THE HOUSEWIVES OF WESTERN SYDNEY
Submission in response to the Retirement Income Review
February 2020

INTRODUCTION

The authors of this submission, The Housewives of Western Sydney comprise a dozen women from:
- different cultural and linguistic backgrounds
- varying relationship and family status (married, defacto, divorced, single, with and without children)
- a wide range of professions (health, welfare, education, physics, finance, administration, arts, hospitality, fashion and psychology)
- different employment status (e.g. employees, self-employed and small business owners/employers); retired, work full-time, part-time, contract work, casual, underemployed and unemployed (age discrimination)
- diverse educational levels (PHDs, Masters, Degrees, Diplomas, Trade and School Certificates)
- different socio-economic backgrounds (some are/will be self-funded retirees, while other contributors will require full/part pension support moving into the retirement phase of their lives) and
- aged between 35 - 60 years.

Collectively, we believe that it is a basic human right to have access to adequate income for all and that as a society we should support the broader community (particularly the vulnerable and disadvantaged) while ensuring fairness, equity, sustainability, simplicity, consistency and alignment across all our systems. A civil society demands that we care for others and not simply focus on individual interest, particularly in wealthy countries such as Australia. Some of our recommendations will have a negative financial impact on some group members, but we believe that is a small price to ensure a system that supports the majority.

Some of the current issues comfronting Australia will require innovation, courage and in some instances, may require grandfathered arrangements for existing retirees. This will allow time to establish new systems that meet community expectations and standards moving forward.

It should be acknowledged that baby boomers have not had the benefit of reeping the rewards of compound interest or the current superannuation guarantee (SG) percentage that proports to facilitate adequate and a supplementary source of income. However, strategic planning for the long term (e.g. next 20 years) will result in improved living standards and the continuity of wellbeing as people age.

Feedback and advice (following much debate) from family, friends and colleagues was sought in the preparation of this submission. Research together with anecdotal information and lived experiences of current pensioners/ retirees have influenced our recommendations.

For convenience, we have seperated our submission into two parts covering the four areas outlined in the Consultation Paper - **A) interim** minimum guaranteed income safety net system (baby boomer cohort); and **B) future** universal guaranteed minimum income pension system (**UGMIRS**) for **ALL** retirees to allow each part to be read independently (hence may include some duplication). This submission is built on the principles and concepts that should govern any society that is or aspires to be effective and successful.

For further information or clarification regarding our submission, please contact the group's representatives Ms Deborah Hatzi (0430 440 311 or hdconsulting@live.com.au) and Ms Kooryn Sheaves (0409 462 373 or kooryn.sheaves@gmail.com).

Thank you for the opportunity to contribute to designing the future retirement system to support people in retirement.

A. INTERIM ARRANGEMENTS FOR THE BABY BOOMER COHORT (1946 - 1966)[1]

1. ADEQUACY

Currently the aged pension in Australia is 41.76% of the Average Weekly Total Earnings for couples and 66.33% for singles[2].

Studies and anecdotal evidence by those currently receiving an age pension with little or no other income from other sources (both homeowners and non-homeowners) highlight the following limitations/concerns/comments:

- the pension amount is tight/inadequate for meeting basic living costs (e.g. rising food and utility costs);
- does not allow reserve funds (for maintenance/repairs/replacement e.g. electrical items, car servicing, etc);
- does not allow disposable income to purchase goods and services;
- leads to stress, anxiety and illness resulting from constantly worrying about how to make ends meet;
- experience social stigma and feel like a burden on society;
- feeling abandoned and resent that after paying years of taxes we are treated with disdain by younger generations, bureaucrats and politicians;
- have little confidence in the systems that are supposed to care for us as we age, and more importantly become frail;
- point to recent examples e.g. robodebt saga, waiting months (some years) for basic in-home support; and
- all the above serve to increase anxiety, insecurity, loneliness and isolation i.e. negatively affect wellbeing.

More recently, researchers and commentators have reported that one in four older Australians live in poverty. In a wealthy country like Australia, this is disheartening and a national (or international) disgrace.

Anecdotal evidence suggests that many people moving into the retirement phase in the next 5 -10 years, will need to rely on a full age pension, while others felt they would require a part pension due to low superannuation and limited assets.

We concur with the analysis regarding core consumption needs referenced in the Retirement Income Review Consultation Paper[3] that expenditure patterns remain constant during retirement because some expenses decrease while others increase.

We propose the following interim reforms to support **the baby boomer cohort** (current system enhanced and realigned) while measures are designed and implemented (Part B) to support new equitable and sustainable systems moving forward

1.1 Address elder abuse including children taking their parent/s assets and/or pension/s under duress, receiving carers allowance without provding any care, etc including:

   a) introduce legislation that allows older people who have, under duress or mistakenly given up their family home or other assets to have these reinstated;

   b) establish a system allowing people in such situations to have legal representation with costs to be recouped from the abuser/s after the matter has been resolved; and

   c) improved monitoring system for those accessing taxpayer carers allowance to ensure they are supporting those they are meant to care for.

