**Association of Independent Retirees (A.I.R.) Limited**

ACN 102 164 385

# 2010-2011
# Pre-Budget Submission
# to Government

**21 December 2009**

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Hon Wayne Swan, MP
Treasurer
Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Treasurer

**Association of Independent Retirees (A.I.R.) 2010-11 Pre-Budget Submission**

The attached Pre-Budget Recommendations describe some issues that are of particular concern to Self-funded Retirees and which affect their lives and living standards. They are submitted by the A.I.R. in the sincere hope that the Government will accept the need for a more equitable recognition of the current needs of these retirees, in the context of their ongoing economic and social contributions to Australia.

The great majority of Self-funded Retirees are not 'fat cats' in terms of income or capital assets. More than most, they have been hurt very badly in the recent economic turmoil, and they need help.

The Recommendations in this Submission, which have been developed in consultation with A.I.R. members across all States and Territories, are realistic measures by which this help can be provided via the Federal Budget mechanism.

Whilst no formal recommendation on Climate Change has been included in this submission, I would like to use this covering letter to alert you to the deep concerns held by many A.I.R. members regarding possible financial impacts arising from the introduction of climate change legislation. Whilst the need for such legislation is not challenged by A.I.R., reports in the media to the effect that prices for a very large number of goods and services will be significantly increased have, quite frankly, scared many Self-funded Retirees - most of whom are restricted in their ability to increase their incomes to offset such price increases.

Also, over the past two years, Self-funded Retirees have watched helplessly as the values of their retirement investments and incomes have been reduced significantly as a consequence of the economic crisis. Additional cost increases arising from climate change legislation will have the effect of further eroding retirees’ ability to remain self-funded so that, more quickly, they will move toward becoming a burden on the federal Budget by qualifying as full or part pensioners. The A.I.R. would like to pursue this matter further with you when the legislation is passed and its likely impact on prices is better understood.

May I also advise you that the A.I.R. is well placed to inform retirees about Government policies affecting their financial security. In this context, we would be happy to consult with you further regarding these policies, and we would welcome the opportunity to participate in appropriate Government Consultative/Advisory Committees.

I hope that this submission will be accepted as positive and supportive of Government policy objectives. Should you require any further information in relation to this or other matters, my contact details are as follows:

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Yours sincerely

Theresa Kot

Theresa Kot
National President

## Summary of Recommendations

A summary of the Recommendations in this submission from the Association of Independent Retirees (A.I.R.) Limited is set out below.

**Recommendation 1**:

That the Government's recent concession, which allowed the required minimum annual asset withdrawal from a Taxed Superannuation Fund to be halved for the 2008-09 and 2009-10 tax years, be continued for 2010-11.

**Recommendation 2**:

That, for retirees over the age of 65, capital gains arising from the sale of capital assets held outside superannuation not be included in taxable income calculations until the retiree's taxable income exceeds the upper threshold for the current 38% marginal tax rate.

**Recommendation 3:**

That the components of a retiree's income that are derived from an untaxed superannuation scheme and from non- superannuation 'outside' sources be assessed separately for taxation purposes, as is technically the case with a retiree who derives an income from a taxed superannuation scheme.

**Recommendation 4**:

That the Commonwealth Superannuation and Defence Pensions be indexed consistently using the same formula as is used to adjust the Age Pension.

**Recommendation 5:**

That the Federal Government provides sufficient additional funding to ensure that the Residential Aged Care Industry can:

(a) compete with the acute care arena in the training and employment of adequate and suitable staff;
(b) provide high quality health care and health amenities within Residential Health Care Facilities; and
(c) provide education and awareness programs to assist with the transition process from home care to residential care.

**Recommendation 6:**

That retirees be enabled to transfer funds into superannuation at the prescribed contribution levels (a) without having to meet a Work Test; and (b) even though they be over 75 years of age.

**Recommendation 7:**

That the Federal Government reviews its 2009 Budget decision to reduce the Medicare rebates for cataract surgery procedures.

