

# Enough to live on

a retirement incomes policy framework  
for the 21<sup>st</sup> century

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# Guide to this report

This report presents two submissions from the Council on the Ageing (Australia) primarily in the area of retirement incomes policy.

**1. Response to Independence and Self Provision issues paper for the National Strategy for an Ageing Australia** **page 4**

The first submission was presented to the Federal Government in 2000 in response to its discussion paper on Independence and Self-Provision for the National Strategy for an Ageing Australia. This submission reflects COTA's long term of view of how the Government needs to plan for retirement incomes well into the 21<sup>st</sup> century.

**2. Federal Budget Submission 2001-2002** **page 16**

The second submission was presented to the Federal Government in 2001 with a compendium of recommendations for uptake in the Budget of May 2001. It reflects COTA's short term priorities in retirement incomes, housing and social support, the program areas managed by the Department of Family and Community Services. Some of the recommendations were taken up in the Budget of May 2001. COTA's Budget analysis is available on the website at [www.cota.org.au](http://www.cota.org.au).



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# Enough to live on

## a retirement incomes policy framework for the 21<sup>st</sup> century

### **The Work of Council on the Ageing (Australia) (COTA)**

The Council on the Ageing (COTA) is the peak consumer organisation dedicated to protecting and promoting the well-being of older people. It has the members, skills, knowledge base, and resources to support this role. The Council on the Ageing (Australia) has a number of functions including:

- policy analysis and policy development
- provision of information and advice to older people on Commonwealth policies and programs
- provision of information and advice to the Commonwealth Government about issues of importance to current and future generations older people based on consultation with older people and research.

The Commonwealth Government provides financial support to assist COTA (Australia) in fulfilling its policy, consultation, representation and information dissemination roles.

At the State and Territory level, COTAs are involved in both service delivery to older people and policy work primarily focused on State issues. Individual members play an important role in maintaining the State-based organisations. Through their consumer base, State and Territory Councils on the Ageing provide the management structure for the Council on the Ageing (Australia) and thereby inform policy and priorities.

COTA (Australia)'s membership includes key national organisations which represent consumers and service providers. These organisations make a substantial contribution to the Council's policy development process.

COTA's membership is open to people over 50 years of age and our policy work covers a very wide range of issues of concern this group: health services including private health insurance, employment, income, financial services, retirement and pre-retirement incomes, aged and community care services, housing and communications technology.

COTA has both individual members and organisational members who indirectly provide a very large membership base. Whether members or not, many older people, their carers and relatives as well as organisations come to COTA for information and advice and to alert us to problems they are experiencing with Government policies and programs.

Further information about COTA is available on our website:  
**<http://www.cota.org.au>**.

*This report was written and researched by Veronica Sheen,  
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**A broad definition of independence should incorporate the idea of choice in life-style and the maximisation of opportunities for social and economic participation.**

# Submission One:

Response to Independence and Self-Provision discussion paper for the National Strategy for an Ageing Australia

## Introduction

### **Independence? Self-provision?**

The implication behind the title of the discussion paper is that the most desirable retirement income system is one in which individuals are largely able to provide for themselves.

COTA believes that the concepts of “independence” and “self-provision” should be viewed quite separately. Full or partial receipt of government income support should not impinge on an individual’s capacity to live independently later in life.

A broad definition of independence should incorporate the idea of choice in life-style and the maximisation of opportunities for social and economic participation. Independence in older ages will most effectively be enhanced by the achievement of *healthy ageing* as discussed in our first submission to the National Strategy. In that paper we have conceived of a broad definition of what it will take to achieve *healthy ageing*:

- sound economic, social and environmental conditions: these conditions will include adequate and equitable income distribution mechanisms through paid employment and social security provisions
- well developed communities, high level of accessibility and appropriate living situations
- a range of health and community service programs to support *healthy ageing*.

This submission should, therefore, be read in conjunction with the *healthy ageing* submission which takes an overarching perspective of the National Strategy for an Ageing Australia. This submission, in contrast, is more narrowly focussed on income support issues for older Australians. While the focus is on income support issues, we believe that income is not the only factor in determining the standard of living available to older Australians and supporting independence in retirement years. Elements of the social wage of importance to older people include:

- public medical care
- community care services
- social and community infrastructure such as public libraries, swimming pools, educational centres etc
- public transport
- housing assistance



COTA believes that many people can and do lead independent and healthy lives in their older ages irrespective of the source of their income as long as the social wage is sufficient. Many independent older people receive a full rate age pension.

COTA believes also that the concepts of dependence and independence in current debates in relation to both social welfare and the ageing population are generally not useful in promoting the social harmony and tolerance that we have specified in our earlier submission as having an essential role in achieving *healthy ageing*.

It is not possible or feasible for everyone in this society to be self-funding in retirement. This should not affect their entitlements to full citizenship, an adequate income and the respect of others for their contributions in terms of raising children, caring, working, paying taxes over their life time or other contribution. At the same time it is important to recognise that the opportunity for saving for retirement represents the outcome of fortunate life circumstances, sheer good luck and a range of other factors that are not necessarily related to the personal attributes of any one individual.

Our focus in this submission is the more relevant concept of maximising the income available to people in the years in which people are outside the paid labour force. This period is traditionally called “retirement” although many middle-aged and older people now reject the concept of retirement and envisage an ongoing contribution to society regardless of their relationship to paid employment.

COTA supports the notion that people should be encouraged to save for their retirement so that they will have a higher standard of living than what would be possible if they are solely reliant on the public pension. Even some savings for retirement, which will supplement pension income is a desirable outcome for retirement which should be encouraged.

We have a number of qualifications to support our argument.

The capacity for an individual or couple to maximise their private income for older age will depend largely on their lifetime earnings, their capacity for savings, investment strategies and achievement of home ownership. Clearly there are many factors which erode the capacity of people to maximise their funds for retirement:

- insufficient earnings over the life course due to low wages, unemployment and/or periods outside the labour force
- insufficient capacity to make savings
- financial losses and setbacks.

COTA believes that policies to support savings for retirement need to be balanced with a sound public age pension system that will provide an adequate income to all those who have insufficient means to support themselves in part, or in full in retirement. The issues relating to the public pension system are discussed below.

***COTA believes also that the concepts of dependence and independence in current debates in relation to both social welfare and the ageing population are generally not useful in promoting the social harmony and tolerance that we have specified in our earlier submission as having an essential role in achieving healthy ageing.***



# A Robust Public Pension System

**COTA is most concerned about the long term health effects on many of these people who are subject to a high level of stress and social isolation as a result of inadequate income.**

Australia's age pension system provides a modest retirement income in comparison to the social insurance payments made to retired people of some OECD countries.