1.2 We suggest that retirees should aspire to either the Organisation for Economic Co-operation and Development's (OECD) minimum benchmark replacement rate of 70% of pre-retirement income[4], or 70% of Australia's average weekly total **net** earnings, whichever is higher. For example, for a single, this would equate to retirement income adequacy 100% above the 2015 poverty weekly rate in Australia of $433[5] for singles compared to approx. 90% above the current single age pension rate, and approx. 6% above the

[1] Australian Bureau of Statistics (ABS) 2014, Australia *'6302.0 - Average Weekly Earnings, Australia, May 2019'* https://www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/3235.0Feature%20Article12014)

[2] Parliament of Australia. '*Pension Indexation: a brief history' (April 2014)* Michael Klapdor https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/April/Pension-indexation

[3] Australian Government, '*Retirement Income Review Consultation Paper' (November 2019) (p.15)* Organisation for Economic Co-operation and Development's (OECD)

[4] Australian Government, '*Retirement Income Review Consultation Paper' (November 2019) (p.14)* Australian Institute of Superannuation Trustees (AIST)

[5] Australian Council of Social Services (ACOSS) and the University of NSW (UNSW) (2018). '*Poverty in Australia 2018' (p.21)* https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

income level advocated by the Association of Superannuation Funds of Australia (AFSA)[6]. This would deliver adequate, and most likely, comfortable retirement income based on absolute measures.

1.3 To address income adequacy, the current age pension benchmark rate of 41.76% should be increased to 45% of the gross average weekly total earnings. For example, using the May 2019[7] figures, the pension rates would equate to $26,321 for singles and $39,682 for couples.

1.4 Couples: each person should receive 50% of the pension in their own right to allow more control over personal finances and minimise/prevent potential partner abuse e.g. withholding access to income.

1.5 Establish a 'income safety net' system, similar to the bank guarantee measurer applied during the Global Financial Crisis in 2008. The proposed interim system is based on the government guaranteeing (where required), that retirees will have their income supplemented up to the age pension income rates (singles/ couples) e.g. during economic downturns, regardless of their income/assets (i.e. no income and/or asset test). When interest rates once again generate income equal to, or above the age pension rates, the 'income safety net' ceases.

Such a system will:

a) ensure adequate income during times of economic downturns (current situation);
b) reduce the incentive to dispose of income and/or assets to meet eligibility requirements to secure the age (full/part) taxpayer pension and the much-valued Pharmaceutical Benefits Scheme (PBS)/ Commonwealth Seniors Card (CSC);
c) reduce health costs related to stress/worry (e.g. hospital admissions, mental health, premature entry into nursing homes, etc);
d) reduce the current administrative burden in trying to manage the unnecessarily complex, cumbersome, inefficient, ineffective and inconsistent systems across the three pillars; and
e) increase revenue and savings (as a result of integrated, aligned, efficient and effective systems) that will offset increased expenditure.

1.6 Given the baby boomers have not had sufficient time to realise the long term benefits (compound interest) that future generations will, the former cap of $35,000 per annum (inclusive of employer Superannuation Guarantee - SG) pre tax contribution limit needs to be reinstated for this cohort only. This will facilitate further savings and generate increased wealth to support future income adequacy.

1.7 Remove the superannuation transfer balance cap to faclitate the accummulation of increased wealth while at the same time increasing the revenue pool via the proposed flat/threshold tax (refer to 2.7 below). This would encourage people to hold onto (not dispose) income/assets that could generate increased income (tax revenue) and consumption via increased disposable income.

1.8 Facilitate greater income assurance in this cohort who are still participating in the workforce by increasing the SG rate from 9.5% to 12% as soon as possible[8]. This will have a positive knock on effect on future generations.

2. EQUITY

Equity considerations referenced in the Consultation Paper (p.16) can only be achieved via future (Part B, p.6) and the following proposed interim system reforms:

2.1 Remove the $450[9] gross per calendar month SG threshold to better support casual workers who may work for one or multiple employers to increase savings (particularly for women).

2.2 Apply the SG to materinty/parternity/adoption leave payments to increase savings (particularly for women).

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[6] Association of Superannuation Funds of Australia (ASFA) https://www.superannuation.asn.au/ArticleDocuments/269/ASFA-RetirementStandard-Budgets-Sep2019.pdf.aspx?Embed=Y

[7] Association of Superannuation Funds of Australia (ASFA) (November 2014). '*The future of Australia's super: a new framework for a better system' (p.4)*

[8] Australian Taxation Office (ATO) https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Claiming-deductions-for-personal-super-contributions/?page=2

[9] Daley, J and *Coates, B.* Grattan Institute (November 2018) *'Money in Retirement, More than enough'* (p. 4)

2.3 Allow partners to contribute to their partner's superannuation from their pre-tax salary while on maternity/ parternity/adoption leave and/or caring full-time for a child/family (including extended family members).

2.4 Tighten the rules around family trusts, company structures, etc to discourage these being used as tax havens (i.e. arrange their affairs to ensure eligibility for financial support from the public purse).

2.5 The safety net income pension system for people at pension age (refer to 1.5 above) should be applied, regardless of whether retirees participate in the workforce (e.g. causal, contract, full/part time) to supplement their income i.e. age pension recipients should not be restricted from participating in the workforce (refer to the next point re proposed new tax arrangements).

2.6 Abolish the Senior Age Penioner Tax Offset (SAPTO) system and the pension taper rates, and replace with a simple, fairer, equitable and sustainable new system:

i) all income generated (e.g. superannuation, dividends, interest, etc) be combined; and

ii) apply new tax arrangements (e.g. imposing a small tax on generated taxable income) that would generate additional revenue to offset and/or contribute to our proposed recommendations e.g.

