

Dear Retirement Income Review Secretariat,

Thank you for your kind email my submission (If it needs to be on a standard form please advise) is as follows:-

In My submission I use the term Centrelink I do realise that it is now called Services Australia, to change a department name does not in itself change anything.

First a couple of words about myself and my wife we are M aged 75 and F aged 70 both had middle level professional careers have an adult family - we used a SMSF to save only to find this eroded in the Global Financial Crisis we have since drawn down to a combined super balance of \$320000 -we paid our mortgage, we have owned our current house for 20 years and besides being our home is our major asset. We do receive a Australian Government Centrelink Pension and a UK Government Pension and a small NZ Pension.

In saying this I have a good understanding of the Centrelink system and the UKs. to make ends meet we have an bank draw down equity loan facility which we use to keep a reasonable life style in due course the interest requirements will make this untenable.

With reference to **the current state of the system**

On a broad basis the Australian system is at best cumbersome - it is exceedingly bureaucratic with Assets Tests and Income Tests and the general perception that anybody receiving welfare is a 2nd class citizen.

To compare the systems of Australia and the UK would appear to be valid:-

In simple terms the **UK Pension** is a contribution scheme - everybody of pension age that meets the number of years work requirements receives the same pension - the contribution system is largely a tax that is used for pension [requirements.UK](#) Government pensions are taxed in the hands of UK resident recipients. Once you fill in the start forms with the UK system there is no further need for contact until death. If you do need to contact there is not a long telephone queue, and they will respond to emails and there is service. If they do not meet their guidelines they provide compensation!

(In our case I worked in the UK for some 8 years and paid considerable voluntarily contributions/years which are income tested @ 50c for each dollar earned in a fortnight without any consideration for the amount I paid in.)

In comparison the **Australian system** is full of rules and regulations that are barely understandable the system seems to be designed to demean anyone on welfare and can only at best be confusing to pensioners. How many people are employed is an unknown but you could probably double the number and still have a non service Australian Services! I would suggest that the panel ring the Centrelink query numbers and visit a Centrelink office to understand that in real life that the system is poor at best. The super rules are equally dismal and encourage more advisors with dubious solutions.

My personal comments are that to contact Centrelink is excruciating, an hour + of waiting on the phone (periodically you can't even wait!), to discuss issues, with at times, limited knowledge staff and with no recourse to supervisory staff you have to wait whilst there is a 'secret' discussion with supervisors, any contrary view can be met with a directive to send in documents for review if you do not follow directives exactly then the pension can be stopped

immediately - Centrelink does not necessarily reply to any documents that you send them so you are left in a quandary do you contact or not. The organisation has a reputation for being unforgiving! If you change your bank account balance by more than \$1000 etc you must record you have to provide bank accounts if requested and explain money flows on how you spend your own money the my view is that I paid considerable taxes and that the pension is part of our past taxes. No Accountability for errors , No Transparency, No Recourse, Limited Service .**The current system is poor heading towards broken**

An anomaly is the downside when a couple have a partner die the pension rates for singles are abysmal the asset test amounts are out of kilter reducing pensions in even modest assessed super asset amounts because of the life expectancy this will impact a greater proportion of older women. I can provide examples if required. **More Governance is required when drafting the rules.**

How it will perform in the future as Australians live longer and the population ages.

The Australian Pension System barely functions **if we continue to do what has always been done we will have the same results! Less service more unreadable add on rules and a growing tide of unhappy retirees who will feel disenfranchised!**

We should follow the UK Pension system tried and tested alter it if necessary for Australia but keep the principle Pension available for all, with the evenness between income groups being that the pension is taxed. Part of General Revenue should be recognised as being available for Pensions if tax rates need to be increased so be it. Tap the future fund if there is an initial short fall the future is NOW. Though there would be internal savings from less bureaucracy. Maybe politicians could receive less generous pensions to assist! **Separate the Australian Services pension area and change the name to Australian Pensions provide a more specific service with less people and more 'care'. The now older population has provided a great base for the Australia today they should be respected in their retirement.**

Recent Government Initiatives

The **Downsizing scheme** is a good idea fraught with danger for the uninitiated whilst the idea of adding to superannuation is appealing the downsides of managing a sale and a purchase to go through on the same day is daunting if not then the sale proceeds will all be taken as assets for the income test deeming requirements On a million dollar sale this is a pension reduction from deeming of over \$500 a fortnight for a couple clearly an anomaly in the current regulations - the home was not assessed previously so the **minimum** should be that both the income and assets test should not apply on proceeds for a year. **To have a level playing field super contributions from downsizing should never be assessed in the assets or income test.** The asset test on the new super, after a year, reduces a pension even more! Besides the task of selling and buying simultaneously the downsides of downsizing is costs in stamp duty, agent costs and moving costs and psychologically issues in moving from a home for financial reasons when aged.

Pension Supplement scheme is again a bureaucratic maze the interest rates are ridiculous for a government initiative if you have a mortgage then it is a big hurdle to qualify if you want to pay back amounts it appears to be laborious no online ability? **Reduce the interest rates to deeming rates ensure deeming rates are realistic current rates should be nearer 2% provide a better service allow for 1st mortgages.**

The role of the three pillars of the retirement income system

Do not increase the super guarantee the system is sufficient for an average system - average workers are unlikely to achieve adequate pensions over a working lifetime A \$100000 at 9% over 40years at 2% . At current interest rates an \$800000 pension will probably only earn a risk free \$16000 ie a couple \$32000 with a partner earning less for less time.

Provide a taxed government Pension for all per years of potential working life .

Set up a government 'The Australia Bank' please not run by the government but they would set the policy under the 'Reserve Bank' with Future Fund involvement for house/medium business loans use it to provide a medium /long term government bond system for savings. Make use of existing Post office locations and the availability of online systems. All government agencies would have to use plus it should have government guarantees, It should be non profit making. The Future Fund would need to have a percentage of deposits with the Australia Bank (it was government money originally given to the Future Fund via proceeds from Telstra shares . Standard Super Funds would need to have a percentage of funds deposited in Australia Bank Bonds or bank deposits. Surely there is a Treasury guru that could make this fly I have a number of retiree friends who could assist! This is a viable operation - with deposits and loans at reasonable rates less margins it would provide competition to banks and good rates for customers. I do vaguely remember a previous 'Government Bank' that seemed to operate OK!

Would appreciate an acknowledgement of receipt. If you require any further comment about parts of my submission please advise.

Thank You for the opportunity.

Best Regards,

Paul Southam