



**Australian Independent Retirees (A.I.R.) Limited**  
ACN 102 164 385

**2026-27 Pre-Budget Submission to the Federal Treasurer  
and the Department of Treasury - Budget Policy Division**

**January 2026**

## **Background and Concerns of the Australian Independent Retirees**

Australian Independent Retirees (A.I.R.) Limited (known as AIR) is the national peak body representing current and future fully and partly self-funded retirees. AIR works to advance and protect the interests of Australian residents aged over 50 years old, seeking independence in retirement. AIR seeks to secure recognition and equity for Australians who, through their diligence and careful planning, fully or partly self-fund their own retirements.

Our members have a clear understanding of the need for ongoing management of the financial, health and longevity risks they face in retirement, but are concerned about any changes that would affect their capacity to have an independent and fulfilling retirement.

In 2024-5, 37% of Australians at retirement age were estimated to be fully self-funded compared with 22% in 2000. There are currently over 2 million Australians who either fully or partly self-fund their retirement. The greater majority of these are not “wealthy” individuals and unexpected financial impacts to their income streams may result in them needing Government support in the later years of their retirement. APRA predicts there will be another 3.6 million Australians who will move into the retirement phase of superannuation over the next 10 years.

AIR remains committed to a view that any changes to superannuation, retirement savings and income arrangements must not disadvantage current retirees and those about to retire. Given escalating costs of living including health care and the ever more uncertain political environment across the world, fully and partly self-funded retirees also require some assistance. With many factors impacting negatively on them, retirees have limited opportunities to increase their income without added risk. Despite this, retirees make a significant contribution to the nation as taxpayers, family supporters and through volunteering.

We accept the proposition that those who can afford to contribute to their health care and aged care costs should do so. However, this does not mean that self-funded retirees should contribute more than the actual cost of health and age care services. We are concerned that co-contributions will be increased to such an extent that many self-funded retirees will be financially disadvantaged by such measures.

Retirement planning has become more complex with volatile financial market conditions and frequent changes to government policies making it harder for many retirees to develop long term retirement plans. The government needs to ensure that with changes in policy, fully and partly self-funded retirees are not impacted by the unintended consequences of those changes.

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# Recommendations

Australian Independent Retirees (A.I.R.) Limited welcomes the opportunity to provide the following Pre-Budget briefing to the Federal Department of Treasury containing policy recommendations across areas of concern to current and future fully and partly self-funded retirees and requests that they are given favourable consideration when Government prepares the 2026-2027 Federal Budget.

## Retirement Phase of Superannuation

**Recommendation: The current age ranges should be broader and minimum drawdown percentages lowered** for superannuation account-based pensions after retirees reach **75 years of age**.

Current age of pension account holder	Current drawdown %	Change age range to	Proposed new drawdown %
Under 65	4%	Under 65	4%
65 to 74	5%	65 to 79	5%
75 to 79	6%		5%
80 to 84	7%	80 to 89	6%
85 to 89	9%		6%
90 to 94	11%	90 to 94	7%
Aged 95 or older	14%	95 and over	10%

**Rationale:** The length of time spent in retirement is becoming longer as life expectancy continues to increase. It is now common for retirement to be 30 years or longer. In addition to this longevity risk, **inflation risk** and **investment risk** increase the likelihood of shocks to the value of retirement savings and retirement income.

Self-funded retirees bear the full consequences of these risks but are increasingly **concerned about running out of money** in retirement and having **insufficient funds to afford more costly health and aged care**.

With the drawdown percentages increasing as we age, the funds required to be drawn down from superannuation over age 75 may be more than required for everyday expenses. Unfortunately, there is no mechanism to make non-concessional contributions to superannuation over age 75 years. With the investment returns from superannuation funds potentially exceeding those achieved by individuals, **retirees would prefer to retain retirement funds in superannuation** rather than outside superannuation.

It has been suggested that retirees over age 75 want to retain funds in superannuation to maximize the benefit from the low tax environment. **The reality is retirees want to benefit from the higher investment returns in superannuation** so they can fund increasing health and aged care.