**Recommendation 8:**

That the Medicare and the Pharmaceutical Benefits Scheme (PBS) Safety Net thresholds for single retirees be restructured so that access to the Nets become available to them at 60% of the thresholds for couples/families.

**Recommendation 9:**

That the upper income eligibility thresholds for the Commonwealth Seniors Health Card (CSHC) be reviewed so that

(a) for retirees over 65 and less than 80 years of age, the taxable threshold used for CSHC eligibility
   (i) of a self-funded single person is reset to four times the full single-person Age Pension, and the ratio between single and partnered income thresholds is kept at 1.6; and
   (ii) is escalated in future years in the same way as for the Age Pension;

and

(b) all self-funded retirees of age 80+ years are granted non-means tested access to the CSHC.

# Introduction

The Association of Independent Retirees (A.I.R.) is the peak body representing the interests of retirees who are wholly or partly self -funded in retirement. A.I.R.'s members include full and part self-funded retirees, and superannuants.

Formed in 1990, the A.I.R. is a not-for-profit, non-party political, volunteer organisation that is focused on matters affecting the standard of living, health and welfare of retired and partly-retired people.

The A.I.R. is committed to the principle that it should be made possible for all future retirees to fund the whole period of their retirement. As well as carrying out research and gathering information that will assist its members in maximising their life opportunities, the A.I.R. is also committed to educating the wider community (including political parties at all levels of Government) regarding the views, concerns and needs of self -funded retirees.

## Rationales Underlying the Recommendations

### Recommendation 1:

**That the Government's recent concession, which allowed the required minimum annual asset withdrawal from a Taxed Superannuation Fund to be halved for the 2008-09 and 2009-10 tax years, be continued for 2010-11.**

Unlike working families, most self-funded retirees are not normally able to return to work to improve their living standards and/or replenish lost savings during hard economic times. Thus, the faster their savings are depleted the sooner they must turn to the Federal Government for support via the Age Pension mechanism.

Anecdotal evidence indicates that the asset values of most Self-Managed Superannuation Funds (SMFs) in Australia were reduced by at least 30 per cent during 2007 and 2008. Because of the economic turmoil, bank interest rates also declined and incomes from cash management and savings accounts were substantially reduced. Consequently, the living standards of Self-funded Retirees with much of their life-savings in Taxed Superannuation Funds were hurt, and are still hurting, very badly because of the recent volatile economic climate.

Current regulations require that at least 5% of a SMF's assets must be withdrawn each financial year: this minimum withdrawal percentage increases with the age of the Retiree. Many SMFs are short of cash, so the regulatory withdrawal requirement usually means that assets must be sold - with the consequence that (nowadays) 'paper' losses have to be realised and asset bases permanently reduced, in order to raise the cash that must be taken out. The reduced asset bases of the SMFs are then further reduced when the amounts are actually withdrawn.

To alleviate the extraordinary impacts on superannuation funds wrought by recent volatile economic times, the Government agreed in 2008 that the compulsory withdrawal requirement from Taxed Superannuation Funds would be halved for at least the 2007-08 and 2008-09 tax years. This allowed Self-funded Retirees to make their own decisions re how much they needed to withdraw to meet their living needs without being forced to sell excess SMF assets at reduced rates in order to meet regulation requirements.

At this time the signs are that the Government's strategies are working, and that 'green shoots' are appearing that suggest the worst may be over and that the national economy is improving. Nevertheless, the economic scene is still very nervous and SMF investments, whilst improving, are still relatively low. To further alleviate the detrimental impacts on Taxed Superannuation Funds, the A.I.R. therefore recommends that the compulsory withdrawal requirement be halved again for at least the 2010-11 tax year, pending further proof that the economic scene is returning to more normal conditions.

### Recommendation 2:

**That, for retirees over the age of 65, capital gains arising from the sale of capital assets held outside superannuation not be included in taxable income calculations until the retiree's taxable income exceeds the threshold for the current 38% marginal tax rate**

Many older Self-funded Retirees accumulated their retirement assets under policy settings that were superannuation-restrictive and, consequently, do not belong to superannuation schemes. Many have spouses who 'stayed at home' after they were married, as the social practices of the day encouraged, and their financial arrangements are now such that they are unable to split their incomes for tax purposes. Many older women retirees - especially those who worked in private industry - were openly discriminated against in terms of superannuation because of historical social practices and legislation.

