

Media Release

SELF-FUNDED RETIREES HUNG OUT TO DRY

“Retirees who partly or fully fund their own retirement have suffered significant income reductions as a result of the adverse economic impact COVID-19. These retirees rely on income from investments in the share market, property and fixed interest either through superannuation or private investment for their living expenses. They have been overlooked by the Government as billions of dollars have been allocated to programs to stimulate employment and the economy,” said Mr Strandquist, President of the Association of Independent Retirees.

“Since 1992 when compulsory superannuation was introduced retirees have been encouraged to accept the risk of funding their own retirement to reduce government outlays on the age pension. A large percentage of Australia’s \$3,000 billion superannuation portfolios is invested in companies, many of which are struggling to survive the impact of Covid-19. The impact of companies paying reduced or nil dividends is causing considerable reductions in earnings for retirees,” said Mr Strandquist.

“To compound the income loss by retirees, the statutory authority APRA has provided guidance to banks to cut dividends to offset potential defaults in mortgages held by the banks. With retirees traditionally having significant investments in bank shares this guidance by APRA means that retirees have been unfairly called upon to forgo dividend income to support bank mortgage defaults,” said Mr Strandquist.

“Retirees generally seek a conservative investment portfolio with a reasonable allocation to fixed interest investments. With official interest rates near 0% as a result of the Reserve Bank settings, retirees are now forced to consider riskier investments and drawdown increasing amounts of their capital to fund their retirement,” said Mr Strandquist.

“Retirees are not requesting special consideration but are seeking fairness in Government support along with the rest of the community while COVID-19 continues to seriously impact the economy,” said Mr Strandquist.

“The impact of COVID-19 on the economy has been unprecedented and well beyond the capacity of retirees to bear all the downside risk that has occurred,” said Mr Strandquist. “The Association of Independent Retirees seeks the support of the Government to make available a range of support measures to assist retirees to come through the COVID-19 crisis and continue to fund their own retirement,” said Mr Strandquist.

“The Association suggests the Government provides support measures for retirees such as providing offset assistance where regulatory policies such as reducing dividends by banks to

cope with mortgage defaults, the issuing of Government-backed infrastructure bonds for retirees, reducing the deeming rate, reducing the age pension asset and income test taper rate, introducing continuous Centrelink valuation of assets for deeming and threshold purposes, more super drawdown flexibility for retirees over the age of 75 and increasing the threshold for receiving the CSHC card,” said Mr Strandquist.

For further information or for Media Comments please contact:

President Association of Independent Retirees

Wayne Strandquist - 0412 434 467

Email president@independentretirees.com

or

Media Coordinator Association of Independent Retirees

Terry O’Callaghan AM - 0408 143 392

Email: terryoc@netspace.net.au

AIR website: www.independentretirees.com.au

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