

## RETIREMENT INCOME REVIEW

This proposal is predicated on the basis of:

1. Simplicity - to be able to be understood by all
  - of administration
  - of the policies and procedures
2. Fairness - to all
  - so individuals have real choice as to where the super is parked e.g. Retail, Industry or SMSF
3. Stability - so everyone can plan with a high degree of certainty and not be subjected to constant change based on the whim of governments
4. Sustainability - for individuals and fiscally
5. Transparency - free of Retail and Industry Funds and Government self interest

\*\*\* Go to Question 5. Has relevance to several other questions.  
See also Question 3, 7, 8, 10, 11 and 19

## A. How Australia's retirement income system compares internationally

1.	Are there aspects of the design of retirement income systems in other countries that are relevant to Australia?
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## B. Purpose of the system and role of the pillars

2.	Is the objective of the Australian retirement income system well understood within the community? What evidence is there to support this?
3.	<p>In what areas of the retirement income system is there a need to improve understanding of its operation?</p> <ul style="list-style-type: none"> <li>• Educate people early in their working life about the benefits of superannuation because many people leave their planning far too late in life</li> </ul>
4.	What are the respective roles of the Government, the private sector, and individuals in enabling older Australians to achieve adequate retirement incomes?
5.	<p>The Panel has been asked to identify the role of each of the pillars in the retirement income system. In considering this question, what should each pillar seek to deliver and for whom?</p> <p>1. Age Pension – modify Income and Asset Tests to reflect</p> <ol style="list-style-type: none"> <li>i. Deeming Rates and Government Reverse Mortgage Rate (reviewed twice yearly) to be more akin to RBA Cash Rate.</li> <li>ii. Family home should only be exempt from Asset Test up to \$1.5m and reviewed every 5 years to see whether the base figure should be changed. If so, it would need to be clearly explained.</li> </ol> <p>2. Compulsory Super – fix at 10% up to \$25k pa from pre-tax income. May be split but must be allocated to a particular person or persons. Any unused portion can be carried forward for up to 5 years. Increasing to 12.5% in present economic climate is not in the best interests of the individual but could result in wage stimulus. Again, review after 5 years.</p> <p>3. Voluntary savings – this proposal is likely to be contentious but passes the SIMPLE, FAIR, STABLE, SUSTAINABLE and TRANSPARENT tests.</p> <ul style="list-style-type: none"> <li>- individuals should be permitted to put as much money into super as they wish (allow splitting), but it must be allocated to a particular person or persons. The amount allocated should be tax free but earnings taxed at 15% (Accumulation Phase). This would do away with all caps, including age.</li> <li>- however, when an individual draws down income in Pension Phase, (see Table 1, effective from 1 July, 2020) it is taxed at their marginal rate. As a result it may be possible to lower the tax scales for all. An exception being e.g. where a RAD is paid it be tax free until after it is refunded.</li> <li>- on death, individual's super must be passed to another person or persons i.e. super money remains in super.</li> <li>- maintain the Government Co-contribution for lower income earners (currently &lt; \$38k).</li> </ul>

	<p>- current Spouse Tax Rebate should be maintained.  - rates in Table 1 could be modified down, as has previously been done, if particularly tight times reoccur.</p> <table border="1"> <thead> <tr> <th>Age Range</th> <th>Draw down %</th> </tr> </thead> <tbody> <tr> <td>Under 65</td> <td>4</td> </tr> <tr> <td>65-79</td> <td>5</td> </tr> <tr> <td>80-89</td> <td>6</td> </tr> <tr> <td>90-95</td> <td>8</td> </tr> <tr> <td>Over 95</td> <td>10</td> </tr> </tbody> </table> <p style="text-align: center;">Table 1</p> <p><b>N.B. GRANDFATHER CLAUSES WILL BE REQUIRED TO ENSURE CURRENT RETIREES AND NEAR RETIREES ARE PROTECTED UNTIL THE TRANSITION PERIOD HAS EXPIRED.</b></p>	Age Range	Draw down %	Under 65	4	65-79	5	80-89	6	90-95	8	Over 95	10
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6.	What are the trade-offs between the pillars and how should the appropriate balance between the roles of each pillar in the system be determined?												