By contrast, recent and future retirees have a clear policy setting within which to decide the extent to which they wish to invest in superannuation (to gain tax benefits) or, conversely, the extent to which they choose to invest outside superannuation (to gain flexibility).

Notwithstanding the ready availability of superannuation, many new retirees (especially those in the lower income brackets) still prefer to maintain assets outside its umbrella, not for flexibility reasons but because of the significant capital gains tax (CGT) implications of transferring them into superannuation.

Many working families invest some of their savings in directly-owned rental property, in equities, or in property trusts, as these are perceived to be attractive classes of investment in preparation for retirement. Upon retirement, these assets (which were initially bought with after-tax savings) may need to be sold so that the proceeds can be used to fund their ongoing living expenses or invested more productively, e.g. in superannuation funds or converted into pensions, etc.

Whilst all retirees, whether they be inside or outside a superannuation umbrella, are expected to draw down their assets to fund their retirement, those not in superannuation funds have to declare all income as taxable income and must pay capital gains tax when they sell their investments. The need to pay CGT not only erodes the non-superannuated retiree's asset base but, very often, also causes the income tax rate in the financial year of the sale to be raised well above his/her normal rate - with the result that the asset's retention is encouraged (i.e. retention makes the retiree feel more 'financially secure'), rather than its sale (to provide a more productive ongoing income for the retiree).

It is a major disincentive to the good management of retirement resources held outside the superannuation umbrella that the ATO takes no account of the purpose for which a capital gain is to be used when calculating the taxable income for a Self-funded Retiree who sells a capital asset.

The A.I.R. acknowledges the Government’s concern that the purpose of the favourable incentives associated with superannuation is not to enable assets to be built for estate planning purposes. However, it believes that the number of Self -funded Retirees with sufficient assets outside the superannuation umbrella to make this a significant concern is relatively small and, especially, that any such governmental concern would be obviated by linking any exemption from the payment of CGT to the upper income threshold for the current 38% marginal tax rate.

The A.I.R. therefore recommends that a simple method of making a productive CGT exemption available to the bulk of retirees over 65, would be for any capital gains tax arising from the sale of capital assets held outside superannuation not to be included in taxable income calculations until the retiree’s taxable income exceeds the upper threshold for the current 38% marginal tax rate.

**Recommendation 3:**

**That the components of a retiree’s income that are derived from untaxed superannuation schemes and from non- superannuation ‘outside’ sources be assessed separately for taxation purposes, as is the case with a retiree who derives an income from a taxed superannuation scheme.**

A retiree who derives his/her income from taxed superannuation scheme, i.e. a scheme on which the requisite taxes were paid on superannuation contributions and earnings, is treated differently for taxation purposes from a retiree who derives income from an untaxed defined-benefit superannuation scheme (e.g. a retired Commonwealth, State or Defence Force employee).

In the case of a taxed superannuation scheme the pension component of a retiree’s income that is derived from that scheme is regarded as having a value of zero for tax assessment purposes. If the same retiree has an additional income component that is derived from sources that are outside the superannuation fund, that ‘outside’ component is then assessed at normal taxation rates as if it were the sole income for taxation purposes. In the case of an untaxed scheme, however, the pension stream derived from the superannuation fund is not tax-free; rather, the pension income is added to the ‘outside’ income, the tax payable is calculated, and then a concessionary tax offset of 10% of the superannuation pension is subsequently applied to the tax payable (whose derivation usually involves the application of a higher marginal tax rate on the combined taxable income).