A) Apply a **5% flat tax** on all income generated above the age pension rates (currently approx. $28,844 for singles and $44,590 for couples - including allowable income that could be earned without affecting the full age pension, and inclusive of the pension and energy supplements) is not unreasonable.

The table below calculates the approx. tax bill for a 5% flat tax rate for singles, that we believe is generous, particularly when compared to tax paid by others on the same income levels e.g. for a single retiree, tax proposed on >$90,000 generated income (from all sources) with a free threshold of $28,844 would be $4,541 compared to $18,775 which is a saving of $14,234; while for a couple, each retiree would be liable for $3,385 compared to $20,019 resulting in savings of $16,634 per person.

TAX ON INCOME GENERATED FROM ALL SOURCES ALIGNED TO RESIDENTIAL TAX THRESHOLDS				
SINGLES	Based on **3 examples**	Proposed TAX	Based on current TAX SYSTEM	Savings between proposed & current
$28,844 - $90,000	5% for every dollar between $28,845 - $90,000	$ 4,541	$ 18,775	$ 14,234
$90,001 - $180,000	$4,500 + 5% for every dollar between $90,001 - $180,000	$ 9,041	$ 33,300	$ 24,259
$180,001 - $250,000	$9,041 + 5% for every dollar >$180,001 - $250,000	$ 12,541	$ 31,500	$ 18,959
COUPLES - EACH PERSON (based on $44,590 combined pension)				
$22,295 - $90,000	5% for every dollar between $22,295 - $90,000	$ 3,385	$ 20,019	$ 16,634
$90,001 - $180,000	$3,385 + 5% for every dollar between $90,001 - $180,000	$ 7,885	$ 33,300	$ 25,415
$180,001 - $250,000	$7,885 + 5% for every dollar >$180,001 - $250,000	$ 11,385	$ 31,500	$ 20,115

Preferred ALTERNATIVE

B) Apply a **threshold tax system** (refer to the table below) which may be **more appropriate and equitable**. Based on the above concept, apply **5% and 10% tax rates** to the residential tax thresholds. For example, up to $90,000 generated income (for both singles and couples - per individual) are the same as the figures in the above table. Generating income of up to $250,000 - the tax bill for singles would be $20,541 compared to $31,500 which is a saving of $10,959; and the tax bill for each person for couples would be $19,385 compared to $31,500 each which is a saving of $12,115 per person (as a couple i.e. this would equate to $24,230 joint savings).

TAX ON INCOME GENERATED FROM ALL SOURCES ALIGNED TO RESIDENTIAL TAX THRESHOLDS				
SINGLES	Based on **3 examples**	Proposed TAX	Based on current TAX SYSTEM	Savings between proposed & current
$28,844 - $90,000	5% for every dollar between $28,845 - $90,000	$ 4,541	$ 18,775	$ 14,234
$90,001 - $180,000	$4,541 + 10% for every dollar between $90,001 - $180,000	$ 13,541	$ 33,300	$ 19,759
$180,001 - $250,000	$13,541 + 10% for every dollar >$180,001 - $250,000	$ 20,541	$ 31,500	$ 10,959
COUPLES - EACH PERSON (based on $44,590 combined pension)				
$22,295 - $90,000	5% for every dollar between $22,295 - $90,000	$ 3,385	$ 20,019	$ 16,634
$90,001 - $180,000	$3,385 + 10% for every dollar between $90,001 - $180,000	$ 12,385	$ 33,300	$ 20,915
$180,001 - $250,000	$12,385 + 10% for every dollar >$180,001 - $250,000	$ 19,385	$ 31,500	$ 12,115

Canada, New Zealand and the United States apply tax to ALL income. We have recommended that tax be applied to income above the age pension rates.

Selling/marketing the proposed new arrangements i.e pointing out the advantages and benefits of a minumum guaranteed safety net retiree income system (including access to the PBS for retirees and the overall system savings e.g. health, welfare, etc) for all, is imperative in gaining community support.

2.7 Pension age retirees earning over the proposed age pension rates of $28,844 for singles and $44,590 for couples should be required to pay the 2% Medicare levy on their taxable income (from all sources) above the applicable age pension rate, and apply a 3% Medicare levy for those with annual gross taxable incomes >$90,000. The proposed increases will generate income millions that will more than offset any additional expenditure in extending the PBS to retirees in this cohort.

2.8 Maintain the Medicare Levy Surcharge to income generated (from all sources) >$90,000 for singles, **however** the income threshold for couples should be lowered from $180,000 to >$135,000 for those who do not have private health insurance.

2.9 Access to superannuation income streams and/or lump sum withdrawals should be raised to 60 years of age and over (current preservation age is 57) with continued restrictions. However special considerations/ exemptions should be applied to those who require access to their superannuation e.g. the long term unemployed who use such income rather than accessing Newstart, or to supplement Newstart (which is well below the poverty line i.e. $559 versus $866 per fortnight), or are facing financial hardship (e.g. health, low life expentancy, disability, financial/debts, etc).