### C. The changing Australian landscape

7a.	Demographic, labour market, and home ownership trends affect the operation of the retirement income system now and into the future. What are the main impacts of these trends?
7b.	To what extent is the system responsive to these trends?
7c.	<p>Are there additional trends which the Review should consider when assessing how the system is performing and will perform in the future?</p> <ul style="list-style-type: none"> <li>• Because of wage growth stagnation due consideration should be given to maximising the SG to 10%</li> <li>• Low income earners (up to \$50k pa) should have option to opt out of SG</li> </ul>

### D. Principles for assessing the system

8.	<p>Are the principles proposed by the Panel (adequacy, equity, sustainability, and cohesion) appropriate benchmarks for assessing the outcomes the retirement income system is delivering for Australians now and in the future?</p> <p>Are there other principles that should be included?</p> <ul style="list-style-type: none"> <li>• Simplicity – cut out the many complexities of the system</li> <li>• Fairness</li> <li>• Transparency</li> </ul>
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9.	How does the system balance each of the principles and the trade-offs between principles (e.g. sustainability and adequacy) under current settings? What is the evidence to support whether the current balance is appropriate?
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#### E. Adequacy

10.	<p>What should the Panel consider when assessing the adequacy of the retirement income system?</p> <ul style="list-style-type: none"> <li>• Need for a common calculator – there are so many available but are not all easy to use or are comparable</li> </ul>
11.	<p>What measures should the Panel use to assess whether the retirement income system allows Australians to achieve an adequate retirement income?</p> <p>Should the system be measured against whether it delivers a minimum income level in retirement?</p> <p>Reflects a proportion of pre-retirement income (and if so, what period of pre-retirement income);</p> <p>Or matches a certain level of expenses?</p> <ul style="list-style-type: none"> <li>• CSHC, State Seniors Cards and others should be maintained to help defray various expenditures e.g. rates, medicine, licences, etc. and should be grandfathered for all those who currently qualify for them</li> </ul>
12.	What evidence is available to assess whether retirees have an adequate level of income?

#### F. Equity

13.	What should the Panel consider when assessing the equity of the retirement income
14.	<p>What factors and information should the Panel consider when examining whether the retirement income system is delivering fair outcomes in retirement?</p> <p>What evidence is available to assess whether the current settings of the retirement income system support fair outcomes in retirement for individuals with different characteristics and/or in different circumstances (e.g. women, renters, etc.)?</p>
15.	Is there evidence the system encourages and supports older Australians who wish to remain in the workforce past retirement age?
16.	To what extent does the retirement income system compensate for, or exacerbate, inequities experienced during working life?
17.	What are the implications of a maturing SG system for those who are not covered by compulsory superannuation?

## G. Sustainability

18.	What should the Panel consider when assessing the sustainability of the retirement income system?
19.	<p>What factors should be considered in assessing how the current settings of the retirement income system (e.g. tax concessions, superannuation contribution caps, and Age Pension means testing) affect its fiscal sustainability? Which elements of the system have the greatest impact on its long-term sustainability?</p> <ul style="list-style-type: none"><li>• Numbers are known from birth and then trends during working life should be able to calculate future need and budget should be set progressively to adequately plan for cover for pensions for current workers when they retire</li><li>• Need a link between tax and super contributions to identify non-payment by employers</li></ul>
20.	How can the overall level of public confidence be assessed? What evidence is available to demonstrate the level of confidence in the system?

## H. Cohesion

21.	What should the Panel consider in assessing whether the retirement income system is cohesive?
22.	Does the retirement income system effectively incentivise saving decisions by individuals and households across their lifetimes?
23.	What evidence is available to show how interactions between the pillars of the retirement income system are influencing behaviour?
24.	What is the evidence that the outcomes the retirement income system delivers and its interactions with other areas (such as aged care) are well understood?
25.	What evidence is there that Australians are able to achieve their desired retirement income outcomes without seeking formal financial advice?
26.	Is there sufficient integration between the Age Pension and the superannuation system?