Submission to the Retirement Income Covenant Position Paper

James Anthony Oakey

120 Alexander Avenue

BIBARINGA SA 5118

theoakeys@bigpond.com

Tel: 0428 988 589

1/08/2021

I am a self-funded retiree aged 70 and a National Seniors member, married to self-funded retiree Glenys Jean Oakey aged 67. We have 3 adult children. We both have been Principals in the South Australian Education Department.

Self-funded retirees and 'Market Volatility':

We self-funded retirees rely solely for our income on the condition of the fluctuating share market. Current share market losses, can and do adversely affect markedly our super balances, causing regular financial stress and instability. For instance: my wife and I lost $60.000 to our superannuation balances throughout the recent Covid lockdown, which caused the biggest market downturn in years, this has partially recouped but is an example of the unpredictable rollercoaster affect to our fluctuating "nest egg", which needs to last us to the end of our lifetime. We have planned our draw down of super, as best we can in a volatile share market, we need to be conservative to deal with the unknown, neither of us can predict an end date or whether illness will develop, and so must maintain a possible reserve amount, share market willing to cover all contingencies.

My partners super balance will run out, with draw down, in a couple of years (depending on the share market fluctuations) and she will then be dependent on my super balance. Due to draconian contribution rules around her 7year break in service for child rearing, her super balance on retirement was miniscule. We have estimated that our current combined super balance will last approximately 12 years of support at our current lifestyle with a reasonable draw down, contingency plans and conservative approach if we both survive.

SOLUTION: *The provision of a* ***Universal Pension*** *for all retirees, providing financial security for the lifespan of each individual, enabling the ability to plan expenditure ahead secure in the knowledge there is financial security up to the point of death. My wife and I have both worked all our lives (barring the 7 years break for child rearing) paid a myriad of taxes local, State and Federal and are currently self-funded retirees with no burden on the State other than a Commonwealth Seniors Health Card each. We made a conscious decision early in our careers to be self-funded in retirement to be independent and not to be a burden on society.*

Additional sums added to Superannuation Accounts:

There should be provisions to allow additional sums of money to be added to super account balances, as current bank interest rates are miniscule and prohibitive. Even with the current market volatility over the long-term money grows more in superannuation accounts than bank accounts and is therefore arguably better placed. From time-to-time, individuals have sums of money from the sale of assets, bequests etc., which would be better served being placed in superannuation accounts rather than bank accounts. Currently this is not possible other than proceeds from the sale of the family home!

Aged Care:

Aged Care in Australia is a shambles and a disgrace to the country, as attested to by the recent Royal Commission into aged care in Australia, and a major area for concern for us if we run out of our super balance to provide us with independent aged care support. I/we would prefer to end our days with a conservative amount of cash in reserve to pay for our aged care independently in our own home, than rely on the current woeful government standards of aged care support. Also we need to keep a reserve of monies to cover any unforeseeable health costs should one of us, or both of us fall ill. We should not have to take out a reverse mortgage to fund our aged care, or sickness even if our super balance is exhausted. **Why did we pay a myriad of taxes all of our lives to have to pay for our own aged care is the burning question?**

Incentives to downsize:

Currently in South Australia there are none, with all our 3 children now able to purchase their own homes due to our financial assistance and they have left the family home, we now live in a house which is much larger than our needs. We remain comfortable living here but would contemplate 'downsizing' to a more manageable space as we grow older should there be incentives to do so. Currently the concept of downsizing is a burden on our finances, with the cost of selling our existing home, removalist charges and Stamp Duty being prohibitive. So as far as we can see into the future we will remain here until death us do part. This does have implications for supported aged care in a larger home, which has not been designed with the aged in mind. If people were to downsize into a home specifically designed to accommodate the aged then aged care support would be more efficient and cost effective for a variety of government agencies and all concerned.

SOLUTION: Remove Stamp Duty *on pensioners downsizing house purchases, if you feel a need to tax them at all put an increased land tax on the new home until the final rigour and fatal mortis sets in! Result existing homes freed up for larger growing families and purpose-built homes catering for the aged as they grow older and need supported care.*

The Family Home to Remain as a Tax-free Asset:

The family home should remain a tax-free asset and there should be no legislated requirement to take out a reverse mortgage to fund aged care in retirement. If the family home is sold to downsize any remainder of monies after the purchase of the new home should be able to be subsumed into the superannuation balance of the individuals (as exists now).

We have provided extensive financial support for our adult children "Parent Bank":

We have supported financially all of our 3 adult children, they lived with us in the family home (with their partners and in the case of one daughter her first child) until they were in their late 20's early 30's while saving to afford to purchase a house for themselves. We have had to provide direct financial assistance for one of our daughters to afford to buy her first house, which she could not have done without our assistance via 'Parent-Bank'. This means that our three children got into the housing market due to our direct financial support over a decade, which could not have happened if we had not delved into our Super balance. Through the Covid pandemic, over an 18month period, we have provided financial support to our three children to assist with mortgage payments, electricity bills, rates etc., to keep them afloat. I dread to think where they would be without our financial support throughout the pandemic.

In conclusion:

We do not have the favourable and generous superannuation conditions that Public Servants, and Politicians etc. do have, most individuals have spent best part of a lifetime accumulating a superannuation balance to support them in retirement, be it on a Government Pension, Part Pension or as a Self-funded Retiree. The accumulated sum in the case of the superannuation sum has been taxed and subjected to a variety of imposts and charges and leaves the individual with the task of attempting to maintain a living standard as close to that of their working days in retirement as possible. As pensioners are not issued with crystal balls upon retirement the remaining life span is unpredictable. Therefor by necessity individuals must have a conservative financial plan to cover all foreseeable eventualities up to the unforeseeable end.

Bequests to children or otherwise are the business of the individual to do with their assets as they see fit (barring probate regulations in South Australia) Given the current uncertainty of retirement planning it is inevitable that on the death of an individual, who has had to maintain the conservative approach to dealing with their financial management to survive, if they have anything left then their children (or whoever is their beneficiary) are entitled to it. A person who has worked all their life to accumulate a superannuation sum of money should be the person to decide who to bequeath anything that remains upon their death. There should be no such concept as a death duty, or superannuation surplus tax, to take the remainder of a superannuation account from a deceased person who has through frugal financial planning maintained an account balance to guard against illness, catastrophe, share market fluctuations and family crisis.

It is common for one spouse to survive another and need to leave the remainder of their superannuation account to the surviving partner, this should be automatic.

It is unconscionable that anyone in government would consider it their business to interfere with the bequest of monies accumulated over a lifetime of working by individuals. Superannuation is the asset of the individual, accumulated over the span of a working life to provide adequate conditions for retirement. It is not for the State to legislate to remove the decision-making powers of what becomes of that asset.

It would be inconceivable to contemplate spending the bulk of my/our superannuation account to avoid an insidious tax on the residual at death. Much as I would love to purchase a new Land Rover Defender with all the bells and whistles, buy a speed boat and holiday in the Maldives annually. I sensibly must plan for a self-funded retirement which I do not know the length of and must now fear the potential of a tax to punish me for my frugality in financial planning should I die prematurely with a surplus.

" Never stand between a politician and a bucket off money!"

Jim Oakey 30/07/2021