

Submission to the inquiry into the implications of removing refundable franking credits

November 2018

Introduction

National Seniors Australia (National Seniors) welcomes the opportunity to make a submission to the *Inquiry into the implications of removing refundable franking credits* as announced by the House of Representatives Standing Committee on Economics.

National Seniors is a membership-based organisation, representing the interests of all older Australians. Our membership is diverse, made up of a mixture of people from different ages and means, including pre-retirees, full pensioners, part-pensioners and self-funded retirees.

National Seniors is working with other representative organisations as part of the Alliance of a Fairer Retirement System to advocate for the principles of adequacy, sustainability, certainty and fairness in retirement policy¹.

This submission is informed by National Seniors members and supporters who responded to an invitation to provide feedback about the impact of proposal to remove refundable franking credits. Most of these people are self-funded retirees who shared with us detailed information about their financial situation and outlined what would occur if the policy was implemented as planned.

The overarching feedback was negative. Almost all urged National Seniors to campaign strongly for the retention of refundable franking credits.

It is estimated that 1.2 million of Australia's 3.6 million retirees were self-funded in 2017² up from 1 million in 2013³. It is also estimated that individuals over the age of 65 years receive half (\$1.1bn) of franking credit cash refunds going to individuals, with an average value of around \$5,000⁴.

While it is positive to see the number of self-funded retirees is growing, National Seniors is extremely disappointed that once again self-funded retirees, many of whom do not have significant incomes, are being targeted as a source of revenue.

¹ Membership of the Alliance includes: Self-Managed Super Fund Association, Australian Shareholders Association, Australian Investment Companies Association, Stockbrokers and Financial Advisors Association, Association of Independent Retirees, Australian Investors Association, Association of Financial Advisers, Self-Managed Independent Superannuation Funds Association, WA Self-Funded Retirees Inc and Gold Coast Retirees Inc. The Alliance is making a joint submission to this inquiry on behalf of the members, however National Seniors is providing its own submission drawing on insights from its member base.

² ABS 2017 Retirement and Retirement Intentions, Australia, July 2016 to June 2017. Cat. No. 6238.0

³ ABS 2013. Retirement and Retirement Intentions, Australia, July 2012 to June 2013. Cat. No. 6238.0

⁴ Treasury documents obtained under FOI March 2018.

Over the past five years there have been several rule changes which have negatively impacted on self-funded retirees:

- Changes to the age pension asset test taper rate saw up to 100,000 self-funded retirees lose their pension and a greater proportion of retirees now ineligible for the pension. While those who lost the pension had their pensioner concession card reinstated, any new retirees in this situation will not.
- New low-income self-funded retirees eligible for the Commonwealth Seniors Health Care Card lost access to the Energy Supplement from 20 March 2017.
- A new fee structure for home care services means that those with higher incomes will be required to make larger contributions to aged care from 1 July 2014.
- The Net Medical Expenses Tax Offset (NMETO), which was used by self-funded retirees to claim a tax rebate to offset out-of-pocket medical expenses was phased out from 1 July 2013.

While many would see self-funded retirees as “undeserving” of support, it is important to recognise this is not a homogenous group. Some self-funded retirees are subsisting on relatively low-incomes with limited access to financial support in the form of subsidised health care or concessions on essential services. Many feel they are being penalised for doing the right thing by saving for their retirement and not being a burden on the taxpayer by relying on the age pension.

In this regard, National Seniors urges the federal Opposition to reconsider its proposed policy to scrap refundable franking credits. We are not opposed to fair and considered reform to the retirement income system. However, we believe the proposed changes will severely impact on lower income self-funded retirees who have worked hard and planned their retirement within the prevailing rules.

This proposal will have significant and longstanding impacts on the capacity of self-funded retirees to be self-sufficient and self-reliant in retirement. National Seniors does not support policies that undermine the capacity of Australians from maintaining their economic independence as they get older or policies that give the impression that the regime is constantly changing. It destroys faith, not just in the superannuation system but in the political system itself.

Perspectives of self-funded retirees

It is unsurprising that feedback to National Seniors came primarily from self-funded retirees, many holding self-managed superannuation funds (SMSF). Our SMSF members and supporters are well informed about the policy and its implication for their financial future.

Many self-funded retirees rely on the refundability of franking credits to supplement their income. This is especially important for those self-funded retirees living on a low income.

Quite a number of our members indicated they had incomes below the current tax-free threshold of \$32,279 for a single and \$28,974 (each) for a couple. These people will not be able to use their franking credits as a tax offset and will therefore lose their franking credits if the proposal is legislated.

While it has been estimated that the average value of cash refunds for self-funded retirees is around \$5,000⁵, the amounts received vary from case-to-case, as these examples demonstrate:

As a couple we earn well under the tax-free threshold for Seniors, with franking credits refunded in the 2017 tax year of \$7,841 and in 2018 \$9,879.