In addition to higher investment returns, retirees benefit from **greater security of funds in superannuation**. With more sophisticated systems in large superannuation funds managing the movement of funds from one investment to another, it is less likely for member funds to be lost to scams and cyber-security attacks that are occurring more frequently now.

## Retirement Income

**Comment:** Australian Independent Retirees supports the current thresholds of \$64,200 of assets for singles and \$106,200 for couples for deemed income until the 30<sup>th</sup> June, 2026. We also support the deeming rate of 0.75% for assets below the thresholds.

**Recommendation:** The deeming rate for assets above the threshold should align to a small discount to the current RBA cash rate. This is in line with the current deeming rate of 2.75% applied to amounts above these thresholds.

**Rationale:** Having a deeming rate threshold that aligns with approximately 1.5 years of spending enables retirees to keep readily available funds in an 'at call' cash account. These accounts would earn approximately similar interest returns as the deeming rate for funds below the threshold.

The deeming rate (above the threshold) is intended to reflect the rates of return available from a cash investment. The RBA cash rate reflects the 'risk-free' return for cash. It is therefore appropriate that the deeming rate above the threshold should be set at 0.5% below the likely RBA cash rate at the 30<sup>th</sup> June, 2026 of at least 3.85%. This deeming rate of around 3.35% provides the appropriate incentive for retirees to seek a higher return on their retirement savings but ensures the investment risk can be minimised.

**Recommendation: The Gifting Rules** (or Deprivation provisions) **have not been adjusted since they were introduced in 2002**. They must be updated immediately and then adjusted for inflation/CPI on a regular basis as with the Pension assets test.

**Rationale:** The current gifting rules (deprivation provisions) have remained capped at \$10,000 per year or \$30,000 over a 5 year period since they were introduced in 2002. Inflation/CPI changes since 2002 has significantly eroded the current value of these caps. These caps should be updated immediately to take account of inflation since 2002 and updated regularly.

## Retirement Savings into Superannuation

### Adequacy Measures

**Recommendation:** For people approaching retirement (over age 55) with less than \$500,000 in superannuation, the **annual concessional contribution cap should be doubled** from \$30,000 to \$60,000 until their super balance exceeds \$500,000.

**Recommendation:** For people over age 55 with less than \$500,000 in superannuation, the **annual non-concessional contributions cap should be doubled** from \$120,000 to \$240,000 until their super balance exceeds \$500,000.

**Rationale:** With increasing longevity and inflation risk, there are heightened concerns amongst pre-retirees about whether they will have enough retirement savings to fund their

planned retirement. Retirees with lower superannuation balances should have access to a range of voluntary measures to build up their superannuation savings.

## Equity Measures

**Recommendation:** To provide a ‘**spouse superannuation transfer**’ facility for couples within the same superannuation fund to facilitate re-balancing of super balances for members of a couple.

**Rationale:** A number of inquiries/reports into retirement savings and incomes have found ‘inequitable retirement outcomes for various groups, such as women’. This recommendation provides a solution for the gap in superannuation balances between men and women at retirement.

With a ‘spouse superannuation transfer’ the non-concessional contribution and super balance transfer limits would still apply. Currently, for couples to achieve more equity in their super balances, they need to use the somewhat limited spouse contributions.

## Financial Literacy

**Recommendation:** AIR has recommended for a number of years the **introduction of a national program to improve financial literacy and the understanding of the Retirement Income System**. This will enable people to adequately plan for, manage risks and optimise their income in retirement and to understand their future income needs Health and Aged Care.

**Recommendation:** AIR recommends that the financial literacy improvement program should include the **extension of information available from ‘moneysmart.gov.au’, ATO online and Services Australia with a personalisation option for consumers through ‘my.gov.au.’ website and promotion of these information services**.

**Rationale:** A number of reviews and submissions in recent years have made many observations about the need to improve understanding of the retirement income system.

There is significant evidence of low financial literacy, particularly about the key risks and strategies in retirement. Significant research have identified that complexity, misconceptions and low financial literacy have resulted in people not adequately planning for their retirement or making the most of their assets in retirement.

