

To The Retirement Income Committee,

I am writing to you as I am concerned about the one sided reporting on the Retirement Income Review. I have read a large number of the reports and media releases relating to this subject.

Below are my observations on how I see the issues that may affect the senior retired generation.

I believe that these changes will affect most of us as we age and our financial situations change.

## **RETIREMENT INCOME REVIEW**

### **Concerns:**

The Retirement Income Review was to look at the 3 pillars of Retirement Income:

- 1) Means tested Government Funded Age Pension.
- 2) Compulsory Superannuation.
- 3) Voluntary Savings.

The only suggestions and discussion appears to be about attacking the senior retirees to reduce their standard of living. I am amazed at the lack of knowledge about the real environment that existed in the years that senior retirees lived and worked and how it affects their current situation.

It is hard to believe that this is the only way that the Government can improve the financial situation of our country.

There is no discussion about the problems in the superannuation. The Government needs to fix the problems with the super system and make it more efficient to achieve the retirement system it was designed to do and provide retirement income that will replace the Age Pension.

### **Generation Differences :**

It appears from the reports on the media that there is no concern or an attempt to be concerned about the difference in the situations of current generations and the senior generations.

We have a generation of people who will retire on a huge superannuation income that is provided by the Guaranteed Superannuation System which is supplied by their employer and generous tax support.

These people, thinking and only knowing about the guaranteed generous retirement income that they will receive, are making decisions about senior retired people. These people have had little or no guaranteed superannuation and are now living on money that they saved by earning extra money or by going without the things that are taken for granted today. There were no tax concessions on these savings.

The Guaranteed Superannuation was brought in to reduce the need for the Age Pension when there was enough money in peoples retirement accounts to live without the Age Pension. This is a great idea, but at this time there is a generation caught in the situation where they don't have a huge

amount of money in their superannuation to live on in retirement and they live in an era where the guarantee superannuation retirement income is taken for granted.

They should not be penalized because of Government Reform decades ago. There has to be a plan to deal with this situation until there is enough money in superannuation accounts.

## **Private Home included in Asset Test**

The discussion on including the family home in the asset test began with discussions about people living in multi-million dollar homes and receiving some age pension. Now this has become an unrealistic obsession to include lower value homes in the asset test.

There are situations where the private home has been used to receive more Age Pension, but this is in the extreme minority. Most senior retirees have owned their family home for decades. It was not a strategy to receive more Age Pension, but a place where they live after raising their families.

Fortunately these homes have increased in value over the years as this is the only way they will be able to keep pace with the increasing cost of Age Care and be able to access it when they need, and not burden the Government. In reality, for most people, the family home is not appreciating as fast as the increasing costs of Age Care.

If the Government wants to penalize people who are deliberately using very expensive homes to receive more pensions, they should not destroy the lives of honest seniors living in their family home.

The Henry Tax Review recommended that \$1.2 M ( 2009 values) could be a cap on home value exempt from the asset test and the Government to offer a zero or low interest loans to help people affected.

Now organizations are wanting to implement unrealistic and impractical low asset cutoff on the family home.

In the current Pension Loan Scheme, the government charges 5 times the current interest rate whilst saving money paying the Age Pension payments.

This loan Scheme interest will keep building up and stop older Australians from getting into Age Care with some sort of dignity.

The reality is no one knows the future such as share market crashes, personal expensive health expenses or other unexpected expenses. Most people will run down their financial assets and need the proceeds from their home to access Age Care. We need to think further into the future.

## **Franking Credits**

The debate on Franking Credits and subsequent decisions seems to have been a waste of time. It's another attempt to penalize one segment of the population. I don't think the people pushing for this understand how this will affect senior retirees.

When a company pays a dividend, the share price drops by approximately the value of the dividend and the franking credit. The value of Seniors shares decreases by this amount the same as everyone else, but they will not receive the franking credit.

It is not right to put more hardship on one sector of the population who need dividends and franking credits for income. The interest income from money invested is almost non-existent.

## **Tax Concessions On Retirement Income**

In reports in the media by so called experts, use the examples of couples with \$3m home, \$3.2m in super and \$1.1m other assets paying no income tax.

Is this the situation of senior retirees? - NO

The people and organizations writing these reports need to get real and present information on the actual situation of retired Australians trying to live an acceptable life.

If SAPTO is a tax concession on retirement income, what is the Superannuation System?

SAPTO is a modest tax concession on the income of senior retirees trying live on the savings who have not got the benefit of the huge tax concessions of the Government superannuation system.

The tax concessions on Superannuation goes on for decades in the accumulation phase, and then in the transition to retirement phase and then pension phase. The SAPTO tax concessions are minute compared to the tax concessions on Superannuation.

If the Government wants to support the budget by reducing the cost of tax concessions, then reduce the tax on all retirement income. This is not practical as the Superannuation System is vital to fund retirement in the future.

The right thing to do is leave SAPTO alone.

One of the arguments for removing SAPTO is that the pensioners are not paying some tax at the expense of those of working age.

We all paid tax when we were working and those currently working will get better tax concessions when they retire thanks to the Guaranteed Superannuation System.

The tax rates paid when the seniors were working was much higher than todays tax rates.

See example below:-

Current Tax Rates 2018 - 2019

\$0 to \$18201    Zero

\$18201 to \$37000    19%

\$37000 to \$90000    32%

\$90000 to \$1800000 37%

Tax Rates 1980 - 1981

\$0 to \$4041 Zero

\$4041 to \$17239` 32%

\$17240 to \$34478 46%

\$34479 and over 60%

The threshold reflects the lower wages paid then, but look at the tax rates the senior retirees had to pay.

It's hard to see this argument to penalize senior retirees when they paid these higher tax rates plus paid home mortgage interest rates of up to 16%, when you look at the current tax rates and interest rates on mortgages and other expenses today.

There needs to be a balanced approach to the Retirement Income Review, not just focus on attacking the senior retirees who have worked to have a reasonable retirement