Our system maintains the pension at roughly 25 per cent of Male Total Average Weekly Earnings and provides half yearly indexation. The implementation of tax reform and the compensation arrangements for pensioners are pending. Amongst these changes will be a 2 per cent real increase in the age pension and an easing of the pension taper rate from 50 cents in the dollar to 40 cents.

For an older person who owns their own home, has a small private income to supplement the pension and lives in a community with considerable amenity and social support, the Australian age pension is a modest but adequate income.

However, its adequacy is challenged for people who fall outside this model of living circumstances. COTA's concerns are supported by the Social Policy Research Centre research (Saunders et al, 1998 *Development of Indicative Budget Standards*, Social Policy Research Centre, Policy Research Paper No. 74) which showed that for a single older person renting privately, their income from the age pension would fall some 35 per cent below what they require for a "low cost budget standard" which is characterised by the Social Policy Research Centre as:

*'one which may require frugal and careful management of resources but would still allow social and economic participation consistent with community standards and enable the individual to fulfil community expectations in the workplace, at home and in the community. It describes a level below which it becomes increasingly difficult to maintain an acceptable living standard because of the increased risk of deprivation and disadvantage (Budget Standards Unit, Newsheet No. 4, May 1998, p3)'*

The pension income of a home owner, without private income would be some 20 per cent below the "low cost budget standard" and the income of a public housing tenant would be around 7 per cent below. While there has been some controversy over the Social Policy Research Centre's methodology in calculating the budget standards, COTA believes that the research findings reflect the experience of hardship and difficulties in managing as reported to us by older people – in the main, single people in private rental or in owner occupier housing, fully reliant on the age pension with no other sources of income.

COTA is most concerned about the long term health effects on many of these people who are subject to a high level of stress and social isolation as a result of inadequate income. The problem is that many people are reliant on nothing else but the age pension over a very long period. For example, it is not uncommon for a woman to collect an age pension for 25 or 30 years if she had commenced at 60 years and lives until 85 or 90 years. Single age pensioners rather than married couple pensioners are also most at risk in terms of living in poverty on an age pension.



COTA believes that the Government should consider periodic supplementation of the age pension for people who have no other sources of income over the long term. In the context of the National Strategy for an Ageing Australia, it is critical that better protections are built into the safety net for those people who are most at risk of poverty in old age. The broader perspective must include attention to the circumstances of people in their pre-retirement years as discussed below.

## Labour Force – Participation is the Key

The most important factor affecting the capacity of older people to have some private income in retirement is their ongoing relationship to the labour market in their pre-retirement years.

Our principal concern developed in the past 12 months is that the relationship to the labour market is breaking down for many people over the age of 50. Most recent research shows that the position for this group is improving, however for COTA the major concerns are:

- 46 per cent of people between the ages of 50 and 64 are not in paid employment (the labour force participation rate for the population aged between 15–44 is 78 per cent and for the population aged 45 to 64 years it is around 44 per cent.)
- 33 per cent of people between the ages of 50 and 64 are in receipt of a government income support payment: eg unemployment payment, disability pension, partner allowance. (Source: Department of Family and Community Services, Submission to House of Representative Standing Committee on Employment, Education and Workplace Relations, Inquiry into Older Workers).

COTA argues that the premature tailing off of participation in paid employment and the excessive reliance on income support in pre-retirement years has major consequences for the capacity of individuals to bring savings and private income to their retirement years.

There are also a range of issues relating to employment of people beyond the traditional “retirement” ages of 60–65. Given increased longevity, constantly improving health and vigour of older Australians, later labour force entry and the prevalence of interrupted labour force experience, should Australians begin to think of extending their labour force years beyond 60–65, say to 65–70? In some countries, there is a phased increase in retirement age in train. In Australia, the Pension Bonus Scheme is aimed at providing incentives for people to remain in the work force after the age that they become eligible for the age pension. For COTA however, the principal issue at this point in time is less about extending the traditional retirement age up from 60–65, but rather enabling more people to continue to work until this age.

***The most important factor affecting the capacity of older people to have some private income in retirement is their ongoing relationship to the labour market in their pre-retirement years.***



***In developing an incomes policy for older Australians, it is important to recognise that there will always be people who will be unable to take advantage of labour force participation as a means of savings for retirement – or whose labour market attachment is so marginal that they are not able to save for retirement.***

As a matter of urgency, we have requested the Federal Government to take action in the area of mature age employment. This includes implementation of new labour market policies as well as attention to the income support policies that affect people in the pre-retirement years. Our policy positions in these areas are articulated in the attached report, *Older Australians: Working for the Future*. We wish to see the issues raised in this report considered in the context of the National Strategy both in terms of the *Independence and Self-Provision* issues paper and the *Employment for Mature Age* people issues paper.

In developing an incomes policy for older Australians, it is important to recognise that there will always be people who will be unable to take advantage of labour force participation as a means of savings for retirement – or whose labour market attachment is so marginal that they are not able to save for retirement. Many of these are identified in the discussion paper and include women, migrants, people with disabilities and older workers (see pages 40–47 of the report). To this list COTA would add long term carers.

COTA agrees with the discussion paper that access to an adequate age pension will be important for these groups into the future.

Much more must be done however, to create opportunities for all these groups to reap the benefits of paid employment as much as possible. Examples of the sort of interventions needed include:

- provision of adequate child care
- availability of English language training opportunities
- strategies to overcome age discrimination in the labour market
- assistance for carers so that they can hold down either a full-time or part-time job
- regional and rural development strategies
- accessible and affordable training, retraining and reskilling
- greater flexibility in workplaces for people with disabilities or caring responsibilities

A number of these options have been discussed in the Interim Report of the Reference Group on Welfare Reform released in March 2000.

COTA believes that attention to maximising the labour force opportunities for as many of the Australian population as possible is the key to optimising the private income available to older Australians in retirement. It is a task that will require vigorous commitment and resources on the part of Government.



# Linking Pre-Retirement to Retirement Incomes Policy

Maximising the labour force participation of mature age people must be combined with attention to pre-retirement incomes policy and the links to retirement incomes policy. COTA has found that many aspects of current government policy as they apply to mature age people in the pre-retirement years are compromising their capacity for maximising their private income for retirement.

## **The Assets Test**

There are significant numbers of unemployed mature age people who are not eligible for any income support due to the social security assets test. Newstart Allowance is not payable to people with financial assets over the following amounts (March-June 2000).

### **Assets test for home owners**

#### **Family situation**

Single	\$133 250
Partnered (combined)	\$189 500

### **Assets test for non-home owners**

#### **Family situation**

Single	\$228 750
Partnered (combined)	\$285 000

In the context of an asset base which would provide a reasonable level of independence from government income support in retirement, these assets limits are set at quite low levels. In addition there is no tapering of eligibility for Newstart Allowance, such that one dollar over the threshold, disqualifies an individual from any assistance at all.

