



**ASSOCIATION OF INDEPENDENT RETIREES (A.I.R.)
LIMITED**
ACN 102 164 385

WESTERN AUSTRALIA DIVISION

2009/2010 PRE-BUDGET SUBMISSION

to the

GOVERNMENT OF WESTERN AUSTRALIA

ASSOCIATION OF INDEPENDENT RETIREES (A.I.R.) LIMITED
ACN 35 102 164 385

2009/2010 STATE PRE-BUDGET SUBMISSION

WESTERN AUSTRALIA

EXECUTIVE SUMMARY

The Association of Independent Retirees (A.I.R.) Limited is the peak body representing the views of fully and partly self-funded retirees. The Association's policies endeavour to achieve justice, equality and freedom of choice for retirees, while recognising a diverse range of individual circumstances.

Self-funded retirees expect Government policies to be fair and non-discriminatory, to provide choice to meet individual circumstances and to ensure financial security.

The following issues reflect these expectations while acknowledging the need to minimise the impact on Government revenue and expenditure as the number of retirees in this State increases.

SUMMARY OF REQUESTS

1. Conditional waiver of Stamp Duty on the purchase of a place of residence by a retiree.
2. Review of the basis of indexation of State superannuation pensions.
3. Review of the criteria for the issue of a State Seniors Card to holders of Retirement Visa (sub class 410).

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INTRODUCTION

The Association of Independent Retirees, more widely known as A.I.R., is the peak body representing the views of fully and partly self-funded retirees.

First formed in 1990, A.I.R. is a non-party-political organisation, representing retired and partly retired people who are not in full time employment.

It is a not-for-profit volunteer organisation whose major purpose is to represent this rapidly growing section of the Australian population at all levels of Government and to be a source of information on matters pertaining to retirement for its members. Office bearers at all levels are volunteers.

A.I.R. has Branches located in every State and Territory. The Western Australia Division comprises twelve Branches, six of which are located in rural/regional areas.

A.I.R. policies endeavour to achieve dignity, independence and freedom of choice, recognising a diverse range of individual circumstances. They seek a fair and just economic, taxation and social environment that recognises and compensates for the special problems of fully and partly self-funded retirees.

It is submitted that it is incumbent on all Governments, given the now statutory requirements that all workers (and their employers) must contribute to provision for their retirement, to introduce policies which encourage and assist people to plan for self-sufficiency in retirement and remove the need for manipulation of finances in order to gain a level of part pension and so be eligible for the associated concessions. A strategic plan involving all levels of Government, that provides the same benefits/concessions to self-funded retirees who are eligible for a Commonwealth Senior's Health Card as those enjoyed by Age pensioners, would clearly be beneficial in this regard.

Economic changes, such as escalating costs, inflation and low interest rates, have impacted negatively on retirees endeavouring to remain self supporting. Their ability to increase their incomes at a rate proportional with that of the wider community is limited. As self-funded retirees must possess revenue producing assets to generate their incomes, these assets can preclude them having an entitlement to an Age pension, although their actual cash income may well be below that of many Aged pensioners.

The following requests are submitted for consideration in support of the WA State Government's ongoing commitment to the development of a fair and equitable economic, taxation and social environment, which recognises and compensates for the special needs, and problems, of self-funded retirees.

1. CONDITIONAL WAIVER OF STAMP DUTY ON THE PURCHASE OF A PLACE OF RESIDENCE BY A RETIREE.

Following retirement, and the consequent significant change of lifestyle, many retirees find it desirable, or necessary, to depart from their place of residence and obtain alternative accommodation. This may, possibly, be closer to medical and hospital services and be more suited to their changed physical circumstances and lifestyle. To assist this process, A.I.R. proposes a once only entitlement to waiver of Stamp Duty following the sale of a place of residence and purchase of alternative accommodation by a retiree, provided:

- The retiree is of, or above, the age of 65 years, and
- The need to purchase the residence results from the ageing process /reduced capacities e.g. down sizing from a larger home, inappropriate plan of former home, difficult terrain, transport deficiencies etc, and
- The stamp duty free residence substantially resolves the problem/s identified with the original premises, and
- Is limited to retirees in possession of a Commonwealth Seniors Health Card or a Pensioner Concession Card, and
- That stamp duty is payable on any amount by which the purchase price exceeds the value applicable to the First Home Owners concession.

