



Association of Independent Retirees (A.I.R.) Limited
ACN 102 164 385

**2012-13 Pre Budget Submission to the Federal Treasurer and the
Department of Treasury Budget Policy Division**

January 2012

25 January 2012

Hon Wayne Swan MP
Treasurer
Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Mr Swan

Association of Independent Retirees (A.I.R.) 2012-13 Pre-Budget Submission

This Pre-Budget Submission describes some issues that are of particular concern to Self-funded Retirees and which affect their lives and living standards. They are submitted by the A.I.R. in the sincere hope that the Government will accept the need for a more equitable recognition of the current needs of these retirees, in the context of their ongoing economic and social contributions to Australia.

The Recommendations in this Submission, which have been developed in consultation with A.I.R. members across Australia, are realistic measures by which this help can be provided via the Federal Budget mechanism.

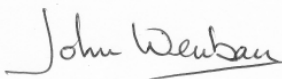
A.I.R. is well placed to inform retirees about Government policies affecting their financial security. In this context, we would be happy to consult with you further regarding these policies, and we would welcome the opportunity to participate in appropriate Government Consultative/Advisory Committees.

I hope that this submission will be accepted as positive and supportive of Government policy objectives. Should you require any further specific information in relation to this submission, please contact A.I.R. Director, Robert Curley, as follows:

Home phone 02 9541 2317

Email curley@wix.com.au

Yours sincerely



John Wenban
National President

SUBMISSION SUMMARY

This submission from the Association of Independent Retirees (A.I.R.) Limited contains the following recommendations.

A FINANCIAL

1. That a clear distinction should be drawn between the accumulation component of superannuation and the drawdown component, which should be defined to commence upon retirement.
2. That all retirees, no matter whether they accumulated their retirement assets within superannuation or outside superannuation, should have access to a specified tax-free component of their assets after retirement for their day to day living expenses, at least to the same extent as applies for those with superannuation.
3. That, if it is necessary to commence a superannuation fund to access the tax-free income stream component, the sale of assets to be transferred should be exempt from capital gains tax.
4. That retirees 65 years and over should be able to set up a new superannuation account and that the Government's "work test" should be abolished in the 2012-13 Budget as it is both discriminatory and unnecessarily restrictive to this group of Australians.
5. That with the continuing negative impact of Global Financial Crises on self-funded retirees' already depleted superannuation investment balances (from which living expenses are derived) the Government revert to the previous 50% discount to the mandatory draw down rate in the 2012-13 budget and that the drawdown phase of superannuation be reviewed in the budget period as to its value, cost-benefit, and discriminatory nature.
6. The Commonwealth ex Government employee pension and the Defence Forces retiree pension indexing methods are different when compared to the Aged Pension indexing method and thus discriminates against this group of retirees. This should be changed to use the same indexing method as that used for Aged Pensioners.

B HEALTH CARE

1. A.I.R supports the adoption by the Government of the recommendations contained in the Consumers Health Forum of Australia (C.H.F.) submission that was submitted to the Treasurer and the Department of Treasury Budget Policy Division in November 2011.
2. The PBS Safety Net thresholds for single retirees should be set at 60% of the couples / families threshold level. Single and widowed retirees are discriminated against with the current threshold level of the Medicare and PBS Safety Net and A.I.R. recommend that this change should be included in the 2012-13 Budget.
3. The Commonwealth Seniors Health Card (CSHC) upper threshold needs to be indexed using the same calculation method and timetable as used for the Age Pension.

4. That hearing testing costs and the costs of hearing aids to all CSHC holders and to all retirees over 75 years be subsidised so they are the same cost as for aged pensioners.

C AGED CARE

Despite the long term initiative undertaken by the Federal Government in regard to improvements in Aged Care there remains a current need to address in the 2012-13 Budget a significant increase in services and funding for:

1. Aged care provided in private homes, community care and residential care facilities to ensure affordable, client directed appropriate quality care and accommodation.
2. Enabling the Aged Care Industry to compete with the acute care sector in the employment and training of adequate and suitable staff.
3. The Aged Care Industry to provide improved information, education and awareness programs to assist with the transition process from home care to residential care, and across the aged care industry generally. In this regard A.I.R supports the establishment of the Australian Seniors Gateway Agency as proposed by the Productivity Commission.
4. Mental health care and dementia care to improve services for people with dementia and their carers, increased research into dementia so as to reduce the number of people with dementia, develop a nationwide dementia workforce strategy and promote greater understanding of dementia in the community.
5. Carer support infrastructure and support services that are urgently in need of additional funding and upgrading.

Introduction

The Association of Independent Retirees (A.I.R.) Limited is the peak body representing the interests of retirees who are wholly or partly self-funded in retirement. A.I.R.'s members include full self-funded retirees, part-pensioners, and superannuants.