The reasons for the strict assets test are well understood by COTA. The assets test has assisted in keeping outlays for unemployment payments in check and has ensured that assistance is targeted to those most in need. Poverty alleviation has been and continues to be its primary purpose. Nevertheless, the issues raised by the people in COTA's focus groups raise important questions about short term goals in social security financing versus long term goals for Australia's retirement incomes system. There is also an important question about the lifecycle context of the income support system.

COTA proposes that there is an inherent inconsistency in applying the same assets test for people in their fifties as is applied to younger people given that people naturally accumulate financial assets for retirement and old age as they age. Assets are also required due to retrenchment payouts which is often the single largest amount of money that people receive throughout a lifetime.

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**The problem for many mature age people is that once an asset base has been depleted opportunities for building it up again are severely limited by lack of employment or new income generating opportunities.**

The problem for many mature age people is that once an asset base has been depleted opportunities for building it up again are severely limited by lack of employment or new income generating opportunities. These issues are not faced to the same extent by younger people. It is not reasonable therefore to apply the same rules to older people and younger people.

For all the mature age people we have spoken to, protection of the assets for retirement and old age is a primary goal. They do not consider disposing of assets for frivolous purposes with a view to be able “to go on the pension”. In addition to the protection of existing assets, all the people we have spoken to wish to add to the asset base for retirement purposes. For many people, the fifties may be the first opportunity they have to save once children are off their hands and the house is paid off. The cost of raising and educating a family is very high. In addition the later age of marriage and child rearing may significantly delay the saving process.

COTA believes that the social security assets test for mature age people should be revised to more realistically reflect lifecycle factors affecting savings and to be cognisant of the retirement savings requirements of older Australians. This may lead to the development a graduated age-related assets test.

#### **Lack of assistance through the Job Network**

As many mature age unemployed people do not qualify for Newstart Allowance, they also do not qualify for any assistance that is available to income support recipients through the Job Network. While there is considerable dissatisfaction with these services on behalf of those who do qualify, it is very important that training and assistance with job search should be available.

Those who rely on their own sources of income have commented on the high costs of undertaking courses for the purposes of skills upgrading and the barriers that this has created in terms of their employability.

In addition, where people do rely on their own assets in the hope of quickly regaining a job, the length of unemployment becomes longer than anticipated, the assets dwindle and they are eventually forced on to income support payments.

At this point, however, a number have already become long term unemployed and are more disadvantaged than they would have been, had swift remedial action been taken when they first suffered loss of employment.

#### **Adequacy of Newstart Allowance**

In the event that a mature age unemployed person qualifies for Newstart Allowance under the assets test, the following issues emerge:

- Newstart assumes short term reliance and is set at a lower level than a pension for this reason: \$178.90 for a single rate per week compared to \$201 per week for a pension. For mature age people with an average duration of unemployment of around two years, dependence on Newstart Allowance creates significant financial pressures – debt build-up, depletion of savings, and possible deterioration of physical assets such as a house.



- Newstart Allowance does not attract the same level of fringe benefits as pensions. These fringe benefits are very important for supporting people with major household costs such as council rates and car registration.
- The income test for Newstart is much stricter than for pensions: \$31 per week is the allowable earnings for Newstart compared to \$53 per week for pensioners (singles) before income is lost. Pensions are withdrawn at a rate of 40 cents for every dollar of private income over \$53 per week. For Newstart, amounts between \$31 and \$71 are reduced at the rate of 50 cents in the dollar and for amounts earned over \$71 per week, the reduction is 70 cents for every dollar (for singles).
- For people 60 or over, Newstart Allowance (Mature Age Allowance) attracts a payment of \$193.45 per week after 9 months but keeps the same income test of \$31 per week before withdrawal at 50 cents and 70 cents in the dollar (for singles).
- Because of the income test, there is a disincentive to take up casual job opportunities on a short term basis because of the effect that this has on income support payments. Under the Earnings Credit Scheme abolished in 1996, people receiving a pension or allowance were able to earn up to \$500 per year from casual work before it affected their entitlement to a social security payment. This measure was designed to provide incentives for social security recipients to take any opportunities for work as a potential stepping stone to full time employment and economic independence without having to reapply for benefits after a short period of time. This scheme was a useful, but limited measure to foster labour force attachment amongst older people. The earnings credit scheme was more useful to a person getting once-off casual employment who was either discouraged from taking it because of the havoc it would play with their regular payment, or discouraged from declaring any earnings.

COTA understands the scheme was terminated because of some reported abuse. Unfortunately, the termination of the scheme disadvantaged many older people whose workforce opportunities have been reduced by its abolition.

- For those over the age of 55 with some superannuation assets over the assets test limit, Newstart Allowance cuts out after 9 months.

The average duration of unemployment for people in their fifties calls into question whether or not Newstart Allowance is the appropriate payment for this group. If poverty alleviation is a serious goal of the social security system, then the adequacy of Newstart Allowance as the primary means of support for unemployed people in their fifties experiencing long term unemployment must be questioned.

Newstart Allowance for older unemployed people should be increased or replaced with another payment that more realistically reflects the duration of unemployment they are likely to experience: the current level of a pension payment would be appropriate. This new payment should be

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**An earnings credit scheme, which annualises income earned from casual employment for the purposes of the Centrelink income test should be reinstated.**



introduced for people 50 and over – or even 45, the age at which age discrimination begins to manifest itself. The income test for this payment should also be lifted to the same income test as for a pension income.

An earnings credit scheme, which annualises income earned from casual employment for the purposes of the Centrelink income test should be reinstated.

In addition, an Earnings Credit Scheme which provided incentives for people to take up casual jobs, should be reinstated with an earnings limit increased substantially (COTA will need to do further research to establish a reasonable limit but possibly \$2500 a year which equates to additional income of around \$50 per week). This was a particularly useful program for older people who have opportunities for periodic spells of employment rather than continuous part-time work. It may be a particularly useful measure for people in rural and regional areas where there may be opportunities for seasonal work.

#### **Superannuation assets and income support for people over 55**

For those aged 55 and over, dependence on government income support is only possible for 39 weeks (although their average duration of unemployment is around 104 weeks), after which any superannuation or rollover assets are taken into account as per the assets test limits in the table above. This requirement has the effect of forcing a person in receipt of Newstart Allowance or any other income support payment into approaching their superannuation fund for the release of an income stream for current living costs, even though they may wish to continue to work. They will then be unable to make further contributions to the fund should they subsequently find a job.