2.10 Tax on SG for high income earners ($250,000+ per annum) is currently set at 30%. The $250,000 gross per annum income threshold should be lowered to align with the maximum residential tax rate of >$180,000. This would make the system fairer, equitable and consistent with the current residential tax thresholds (outside superannuation) and result in an additional (approx.) $10,500 (i.e. 15% applied to $70,000) of tax revenue for those earning between $180,001 - $250,000 gross annually and used to offset our recommended measures.

2.11 Age discrimination needs immediate attention to support workforce participation by all, including people at pension age (e.g. 65 years+) who choose/would like to continue working for monetary/non monetary reasons (e.g. social, wellbeing, giving them a purpose, etc).

2.12 Remove current SG rules[10] that are discriminatory towards people aged 65+ e.g. contributions can only be made if the work test (40 hours in any consecutive 30-day peiord during the financial year immediately preceding the financial year in which the contribution was made) is met. This rule is inflexible and inequitable to those who may work 5 hours per month or 10 hours per quarter.

2.13 Remove the $300,000 downsize contribution limit that currently apply to people aged 60+ so that those able to contribute more, can do so (refer to 1.7 above regarding the removal of the transfer balance cap).

2.14 Retirees should be permitted and encouraged to make after tax contributions throughout their retirement e.g. a 70 year old who receives a superannuation pension/income stream, who may choose to work part-time should be allowed to contribute to super knowing that tax will be imposed on such contributions (i.e. the proposed flat/or threshold tax system applied to retirement income generated from all sources).

2.15 Homeowners should not be penalised in having their family home considered as part of any future asset test (i.e. we support the removal of any income and/or asset test) as this will be a disincentive to home ownership. Instead, we support the recommendation that the "*Commonwealth Rent Assistance should be benchmarked to rents paid by the poorest 40 percent of renters, rather than the consumer index*"[11]. However, we would suggest that such a benchmark be tailored to each state/territory as rents in NSW are much higher than rents in South Australia to better support non-homeowner retirees.

2.16 Remove the mandated minimum drawdown rules for superannuation currently set at 4% for those under 65 or 5% for those between 65-74, etc e.g. a 66 year old self-funded retiree may determine (given the amount of income their capital is generating) that they only require 3% rather than the prescribed 5% to support their chosen lifestyle.

[10] Australian Taxation Office (ATO)
https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-individuals/Lower-taxes-for-hard-working-Australians--Building-on-the-Personal-Income-Tax-Plan/

[11] Daley, J and *Coates, B.* Grattan Institute (November 2018) *'Money in Retirement, More than enough'* (p. 4)

2.17 Support retirees needing to move into residential care e.g. homeowners could be encouraged to rent their family home and such income used to contribute to their residential care (removing the need to sell the family home). This income could be tax free to allow funds for property outgoings, with the balance used towards their residential care.

2.18 The proposed residential tax cuts due to commence 1 July 2022, should not proceed as they are inequitable as they benefit higher income earners above all others[i]. One might conclude that the proposed tax cuts are designed to influence future election outcomes rather than demonstrate responsible and equitable fiscal and economic management by government.

3. SUSTAINABILITY

As noted above, the baby boomer cohort have not had sufficient time to realise the long term benefits (compound interest) that future generations will. Therefore, our proposed recommendations seek to support new interim arrangements to support the baby boomer cohort by:

3.1 Simplifying, streamlining and aligning existing systems which many consider unfair, complex, cumbersome, burdensome and inconsistent with other pillars e.g. taxation income thresholds (refer to 2.10 above) that disincentivise income generation.

3.2 The proposed taxed cuts due to commence 1 July 2022, should not proceed, instead tax revenue should be used to offset the proposed necessary reforms.

3.3 Unless income generated from all sources is taxable, abolish the unfair, inequitable and unsustainable tax imputation/credit system which results in refunds from the public purse.

3.4 In summary, the proposed interim measurers for the baby boomer cohort will:

a) increase overall level of public confidence;
b) reassure older people that they are valued and supported in retirement via the new safety net system;
c) improve wellbeing, health and welfare (mental health, hopsitalisations, accessing foodbanks, etc) resulting in budget savings that will offset our recommended reforms;
d) faciliate increased savings/wealth to support adequate income (well above the poverty line) reducing the need for supplementary income support via the proposed safety net system;
e) generate increased revenue (from various sources e.g. tax, super, Medicare, etc);
f) result in simplified, integrated and aligned systems (wellfare, tax) that are cost effective, efficient equitable and sustainable;
g) result in significant adminsitrative cost savings across the three pillars to offset expenditure;
h) reduce the financial burden on future generations by using savings and increased tax revenue to offset increased expenditure;
i) enable current tax payers to feel that the baby boomer cohort are at least contributing towards government revenue via the proposed new tax arrangements (point 2.6 above) i.e. addressing issues of sustanability and also equity; and
j) supplement comfortable lifestyles, as well as contribute to disposable income that could stimulate the economy via consumption on goods and services, thus improving outcomes for both individuals and the overall Australian economy.

Evidence of the proposed system meaures is based on research and community feedback related to:

- increased wellbeing and confidence
- increased ease/navigation to accessing intergrated and simplified systems
- decreased system costs e.g. administration, health, aged care, welfare, etc
- generation of increased and sustainable income that would support individuals during economic downturns i.e.allowing at the very least, adequate retirement income
- increased consumption (goods and services) contributing to the overall Australian economy.

