

Media Release

CUT IN INTEREST RATE IS ANOTHER KICK IN THE GUTS FOR RETIREES

“Action by the Reserve Bank to reduce the official cash interest rate by 0.15% to just 0.10% increases the financial pain for fully and partly self-funded retirees,” said Mr Wayne Strandquist, President of the Association of Independent Retirees.

“Fixed interest investment forms a substantial part of a retiree’s superannuation and private savings, particularly in the latter years of retirement”, said Mr Strandquist. “The Reserve Bank cash rate reduction will put more downward pressure on term deposits rates with cash held in bank accounts paying almost zero interest”, Mr Strandquist added.

“When retired, risk tolerance reduces over time to favour more conservative investments with less volatility and less risk like term deposits, bank savings accounts and other fixed interest investments,” said Mr Strandquist. “The reduction in fixed interest by the RBA continues a trend that has seen term deposit rates fall to historic lows, to a fraction of what they were when many retirees left the workforce.” Mr Strandquist emphasised.

“After bank account fees are charged and zero-interest paid, retirees are effectively paying the banks to hold their savings”, said Mr Strandquist. “This negative return will further lower the living standards of retirees and require larger drawdowns from their retirement savings until they are forced to rely on the aged pension”, Mr Strandquist explained.

“The Association of Independent Retirees is calling on the Government to urgently reduce the current deeming rates in the following table to reflect the fall in bank deposit rates,” said Mr Strandquist.

Threshold amounts of financial assets		Current deemed rate below threshold	Current deemed rate above threshold
Single	Couple		
\$53,000	\$88,000	0.25%	2.25%

“The 2.25% government deeming rate is over three times the interest rate that can be actually earned today by retirees on a 2-year term deposit with the major banks”, Mr Strandquist pointed out. “To earn returns that exceed the upper deeming rate, retirees are forced to consider riskier investments including a volatile share market”, said Mr Strandquist.

“At the end of the day, retirees just want the secure, reliable, adequate income over a longer retirement that was proposed in the government’s Retirement Income Framework in 2016 and we are still waiting!!!”, Mr Strandquist said.

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

03 November 2020