Self-funded retiree (name withheld)

In fiscal 2016-17, my taxable income was \$26,677 and I received franking credits of \$6,862 that resulted in a tax refund of \$5,194. In the same year, my SMSF benefitted with franking credits totalling \$2,955. Should the ALP win the next election and you [the ALP] manage to legislate the disallowance of the refund of franking credits I stand to lose in excess of \$8,000 per year.

David H.

With a share portfolio earning us 6 monthly dividends and up to now a tax credit / return at tax time of about \$6,000.00 - \$8,000.00, this varies depending on the company earnings and the amount of franking paid, some of our shares are not 100% franked

Greg S.

⁵ Benson, S. 2018. 'Labor's \$3.75bn retiree savings grab revealed', *The Australian*. April 18, 2018

I receive a superannuation pension from QSuper of approx. \$14,000 per year, I also have direct shares and managed funds totalling \$340,000 which pay approx. \$21,000 per year grand total of \$35,000. This year I received a tax refund of \$7,300. As you can see I would not call myself rich.

David S.

There is now \$219,000 in my pension fund, \$11,000 in savings and \$173,000 in shares. My shares are all fully franked, and I receive franking credits of around \$3,400 p.a. My sole income is my pension of \$31,200 p.a. and my dividends of around \$8,000 – a total income of a little less than \$40,000 pa. I am not “wealthy”.

Helen R.

We stand to lose approx. \$10,000 a year. Still have a mortgage on the farm to pay; my health is not good - had to retire due to ill health a couple of years ago too. The money we have invested won't guarantee us a great retirement - just basic - no luxuries ... We were quite resigned to the fact that we would have to look after ourselves instead of a drain on the govt. But this is just another kick in the teeth.

Christine R.

National Seniors finds it most disappointing that those self-funded retirees on lower incomes will likely experience larger cuts in their living standard because the refund makes up a higher proportion of their overall income.

As it will be discussed later, there are questions of fairness that arise from the potential change to franking credit refundability that sits at the heart of the feedback from members.

Benefits of cash rebates

Regardless of the variation in refund, it is important to understand that retirees have calibrated their retirement strategies to meet their retirement needs. As many of our members and supporters have noted, franking credit refunds form an important part of their income.

Because self-funded retirees do not receive the Age Pension or have access to the Pensioner Concession Card they do not receive the benefits that come with this, such as bulk billing and concessions for essential services. Unlike pensioners, self-funded retirees pay for these out of their income, often at considerable cost. While this is less problematic for those with significant incomes, those with lower incomes can find the extra costs of being self-funded burdensome.

Because self-funded retirees pay for these services out of their own pocket or pay higher charges this reduces government expenditure. As several of our members and supporters noted, refunds are often used to pay for services such as private health care. It has been noted by our members that they would not be able to do this without ongoing access to the refund.

The tax credit refund we use towards paying our BUPA private health insurance.

Greg S

Our shareholdings attract approximately \$5,000 in franking credits which we use to pay the ever- increasing property rates of \$3,500 and our full private health cover as we are ineligible for a Commonwealth Health Card or any other support from the Government.

Andy and Jill

Our approximately \$5,000 franking credits provides for our private health.

Peter D.

I use my rebate to pay my expensive BUPA health insurance.

John and Cassandra

We would have to forego our private health cover thereby putting us onto the overburdened public system at a time in our lives when we are most vulnerable and not knowing what our future costs will be in relation to aged care etc

Peter W.

Others noted the importance of refunds in meeting the costs of other essential goods and services and higher value household items.

If refundable credits are removed it would severely reduce my income, which would have an adverse impact on the quality of life for my wife and I. We would have difficulty in meeting some day to day fixed expenditure e.g. rates, licences, electricity bills etc, plus food, clothes and the occasional outing etc.

J.W.S.

These refunds are used to supplement [our] income stream from superannuation for big ticket items such as a new fridge, TV, whatever.

Richard S.

Regardless of what self-funded retirees spend their refund on, taking away these refunds will have a detrimental impact on household budgets and require significant restructuring of household financial affairs.

Undermining values of working hard and saving

National Seniors has many members and supporters who are self-funded retirees. They have worked hard to put themselves into this position. Self-funded retirees believe strongly that obtaining and maintaining self-reliance, self-sufficiency and independence from taxpayer funded sources of income, such as the Age Pension, are important personal values.

In this regard, it is worth noting that the former Minister for Social Security in the Hawke/Keating era Graeme Richardson said when the policy was first announced that these people worked hard all their lives to make a “contribution to our society”. He then said “if the regime constantly changes then these people are vulnerable to having their funds looted and raided by greedy governments of either political persuasion”⁶.