The anomaly associated with the differing treatments of ‘outside’ incomes was addressed in the bipartisan Report of the Senate Economics Committee (dated February 2007) which recommended that, for equity reasons, the two types of income should be treated separately, viz.:
“The committee is of the view that the government should reconsider the way in which total taxable income is classified for those in untaxed schemes. Instead of combining both a superannuation income stream and additional income to produce a total assessable income, the

two types of income should be assessed separately. This would enable additional income received by all superannuation income stream recipients to be assessed for tax purposes from a starting point of zero. [Par 3.58]
and
“The government should consider separately assessing, for taxation purposes, superannuation income streams and assessable income.” [Rec. 4]

In the event, the Senate Committee's Recommendation 4 was not act ed upon by the then Government. Consequently, A.I.R. now recommends that this anomaly be readdressed by the current Federal Government.

**Recommendation 4:**

**That Commonwealth Superannuation and Defence Pensions be indexed consistently using the same formula as is used to adjust the Age Pension.**

The indexation of various Commonwealth pensions is inconsistent. The Commonwealth and Defence Force Superannuation pensions are indexed for inflation at the Consumer Price Index (CPI) rate whereas Age Pensions are tied to Male Total Average Weekly Earnings (MTAWE) and indexed in line with the greater of the CPI and the Pensioner and Beneficiary Living Cost Index (PBLCI).

The PBLCI, which was very recently developed by the Australian Bureau of Statistics, is stated by the Government to have been specifically designed to better reflect changes in the cost of living experienced by pensioner and beneficiary households, rather than the wider community.

The *Review of Pension Indexation Arrangements in Australian Government Civilian and Military Superannuation Schemes* which was completed by Mr Trevor Matthew's in December 2008 states: “That, if a robust index which reflects the price inflation experience of superannuants better than the CPI becomes available in the future, the Australian Government should consider its use for indexing Australian Government civilian and military superannuation pensions” [Rec. 4].

In a Press Release of 21 August 2009 the Minister for Finance, Hon Lindsay Tanner, stated that “ The Rudd Government fully supports the findings and recommendations outlined in the (Matthew's) report.”

Notwithstanding the Matthews Report, Commonwealth and Defence Force Retirees consider that they are being unfairly treated, especially those who live on marginal incomes and whose quality of life would be beneficially affected by a small financial increase. This angst would be considerably eased if the pensions of these Retirees were treated by the Government in the same way as Age Pensions, and the A.I.R. therefore recommends that this should become Federal Government policy.

**Recommendation 5:**

**That the Federal Government provide sufficient additional funding to ensure that the Residential Aged Care Industry can (a) compete with the acute care arena in the training and employment of adequate and suitable staff; (b) provide high quality health care and health amenities within Residential Health Care Facilities; and (c) provide education and awareness programs to assist with the transition process from home care to residential care.**

Whilst control of the Residential Aged Care Industry (RACI) is a joint Federal-State responsibility, Aged Care legislation is in the Commonwealth's jurisdiction under the Aged Care Act 1997, and the Federal Government controls the funding. The number of residents in residential aged care is constantly increasing as the population ages and, as life spans increase, they have been accompanied by notable increases in clients with complex needs.

The Residential Aged Care Industry (RACI) is heavily regulated. Standards at Residential Aged Care Facilities (RACFs) are constantly audited, and the Commonwealth acts swiftly when facilities cannot demonstrate that they comply; indeed, the burden of documentation needed to demonstrate compliance is so heavy that it is often cited by staff as causing low job satisfaction and detracting from the care of patients. The accreditation requirements for RACFs include proof that systems are in place to ensure that staff are adequately qualified and trained, that there is access to specialist medical and other health services and, importantly, that the establishment is operated as the residents' home and that they and their families have full access to a complaints process whereby they can seek redress when things go wrong.

Overall, however, Aged Care at any given institution is normally only as good as its funding allows. For many RACFs there is a delicate balance between the cost of delivering services, the funding income, and the fees charged.

The standards of care and amenity are not always proportional to the fees charged by an residential aged care facility, e.g. the RACF managers will often choose to spend a limited budget on employing the best staff possible - and this may mean lower standards of buildings, gardens and fittings, etc. It is not always possible to get doctors, specialists and other health service providers to attend at an RACF; whilst physiotherapy, podiatry and grooming services are commonly available within Aged Care homes, medical, dentistry and specialist services often must be sought outside.

