SUBMISSION TO THE RETIREMENT INCOME REVIEW

I note that the Consultation Paper refers to three pillars of Australia's retirement income system. I believe that three pillars do not represent the full story. I have written to ministers to enlighten them to the fact that there are in fact four pillars. I believe that any policy initiatives to become law should recognise this fact.

The four pillars are:
Aged pensioners
Self funded retirees
Working Aged
Voluntary Savings (such as investment portfolios}

The Government will be forced to recognise this fourth demographic because it will be growing at an exponential rate in the near future.

Legislation already exists for Aged Pensioners and Self Funded Retirees.

Aged Pensions have made their economic contribution to society and are entitled to receive support in the twilight years. They no longer make a contribution to economic activity unless they do so in a voluntary capacity.

Self Funded Retirees have contributed to economic activity and have made provisions for their retirement either through their choice of working career which may be in a non-contributory government pension scheme or private enterprise scheme. For those in a self funded superannuation scheme, they receive for the most part passive income tax free having turned the age of sixty. This is an outrageously generous arrangement but seen as a reward for the recipient's planning for retirement.

The Working Aged earn a living from personal exertion income with the only concession from the income tax regime after being assessed at full rates is an age rebate of $ 2,230 which cuts out at an income level of $ 50.119. This age rebate pales into insignificance when compared with the self funded retirees receiving passive income tax free. The Working Aged continue to make a contribution to the economy well beyond the normal age for retirement.

A suggestion for a policy framework for the Working Aged, now represented by a void, is:

The annual income for the Working Aged should receive a rebate equal to the aged pension they are potentially entitled to. This arrangement would require an asset test screening as was in place for the Age Pension Bonus Scheme.

Further, now that the Government has capped pension accounts at $ 1,600,000 - the age threshold of 75 years beyond which an individual can no longer make a tax deductible contribution to a superannuation fund should be abolished. It does discriminate against the working aged, but the Government exempts itself from the Age Discrimination Act. The legislation should be framed to allow any worker to make a tax deductible superannuation contribution until his/her superannuation account balance reaches $ 1,600,000. The Single Touch Payroll system and the Business Activity Statement will provide evidence that the individual making the claim is still working.

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