



The Alliance
for a Fairer
Retirement
System

Media Release

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Alliance submission to Retirement Income Review

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Sustainability and eliminating disincentives to save are the keys to a better retirement, according to the Alliance for a Fairer Retirement System. It has just released its submission to the Retirement Income Review.

Alliance spokesperson, Ian Henschke says: “The Alliance supports the four principles proposed by the Panel: adequacy; equity; sustainability; and cohesion. But certainty is also a critical factor and must be included in any review.”

“The cohort outside the current system includes the self-employed, those in the gig economy and older, retired Australians — none of these has the benefit of compulsory superannuation. Small business owners frequently rely on selling a business to fund retirement, yet not all business owners can sell their business. Those in the gig economy frequently suffer from fragmented employment, making savings a challenge. Non-compulsory saving can also prove difficult for many. It’s vital, therefore, that policy settings take account of the impact on all retirees and not only those who have benefited from superannuation.”

“There’s also insufficient integration between the Age Pension and superannuation. Leakage from superannuation will increase the costs of the Age Pension. The longer money stays in superannuation, the more Age Pension costs can be reduced. Age Pension rules are overly complicated. If simplified there’d be less opportunity to undermine savings behaviour leading to perverse outcomes.”

In its submission the Alliance says the review should look at policies which encourage voluntary contributions to superannuation.

“Governments see concessions as a liability when in fact they’re an asset resulting in more self-funded retirees and less reliance on the pension,” Mr Henschke said.

In identifying the changing Australian workplace landscape, the Alliance points to the growing number of over 55s unable to find work, who go on Newstart and exhaust their retirement savings just to get by.

With the over 55 age cohort the largest demographic receiving Newstart, the Alliance wants the review to examine a more adaptable retirement income system which considers the relationship between age demographics, declining home ownership and the labour market.

The Alliance also wants the review to examine more flexible pension systems overseas such as New Zealand which allows pensioners to remain in the workforce without sacrificing their age pension.

The issue of adequacy of the retirement income system is also raised given that older Australian single women are the fastest growing demographic facing homelessness in Australia.

In identifying the equity of the system for the review panel, the Alliance has pointed out perverse disincentives for older Australians to save for their retirement.

For example, the current taper rate creates a 'sweet spot' for retirees to reduce their savings in order to receive the full Age Pension.

"That sweet spot is around \$400,000 in savings which sees a pensioner couple earning \$1,000 a month more than a couple with \$800,000 in savings," said spokesperson Ian Henschke.

In its submission the Alliance says, "Pension rules encourage retirees to arrange their affairs to become residential property rich, but income poor."

The Alliance submission points out the disincentives to save also act as a threat to sustainability.

A lack of cohesion in policies affecting older Australians is another area the Alliance raised.

The example of different means tests for aged care and the Age Pension shows a "siloes approach" by different government departments such as Treasury and Health.

Complicating matters are what The Alliance calls "dense and labyrinthine" rules governing superannuation, aged care and the Age pension compounded by a lack of financial literacy.

"Australians are becoming more self-funded and should be encouraged not discouraged to continue that way."

The full submission to the Retirement Income Review can be read here:

<http://www.fairerretirement.com.au/news/2020/2/12/submission-retirement-income-review-consultation-paper>

About the Alliance:

The Alliance for a Fairer Retirement System is a group formed to represent millions of senior Australians, shareholders, self-funded retirees and those planning a sustainable retirement, including over one million members of self-managed super funds. The Alliance's mission is to help improve the existing superannuation, Age Pension and broader retirement income systems.

The organisations that form the Alliance include:

- Association of Financial Advisers
- Association of Independent Retirees
- Australian Investors Association
- Australian Shareholders' Association
- Gold Coast Retirees Inc.
- Listed Investment Companies and Trusts Association
- National Seniors Australia
- Self-managed Independent Superannuation Funds Association
- SMSF Association
- Stockbrokers And Financial Advisers Association
- WA Self Funded Retirees

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