

Retirement Income Review Consultation Paper

Consultation question: Are there aspects of the design of retirement income systems in other countries that are relevant to Australia?

My comments relate to the first and the third pillars of Australia's system.

In my view, the Aged Pension is too high. Not only do pension recipients receive regular fortnightly indexed payments, they also receive travel concessions; prescription concessions, utility concessions etc. This action is discriminatory to self-funded retirees who are not eligible for this. In my view, those who have done the right thing and provided for their retirement should either be rewarded with similar benefits, or the extra concessions should be removed for all citizens.

Turning to the third pillar; Compulsory Savings. For self-funded retirees, the return on our savings investment is pitiful. If the Government is genuinely committed to getting people to fund their own retirement, they need to ensure that self-funded retirees aren't disadvantaged. Our return on investments (ROI) is reducing. We do not have the benefit of a regular income which rises with the Consumer Price Index. To address this anomaly, I believe the Government should investigate some form of guaranteed ROI for self-funded retirees. The risk and the cost of not doing this, is that more self-funded retirees will end up dependant on the Aged Pension.

Consultation question: Is the objective of the Australian retirement income system well understood within the community? What evidence is there to support this? In what areas of the retirement income system is there a need to improve understanding of its operation?

It is unfortunate that there continues to be a large number of citizens who consider the aged pension their 'right'. Further education is required to get the message through that all Government funds come from 'Taxpayers'. The Government should also regularly update citizens on the percentage of revenue that is applied to pay Government benefits, similar to the graph that appears on Income Tax Assessment Notices.

Consultation questions: What are the respective roles of the Government, the private sector, and individuals in enabling older Australians to achieve adequate retirement incomes? 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? What are the trade-offs between the pillars and how should the appropriate balance between the role of each pillar in the system be determined?

Refer to the comments above. The Government should be taking a more proactive role to support and assist self-funded retirees to maintain their status by offering a guaranteed ROI for their savings. In addition, tax incentives should be offered to respected and trusted private sector entities to also support those wishing to invest with them by offering a guaranteed ROI.

Consultation question: 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? To what extent is the system responsive to these trends? Are there additional trends which the Review should consider when assessing how the system is performing and will perform in the future?

Refer to the comments above on the ROI from savings. I wholeheartedly agree that home ownership needs to continue to be encouraged as the cost of providing subsidised/housing commission homes outweighs the benefit of individuals owning their own homes.

Consultation questions: 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? Are there other principles that should be included? 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?

In my view, the pension is more than adequate. We know of many Aged Pensioners who are able to regularly travel as their income is guaranteed each fortnight. Along with the other concessions and benefits they receive, they are able to maintain a very high standard of living.

Comments above show that there is a perception among many self-funded retirees that the current system is not equitable. Many self-funded retirees feel we are being 'punished' for trying to do the right thing and provide for our retirement. Further, we have the added stress of having to carefully manage our funds which those on the Aged Pension don't have to do. Their money is guaranteed and is not at the whim of the Reserve Bank Cash rates or the share market that fluctuates on a daily basis.

Clearly, the current system is not sustainable as many self-funded retirees feel like second class citizens and many citizens currently in the workforce, are depressed at the thought of having to pay such high rates of taxation to fund the retirement needs of others.

Additional tax incentives to citizens to contribute to their superannuation monies are encouraged.

Consultation question: What should the Panel consider when assessing the adequacy of the retirement income system?

The population is aging and life expectancy for many is increasing so the system needs to account for these factors. It may be that to account for these factors, the aged pension does what it was originally intended to do, namely, provide a 'basic' living income.

Consultation questions: What measures should the Panel use to assess whether the retirement income system allows Australians to achieve an adequate retirement income? Should the system be measured against whether it delivers a minimum income level in retirement; reflects a proportion of pre-retirement income (and if so, what period of pre-retirement income); or matches a certain level of expenses? What evidence is available to assess whether retirees have an adequate level of income?

See comments above. Measures should ensure that the aged pension provides a 'basic' level of income. In other words, if a citizen has to sell their expensive home to downsize to a smaller one, then so be it. Similar considerations should apply to their modes of transport. The income received from 'downsizing' can be invested so that they only receive a part/smaller pension, thereby reducing the burden on taxpayers.

Consultation question: What should the Panel consider when assessing the equity of the

retirement income system?

All citizens who have retired, should be treated equally. Any benefits/concessions offered to Aged Pension recipients should, as a matter of principle, also be offered to self funded retirees as we are placing less burden on taxpayers.

Consultation questions:What measures should the Panel use to assess whether the retirement income system allows Australians to achieve an adequate retirement income? Should the system be measured against whether it delivers a minimum income level in retirement; reflects a proportion of pre-retirement income (and if so, what period of pre-retirement income); or matches a certain level of expenses? What evidence is available to assess whether retirees have an adequate level of income?

I have spoken to a number of retirees who are accessing the Aged Pension and all the benefits that accompany it. In My view, the pension is too high as these citizens can still afford overseas trips and a number of 'luxuries'. Surely, the Aged Pension is designed to be a safety net to provide only for the basic necessities in life, namely food, water, medical services and a safe home. At present, it is generous enough to fund a number of overseas trips for these citizens. Surely a better and fairer option is to reduce the pension and use the excess funds to improve services available at hospitals and to increase the number of public housing options.

Consultation questions:What factors and information should the Panel consider when examining whether the retirement income system is delivering fair outcomes in retirement? 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.)? Is there evidence the system encourages and supports older Australians who wish to remain in the workforce past retirement age? To what extent does the retirement income system compensate for, or exacerbate, inequities experienced during working life? What are the implications of a maturing SG system for those who are not covered by compulsory superannuation?

It is all very well for the Government to encourage retirees to remain in the workforce, but the current incentives offered to employers don't do enough to convince the employers to offer vacant positions to retirees. There is a widespread misperception that older Australians will take more sick leave than younger employees. I do not think that there is anything that the Government can do to change this misperception.

Consultation question:What should the Panel consider when assessing the sustainability of the retirement income system?

See comments above. The current retirement system is not sustainable so the amount paid by the Aged Pension needs to reduce or some of the benefits/concessions need to be withdrawn.

Consultation questions: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? How can the overall level of public confidence be assessed? What evidence is available to demonstrate the level of confidence in the system?

As previously discussed, unless the Aged Pension and benefits are moderated, there is little/no incentive for younger generations to provide for their own retirement.

Consultation question:What should the Panel consider in assessing whether the retirement income system is cohesive?

See above comments.

Consultation questions:Does the retirement income system effectively incentivise saving decisions by individuals and households across their lifetimes?What evidence is available to show how interactions between the pillars of the retirement income system are influencing behaviour?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? What evidence is there that Australians are able to achieve their desired retirement income outcomes without seeking formal financial advice? Is there sufficient integration between the Age Pension and the superannuation system?

I believe I have already addressed a number of these questions in the comments provided above.

Thank-you for the opportunity to provide comments. I sincerely hope my comments are thoroughly considered and assist in improving the system before it creates a division between self-funded retirees and those who receive a guaranteed fortnightly Aged Pension..