There needs to be a better understanding of interaction between the tax, superannuation, social security and aged care systems in retirement. People need to be able to get reliable independent information so they can make knowledgeable decisions when planning for and during retirement.

### **AIR acknowledges the recent developments with Moneysmart.gov.au.**

Australian Independent Retirees (AIR) acknowledges the recent developments by ASIC to expand resources on the ‘Moneysmart.gov.au’ website, including tools for consumers to understand how a retirement income stream works and how it fits with their expenses in retirement and different ways to draw down their retirement income.

AIR supports the further extensions to the “Moneysmart” website in the future.

## Taxation

**Recommendation:** That the Government improves the Seniors and Pensioners Tax Offset (SAPTO) for people with income from retirement savings outside superannuation. The SAPTO income threshold amount should be increased immediately by 10% and then annually by the CPI.

**Recommendation:** That AIR advocates for either **no change to the current 50% capital gains tax 'discount'** or for a **return to the Indexation model** of calculating the taxable gain. This model was broadly based on CPI so it was a more accurate calculation of the 'gain' earned in 'today's' dollars.

**Comment:** For some time, there has been media reports and various proposals about removing or reducing the so-called 'capital gains tax discount'. However, the capital gains tax 'discount' is not a discount but it is an allowance for inflation. **Unfortunately, this detail has been overlooked by some commentators** and the so-called 'discount' is being unfairly claimed to be 'favourable treatment' for investors.

### **Rationale:**

In a national survey of AIR members, 73% of respondents supported "No Change" to the existing Capital Gains Tax Arrangements for Investment Property. In addition, a significant proportion of AIR members indicated that if the current CGT tax arrangements were repealed, they would support a return to the previous indexation model. Otherwise, the adjustment for inflation would be lost and retiree investors would be significantly impacted.

## Financial Advice

Australian Independent Retirees (AIR) supported most of the recommendations in Michelle Levy's **Quality of Advice Review (QAR)**.

AIR acknowledges that the passing of the Delivering Better Financial Outcomes -Tranche 1 implementing recommendations 7, 8, 10 and 13 of the Quality of Advice review has removed some time-consuming red tape that added to the cost and also reduced the availability of financial advice.

However, fully and partly self-funded retirees who have sought personal financial advice know that legislating **recommendations 5 and 9 will more significantly reduce the cost and increase the availability of personal financial advice.**

These two recommendations relate to:

- Removal of the 'Safe Harbour' steps from the Best Interest Duty
- Replacement of Statements of Advice with a more fit-for-purpose Advice Record

AIR acknowledges the announcement by the government in December 2024 of the proposed second tranche of the **Delivering Better Financial Outcomes** package.

However, it is particularly disappointing that after ongoing consultation with the Financial Advice and Superannuation sectors, no draft legislation for the **Best Interest Duty** or the proposed new **Advice Record** has been released yet.

## Cost of Living

The **costs of living pressures affecting retirees** are heavily weighted to the following key areas; **food and household essentials, energy (electricity and gas), fuel, insurance (house, car and private health), health care and home maintenance costs.**

AIR recognises that a primary driver of cost of living pressures on fully and partly self-funded retirees is due to **elevated levels of inflation**. These inflation increases more often been attributed to energy costs and increased labour costs/shortages.

Substantial wage increases for employees have occurred but wage **restraint should be exercised and productivity improved to put downward pressure on inflation.**

While Government has provided short term assistance to consumers, this needs to be limited so that it does not generate higher demand in the economy and generate higher levels of inflation.

Many retirees believe that some of the price/cost increases have been exacerbated by Government policy. They believe that electricity and gas prices (for example) have increased due to the government's energy policies. In particular, the government's unwillingness to reduce the fuel excise levy has led to higher inflation across a number of product and service sectors.

While many wage earners have achieved significant increases to their pay due to labour shortages, self-funded retirees do not get automatic CPI increases to their retirement incomes.

