



The Alliance
for a Fairer
Retirement
System

Media Release

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Sending out an SOS on retirement income

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The Alliance for a Fairer Retirement System has written to the Treasurer and other Ministers warning the economic recovery is at risk because the Covid Financial Crisis (CFC) has severely undermined the confidence of retired investors.

The Alliance, which includes a range of organisations representing older Australians, has highlighted the problems facing retired investors during the current financial storm.

Alliance spokesperson Ian Henschke says, “Retirees with market investments are being punished financially, undermining their capacity to contribute to the economic recovery.”

“With around 3.8 million Australians aged 66 and over, it is important to understand the enormous contribution this section of society has on the overall economy. Retirees are the single most important contributor to discretionary spending. Retirees don’t just invest in the share market, but also in their community.

“Retiree spending, and willingness to spend, has a critical impact on the economy, both now and in the post-stimulus recovery phase.”

The Alliance has warned the crisis has led to a lack of confidence. Older Australians are already showing signs of a drop in spending.

“The latest figures from Challenger show that older Australians are already cutting back on spending on food by 27% and 37% on clothing,” Mr Henschke said. “There are good economic reasons to support retirees through the crisis, not least because of the risk to their confidence and consumption.”

A retirement income system riddled with faults

The Alliance’s letter to the Treasurer has also pointed out several problems in the retirement income system which were already exposed even before the CFC occurred.

These include:

- High deeming and taper rates associated with the pension income and assets tests
- A low investment return environment
- A range of market, longevity and regulatory risks

“Things are not helped by a retirement income architecture which still deems people to be earning more than what they actually are, or a system which either ignores or is deaf to retired investors who have seen their income evaporate during this crisis,” Mr Henschke said.

The letter to the Treasurer suggests several solutions, including:

- Automatic revaluation of assets by Centrelink to account for extraordinary market falls
- Further reduction of deeming rates
- Reduction of the rate of the Pension Loan Scheme (PLS)
- Adjustment of the pension assets test taper rate
- Extension of eligibility for the Commonwealth Seniors Health Card

The full letter to the Treasurer from the Alliance is attached with this release.

About the Alliance:

The Alliance for a Fairer Retirement System is a group that was formed to represent the millions of senior Australians, shareholders, self-funded retirees and those planning a sustainable retirement. The Alliance's mission is to help improve the existing superannuation, Age Pension and broader retirement income systems.

The organisations that form the Alliance include:

- Association of Independent Retirees
- Australian Investors Association
- Australian Shareholders' Association
- Gold Coast Retirees Inc.
- National Seniors Australia
- Self-managed Independent Superannuation Funds Association
- WA Self-Funded Retirees

Ian Henschke, Alliance Spokesperson is available for comment.