Superannuation has been promoted by the Government as the 21st century savings vehicle for retirement. The opportunity of adding any more savings to a superannuation fund are relinquished once and for all when the superannuation fund has been opened to provide an income stream. Given the relatively tight level of the assets test, an individual could be financially very disadvantaged by this requirement in the long term because it cuts across the advantages that could be gained by maintaining and adding to their savings in the superannuation fund until retirement. The highest level of compounding interest for a superannuation fund occurs in the immediate pre-retirement years. It is poor retirement incomes policy to reduce opportunities for people to maximise their final superannuation entitlement resulting in long term dependence on government income support in retirement.

COTA is well aware of the Government's rationale for the policy in that it brings into line those people 55 and over in receipt of income support with those who choose to retire on their superannuation at 55. While there is a small saving to Government from the policy it nevertheless, has serious failings:

- Many people over 55 are genuinely unemployed: they wish to work and are actively seeking work.

- It undercuts the opportunity of improving retirement savings through superannuation for unemployed people over 55.
- It may promote early retirement which is the antithesis of other policies to promote continuing engagement in the labour force in order to reduce long term dependence on income support amongst older people.

**Examples of the effect of the requirement that entitlement to Newstart Allowance ceases after 39 weeks for those unemployed over age 55 with superannuation benefits.**

Unemployed people over age 55 lose government support after 39 weeks if their accrued superannuation entitlement is over the amount at which the assets test applies. This can have serious effects on the prospective post-retirement income of people in that position.

The examples below illustrate possible effects. Many other possible cases can be considered and other assumptions made, in particular fund earnings rates could be quite different. No particular merit attaches to the examples considered and the figures are rounded. The object of the examples is to illustrate possible outcomes in order to demonstrate the problems which may arise.

**Example 1**

A single man, non-home owner, became redundant at age 53. He had been earning \$800 per week and had \$150,000 in superannuation and \$20,000 in other assets. By age 65, if the fund earns an average return of 8% per annum, his entitlement would amount to \$377,000.

He becomes entitled to Newstart plus rent allowance amounting in total to \$200 per week. By age 58 he has used his few assets other than his superannuation entitlement, which has grown to \$220,000. He now ceases to receive Newstart allowance and has to use his superannuation benefit for living expenses. He needs \$250 per week initially, increasing at less than 8% per annum. At age 65 his superannuation entitlement amounts to \$255,000.

With superannuation benefit of \$377,000, he would have generated enough income to be self-supporting and would have no entitlement to age pension. Reduced to \$255,000, his entitlement is below the assets test upper limit, he becomes entitled initially to a part age pension, and as he supplements his income from his superannuation benefit the amount of the benefit reduces and he becomes entitled to a full age pension.

**Example 2**

A married couple own their own home. The husband is employed and earns \$70,000 per annum. He becomes redundant in his early fifties and when he reaches age 57 he has exhausted his other assets and because he has superannuation entitlement, his Newstart allowance ceases. He has to use his superannuation asset for living expenses. The amount standing to his credit is \$320,000. If it were to increase by 7% per annum, the couple would have \$515,000 to provide retirement income from his age 65 -



**Clearly, the Government must be involved as much as possible in developing and maintaining policy settings which aim to maximise the capacity for people to save for their retirement.**

sufficient to provide a CPI-linked pension of \$35,000 per annum, or half of his remuneration before redundancy.

As it now is, he has to use his superannuation for living expenses. The couple reckon they can live on \$25,000 per annum. Allowing for a slight increase in living expenses over the eight year period, the amount remaining at age 65 would be about \$290,000.

At age 65, instead of living in retirement on their own resources, they become entitled to a part pension as their assets are just over the lower asset test limit and shortly as their assets reduce they become entitled to a full pension.

Instead of living independently in retirement, they become full pensioners. There is a good chance that the taxpayers will have to meet a greater outlay in pension benefits than they would have had to meet in Newstart allowance or Mature Age benefit.

NOTE: The above examples relate to persons who are unemployed and seeking work. It would be possible for a person in either of the above cases to give up seeking work and become retired. It would then be possible to apply their superannuation benefits to an allocated annuity and become eligible for some age pension, subject to the income test appropriate for lifetime income streams. Because the draw-down of income from the superannuation benefit would start early, the amount of income from age 65 would be reduced as compared with the amount expected. The amount of the reduction would depend on the age at which retirement took place and the amount of income drawn down but would, in all cases, result in a reduction in the post-retirement standard of living for any person forced to use superannuation benefit before the expected age.

COTA believes that the assets test for unemployed people aged 55 and over, in receipt of government income support over 39 weeks, should exclude superannuation assets in order to ensure that people 55 and over, are able to maximise superannuation savings available for retirement and old age.

## Savings, Superannuation and Incentives

Clearly, the Government must be involved as much as possible in developing and maintaining policy settings which aim to maximise the capacity for people to save for their retirement. However, such settings must be fair and equitable. For example, COTA would object to excessive tax concessions for savings while starving the revenue base needed for funding public pensions.

At this point in time, COTA has insufficient policy background on superannuation to comment substantively on the present taxation arrangements for superannuation discussed on page 39 of the discussion paper. The analysis presented in the report suggests that the present system reasonably balances incentives to save through superannuation as well as contribute



to the revenue base. COTA will be undertaking further work in this area in the second half of the year in the context of the inquiry into retirement incomes announced by the Federal Treasurer late in 1999.

In addition, we have insufficient current policy background to comment on the adequacy of present Superannuation Guarantee arrangements whereby employers will be required to contribute 9 per cent of employees income to a complying superannuation fund by 2002. We will be analysing this issue in the context of the forthcoming inquiry.

#### **Financial planning, advice and education**

It is desirable of course, for everyone in the community to begin financial planning, savings and investment as early as possible in life to the extent that they are able in the context of the demands of daily living costs, raising and educating children and buying a home.

The need for financial planning and advisory services becomes sharper later in life when some savings have been accumulated, when lump sum payments from superannuation or retrenchment packages become available or inheritances are obtained.

It is critical that people are protected as far as possible in acquiring information and making investment decisions regarding these funds. Financial planners and investment advisors must be subject to strict regulatory requirement. Older people also need access to sound, independent advice such as that provided by the National Information Centre on Retirement Investments (NICRI).

## Future Direction

A sound, adequate and equitable retirement income system will be a critical strand for the National Strategy for an Ageing Australia. Adequate income support is not an end in itself but a means to an end which COTA has articulated in the *Healthy Ageing* paper.

The National Strategy for an Ageing Australia must articulate a plan to ensure that all older Australians are able to maximise their independence as broadly defined by COTA. The plan should include

- opportunities for acquiring and protecting savings in pre-retirement years, primarily through paid employment but also through adequate social security provisions
- linking pre-retirement incomes policy to retirement incomes policy
- an adequate age pension system, in conjunction with non-cash social wage benefits such as high quality public health care.
- encouragement and education around the importance of savings and investment
- robust superannuation provisions
- independent and well regulated financial advice.