**Recommendation:** Reinstatement of the reduced petrol excise. This would lower transport and logistics costs with a multiplier effect across the economy and would put downward pressure on inflation.

**Recommendation:** Government should consider implementing an increase in excise tax on some luxury goods and remove some of the anomalies that provide GST exemptions for non-essential items. Note that health services should remain GST free.

**Recommendation:** To address the shortage of rental accommodation and reduce rent inflation, the Government should allow a home-owner to rent a room and declare the income without the risk of losing the capital gains tax-free status of their home. This would help many retired home owners who are trying to make ends meet with rising living costs.

## Enduring Powers of Attorney

**Recommendation:** AIR strongly supports the Federal and State Attorneys-General in seeking to address financial elder abuse and achieving greater consistency in laws for financial enduring powers of attorney (EPOA) across Australia.

**Rationale:** AIR considers proposals to make EPOA laws uniform throughout the Commonwealth are long overdue. We support adopting a 'uniform' legislative approach as for corporation's law, whereby the states adopt identical laws across all jurisdictions.

An EPOA should be in a nationally approved prescribed format and EPOA's should be recognised in different jurisdictions.

## Aged Care – Quality and Safety

### Acknowledgement of Policies progressed during the last 2 years.

Australian Independent Retirees acknowledges the implementation of the following policy recommendations from previous AIR Pre-Budget submissions and in subsequent legislation/regulation:

- That the Aged Care Quality and Safety Commission improves the quality and safety of residential aged care by lifting the standards of aged care and reducing abuse in residential care by implementing the new Code of Conduct for Aged Care and revising restrictive practise arrangements.
- Acceptance and commencement of the new Aged Care Act
- To provide the growing skilled aged care workforce required to meet the rapidly increasing needs of aged care providers with additional funded and resourced vocational training programs and places, 24/7 registered nurses, improved pay and conditions for staff.
- Extra funding for improved food and programs to increase the quality of food provided to residents
- The removal of an aged care provider from the My Aged Care website if they do not publish their fees in a timely manner.
- Sufficient monitoring and oversight to prevent financial misappropriation and fraud via strengthened prudential oversight of residential accommodation deposits.
- Improvements to 'www.myagedcare.gov.au' to provide access to more information to enable online application and review of services available.
- 3 yearly reviews of the Aged Care Act and associated rules, regulations and methods of funding including charges for all categories and levels of means testing.

### Concerns

Despite these advances there is much concern by our members about the availability of suitable quality services when they require them. **Navigation of the system is even more difficult, costs and charges are extremely complicated and many people are still having unacceptable experiences.**

Support at Home and CHSP Services are often **not of an acceptable standard and do not cover some tasks that are required, to enable older people to remain in their own home.** For example, only one bedroom and bathroom are cleaned and other rooms are left not cleaned. Furniture is not moved during vacuuming and cleaning. In the garden,

only essential pruning is done with minimal grass mowing and no weeding. Other outside areas are not tidied and the property risks becoming a safety hazard.

In addition, **many required tasks are excluded due to** the demands of **occupational health and safety** for staff including cleaning/maintenance at heights, clearing gutters, window cleaning and heavy tasks such as moving furniture, preventive maintenance and assessment of potential hazards e.g. smoke detectors, tree trimming, etc. Retirees have taken pride in their homes all their lives and maintained them at a required standard, but once as we age and require assistance, they are not maintained by service providers in a similar manner.

**Personal care and assistance with showering** are now classified as Activities of Daily Living and non-clinical and therefore are not government funded by default. Charges for these services are reported to be between \$100 and \$180 with full and partly self-funded retirees bearing up to 80% of the cost. This **should be considered preventative clinical care** as it avoids more intensive clinical care at a later date.

Hospitals in all states are **reporting many older people occupying beds while waiting for an Aged Care Assessment or placement** while a provider is able to meet their needs in home care or residential care.

**Due to substantial proposed co-contributions**, there is concern that many self-funded retirees are looking elsewhere for aged care support and **are not planning to use Government registered Aged Care providers**. They could use 'private/unregulated/risky' Aged Care services or overseas organisations that can leave them open to scams and abuse. This could result in **approved residential aged care** facilities potentially **experiencing lower demand** and **increased costs for government-funded care**.

