less than the average income should be untaxed (ie no 15% tax on entry to the fund). This will enable faster growth and will assist governments at the other end by reducing lower income earner reliance on the age pension.

7) Interest Rates. OMG! When will the Reserve bank learn that lowering interest rates encourages prospective mortgage holders to borrow more money and does not encourage existing mortgage holders to spend more? Lowering interest simply adds fuel to an already overheated housing market. If new mortgage holders are borrowing too much now, their chances of being mortgage free by retirement are greatly reduced, and therefore their reliance on governments benefits will be increased.

8) Post retirement earning. Again, this is an issue for those on the lower economic spectrum. If the government age pension is reduced too greatly by income earned post retirement (as is currently the case), then there is little incentive to work. If retirees could earn a "top up" income that would take them to the average annual income without losing pension dollars, then the incentive to work would be much greater and the ability of retirees to have a comfortable lifestyle and a sense of purpose would be greatly improved. Beyond that average annual income threshold the reduction rate could be quite savage if need be.

I am a 57 year old self-employed maintenance contractor ( supporting a family of 4 on a taxable income of \$60,000 per annum) who came late to the superannuation system. There is no way I can contribute enough over the next few years to achieve a super' nest egg that will provide me with even quarter of of my current income (best contribution I can manage is \$5000 per year).

The super' co-contribution needs to be massively increased for people in my age group whose super funds are low.

Also, and just as an aside, I know other self-employed people in the same boat as me and we are all concerned that we are not going to be able to continue in such physically demanding work until we reach the age pension age of 67+.....the thought that I have another 10 years of hard slog in all weathers in an aging body is razor blade material!

Thanks for allowing this submission.

Yours faithfully

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