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Senator for Queensland

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Contact : **Association of Independent Retirees**

Welcome and thanks to National President Theresa Kot, State President Helen Sava and the members of the Independent Retirees here today.

I must admit I'm surprised at the numbers here this morning. I thought a lot of you might have passed up the opportunity to be here today and gone to queue at your local Centrelink or job centre today as the Federal Treasurer suggested.

Black humour aside ... this week has shown that even the best of intentions can have unintended consequences. Right now, independent retirees are those most affected.

If ever there was a time when your association and when conferences such as this are needed, this is it.

Just as a matter of interest, who has investments in Perpetual? Challenger? Axa? Australian Unity? Any other mortgage or property trusts?

Who has investments that will be affected by a freeze on redemptions?

Who is going to benefit from the Rudd Government's Christmas bonus to pensioners and others?

Funds - both mortgage and high-yield funds - are freezing redemptions and locking down investor savings on a daily basis.

At last count, 56 funds from more than 15 companies had locked out investors. 100,000 Australians, with savings of some \$20 billion, are affected.

As an Australian Senator, I'll be working to make sure you're not forgotten.

As a member of the Joint Corporations and Financial Services Committee – which has statutory oversight of ASIC, the Australian Securities and Investment Commission – I will be especially vigilant during our inquiries.

Mention “Independent Retirees” and for many Australians there’s a mental picture that pops up of a couple, perhaps in their early sixties, on their yacht, cruising to their holiday house in North Queensland before catching the first-class flight to Europe to do a little shopping.

Everyone in this room knows that picture is far from the truth. Most independent retirees are not fabulously wealthy people. The largest investment is often the family home – which you may have downsized once the kids left - for the final time.

Your car was probably bought new when you retired, because the statistics tell us that for many it will be the last car a retiree owns.

Most of your superannuation is in a few investments to provide an income stream, perhaps some money in funeral bonds which aren’t counted in the assets test.

You may have a caravan or a boat, some jewellery, some furniture, and a few other assets – the things that most people collect over the course of a lifetime.

So no, not a lot left over for that holiday house in the Whitsundays.

As you know, there’s an incredible discrepancy between the Commonwealth Incomes Tests and the Assets Test for receipt of the Age Pension. Even if you would easily qualify under the Income Test, it doesn’t take much to go over the Assets Test.

Retirees, whether partly or fully self-funded, have a reasonable expectation that they can maintain a standard of living throughout their retirement comparable to that during their pre-retirement.

You have worked to build assets for this purpose and you don’t want to see them erode over time.

Most retirees I speak to are concerned that the money will run out before they do. They are worried that they will become dependent on family, relatives, friends, or Government.

Most retirees also want to leave something for the kids – or at least the grandkids.

Australia now has the second longest life expectancy in the world, after Japan. Two weeks ago our oldest Australian turned 112.

If you retired at 65 and lived to 112 you would have spent 47 years as a retiree. The most worrying aspect of that is how long your savings will last.

We now have an ever ageing society - and we only have to look at the Australian Cricket team to see some of the problems that can bring.

The first wave of baby-boomers, of which I'm one, is now reaching retirement age. For the first time in history, the economy in Australia will be tilted towards those over 50.

As a country we need to ensure that we are able to deal with the effects of this dislocation from working to retired.

This will be a challenge.

Getting back to unintended consequences – and I know that AIR is not party political, but I believe now is the time you must be politically active and I commend the AIR for its activism.

In my view, the decision to rush in and guarantee all bank deposits – without any limit – was a foolish decision. Suddenly every bank and building society in the country is backed by the Federal Government. Unreservedly.

So each of these financial institutions is a safer bet than BHP, or Rio Tinto, or any other company listed on the Australian Stock Exchange.

Of course, financial institutions such as mortgage trusts, property trusts and other investment vehicles aren't covered by the guarantee. So money has flooded out of those investments into the banks.

And because the flow of funds has created a liquidity crisis, these other financial investments are starting to freeze redemptions.