The cost of Aged Care is still extremely uncertain with suitable comparison charts and figures not readily available. Percentage **comparisons published on various forums do not inform participants of the actual cost** and the **threat of substantial means testing of independent retirees is creating significant concern**.

There is great concern that the **prices charged for Aged Care** could be **more than the cost of provision of the service**. There is concern that many providers will charge high fees/contributions in order to fund dividends to their shareholders.

There is concern regarding the apparent unfairness of charging different people different prices for the same service or facility based on their assessed means. There is a lack of promised information and understanding of the caps on the payment of fees and how they are calculated on various services or charges.

## **Delays in assessment and accessing aged care services**

The following statistics provide details of the backlogs as of early 2026:

- the median wait time for funding in the Support at Home program is approximately 245 days (more than double the previous year's wait time of 118 days)
- the national waitlist exceeds 120,000 people awaiting assessments or approved funding, with some reports indicating combined backlogs over 200,000.

- projections suggest that the waitlist could reach 300,000 by 2030 without further intervention.

These delays have serious consequences for older Australians and their families including:

- increased mortality risk
- accelerated transitions to permanent residential aged care
- higher probability of falls, hospitalizations, and chronic condition worsening

The backlogs in the aged care system are creating serious capacity issues elsewhere in the health system.

## **Sources of Aged Care Funding for Government and Consumers**

### **Comment:**

Australia's aged care system is under increasing pressure as longevity increases and demand for higher quality care grows. While government subsidies remain essential, the current funding model places a disproportionate burden on self-funded retirees, who are expected to meet substantial costs from retirement savings and home equity. This undermines financial certainty in retirement and creates inequity between pensioners and those who have saved for their retirement.

There is a need for government to explore and consider other ways for them to raise funds to pay for Aged Care such as:

- Medicare levy increase as suggested by the Aged Care Royal Commission and other experts
- Increase in the GST or a separate consumption tax type levy

In addition, the government could explore other ways in which consumers could access additional funds to pay for aged care fees, charges and co-contributions such as:

- Introduction of Private Aged Care Insurance (like the existing private health insurance)
- Explore a government-backed retirement lifetime income annuity that could be purchased by consumers to provide a stable income to assist them in paying for aged care
- The introduction of a special purpose Aged Care Savings Account (ACSA) (separate to superannuation)

## **Private Aged Care Insurance**

### **Comment:**

The Royal Commission into Aged Care Quality and Safety and the Aged Care Taskforce identified the need for new, sustainable funding mechanisms. Actuarial experts have highlighted the potential for an integrated insurance based model to complement

government funding and provide retirees with predictable, pre-funded support for future care needs.

International experience shows that insurance style arrangements can reduce fiscal pressure, improve consumer choice, and support ageing in place preferences. An integrated model, combining long term care insurance, retirement income products, and risk pooling, would give retirees greater certainty and reduce reliance on reactive, asset based funding.

### **Recommendations:**

AIR recommends that Treasury:

- Commission a feasibility study into an integrated insurance based aged care funding model, drawing on actuarial research and international best practice.
- Develop a regulatory framework enabling long term care insurance and related aged care financial products, with appropriate consumer protections.
- Introduce incentives, similar to concessional superannuation treatment or targeted tax offsets to encourage uptake of aged care insurance or pre funding products.
- Improve equity for self-funded retirees by reducing reliance on means tested charges and expanding access to predictable, pre funded care financing options.
- Engage with consumer groups, industry, and actuarial experts to co design a sustainable model that supports both government fiscal objectives and retirees' financial security.

## **Health Care**

### **General Concerns**

There are concerns by a significant proportion of people in the community that the current provision of Health Care is not adequate – there are significant and systemic issues in all states – especially related to:

- Bed blocking by older people waiting for aged care services
- Ambulance ramping and delay in triage and treatment
- The quality and availability of private services offered to people who are attempting to relieve pressure on the public system.
- Excessive “gap” cost of services when private health insurance is used
- RSV vaccination for older people is not covered by existing vaccination programs despite older people contracting RSV at a more severe level requiring hospital care, having longer hospital stays and higher death rates.
- Ambulance costs in each state are treated differently and are not covered for people with a CSHC.