4. COHESION

4.1 As noted above, the current system is complex, inequitable, inefficient, ineffective, cumbersome and inconsistent and not understood by most people, nevertheless trying to navigate these systems. Even professionals working in related industries e.g. accountants, financial advisers, public servants, etc find our systems unnecessarily complex, confusing and unable to explain inconsistences between the pillars (e.g. refer to 2.10). Simplifying, streamlining and aligning our pillars would facilitate increased ease in navigating our systems without being forced to seek assistance by others.

4.2 Financial literacy/education (across all generations) is urgently required to enhance public understanding of financial management, the benefits of superannuation (compound interest and wealth creation options such as through pre and after tax contributions), the advantages of maintaining income and/or assets to generate wealth and the importance of adequate retirement income to support longevity.

4.3 The current system encourages and influences the disposal of income and/or assets to access guaranteed minimum income i.e. the age pension. Removing the income and/or assets tests, as well as introducing a minimum guaranteed retirement income supplementation via the proposed safety net system during economic downturns, would certainly address this issue and incentivise retirees to hold income and/or assets to support increased personal income to support retirement.

4.4 The Federal Government should work with state/territory governments to negotiate reduced stamp duty fees to encourage retirees to downsize. This would also benefit the overall housing market stock, particularly for families who may need larger homes.

4.5 Finally, integrating/aligning our systems across the three pillars will address many of the issues highlighted above, as well as generate revenue and savings to offset increased expenditure; and facilitate wealth that will allow increased consumption which will contribute to delivering intended outcomes for all (individuals and the wider community).

B. FUTURE SYSTEM FOR ALL COHORTS, BEYOND THE BABY BOOMERS

1. ADEQUACY

Currently the aged pension in Australia is 41.76% of the Average Weekly Total Earnings for couples and 66.33% for singles[12].

Studies and anecdotal evidence by those currently receiving an age pension with little or no other income from other sources (both homeowners and non-homeowners) highlight the following limitations/concerns/comments:

- the pension amount is tight/inadequate for meeting basic living costs (e.g. rising food and utility costs);
- does not allow reserve funds (for maintenance/repairs/replacement e.g. electrical items, car serving, etc);
- does not allow disposable income;
- leads to stress, anxiety and illness resulting from constantly worrying about how to make ends meet;
- experience social stigma and feel like a burden on society;
- feeling abandoned and resent that after paying years of taxes we are treated with disdain by younger generations, bureaucrats and politicians;
- have little confidence in the systems that are supposed to care for us as we age, and more importantly become frail;
- point to recent examples e.g. robodebt saga, waiting months (some years) for basic in-home support; and
- all the above serve to increase anxiety, insecurity, loneliness and isolation i.e. negatively affect wellbeing.

More recently, researchers and commentators have reported that one in four older Australians live in poverty. In a wealthy country like Australia, this is disheartening and a national (or international) disgrace.

We concur with the analysis regarding core consumption needs referenced in the Retirement Income Review Consultation Paper[13] that expenditure patterns remain constant during retirement because some expenses decrease while others increase.

The proposed reforms are required to support the system into the future (beyond the baby boomer cohort):

1.1 We suggest that retirees should aspire to either the Organisation for Economic Co-operation and Development's (OECD) minimum benchmark replacement rate of 70% of pre-retirement income[14], or 70% of Australia's average weekly total **net** earnings, whichever is higher. For example, for a single, this would equate to retirement income adequacy 100% above the 2015 poverty weekly rate in Australia of $433[15] for singles compared to approx. 90% above the current single age pension rate, and approx. 6% above the income level advocated by the Association of Superannuation Funds of Australia (AFSA)[16]. This would deliver adequate, and most likely, comfortable retirement income based on absolute measures.

1.2 Introduce a universal guaranteed minimum income retiree pension system (**UGMIRS**) for **ALL** retirees aged 67+ years (regardless of income/assets) with a benchmark rate of 50% of the Australian gross average weekly total earnings to allow for adequate income. For example, based on the May 2019[17] gross average earnings, this would equate to approx. $44,090 per annum (p.a.) for a couple and $29,245 p.a. (66.33% of couple rate) for single retirees. Income from other sources (e.g. work, superannuation, interest, dividends, etc) could then be used to supplement comfortable lifestyles and generate disposable income for increased consumption.

To simplify the system, the proposed UGMIRS will result in the abolition of the following:

- pension and energy supplements;
- income and assets tests (administrative burden); and
- Senior Australians and Pensioners Tax Offset (SAPTO) (alternative tax arrangements proposed).

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[12] Parliament of Australia. '*Pension Indexation: a brief history' (April 2014)* Michael Klapdor https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/April/Pension-indexation

[13] Australian Government, '*Retirement Income Review Consultation Paper' (November 2019) (p.15)* Organisation for Economic Co-operation and Development's (OECD)

[14] Australian Government, '*Retirement Income Review Consultation Paper' (November 2019) (p.14)* Australian Institute of Superannuation Trustees (AIST)

[15] Australian Council of Social Services (ACOSS) and the University of NSW (UNSW) (2018). '*Poverty in Australia 2018' (p.21)* https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

[16] Association of Superannuation Funds of Australia (ASFA) (November 2014). '*The future of Australia's super: a new framework for a better system' (p.4)*

[17] Australian Taxation Office (ATO) https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Claiming-deductions-for-personal-super-contributions/?page=2

To simplify and integrate our systems, the preferred approach would be for the Commonwealth Seniors Card (CSC) (which includes the much-valued Pharmaceutical Benefits Scheme - PBS) be an automatic entitlement for UGMIRS recipients; **OR** at the very least, introduce a reasonable income cap e.g. CSC eligibility for those generating taxable income <$120,001 per annum.

