

MEDIA RELEASE

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Retirement Income Review must prioritise a simpler, fairer, more stable system that delivers optimum income in retirement, says Council on the Ageing

Australia's leading advocate for older people, Council on the Ageing (COTA) Australia, has called for the Federal Government's Retirement Income Review to give priority in its economic modelling, research and other fact finding to policy options that will create a simpler, fairer, more stable and sustainable retirement system that produces higher levels of income across retirement for low and middle income earners.

COTA Australia Chief Executive, Ian Yates, said that "although the Australian retirement income system is basically sound and robust, achieves a good income for most retirees, and is steadily increasing the numbers who retire in a better financial position than ever before, there are some significant problems to be addressed."

"We need an unequivocal focus on what COTA says is the only legitimate purpose of the system – **"to provide optimum retirement income for all"** Mr Yates said, noting that "at present there are uneven outcomes that result in inequities for some population groups compared to others (e.g. women, lower income earners), which is exacerbated by current tax concessions, and for which policy levers are available to government to correct."

Mr Yates said "there has been too much focus by superannuation funds, regulators, government and indeed the media and community, on the accumulation phase of superannuation and far too little attention to the retirement consumption phase, including:

- what annual income the system is going to produce for retirees - rather than the lump sum;
- how the Age Pension and superannuation should interact, including reviewing the assets test taper rate;
- what products might be introduced to help retirees manage longevity risk, investment risk and late life health and aged care costs; and
- how retirees are better engaged in all this and enabled to make well informed and considered decisions in their interest."

COTA's submission to the Review calls for it to look at policy options that address these concerns, including:

- Reassessing the basic level of the Age Pension and considering which measure of poverty the pension must not fall below, noting the European Community (EU) measure is 60% of median wages;
- Increasing Commonwealth Rent Assistance substantially to lift out of poverty pensioners living in the private rental market – the maximum rate should increase by 40% and indexation be improved;
- Increasing Newstart by at least \$75 per week, and abolishing the Liquid Assets Means test either completely or at least for people over 50 years;
- Rebalancing tax concessions on superannuation to make them fairer, more effective for lower and middle-income earners, and less costly to tax revenue by capping them at higher income levels;
- Developing an effective and efficient equity release market to enable retirees who choose to access their accumulated housing wealth to provide for a more comfortable retirement to do so;
- Consideration of measures to reduce the incentive to overinvest in the principal residence for asset test manipulation and inheritance protection purposes.

COTA has also called on the Federal Government to act in advance of the Review's report and urgently implement its long delayed initiative to legislate a 'Retirement Income Covenant'; and to "get real" about the very welcome expansion of the Pension Loan Scheme by heavily promoting it and lowering the interest rate on borrowings to make it more attractive.

COTA's submission is at <https://www.cota.org.au/information/resources/submission/retirement-income-review-sub-feb20/>

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COTA Australia is the peak policy development, advocacy and representation organisation for older Australians, representing COTAs in every State and Territory and through them over 500,000 older Australians.