Budgetary constraints mean that staff wages in Aged Care facilities are significantly less than those in the private and public acute care sectors; hence, it is commonly very difficult to attract well qualified and experienced staff to work in RACFs. Working in the sector is usually difficult - it can be heavy demanding work that involves the physical handling of residents who sometimes exhibit difficult behaviour, it can be thankless when residents or their families become abusive, and it is difficult to sell the benefits of working in this challenging field when salary levels are lower than those paid in more professionally attractive areas.

The quality and level of provision of amenities and facilities varies much between Residential Aged Care Facilities, and are unlikely to be improved within present funding structures of most establishments. Consequently, there is an urgent need for high quality health care and health amenities within RACFs and a need for revised funding arrangements to take these matters into account

For most carers of the aged the transition from home care to residential care is particularly difficult, not only for the obvious reasons (e.g. finding a suitable establishment, managing the attendant financial considerations and, commonly, operating under time restraints) but also from the impact of feelings of emotional guilt and abandonment. The problems associated with this transition time need to be handled with great care and empathy, and this will only happen properly if adequate funding is put in place to do so.

**Recommendation 6:**

**That retirees be enabled to transfer funds into superannuation at the prescribed contribution levels (a) without having to meet a Work Test; and (b) even though they are over 75 years of age.**

Retirees aged between 65 and 74 who wish to contribute funds to a superannuation fund are required to pass a ‘Work Test’ in order to be able to do so. This test requires them to be in the workforce for a minimum of 40 hours in any 30 day period in order to qualify.

The Work Test is an arbitrary and iniquitous hurdle that does little to encourage people in the designated age group to continue in employment. The practical impact of the Work Test is that it encourages elderly people to attempt to obviate the law by stretching the truth or manipulating circumstances with family or friends in order to comply with an outdated and ill-conceived stipulation.

In addition, it distorts the value that retirees give to the wider community. Retirees in this age-group internationally add more value than they receive without the need for a Work Test (see *The Future of Retirement*, HSBC Report, June 2007). A.I.R. members who were surveyed in 2007 advised that only 15% of those between 65 and 74 undertook paid work in 2006, whereas nearly 50% undertook voluntary work.

Accordingly, A.I.R. recommends that retirees older than 65 who are eligible to contribute to a superannuation fund be allowed to contribute to do so at the prescribed contribution levels without having to meet a Work Test.

Whilst the introduction of the new superannuation arrangements in 2008 attempted to meet the needs of recent retirees through a transition scheme for  those aged between 65 and 74 years of age, it did not recognise that current retirees over the age of 75 had to accumulate their retirement assets under policy settings that were restrictive and subject to frequent change. Indeed, many - especially women who worked in private industry - were discriminated against in terms of superannuation because of historical social practices and past legislation. As a consequence, many of today's over-75s never belonged to superannuation schemes and (because of their age) cannot now, under existing rules, gain access to superannuation.

Also, many older Retirees who do not belong to superannuation schemes have spouses who ‘stayed at home’ after they were wed, as the social practices of the day encouraged, and their financial arrangements are now such that they are unable to split their incomes for tax purposes.

Accordingly, A.I.R. proposes that all retirees of 75+ years be allowed to contribute to a superannuation fund at the currently prescribed contribution levels.

**Recommendation 7:**

**That the Federal Government reviews its 2009 Budget decision to reduce the Medicare rebates for cataract surgery procedures.**

Cataracts are the leading cause of blindness in the world. Cloudy vision, deteriorating vision, trouble with night vision, and problems with halos or glare are the most common and distinctive cataract symptoms.

In Australia, about 200,000 cataract operations are carried out every year; some 30% of these take place via the public hospital system and 70% are performed in the private system. The disparity between the utilisation of the public and private systems for this operation relates mainly to people's fear of going blind coupled with their concern about the long waiting lists for cataract surgery via the public hospital system.