The UGMIRS will be supported/financed by the proposed new revenue raising measures e.g. taxation, Medicare levy, administrative reform savings, etc (refer to section 3 below).

The proposed UGMIRS is consistent with New Zealand's system (Retirement Review Consultation Paper, p.7) and with Australia's universal health care (Medicare). The UGMIRS is also similar to the 'safety net' measure introduced to prevent the collapse of the banking sector (withdrawal of savings as experienced in other countries) during the 2008 Global Financial Crisis.

1.3 The proposed UGMIRS will:

- simplify the current system that is considered complex, cumbersome, burdensome and inconsistent with other systems/pillars (e.g. taxation);
- ensure retirement income adequacy that would be supplemented by income from other sources (e.g. superannuation) to support disposable income;
- increase confidence and security, resulting in decrease expenditure on mental health and related services/programs e.g. foodbanks, financial support for utilities, premature entry to residential care, decreased hospital admissions, etc;
- contribute to a sustainable/increased economy through increased consumption (goods and services);
- guarantee sustainability via income generated from the proposed new tax arrangements or at the very least significantly offset any increased costs (refer to sections 2 and 3 below); and
- result in significant savings in administering the current pillars that should be used to offset the cost of our recommendations.

1.4 Overtime (beyond the baby boomer cohort), the UGMIRS together with supplemented income from other income sources (superannuation), would allow retirees to live well with income levels comparable to the recommended 'comfortable' rates promoted by the AFSA (as noted above).

2 EQUITY

The majority, if not all, of the equity considerations referenced on page 16 of the Retirement Income Review Consultation Paper can only be achieved through interim (refer to Part A) and future system reforms such as the ones mentioned below:

2.1 The proposed UGMIRS will provide equity to all and facilitate increased standards of living and wellbeing, as well as generate disposable income for consumption (goods/services), thus stimulating the economy.

2.2 Couples: each person should receive 50% of the pension rate in their own right to allow more control over personal finances and minimise/prevent potential partner abuse e.g. withholding access to income.

2.3 Apply the 2% Medicare Levy to all taxable income (from all sources) above the minimum UGMIRS rates and a 3% Medicare Levy for those with taxable incomes >$90,000 (this will generate income that will offset expenditure resulting from increased access to the PBS by all retirees). That is, an addition 1% would generate millions in extra revenue from those on incomes >$90,000. The Medicare Levy Surcharge should also be applied to income generated >$90,000 for UGMIRS singles and >$135,000 for couples who do not have private health insurance.

2.4 We support the recommendation that the "*Commonwealth Rent Assistance should be benchmarked to rents paid by the poorest 40 percent of renters, rather than the consumer index*"[18].However, we would suggest that such a benchmark be tailored to each state/territory as rents in NSW, are much higher than rents in South Australia to better support non-homeowner retirees.

2.5 Remove the $450[19] gross per calendar month Superannuation Guarantee (SG) threshold (discriminatory practice) to better support casual workers who may work for one or multiple employers (increasing savings, particularly for women).

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[18] Daley, J and *Coates, B.* Grattan Institute (November 2018) *'Money in Retirement, More than enough'* (p. 4)

[19] Daley, J and *Coates, B.* Grattan Institute (November 2018) *'Money in Retirement, More than enough'* (p. 4)

2.6 Apply the SG to materinty/parternity/adoption leave payments (increased savings, particularly for women).

2.7 To increase savings (particularly for women), allow partners to contribute to their partner's superannuation from their pre-tax salary a) while on maternity/parternity/adoption leave and b) caring full-time for a child/ family (including extended family member).

2.8 Age discrimination needs to be addressed to support workforce participation by all, including people at pension age (e.g. 65 years+) who choose/would like to continue working for monetary or for reasons other than monetary e.g. social, wellbeing, giving them a purpose, etc.

2.9 Remove current SG rules[20] that are discriminatory towards people aged 65+ e.g. contributions can only be made if the work test (40 hours in any consecutive 30-day peiord during the financial year immediately preceding the financial year in which the contribution was made) is met. This rule is inflexible and inequitable to those who may work 5 hours per month or 10 hours a quarter.

2.10 Tighten the rules around family trusts, company structures, etc to discourage these being used as tax havens (i.e. arrange their affairs to decrease tax and increase eligibility to taxpayer funded programs).

2.11 UGMIRS recipients should not be penalised and/or restricted from participating in the workforce or making any after tax superannuation contributions (we should encourage savings to supplement income to support aspirational income levels).

2.12 Abolish the Senior Age Penioner Tax Offset (SAPTO) system and the pension taper rates, and replace with a new simple, fairer, equitable and sustainable new system to support the UGMIRS:

i) all income generated (e.g. superannuation, dividends, interest, etc) be combined; and

ii) new tax arrangements applied (requiring a small tax imposed on actual generated taxable income) that would also generate additional revenue to offset and/or contribute to the proposed recommendations (as outlined throughout this submission).