Founded in 1990, A.I.R. is a not-for-profit, non-political, volunteer organisation that is focused on matters affecting the standard of living, health and welfare of retired and partly-retired people. As well as carrying out research and gathering information that will assist its members in maximising their life opportunities, A.I.R. is committed to educating the wider community (including political parties at all levels of Government) in regard to the views and concerns of self funded retirees.

This submission reflects the views, concerns and issues of partly and fully self-funded retirees who have experience in managing their affairs during retirement. As such they have a clear understanding of the issues that affect their capacity to live a fulfilling retirement and do provide pragmatic and realistic advice relating to their current situation.

Our submission focuses on those issues, concerns and recommendations within the three areas of Financial, Health Care and Aged Care. The protection of these areas and the ability to maintain an independent lifestyle of Australia's fully and partly self-funded retirees is important and need to be addressed in the Government's 2012-13 Budget.

We appreciate and respect the need for the Government to continue its disciplined approach to spending but we believe that our recommendations are sound with the cost versus the benefit to the community minimal. The major cost items in our recommendations are associated with essential needed infrastructure and service improvements in the Health Care and Aged Care area.

Recommendations

A FINANCIAL

1. That a clear distinction should be drawn between the accumulation component of superannuation and the drawdown component, which should be defined to commence upon retirement.
2. That all retirees, no matter whether they accumulated their retirement assets within superannuation or outside superannuation, should have access to a specified tax-free component of their assets after retirement for their day to day living expenses, at least to the same extent as applies for those with superannuation.
3. That, if it is necessary to commence a superannuation fund to access the tax-free income stream component, the sale of assets to be transferred should be exempt from capital gains tax.
4. That retirees 65 years and over should be able to set up a new superannuation account and that the Government's "work test" should be abolished in the 2012-13 Budget as it is both discriminatory and unnecessarily restrictive to this group of Australians.

5. That with the continuing negative impact of Global Financial Crises on self-funded retirees' already depleted superannuation investment balances (from which living expenses are derived) the Government revert to the previous 50% discount to the mandatory draw down rate in the 2012-13 budget and that the drawdown phase of superannuation be reviewed in the budget period as to its value, cost-benefit, and discriminatory nature.
6. The Commonwealth ex Government employee pension and the Defence Forces retiree pension indexing methods are different when compared to the Aged Pension indexing method and thus discriminates against this group of retirees. This should be changed to use the same indexing method as that used for Aged Pensioners.

Rationale:

Many of the above recommendations need no further detailed information on the rationale of our recommendation or have been explained in great detail in A.I.R.'s submissions over the past few months of:

- The October 2011 Taxation Forum Statement of Reform Priorities.
- The December 2011 submission to the Aged Discrimination Commissioner on aged discrimination superannuation issues for those who are retired and about aged discrimination as it applies to self-funded retirees.
- The October 2011 submission to the Government's Advisory Panel on the Economic Potential of Senior Australians on the impact of superannuation on encouraging senior Australians regarding improved workplace participation plus the financial and taxation disincentives for those Australian 65 years and over regarding workplace participation.

Copies of each of these are attached to provide this additional information for your review of this submission.

One issue area of major concern to A.I.R. is the need for the Government's urgent attention in the support of those older self funded retirees who do not have or never had superannuation.

It is inequitable that many self funded retirees are denied superannuation concessions, a tax free day to day income stream programme and access to the CSHC just because they were denied access to superannuation in their past and now must live off assets and investments that were purchased from an after tax source to fund their retirement. This is covered in significant detail in the above noted submissions.

Even a small business owner (possibly a husband and wife partnership) who have constantly reinvested in their business to keep it operational and have not had superannuation or a female who was out of the workforce for many years raising her family have no method of setting up an effective superannuation account to cover their years in retirement, in the years just before they retire, due to very restrictive Government regulations on contributions. This also is covered in more detail in the above noted submissions.

B HEALTH CARE

1. In the area of Health Care A.I.R. fully supports and endorses the below recommendations that were contained in the 2012-13 Pre Budget Submission from the Consumers Health Forum of Australia (C.H.F.) that was submitted to the Treasurer and the Department of Treasury Budget Policy Division in November 2011:

Medicines Policy

Government accepts and funds the recommendations of the Therapeutic Goods Administration (TGA) Transparency Review.

Government considers the implications for consumers and potential savings when making changes to the Pharmaceutical Benefits Scheme (PBS) and other medicines policy.

Government accepts and provides funding for the implementation of recommendations 13, 14 and 15 of the Health Technology Assessment (HTA) Review as key measures to improve the safety of medicines and devices that are available on the Australian market.

Dental Health

Government provides a comprehensive and fully resourced package of dental care reform.

Disability Support

Government provides further funding and genuine commitment for the National Disability Insurance Scheme (NDIS) to ensure it is implemented in a timely and effective way to ensure the funding of long-term, high quality care and support for people with significant disabilities.

eHealth

Government provides further funding to support the ongoing delivery of the Personally Controlled Electronic Health Record (PCEHR) system, to ensure it delivers the real change that is needed in health system communications, information sharing and coordination of care.