Which means that people move money from funds which haven't frozen redemptions, which forces these funds to freeze redemptions – and the whole system starts to convulse.

This is one of the few times when you wish the Government had decided to have a review and an inquiry ... and had hastened slowly.

Of course, there's still the ongoing Harmer Inquiry in Taxes and Pensions and I welcome the submission that the AIR has made on your behalf.

I'm pleased that Treasurer Wayne Swan has flagged that the Inquiry will be looking at the current erosion of retirees' superannuation.

However, the report is due at the end of February and any changes won't be made until the May Budget.

Now, I don't imagine that there are too many people in the room who are personally affected by the Government's proposed new tax on deposits of more than \$1 million. But I still think you all need to be very concerned and very outspoken on this.

The Government is intending to introduce this voluntary insurance tax by regulation, not by legislation. This means it will not be subject to the usual level of parliamentary scrutiny.

And the question I think we should be concerned about is: If the Government is seeing this as a way of funding the bank guarantee, how long before the government considers similar taxes on superannuation savings and other investments of more than \$1 million? How long before the threshold of \$1 million is lowered.

I know "thin end of the wedge" is an overworked term, but I believe we certainly could be looking at one.

So this certainly isn't The Great Year Ahead for independent retirees, but how can we start to get The Great Years Ahead back on track?

A few years ago it was common to hear city-based weather announcers rejoice over fine weather, with no thought at all for farmers desperate for rain. Well, urban water shortages have pretty much fixed that – now we're all grateful for rain.

I was reminded of this the other day looking at a newspaper headline that said: "Rates Cut Joy". As you all know, not everyone is grateful when interest rates fall but falling interest rates will continue to be a problem in the next financial year.

And recognition of this would be a good starting point.

I believe that there is a need to review the Australian financial system on a regular basis, because good superannuation policy not only benefits individuals, but also the nation as a whole.

For individuals, it enables people to save for a secure future, and to plan for a reasonable standard of living in their retirement years.

For Australia, strong private savings through the superannuation system, or in any other savings vehicle, contribute positively towards national savings, and result in less demand on government funds for the Age Pension.

According to the latest Westpac ASFA Retirement Standard, it's estimated that singles need \$19,399 a year for a modest lifestyle while couples need \$27,151.

I'm sure most of you are aware how close that falls to your own yearly income, but for comparison the current pension rates are \$14,614 for singles and \$24,414 for a couple.

That gap is what makes the difference between a comfortable and an uncomfortable retirement.

So how can we begin to redress the situation?

For starters, the Government should look at lowering deeming rates immediately. Most investments aren't earning anywhere near the current rates (4% for the first \$40,000 and 6% on the balance).

Then we should look at some of the changes that snuck in during the last Budget.

These include changes that specifically affect Veterans and their spouses.

Other changes, such as adding some superannuation elements as income when calculating eligibility for the Commonwealth Seniors Health Care Card directly affect Independent Retirees and should be reversed.

We could also look at a better system for reverse mortgages.

The Government, at a time when there are still job shortages, should make it more attractive for older workers to re-enter the workforce on a casual or part-time basis by increasing the amount people can earn before being penalised.

For those receiving Commonwealth or Defence superannuation, there is a real need to provide indexing consistent with other payments.

The other much needed change is consistency across State lines and Council boundaries. The benefits you receive, like travel and rates discounts, shouldn't be dependent on where you live. Once we've put together a workable minimum list, it should be applied across Australia.

You have genuinely contributed to the progress of Australian society and should be recognised and rewarded.

I want a social support system that enables people to live in a familiar and comfortable environment for as long as they are able.

I want our regulatory system to protect the savings of those who trust it, and to punish those who recklessly or deliberately put those savings at risk. We need to strengthen the arm of ASIC and the ACCC in this area.

There will be Great Years Ahead. As a legislator I will be doing my best to ensure that government considers all the consequences of its actions, so you have certainty and consistency in planning for those great years.

I am delighted to now declare the 14th National Conference of the AIR officially open.

ENDS