To make the system fairer for all (i.e. non UGMIRS recipents) and at the same time introduce new taxation arrangements to generate revenue to sustain the UGMIRS into the future (beyond the baby boomer cohort):

A) Simplify the system by appling a **5% and 10% flat tax** on all income generated based on the residential tax thresholds. Refer to the table below (same as point 2.7, B, p.4 above) calculating the proposed tax rates for singles and couples (as individuals) against income levels based on the current residential tax thresholds, as well as the benefits from accessing the PBS.

TAX ON INCOME GENERATED FROM ALL SOURCES ALIGNED TO RESIDENTIAL TAX THRESHOLDS				
SINGLES	Based on **3 examples**	Proposed TAX	Based on current TAX SYSTEM	Savings between proposed & current
$28,844 - $90,000	5% for every dollar between $28,845 - $90,000	$ 4,541	$ 18,775	$ 14,234
$90,001 - $180,000	$4,541 + 10% for every dollar between $90,001 - $180,000	$ 13,541	$ 33,300	$ 19,759
$180,001 - $250,000	$13,541 + 10% for every dollar >$180,001 - $250,000	$ 20,541	$ 31,500	$ 10,959
COUPLES - EACH PERSON (based on $44,590 combined pension)				
$22,295 - $90,000	5% for every dollar between $22,295 - $90,000	$ 3,385	$ 20,019	$ 16,634
$90,001 - $180,000	$3,385 + 10% for every dollar between $90,001 - $180,000	$ 12,385	$ 33,300	$ 20,915
$180,001 - $250,000	$12,385 + 10% for every dollar >$180,001 - $250,000	$ 19,385	$ 31,500	$ 12,115

B) Preferred ALTERNATIVE
Apply a **15% flat tax rate to each** UGMIRS recipient based on the residential tax thresholds. For example, tax due on all income (including the UGMIRS payment) for each individual <$37,000 at 15% is $5,550 with a savings of $23,294 for a single and for a couple $16,745 per person; or on income <$90,000, tax due would be $13,500 with savings of $15,344 for singles and for a couple $8,795 per person, as well as benefits from accessing the PBS.

[20] Australian Taxation Office (ATO) https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-individuals/Lower-taxes-for-hard-working-Australians--Building-on-the-Personal-Income-Tax-Plan/

TAX ON INCOME FROM ALL SOURCES FOR EACH UGMIRS RECIPIENT				
EACH UGMIRS RECIPIENT		15% Tax Due	Less UGMIRS - benefit per person	Less UGMIRS - benefit per person (couples)
< $37,000	every dollar < $37,000	$ 5,550	$ 23,294	$ 16,745
$90,000	every dollar < $90,000	$ 13,500	$ 15,344	$ 8,795
$180,000	every dollar < $180,000	$ 27,000	$ 1,844	-$ 4,705
$250,000	every dollar < $250,000	$ 37,500	-$ 8,656	-$ 15,205
$300,000	every dollar < $300,000	$ 45,000	-$ 16,156	-$ 22,705

The proposed new taxation arrangements for retirees will generate revenue together with other system savings (as noted above) and a small tax increase for non-retirees will sustain the UGMIRS into the future (beyond the baby boomer cohort). Everyone will benefit in the long term.

Canada, New Zealand and the United States apply tax to ALL income. We have recommended that tax be applied to income above the age pension rates.

Selling the advantages and the overall system benefits (in terms of health, welfare, etc) of the proposed UGMIRS to ALL future retirees is imperative in gaining community support for the proposed measures.

2.13 Access to superannuation income streams and/or lump sum withdrawals should be raised to 60 years of age and over (current preservation age is 57) with continued restrictions. However special considerations/ exemptions should be applied to those who require access to their superannuation e.g. the long term unemployed who use such income rather than accessing Newstart, or to supplement Newstart (which is well below the poverty line i.e. $559 versus $866 per fortnight), or are facing financial hardship (e.g. health, low life expentancy, disability, financial/debts, etc).

2.14 Tax on SG for high income earners ($250,000+ per annum) is currently set at 30%. The $250,000 gross per annum income threshold should be lowered to align with the maximum residential tax rate of >$180,000. This would make the system fairer, equitable and consistent with the current residential tax thresholds (outside superannuation) and result in an additional (approx.) $10,500 (i.e. 15% applied to $70,000) of tax revenue for those earning between $180,001 - $250,000 gross annually and used to offset our recommended measures.

2.15 Abolish the superannuation transfer balance cap to faclitate the accummulation of increased wealth while at the same time increasing the revenue pool via the proposed flat/threshold tax arrangements. This would encourage people to hold onto (not dispose) income/assets that could generate income (and tax revenue) and increase consumption via increased disposable income.

2.16 Remove the $300,000 downsize contribution limit that currently applies to people aged 60+ and allow those with the means to contribute more into their superannuation (as an after tax contribution).

2.17 Age discrimination (which seems to start at 45 years of age) needs to be addressed to support workforce participation. It is worth noting that some people (e.g. 67 years+) choose to work for reasons other than monetary gain e.g. social, wellbeing, contributing to the community, living purposeful lives, etc.

2.18 Given the proposed new taxation system (2.12 above) and the fact that we want people to work longer (for financial, social and wellbeing reasons), no restrictions should be applied to contributions to superannuation (whether this be pre or after tax) for those aged 65+ even where they may be in receipt of a government pension or superannuation income stream.