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# Retirement incomes, housing and support for older Australians

Submission to Federal Budget  
2001-2002



# Introduction

The past three years have been a period of intense policy activity and change with profound implications for older people.

There have been major policy reforms in:

- tax reform and the introduction of the GST
- health financing including the introduction of lifetime health cover for private health insurance and a 30 per cent rebate for private health insurance premiums
- restructuring of residential aged care

In addition there have been major inquiries and developmental projects

- Welfare Reform Reference Group inquiry into Australia's welfare system
- House of Representatives inquiry into mature age employment
- Two Year Review of Aged Care Reform
- Human Rights and Equal Opportunity Commission inquiry into age discrimination.
- National Strategy for an Ageing Australia.

Now that these policy reforms and inquiries have been completed or are close to completion, it is time for review, response and forward movement in Government policy as it affects older people in the context of the next Federal Budget. The Government's response to the recommendations of the Welfare Reform Reference Group will now require funding commitments to see through the promises it has made to improve opportunities for social and economic participation of older Australians of workforce age. It is also time to review the adequacy of the GST compensation arrangements to ensure no older person has been disadvantaged.

For older Australians there are a number of critical questions in relation to directions in Government policy:

1. *Are the policy reforms having a positive, negative or neutral impact – are particular groups experiencing more negative impact than others?*
2. *What adjustments are needed to those policies?*
3. *Is the Government prepared to take up the recommendations of the major inquiries and in what configuration?*

It is essential that the Government responds to the issues of the major reviews and inquiries under the guidance of the following principles.



**The maintenance and improvement of Australia's infrastructure of social services must be an ongoing priority for the Commonwealth Government. These services are vital for the health and well-being of all older Australians.**



## **Policy Principles**

### **Protecting and Extending Australia's Infrastructure of Social Services**

The maintenance and improvement of Australia's infrastructure of social services must be an ongoing priority for the Commonwealth Government. These services are vital for the health and well-being of all older Australians. They include Medicare, residential care, social housing, Home and Community Care and the Pharmaceutical Benefits Scheme. In addition, it is vital that there is an adequate "safety net" of services and income support that older Australians can access according to fair and equitable eligibility criteria.

### **Promoting the Rights of Disadvantaged Older People**

COTA believes that all older people have the right to an old age which is marked by security, dignity, respect, safety, high quality treatment, high standard care and being part of their community, regardless of income status or any other social or economic factor or their geographic location. Government should focus on those people in the older population who are most vulnerable or disadvantaged in terms of these criteria.

As people age they are at increasing risk of advancing frailty, disability, ill-health and social isolation. Government needs to ensure the highest standards in health care, residential aged care and community services.

### **Maximising Opportunities for Social and Economic Participation**

Opportunities for social and economic participation of older Australians must be maximised. Age discrimination needs to be addressed particularly in employment and in all other areas of social and economic life. The Government must seek to promote positive views of older people and the ageing population.

Government needs to recognise that older Australians both in retirement and pre-retirement years have less ability to change their circumstances than younger, working age people. In view of this, governments must carefully manage policy changes because of the potential effects on the arrangements people have made to fund their retirement which are not amenable to change.

### **COTA and the Department of Family and Community Services**

The Department of Family and Community Services encompasses a very large range of issues relevant to older Australians – most particularly as the body which sets policy for the Age Pension and other income support payments received by Australians aged 50 and over. Indeed, most older Australians have some connection to the policies of the Department.

In addition, the Department of Family and Community Services is the central Department for the development and implementation of social policy in Australia, all of which have profound effects on older Australians.

COTA has been concerned for some years however, about the lack of interest of the Department in making any contribution to COTA's activities

even though, as an organisation we field a continuous stream of requests from the Department for input and advice to its policy development processes. COTA seeks some recognition of this contribution through special assistance to enhance this key area of COTA's policy work.

## 1. Retirement Incomes

### 1.1 Age Pension Adequacy and GST Compensation

COTA has observed that over the past few years older people with private income, some receiving a part or full age pension and some fully self-funded retirees, have received a number of benefits, particularly in the context of tax reform:

- aged persons savings bonus
- self-funded retirees bonus
- the reduction in the pension taper rate from 50 cents to 40 cents in the dollar
- refundable franking credits for self funded retirees and part pensioners with shares whose tax rates are below that imposed on company dividends so that they can get the full benefits from these credits;
- a 2.5 per cent increase in the income test free areas applied to all pensions and benefits
- extension of eligibility criteria for the Commonwealth Seniors Health Card to older people with higher incomes (\$40,000 singles and \$67,000 couples)
- 2 per cent increase to the pension.

COTA supports these measures to assist those older Australians who have private income. Older people with no or little income other than the Age Pension however, have received little in comparison. While COTA welcomed the Government's legislated commitment to maintain the Age Pension at 25 per cent of Male Total Average Weekly Earnings, this does not substantially ameliorate the core problems faced by people with no or little private income.

A continuous theme of COTA's contact with older people is the difficulty in managing on a very low income with no prospects of ever being able to ameliorate their situation.

COTA believes that the Government should now focus on assisting people who have no or little other sources of income than the Age Pension and who must depend on this income over a long period of time. While the Age Pension allows a person to survive on a week to week basis, it is insufficient to allow people to put money aside for replacement goods and services such as white goods, major repairs or dental care.

***A continuous theme of COTA's contact with older people is the difficulty in managing on a very low income with no prospects of ever being able to ameliorate their situation.***



**COTA particularly observes the difficulties faced by single age pensioners in managing on an age pension, either as the only source of income or with a very small additional private income, compared to married couples.**

In addition, we hear many stories of people who do not really manage basic living costs on the Age Pension depending on their circumstances. Increased user pays, and co-payments for services, the withdrawal of certain medications from the Pharmaceutical Benefits Scheme, the GST and various other factors, have been reported as contributing to the pressures many say they are facing.

The people most likely to be solely reliant on a full age pension, for long periods of time are female due to their greater longevity (82 for females and 76 for males). It is quite possible for a woman to be solely reliant on an Age Pension for 20 or 30 years.

In addition, COTA particularly observes the difficulties faced by single age pensioners in managing on an age pension, either as the only source of income or with a very small additional private income, compared to married couples. Many older people who lose a spouse complain of greater difficulties in maintaining a house and garden because the fixed costs are the same as for a couple.

Some of the anecdotal evidence we have received in the first 6 months of the GST implementation is that; single age pensioners without private income or with a very small private income have been struggling the most - especially if they are living in rental accommodation.