RATIONALE

- Beneficial to support agencies with increased numbers of older people residing in more contained residential groups/areas.
- Increases the number of larger homes on the market in suburbs with established infrastructure which, otherwise, would not be offered for sale.
- Addresses/improves the welfare, health, comfort and standard of living of retirees.
- Reduce requirements for land releases in new outer suburbs with associated costs.
- Potential to increase revenue to Government over time as more high value homes would be in the market attracting the payment of increased Stamp Duty.
- Liquidates a high priced asset, a substantial percentage of which would not be utilised in the purchase of the new Stamp Duty free residence, with the remaining funds further supporting the self-sufficiency of the retiree.
- Creates development/employment/retirement construction opportunities and impacts favourably upon associated entities/business and material suppliers etc.
- Is consistent with the policy precedent of abolishing Stamp Duty for the first home buyers.

REQUEST

A.I.R. requests that consideration be given to the conditional waiver of Stamp Duty on the purchase of a place of residence by a retiree who has reached the age of 65 years.

2. REVIEW OF THE BASIS OF INDEXATION OF STATE SUPERANNUATION PENSIONS.

Throughout their working life, persons employed in public service categories, have been required to provide for their eventual retirement by contribution to a compulsory superannuation scheme. The initial concept of this arrangement was that the employee would, on retirement, receive a regular income relative to their salary, averaged over a period of time prior to their retirement. To compensate for changes in the cost of living, superannuation pensions were to be indexed by movements in the Consumer Price Index (CPI).

The CPI has long ceased to be a creditable method of determining the increases in the cost of living and other criteria have been developed and widely accepted. In fact the current Federal Budget documents identify the development of an additional living cost indicator for retirees the 'Living Cost Indicators for Aged Pension Households'.

The Australian Bureau of Statistics (ABS) acknowledges that the CPI does not accurately reflect community cost of living changes as measured by average weekly earnings.

This is reflected by changes to the method by which Centrelink administered pensions have been indexed since 1997. The method now in use applies a formula which compares the greater of the CPI and 25% of the Male Total Average Weekly Earnings (MTAWE).

However, the criteria used to index State superannuation pensions has not changed and retired officers are experiencing increasing difficulty in maintaining a lifestyle commensurate with that experienced at the commencement of their retirement. This is, primarily, due to the continuing erosion of the relative value of their income.

A.I.R. is concerned about this effect on the well being of members who have provided many years of dedicated service, in a wide range of roles to successive Governments, and are now being severely disadvantaged by circumstances beyond their control.

A.I.R. asks that urgent consideration be given to accepting that the CPI is no longer a fair and equitable method of indexing the pensions paid to ex-State Government employees. We ask that a fairer method be adopted and suggest that the method used to index the pensions paid to Age pensioners, (i.e. the greater of the CPI and 25% of MTAWE), should take the place of indexation by the CPI alone.

REQUEST

That the pensions paid to ex-State Government employees be indexed in the same manner as is used to index the pensions paid to Age pensioners i.e. the greater of the CPI and 25% of MTAWE.

3. REVIEW OF THE CRITERIA FOR THE ISSUE OF A STATE SENIORS CARD TO HOLDERS OF RETIREMENT VISA (SUB CLASS 410).

Within the membership of A.I.R. there are a number of people who have come to Australia, mainly for family reasons, on a Retirement Visa under section 410 of the Immigration Act. They are reputable people who are self-funded, law abiding, (having received a police clearance from their home country), who intend to reside permanently in Australia. They present no burden on any Government funding.

Before arrival in Australia they were required to show proof of substantial invested wealth, hold comprehensive health insurance at all times and fulfil numerous conditions when buying or selling property in Australia.

Although classified as "temporary", the 410 Visa has been extended from a 2 to a 4 year period of validity. The Federal Minister has indicated to 410 Visa holders that there is no reason why they cannot remain in Australia for the rest of their lives. Their numbers can only decline as natural attrition of these mainly elderly people will increasingly take its toll. As from 1 July 2005, the 410 Visa has been discontinued and replaced by another Visa that precludes any consideration for permanent residency.

Retirement Visa holders contribute significantly to the State economy by

- New overseas money each month through pensions and investments.
- Home ownership with all the associated costs.
- Vehicle purchase and operation.
- Friends and family visits to WA, thus encouraging tourism.
- Payment of taxes and charges, including Stamp Duty and GST.

A large proportion of 410 Visa holders also contribute to the economic and social well being of their children, and grandchildren, in ways that would not occur if they were not permanently resident in Australia. Many are also integrated into the fabric of the community by their participation in community affairs and as volunteers in a wide range of activities.

Given that the number of 410 Visa holders in WA is estimated to be less than 1,000, and can only diminish, A.I.R. requests that consideration be given to reviewing the criteria currently applicable to the issue of a State Seniors card. A condition could be dependent on their principal place of residence being Australia, together with a period of residency in excess of 6 years.

REQUEST

That the eligibility for the provision of a WA State Seniors card be reviewed and extended to holders of a Retirement Visa (sub class 410), whose principal place of residence is within WA.