The visual outcomes of cataract surgery are now extremely good with greater than 98% of patients being returned to their normal vision. Over the past 20 years in particular improved technology has also resulted in the surgical time required for most cataract operations to be decreased, albeit this has been accompanied by an increased surgical complexity.

The standard Medicare rebate for cataract surgery, which was $700 in 1986, was reduced to about $430 in 1987. Over the following 22 years the rebate gradually rose to $623.70 (in 2008) supplemented by the Extended Safety Net rebate (introduced in 2004). An outcome of the 2009 Federal Budget was the decision that, from 1 January 2010, the 2008 Medicare rebate would be reduced to $340.76 and the Safety Net rebate would be capped at $100, because of "excessive (medical) fees" for cataract surgery; subsequently the Government qualified this decision by announcing that it would only apply to cataract operations lasting less than 40 minutes. (Note: the Medicare rebate for the anaesthetist involved in the operation is not subject to any alteration under the 2009 budget proposals.)

The Government and the Senate are currently locked in dispute regarding the implementation of the Government's current cataract rebate proposals, and the outcome is unlikely to be clear for some time.

The A.I.R. does not hold any brief for the fees charged by eye specialists, but it is very concerned about the impact of the Government's decision on the people who are in most need of cataract operations, viz. retirees. There are real concerns amongst the elderly that (assuming that the medical fees are maintained at their current levels) many will be unable to pay the much increased costs caused by the proposed Medicare rebate reductions and that they will be forced into the already-strained public hospital system - thereby also adding to the length of the queues awaiting this essential procedure. Anecdotal reports suggest that some retirees with limited financial resources who are in need of cataract surgery will gamble not to front up for the procedure as they simply cannot face the long wait, and, consequently, they may be saddled with depression and the social isolation associated with near-blindness in the latter years of their lives.

Persons unable to access cataract surgery when it is needed, run a real risk of going blind. Many retirees who are unable to afford cataract operations will eventually lose their driver's licenses as result as well as becoming more socially isolated and depressed, they also become candidates for earlier institutionalisation. It is well established that retirees, by virtue of their age and poor eyesight, are already more prone to serious injury from accidental falls; logically, therefore, the potential for tripping accidents must increase amongst the cataract-afflicted as they await their turns in the longer public hospital queues. The extra costs incurred as a result of such accidents will also add to the costs of running the Medicare system.

The A.I.R. therefore strongly recommends to Government that it review its decision to reduce the Medicare rebates for cataract surgery procedures.

**Recommendation 8:**

**That the Medicare and the Pharmaceutical Benefits Scheme (PBS) Safety Net thresholds for single retirees be restructured so that access to the Safety Nets become available to them at 60% of the thresholds for couples/families.**

Very many Self-funded Retirees are widows or widowers who are at the stages of their lives when they need expensive and sustained medical attention. Yet single retirees have to incur the same total expenditures as couples/families before they become eligible for Safety Net rebate support under either the Medicare or Pharmaceutical Benefits Schemes.

In the case of the Medicare Safety Net a couple/family pay less for visits to doctors and for medical tests when their combined out-of-pocket non-hospital medical expenses in a given year reach the Medicare Safety Net threshold (currently $1,111.60), and a single person must expend the same total amount before he/she is eligible for this Safety Net support. In the case of the Pharmaceutical Benefits Scheme (PBS) Safety Net a couple/family become eligible for concession-priced prescription medicines when their combined expenditures on medicines in a given year reach the PBS Safety Net threshold of $1,264.90, and a single person must expend the same total amount before he/she is eligible for the lower-cost medicines.

These criteria mean that single retirees are heavily discriminated against in that they must incur the same total costs as couples/families before they reach either of the Safety Net thresholds.

Safety Net concessions should be available on an equitable basis. It is unfair and discriminatory that a single person should have to spend the same amount as a couple/family before he/she becomes eligible for a Safety Net. The A.I.R. therefore proposes that Medicare and PBS Safety Net access for single retirees should be restructured so that it is available to them at 60% of the threshold requirement for couples/families.