2.19 Remove the mandated minimum (maintain the maximum) drawdown rules for superannuation currently set at 4% for those under 65 or 5% for those between 65-74, etc. People should be responsible for determining the appropriate income level they require to supplement their UGMIRS payment.

2.20 Additional strategies could be introduced to support retirees needing to move into residential care e.g. homeowners could be encouraged to rent their family home and income used to contribute to their residential care without being required to sell the family home. Such income used to support residential care, could be tax free to allow funds for property outgoings and the balance used towards their residential care. This would allow equity with non-homeowners while not penalising homeowners.

2.21 The proposed residential taxation cuts due to commence 1 July 2022, should not proceed as they are inequitable as they benefit higher income earners above all others. One might conclude that the proposed tax cuts are designed to influence future election outcomes rather than demonstrate responsible and equitable fiscal and economic management expected by governments.

2.22 Unless income generated from all sources is taxable, the unfair, inequitable and unsustainable dividend imputation system which results in cash refunds of excessive franking credits from the public purse should be abolished. Or at the very least, changed so that franking credits can only be used to decrease personal tax liability to zero.

3 SUSTAINABILITY

3.1 Simplify and increase consistency of the current system/pillars which many consider unfair, complex, cumbersome, burdensome and inconsistent e.g. taxation thresholds (refer to 2.14 above).

3.2 The proposed tax cuts due to commence 1 July 2022, should not proceed, instead revenue should be used to offset the proposed UGMIRS for future generations.

3.3 Other relevant measures (e.g. ageing at place) coupled with our recommendations, will contribute to a reduction in premature entry to residential care, decreased hospital admissions, etc due to the stresses of inadequate income, and decreased government expenditure on health and welfare.

3.4 The proposed UGMIRS and our other recommendations will ensure sustainability by:

a) increasing overall level of public confidence that ALL older people are valued by being supported through access to guaranteed minimum adequate retirement income that could be supplemented with income from superannuation;
b) designing simplified systems that align all the pillars (e.g. wellfare, tax, etc) that are cost efficient, effective, equitable and sustainable;
c) increasing the Medicare Levy will increase revenue that can offset increased PBS expenditure;
d) improving wellbeing, health and welfare (mental health, hopsitalisations, accessing foodbanks, etc) resulting in budget savings that could offset our recommended reforms;
e) using the significant savings from reduced administration costs to offset expeniture;
f) increasing wealth that will support retirement income that could withstand economic crisis/downturns;
g) increasing levels of disposable income for increased consumption, thus stimulating the economy; and
h) increasing government revenue (e.g. 2.14 above) to offset the cost of the proposed new system, thus reducing the financial burden on future generations.

Evidence of the proposed system meaures would be via research data referencing:

- increased confidence and wellbeing;
- increased ease/navigation to accessing intergrated and simplified systems;
- decreased health and welfare costs;
- positive consumer feedback around their experience in accessing our systems;
- increased revenue (from various sources e.g. tax, super, Medicare, etc); and
- increased consumption (goods and services) contributing to the overall Australian economy.

4. COHESION

4.1 Major reforms are required to our three pillars to ensure simplified, consistent, aligned, strealimed, efficient, effective and sustainable systems that would be used to offset our proposed recommendations. The UGMIRS together with the other proposed reforms will provide future generations with an adequate income and undoubtably comfortable living standards for the majority.

4.2 Financial literacy/education (across all generations) is urgently required to enhance public understanding of financial management, the benefits of superannuation (compound interest and wealth creation such as through pre and after tax contributions), advantages of maintaining income and/or assets to generate wealth and adequate retirement income to support longevity.

4.2 The Federal Government should work with State/Territory governments to negotiate reduced stamp duty fees to encourage retirees to downsize. This would also increase housing supply, particularly for families who may need larger homes.

4.3 Reforming other systems would also contribute to savings that should be reinvested back into our health, welfare, education, etc. Examples include:

- abolish the unnecessary requirement for annual referrals to the same specialist which add costs to the health system that could be diverted to other areas such as waiting lists, increased access to other health services, etc;
- increase the availability of specialised nurses who could support people at home e.g. with replacing infected pegs rather than the current situation for many patients who need to be transported to hospital by ambulance to have this procedure done (waste of resources when quicker and cheaper options of care could be available);
- cease the outsourcing of services to private suppliers who are motivated by shareholders rather than quality care – outsourcing has simply increased costs to the public purse and yet failed to deliver the intended outcomes, including not value for money (e.g. the NDIS and the residential aged care systems are good examples of the significant waste);
- cease the excessive use of consultants that have added little (or in most cases) no value, wasting valuable taxpayer money that could be used for other purposes e.g. reducing hospital waiting lists, addressing poverty, etc;
- there is a need to focus on prevention and early intervention to improve outcomes that will also result in significant cost reductions (including removing the need for expensive royal commissions) e.g. child protection, poverty, domestic violence, poor literacy, mental health, etc.

4.4 Finally, integrating/aligning our systems across the three pillars will address many of the issues highlighted above, as well as generate revenue and savings to offset increased expenditure; and facilitate wealth that will allow increased consumption which will contribute to delivering intended outcomes for all (individuals and the wider community).