#### **Recommendation 1.1**

*As a matter of urgency, the Government must review the position of older people who have little or no other income than the Age Pension. COTA seeks the Government's consideration of a means-tested periodic supplementation of the income of such people. A low income pensioner supplement should be set at a minimum of \$250 to a maximum of \$500 per annum.*

#### **1.2 Older People in Regional and Rural Areas**

From information received from older people in regional and rural areas, COTA understands that many have been hard hit by the GST and increased petrol prices which have flowed through to higher prices on a range of basic goods and services – including food. This is a strong theme emerging from all our state and territory COTAs.

COTA believes that the Government should attend to the issues for older people receiving an Age Pension income in regional and rural areas as a matter of urgency.

#### **Recommendation 1.2**

*Means-tested additional assistance should be made available to older people on full Age Pensions in rural and regional Australia to compensate for higher costs. This could be a supplement of \$100 per year for people in regional and rural areas, in addition to the low income pensioner supplement recommended above.*



### **1.3 Home Equity Conversion and Loans for Older People**

COTA is of the view that there is demand for reverse equity mortgages that is not being met. This demand relates to the issues raised above. This is a very strong theme amongst callers to the Seniors Information Service (SIS) that COTA auspices in a number of States and Territories and is another strand of evidence that many older people are unable to manage on low incomes.

Many older people ring the SIS with inquiries about getting a loan against their homes which is often their only asset. The need for loans is generated by a large number of factors, but usually either to help with day to day living costs or to get essential repairs and maintenance done related to the home. Sometimes people wish to prepay for a funeral by borrowing against their home.

This demand is increased by the reforms to aged care which require many older people to find ways of releasing equity in the family home.

It is to be regretted that the contract between the Department of Social Security and the Advance Bank which offered a Home Equity Conversion Loan for people on low incomes was not renewed after July 1996. It is time the Government, with banks, examine the possibility of reverse mortgages, in consultation with COTA.

#### **Recommendation 1.3**

*The Government, in consultation with COTA, establish an option for a home equity conversion scheme for older people receiving the Age Pension.*

### **1.4 Concessions**

A consistent issue reported to COTA by older people, is that they are unable to use their concession cards in all States and Territories. This is most important in terms of their capacity to travel around Australia. With greater fragmentation of families and communities, it is increasingly important that the mobility of older people is maximised. Transport concession arrangements which are only valid in the home State or Territory is a redundant concept in the 21st century.

The Commonwealth should take a leadership role in ensuring that reciprocal arrangements are negotiated with each State and Territory.

#### **Recommendation 1.4**

*The Commonwealth Government initiate a program of reciprocal arrangements with State and Territory Governments to provide eligible older Australians with transport concessions in all parts of Australia. This may involve some investment on the part of the Commonwealth to ensure the success of the initiative.*

***Many older people ring the SIS with inquiries about getting a loan against their homes which is often their only asset. The need for loans is generated by a large number of factors, but usually either to help with day to day living costs or to get essential repairs and maintenance done related to the home.***



**With an ageing population and increasingly complex investment environment, older people need considerable assistance in understanding their options and the advantages and disadvantages of those options including the potential risks involved.**



### **1.5 National Information Centre on Retirement Investments (NICRI)**

As a member of NICRI's advisory committee, COTA is aware of the valuable service that NICRI provides in assisting older people with modest means to invest wisely and safely. The recent evaluation of NICRI's free-call service showed the value of the service to users, particularly because of its independence and the professionalism of its staff.

With an ageing population and increasingly complex investment environment, older people need considerable assistance in understanding their options and the advantages and disadvantages of those options including the potential risks involved. In addition, mature age people now and in the future have more wealth to invest than they did in the past, evidenced by the growth in part-pensioners in relation to full pensioners. Superannuation is also a growing area where information is particularly needed by people in the pre-retirement years.

NICRI is the only organisation in Australia that provides a totally impartial information service in relation to retirement investments. The service should be viewed by the Government as an important mechanism for protecting older people from poor investment choices which may result in loss of income and increased dependency on Government income support. Fairly or unfairly, governments are often blamed if older people lose their assets due to poor investment choices.

However, COTA believes that NICRI currently needs increased funding to expand its service. It is particularly hampered by lack of funds to meet the needs of rural and regional Australia.

In addition, there is a growing need for NICRI to develop its services in relation to banks which continues to remain the most important investment vehicle for most older Australians.

With additional resources, NICRI would be able to extend the reach of its service to ensure that more older people have the information they need to invest wisely.

#### **Recommendation 1.5**

*An immediate increase of \$200,000 to the funding of the National Information Centre on Retirement Investments to ensure that the service is available to all older Australians considering their investment options in both pre-retirement and retirement years. Additional funding is also needed to meet the demand for information about banking services.*

### **1.6 Means Testing the Superannuation Assets of People of 55 and Over**

COTA continues to strongly oppose the Government's inclusion of superannuation in the assets test for people 55 and over receiving an income support payment over 39 weeks.

This policy has the effect of forcing a person in receipt of Newstart Allowance or other income support payment into approaching their superannuation fund for the release of an income stream for current living costs, although they may wish to continue to work. They will then be unable to make further contributions to that fund should they subsequently find a job.

Given the relatively tight level of the assets test, an individual could be financially very disadvantaged by this policy in the long term because it cuts across the advantages that could be gained by maintaining and adding to their savings in the superannuation fund until retirement. The highest level of compounding interest for a superannuation fund occurs in the immediate pre-retirement years. It is poor retirement incomes policy to reduce opportunities for people to maximise their final superannuation entitlement with a result being long term dependence on government income support in retirement.

The reports *Rethinking Work and Retirement* by Dr Vince Fitzgerald and Catherine Rooney (1999) and *Independence and Self Provision Discussion Paper* for the National Strategy for an Ageing Australia (1999) support COTA's analysis of this policy issue. These reports reflect the importance of final retirement savings accumulated by continuing employment as long as possible so as to avoid premature depletion of assets, including superannuation, which are needed for future living costs.

#### **Recommendation 1.6**

*The assets test for unemployed people 55 and over in receipt of government income support over 39 weeks should exclude superannuation assets in order to ensure that people 55 and over are able to maximise superannuation savings available for retirement and old age. (Stop press – the Government took up this recommendation in the 2001 Budget)*

### **1.7 Review of Retirement Incomes System**

Australia is depending on the success of compulsory superannuation to ensure that future generations of older people are able to support themselves in retirement with reduced or limited call on the Age Pension.

COTA questions however, whether the level of compulsory superannuation contributions will be sufficient to provide a retirement income consistent with the needs and expectations of older people in the future.

A recent qualitative study of COTA members in NSW, undertaken by Association of Superannuation Funds of Australia, revealed the extent of difficulties faced by people surviving on low incomes.