### **Pharmaceutical Benefits Scheme (PBS)**

**Recommendation: The Pharmaceutical Benefits Scheme (PBS) Safety Net threshold for single people should be adjusted so that they are not disadvantaged in comparison with couples or families. This is particularly disadvantageous to older people.**

**Rationale:** Single and widowed retirees continue to be discriminated against with the current threshold level of the Medicare and PBS Safety Net and with the upper threshold value for singles to receive the Commonwealth Senior Health Card (CSHC).

AIR believes that Safety Net concessions should be available on an equitable basis and the Medicare and PBS Safety Net thresholds for single and widowed retirees should be set at 50% of the couples / families threshold.

This recommendation will address a significant inequity between single people and couples/families where a single person currently needs to have the same value of medical prescriptions as a couple or family before they become eligible for the Safety Net rebate.

### **Private Health Insurance**

**Comment:** Many retirees, who have maintained health insurance through their working lives see it as essential in their later years. It allows them the choice of medical specialist and allows access to care in Private Hospitals when needed, thus reducing pressure on Public Hospitals.

AIR Branch surveys have indicated that up to 90% of our members currently have private health insurance cover. The health insurance rebates were specially introduced to help support and encourage retirees to continue with their private health insurance and not rely on the increasingly overloaded Public Hospital system.

AIR urges the Government to acknowledge the shortcomings of the existing rebate calculation for older Australians and revert to the previously set aged and income based % rebates.

**Recommendation: That the CPI indexation of health insurance rebates should be immediately scrapped and replaced with rebate percentages based on percentage increases in health insurance premiums for Australians aged 65 years and over be reintroduced in full.**

**Rationale:** A previous Government introduced a process of setting the rebate amount based on CPI rather than the actual % increase in premiums. History has shown that the premium % increase for health insurance approved by Government has been well above that of the CPI %.

This increasing cost of health insurance premiums is neither transparent nor fair and reduces the community's confidence in the private health insurance system. This unfairly discriminates against Australians aged 65 years and older for whom the means tested aged-based rebate was provided to support them to continue with private health insurance.

It is disappointing that no consideration has been given to providing further assistance to older people to retain their long-held private health insurance. These people are now being

forced out of this insurance because of ever-increasing premiums together with low refunds on claims.

Private health insurance rebates are adjusted annually based on a Rebate Adjustment Factor (RAF), which balances the Consumer Price Index and industry weighted average premium increases. While the formula results in a lower percentage rebate, the dollar amount might adjust, but the percentage rebate often decreases because premiums typically rise faster than inflation. This means the government covers less of the cost of health insurance as premiums rise.

**Recommendation:**

**That the Government introduce age adjusted premium moderation for Australians aged over 65.**

**Recommendation:**

**That the government establish a separate private health insurance rebate tier for self-funded retirees, with rebate thresholds indexed to CPI or AWOTE.**

**Rationale:** Increasing private health insurance costs and rebate thresholds that no longer reflect the income realities of older Australians. Premium increases continue to outpace Consumer Price Index (CPI) and the income growth of retirees, many of whom rely on fixed or investment based income streams. Older Australians typically require higher tier policies to meet age related health needs, yet these policies carry significantly higher premiums.

Current means testing arrangements for the private health insurance rebate results in many self-funded retirees receiving little or no support, despite not receiving the Age Pension and having limited capacity to absorb rising costs. As rebate thresholds fail to keep pace with CPI or Average Weekly Ordinary Time Earnings (AWOTE), the real value of assistance continues to erode.

Without targeted measures to moderate premiums and adjust rebate eligibility settings, affordability will continue to decline. This increases the likelihood that older Australians will downgrade or abandon private insurance cover, shifting demand onto the public health system and undermining the sustainability of private health insurance participation.