2. The PBS Safety Net thresholds for single retirees should be set at 60% of the couples / families threshold level. Single and widowed retirees are discriminated against with the current threshold level of the Medicare and PBS Safety Net and A.I.R. recommend that this change should be included in the 2012-13 Budget.
3. The Commonwealth Seniors Health Card upper threshold needs to be indexed using the same calculation method and timetable as used for the Age Pension.
4. That hearing testing costs and the costs of hearing aids to all CSHC holders and to all retirees over 75 years be subsidised so they are the same cost as for aged pensioners.

Rationale:

Within the CHF submission they state that it has been recognised by Government, health professionals, industry and consumer groups that the current health system is unsustainable into

the future due to demographic shifts and increasing technology costs. *The recommendations in this submission should be viewed as investments in the health system that will deliver real savings through reduced health costs over time.* A.I.R is a member of CHF and we fully support and endorse this statement and their recommendations.

With the PBS Safety Net unfortunately self-funded retirees who are either single or widowed are financially discriminated against with the PBS Safety Net threshold value.

These retirees have to incur the same total expenditures as a couple/family before they become eligible for the Safety Net rebate. This we believe needs to be corrected to reflect the qualifying upper limit for singles versus couple with the CSHC and the aged pension paid to singles versus couples.

A.I.R. believes that Safety Net concessions should be available on an equitable basis and that the Medicare and PBS Safety Net thresholds for single and widowed retirees should be changed to reflect this in the 2012-13 Budget.

Regarding the Commonwealth Seniors Health Card (CSHC) it has been well documented and accepted by successive Governments that the CSHC is for that small group of self-funded retirees who are 65 years of age and older whose income is below a defined income threshold.

This is confirmed by Centrelink who state that the CSHC is targeted at the particular group of self-funded retirees of age pension age who do not qualify for an Aged Pension because of assets yet have an annual taxable income that is less than the government set threshold value.

However the defined income threshold limit has not increased over the past 11 years and successive governments have stated that the income limits for the CSHC will only be increased when a government sees the need to do so.

A.I.R. believes and recommends that it is now time to change this philosophy and commence in the 2012-13 Budget indexing the upper threshold limit for CSHC eligibility from July 1st 2012, using the same indexation calculation model and timetable that is used for indexing of the Government's Age Pension Scheme.

Finally, hearing loss is a major concern for all Australians. As part of the community health programme and to improve the later years of older Australians A.I.R. recommend that the Government set up a specific hearing programme that encourages this, by subsidising the costs of hearing testing and hearing aids if needed, to all CSHC holders and to all retirees 75 years of age and older as is provided for Aged Pensioners

C AGED CARE

Despite the long term initiative undertaken by the Federal Government in regard to improvements in Aged Care there remains a current need to address in the 2012-13 Budget a significant increase in services and funding for:

1. Aged care provided in private homes, community care and residential care facilities to ensure affordable, client directed appropriate quality care and accommodation.

2. Enabling the Aged Care Industry to compete with the acute care sector in the employment and training of adequate and suitable staff.
3. The Aged Care Industry to provide improved information, education and awareness programs to assist with the transition process from home care to residential care, and across the aged care industry generally. In this regard A.I.R supports the establishment of the Australian Seniors Gateway Agency as proposed by the Productivity Commission.
4. Mental health care and dementia care to improve services for people with dementia and their carers, increase research into dementia so as to reduce the number of people with dementia, develop a dementia workforce strategy and promote greater understanding of dementia in the community.
5. Carer support infrastructure and support services that are urgently in need of additional funding and upgrading.

Rationale:

It is imperative that the Government recognises the need to introduce funding improvements now as there is much that is needed to be done to improve aged care services to meet the needs and shortfall in services.

In the area of Aged Care, A.I.R. acknowledges that the Government is working in the longer term towards building a national aged care system that will allow for a seamless transition of care for older Australians, allowing for the move from basic care at home through to nursing home care as their care needs change. We also acknowledge that the Government has taken the first steps in this reform by accepting full policy and funding responsibility for aged care to ensure that the aged care system is equipped to meet the challenges of the future.

We support the Government commissioning the Productivity Commission to undertake a full and comprehensive review of the Australian aged care system and we have made a very detailed submission to the Productivity Commission covering a range of issues. In particular we sought, and are seeking, information to assist us in assessing the level of fees and charges that are being considered by Government compared to those applying at the present time.

At this time, A.I.R. is addressing the above issue with the Minister for Mental Health and Aging but we believe that there may be an impact on the 2012-13 Budget if this is not fully considered and adequately evaluated before the budget review process commences.

These current needs are essential for the community and despite the long term initiative undertaken by the Federal Government in regard to improvements in Aged Care, there remains the need to include in the 2012-13 Budget a significant increase in services and funding for Aged Care.