At the present time the incentives to use superannuation as an investment vehicle are reduced because of the high level of taxation levied –

- 15 per cent on employer contributions
- 15 per cent on the fund's investment income and varying tax rates on lump sum or pension benefits

**COTA questions whether the level of compulsory superannuation contributions will be sufficient to provide a retirement income consistent with the needs and expectations of older people in the future.**



***COTA believes that the multiple layers of taxation of superannuation results in significant disincentives for using superannuation as a saving vehicle beyond the compulsory contributions, which in themselves, are likely to be insufficient to provide an adequate retirement income.***

- 15 per cent surcharge on contributions paid for high-income earners to reduce the level of taxation support received by these individuals.

COTA believes that the multiple layers of taxation of superannuation results in significant disincentives for using superannuation as a saving vehicle beyond the compulsory contributions, which in themselves, are likely to be insufficient to provide an adequate retirement income.

COTA considers that a thorough review of Australia's retirement income system is now necessary and should be signalled in the context of the 2001 Federal Budget.

The review needs to cover the three pillars of Australia's retirement income system:

- superannuation
- the public pension system
- private savings

#### **Recommendation 1.7**

*COTA seeks the Government's review of the retirement income system in the context of the "3 pillars" system of retirement income advocated by the World Bank.*

#### **1.8 Pension Bonus Scheme**

In the 1997-98 Budget, the Government initiated a scheme in the Social Security portfolio aimed at increasing the labour force participation of older people eligible for the Age Pension.

The program aims to:

- increase labour market participation of retirement aged persons
- add to individual savings of people soon to retire
- restrain growth in pension outlays and thus reduce the need for increases in taxation revenue.

The program is targeted to people of Age Pension eligibility age who are in employment. By remaining in the workforce, they attract a bonus payment accumulating at 9.4 per cent of the Age Pension per year so that at the end of 5 years a bonus of 47 per cent of the maximum amount payable pension would be given. The scheme is thus designed to maintain workforce participation for the full five years.

COTA endorses and encourages efforts to help older people to remain at work as long as possible but we are concerned about the low rate of take up about this particular scheme which we wish to see addressed in the 2001-2002 Budget.



COTA argues that there is insufficient reason to exclude people who may have opportunities to return to work after they have had a spell on an Age Pension. We believe they are contributing to the main aims of the program as much as people who have the good fortune to be in a job that they continue after pension eligibility age.

COTA is of the view that “retirement” is a rather arbitrary state of affairs for many older, people often conditional on the state of the labour market rather than their own desires. The age pension eligibility age for women is only 61 and many at that age are still marginally attached to the labour market and may wish to work for a number of years if a suitable job becomes available.

A person should be able to qualify for the scheme at any point after the age they qualify for the Age Pension – it is not clear why there needs to be any restriction on age of participation as long as the person is in the workforce and earning sufficient income so that they are better off than being on the pension and thereby meeting the main aims of the program.

COTA believes that there should be greater incentives for people to stay in the workforce for one to four years. Many more people could benefit from the program if there were higher incentives for continuing for these shorter periods. We believe that there would be commensurate savings and tax revenue for the Government as well.

Older people who are part of our organisation say that the pension bonus scheme should offer more to people staying on in employment for shorter periods. Under present arrangements, a single person working for an additional three years gets roughly one third the bonus of the person working five years although the person is saving the Government around \$20,000 on the Age Pension and is paying tax.

COTA is concerned that the program in its present form does not meet the needs of older people or sufficiently take account of their labour market circumstances. We think that some of the underlying formulas for the program are unfair and cause confusion amongst older people.

We believe that there is scope for the Pension Bonus Scheme but that it should be broadly targetted to give older people sufficient incentives to stay on in employment for as much time as they can manage – as little as one year or as much as five years and at any point that they can manage to gain employment when they may have already commenced receiving an Age Pension.

#### **Recommendation 1.8**

*The Pension Bonus Scheme be revised to provide stronger incentives for people to remain in employment for between one and four years. It should also allow older people who have already received an Age Pension to take advantage of the scheme if they have opportunities to return to work.*

***COTA is of the view that “retirement” is a rather arbitrary state of affairs for many older, people often conditional on the state of the labour market rather than their own desires.***



## 2. Housing

***The typical older person who would most benefit from public housing would be an independent person or couple in their later fifties or sixties, who do not own their own home, who may have rented privately while working, but who are unable to adequately manage private rental after retirement or retrenchment.***

### **2.1 Public Housing**

COTA is of the view that a range of policies and program responses are needed to cover the diversity of housing circumstances in respect of the needs of older people. The substitution of rent assistance for public housing has failed as a policy. The private rental market is tight especially in the capital cities. There is little investment in low cost housing and waiting lists for public housing have become impossibly long.

For older people on low incomes who do not own their own homes, public housing is the most effective means of preventing poverty. However, under the policy directions of the Government, there may be lower levels of access to public housing as a result of:

- lack of increase in public housing stock and selling off of existing stock;
- a greater reliance on the private rental market to meet the needs of low income households;
- increased pressures on any remaining public or community housing stock.

Our major concern is that the increased reliance on the private rental market is placing pressures on older people who do not qualify for residential aged care.

The typical older person who would most benefit from public housing would be an independent person or couple in their later fifties or sixties, who do not own their own home, who may have rented privately while working, but who are unable to adequately manage private rental after retirement or retrenchment.

Such people previously may have looked forward over time to placement in public housing units which would guarantee them affordability and long term stability.

With the lower levels of new additions to the public housing stock however, such people would be almost permanently reliant on the private rental market. The drawbacks of such arrangements for disadvantaged but independent older people are many:

- lack of long term security of tenure
- lack of mobility (eg. ownership of a car) to look for alternative accommodation
- property owners' preference for people in paid employment
- rents subject to market forces with the possibility of escalating rents in tight markets in which the subsidies are inadequate
- the subsidies themselves contributing to pressures in the private rental market
- reliance on private owners to undertake repairs or modifications on properties on which they do not want to over-capitalize



- lack of suitability of accommodation in terms of design, physical access, layout and location that is affordable for an older person
- large upfront costs (connection fees, bonds, rent in advance).

Clearly a good public housing system in competition with the private rental market can influence these problems associated with private tenancy.

Public housing, however, is not a suitable form of accommodation for an older person if it is poorly maintained, designed and located. Upgrading of the housing stock and its building in good locations is also necessary.

#### **Recommendation 2.1**

*The Commonwealth Government re-establish a public housing policy and through the Budget allocate funds to the Commonwealth-State Housing Agreements for the purpose of increasing public housing stock and upgrading existing stock.*

## **2.2 Private Rental**

COTA is aware of the immediate problems of affordability faced by older people in private rental accommodation. The situation of older people in private rental accommodation should be subject to review and appropriate response. For older people, affordability is but one of a continuum of issues they face in private rental. Other issues include security of tenure, location physical access and appropriateness. While Rent Assistance is an important income supplement and should be maintained and augmented, it does not address these issues. COTA considers that public and community housing would be better options than private rental for older people on the full Age Pension for the long term.