**Recommendation 9:**

**That the upper income eligibility thresholds for the Commonwealth Seniors Health Card (CSHC) be reviewed so that (a) for retirees over 65 and less than 80 years of age, the taxable threshold used for CSHC eligibility (i) of a self-funded single person is reset to four times the full single-person Age Pension, and the ratio between single and partnered income thresholds is kept at 1.6; and (ii) is escalated in future years in the same way as for the Age Pension; and (b) all Self-funded Retirees of age 80+ years are granted non-means tested access to the CSHC.**

Retirees, by definition, are at the uncertain stage of their lives when health and financial concerns assume an enormous importance. The main benefits of the Commonwealth Seniors Health Card (CSHC) are that it provides Self-funded Retiree holders with access to concessional prescription medicines under the Pharmaceutical Benefits Scheme (PBS), and access to the Medicare and PBS Safety Nets at much lower levels than is the case for non-CSHC holders.

If access to the CSHC is not available, a prolonged illness requiring many medicines can lead to a significant drawdown of a Self-funded Retirees' assets - and considerable emotional disturbance.

The CSHC is currently available to single retirees with taxable incomes below $50,000 per annum and to couples with incomes below $80,000 p.a.: for couples who are separated, e.g. if a partner is in residential aged care accommodation, the combined threshold is $100,000 p.a. No asset test is required in order to obtain the CSHC. Prior to the onset of the financial crisis there were about 280,000 recipients of the CSHC (compared with nearly two million Age Pension recipients), and the CSHC cost to the Federal Government was circa 1% of the cost of the Age Pension.

The CSHC was introduced in 1994, and the then income eligibility thresholds for retirees were increased in January 1999 and in July 2001; however, at neither time were they indexed for inflation. The income thresholds have not been changed since 2001 and, as a consequence, many Self-funded Retirees have each year lost their right of access to these cards.

The non-indexing the CHSC thresholds is a clear case of bias against full Self-funded Retirees as, due to inflation, the real values of the CSHC thresholds have reduced every year since 2001 - with the result that the fixed thresholds have become a de facto mechanism whereby the Government annually reduces the numbers of CHSC holders.

To compensate for the lack of threshold escalation since 2001, and the consequent discrimination against Self-funded Retirees, the A.I.R. proposes that the income thresholds for the Commonwealth Seniors Health Card be reviewed as a matter of urgency, and **tied to the Full Single Age Pension**, so that for retirees over 65 and less than 80 years of age, the taxable threshold (i) used for a Self-funded Single person is reset to four times the full single-person Age Pension, and the ratio between single and partnered income thresholds is kept at 1.6, and (ii) is escalated in future years in the same way as for the Age Pension.

Very many retirees who are now aged 80 or more have had to accumulate their retirement assets under governmental policy settings that were restrictive and subject to frequent change. Many, especially women, were discriminated against for superannuation purposes as a result of historical social practices and legislation. Hence, many 80+s do not belong to such schemes (e.g. an A.I.R. Survey of its members showed that some 70% of those over 75 do not have, and under existing rules cannot have, access to the benefits associated with having a superannuation fund) and must rely for their livelihood on the fully taxed incomes derived from their savings and investments.

Men and women who are 80+ years have, obviously, low life expectancies. By virtue of their ages they are especially vulnerable to continuing illnesses and to the consequent heavy medical costs associated with these. Those with incomes above but close to the conventional CSHC thresholds are especially worried about the cost burden imposed on them by prolonged illnesses.

A.I.R. recognises that it can be argued that a limited number of wealthy persons could benefit from a proposal to allow non-means tested 80+ persons access to CSHCs; however, in the scheme of things, the numbers of such people are very small and the additional impact upon the Government's Budget would be negligible. Accordingly, in order to reduce the lifestyle worries and concerns of those in their latter years, the A.I.R. proposes that the Commonwealth Seniors Health card be available as a right (i.e. non-means tested) to all retired Australians of age 80+ years.