#### **Recommendation 2.2**

*Older people on the full Age Pension in private rental accommodation be able to access good quality public and community housing.*

## **2.3 Housing Assistance for Owner Occupiers**

While public housing and rent assistance are the major forms of housing assistance in Australia, COTA is of the view that any discussion of housing assistance for older people should also incorporate issues relating to owner occupancy. Most older people own their own homes or are close to paying them off.

Some older people have very large investments in their housing, often as a result of large, sustained capital gain over a very long period of time. Others, however, may have experienced a decline in the capital value of their house due to the economic decline of an area, as the condition of the house has deteriorated or other factors.

***The situation of older people in private rental accommodation should be subject to review and appropriate response.***

***COTA considers that public and community housing would be better options than private rental for older people on the full Age Pension for the long term.***



***COTA is committed to the notion of “ageing in place” as far as is practicable. This means maximising opportunities for older people to remain in their homes and communities to the extent that they wish to do so as they grow older.***

Most people wish to remain living independently in their communities as they age, however, the difficulties of up-keep on a house and garden may prevent this. In addition, where an older person becomes frail or incapacitated, the design and layout of the house may need to be modified.

COTA continues to identify home maintenance and gardening as amongst the major issues of concern to older people. There are a variety of State schemes for older people to access advice and small amounts of funds to assist with home modification. There is also some funding available through the Home and Community Care program (HACC) for home maintenance and modification and gardening. There is a lack of consistency across the States however, in the availability of this type of assistance and generally poor accessibility. There is an urgent need for the Commonwealth to take a leadership role in this area and to improve the availability of this type of assistance.

COTA is committed to the notion of “ageing in place” as far as is practicable. This means maximising opportunities for older people to remain in their homes and communities to the extent that they wish to do so as they grow older. “Ageing in place” is important for most older people but often has particular significance where there are attachments to localities based on ethnic and cultural ties.

As stated previously, COTA believes that the Commonwealth Government should take a leadership role in coordinating and financing home modification and maintenance schemes to assist older people to remain independent. One option would be to increase specific funding for this purpose through the HACC program.

There are, however, some older people in their own homes who would like to relocate, for example to be closer to family or to move to another type of accommodation, but the costs of moving may prohibit uptake of this option.

There is a need for services which address the barriers to relocation for older people who wish to move. Costs involved include removal costs, rental bond, stamp duty, conveyancing, transaction costs, connection fees and financial advice. There is an absence of coordinated government policy with relation to the costs of moving. Some States offer minor assistance or concessions and these need to be approached in an integrated fashion. There is a need for further services such as COTA (South Australia)'s advisory service which offers legal and financial advice on relocation.

### **Recommendations 2.3**

*The Commonwealth Government fund housing relocation services which address the barriers to relocation for older people who wish to move. Costs involved include removal costs, rental bond, stamp duty, conveyancing, transaction costs, connection fees and financial advice.*

*The Commonwealth improve home modification and maintenance schemes to assist older people to remain independent.*



# 3. Social Support and Participation Programs

## 3.1 Support for Grandparents

There is a much greater need for recognition of the unique role of older people in supporting families.

There are now more grandparents in the world than at any previous time in history. Grandparents are living to see their grandchildren grow into adulthood. Many more are becoming great-grandparents.

With high divorce rates, the extended family becomes an anchorage for both parents and children. With the growth of two-income families, grandparents now provide a significant proportion of child care in Australia. Supporting the role of grandparents is important as a measure to support families in a changing social framework.

Families face many challenges including unemployment, sickness or lone-parenting. Support from the extended family, particularly the grandparents, can be invaluable and cost-effective in the long run. Suicide rates have climbed steadily in the past two decades as a result of work and life stress. Again, grandparents can provide stability to the life process.

Parents living in country areas suffer even more than city people from isolation, unemployment, financial difficulties and family stress. They need the support of their extended family.

In all these situations, grandparents have an important role to play in providing emotional security and stability for the extended family, and thus assist in preventing family breakdown.

COTA has argued that more can be done to help grandparents fulfil their roles by establishing a national grandparenting association on the model established by COTA (NSW) which involves provision of information and support to grandparents.

### **Recommendation 3.1**

*The Commonwealth fund and support a national Grandparenting Association. A start-up grant over 3 years of \$320,000 (indexed) is sought to establish an Association in each State and Territory.*

## 3.2 COTA Congress

The Department of Family and Community Services covers a large proportion of the interests of older Australians. This is illustrated by one recent complaint to COTA (Australia) about an article in the magazine COTA News about health and aged care issues. The gentleman complained that he was a healthy, active 75 year old and wished to know why we were writing only about issues for “geriatrics”. His main concern was surviving on an age pension in a country area!

***With high divorce rates, the extended family becomes an anchorage for both parents and children. With the growth of two-income families, grandparents now provide a significant proportion of child care in Australia. Supporting the role of grandparents is important as a measure to support families in a changing social framework.***



**The depth and breadth of changes relating to an ageing population in recent years has led COTA to host an annual congress to extend debate and policy development on the many important issues involved.**

**COTA congresses are unique in that they work towards engaging older people in policy debates along with policy makers themselves. We offer heavily reduced registrations to enable older people to attend.**

While COTA (Australia) receives a grant from the Department of Health and Aged Care, this does not mean that our work can exclusively relate to those issues relating to that Department. Much of our work covers retirement and pre-retirement incomes issues, mature age employment and other issues outside health and aged care.

The depth and breadth of changes relating to an ageing population in recent years has led COTA to host an annual congress to extend debate and policy development on the many important issues involved. To date we have held two congresses:

- *Older Australians: A Working Future?* Adelaide November 1999, a conference about mature age employment
- *Forging Our Future* Melbourne November 2000, a conference about social and economic participation of older Australians.

COTA congresses are unique in that they work towards engaging older people in policy debates along with policy makers themselves. We offer heavily reduced registrations to enable older people to attend.

The Family and Community Services portfolio can assist policy formulation in the ageing area by providing funds for older people to attend its congress under its *social and economic participation and stronger communities* objectives. In 2001, we are holding a third congress in Canberra on the issues of retirement income, health and IT. We are presently seeking assistance from the Department of Family and Community Services for older people to attend.

### **Recommendation 3.2**

*The Family and Community Services portfolio fund \$40,000 per annum indexed for COTA's annual congress to ensure older people are able to attend and participate, in policy debates.*