Self-funded retirees take great pride in being able to fund their own retirement. Often respondents talked proudly about not being a burden on the public purse. As the following quotes demonstrate, self-funded retirees believe that personal values of self-sufficiency and self-reliance should be encouraged, nurtured and commended:

⁶ Richardson, G. 2018. ‘Shorten must soften super policy edges or self-funded retirees will savage him’ in *The Australian* 15 March 2018

When I was young it was a matter of pride for the elderly that they could support themselves in their old age and did not need government support. I was self-employed and ran a small business which was easier in those days than it is now so yes, I did make enough to support myself in my old age.

Marilyn E.

During my working life although not on a large income, I worked tirelessly towards being able to support myself and my wife during our retirement years. This is because I did not want to be a drain on the public purse.

Keith C.

The proposal to remove the franking credits for self-funded retirees is most unfair. My late husband and I worked hard to come to the point of self-sufficiency so that we would not have to claim the Australian Aged Pension.

Cornelia K

I am an average Australian on a modest income with over 50 years as a taxpayer in this country. My strategic financial objective has been to save for retirement to support myself and family without leaning on government support in the form of government pensions and handouts from state governments, council authorities and service instrumentalities.

I wish to remind the Labor Party that it is important to encourage older Australians to save for retirement and to support the majority of retirees who take pride in being either fully or partly self-funded in retirement.

Kevin L.

Part of the advice from these professional bodies was to engage in share investment and seek the benefit of franking credits, the rules for which were clearly defined and which we complied with at every stage. It could have been a real possibility that we did not seek to provide for our retirement by taking the extra risk of investments,

where others have not, and now would be fully dependent on government provisions.

Andy and Jill

During my working life although not on a large income, I worked tirelessly towards being able to support myself and my wife during our retirement years. This is because I did not want to be a drain on the public purse.

self-funded retiree (name withheld)

Labor has lumped all self-funded retirees as so called "fat cats." I have worked and saved hard and in retirement am not a burden on the welfare system.

Walter N.

Labor stated this was to be a tax on wealthy retirees, but the greater percentage of us are not wealthy and have saved hard and paid extra into our superannuation while working.

Marjorie R.

Other self-funded retirees have expressed this in terms of the sacrifice and work involved in becoming a self-funded retiree.

I worked for many years as a Registered Nurse and my husband as a Police Officer, not what you would call really well-paid jobs. However, we both paid maximum in to superannuation and we lived what many would describe as rather frugal but very happy lives. Holidays were spent hitching on the trailer and camping with our kids. Eating out was a luxury seldom done. Yes, we were very careful with our money.

Georgina C

I understand that we are certainly much better off than many, but we did without things and holidays and saved to build our super balance because we wanted to have a financially worry-free retirement, and not live on the public purse. Now we feel as though we are "thieves" just because we provided for ourselves, and somehow did something illegal.

Frances S.

Given the degree of risk, hard work and sacrifice involved in becoming a self-funded retiree it is disappointing some people now question their efforts to achieve independence.

With the political and investment circumstances being what they are then the reward for the risk in striving to become self-funded has been stressful and I am now reproaching myself in questioning the merit of this struggle.

Ron B.

Unfortunately, during my life I made the mistake of working hard and saving for my retirement.

Marilyn E.

What is most concerning are sentiments raised by members about the impact the proposed change is having on their health and wellbeing. A significant level of stress and anxiety has been created as a direct result of the proposal, as these quotes attest.

Labor's announcement has already caused me extreme anguish and uncertainty. I am now unsure about decisions I would have once made automatically with no stress. We are not wealthy self-funded retirees but Labor's policy, if implemented, will hit us hard.

Self-funded retiree (name withheld)

That the emotional stress engendered by all this pfaing around and attack on our savings is considerable, especially at a time of life when SFR's [self-funded retirees] are less and less able to cope with it.

Anne Y.

A significant cause of this stress and anxiety is the uncertainty the proposal brings. Central to this is the blunt way the change is going to be implemented.

Moving the goal posts

In this regard, our members and supporters have expressed to us how they have made enormous and long-standing choices about their future based on one set of rules, which had been agreed to by the major political parties. They are angered that these long-standing

plans may be ruined at the stroke of a pen by the introduction of a different set of rules. The following quotes illustrate this anger and frustration:

We have designed our retirement funding around the long-standing rules which applied. To change the process and rules now without any consideration is an unfair thing to do. We have worked in the government's interest for a combination of 90 years and now feel betrayed and discriminated against by the same government.

Andy and Jill

We have worked hard and saved for our self-funded retirement only to see the goalposts moved continually.

Royce W.

In all my plans I have been conscious of the superannuation debates and focussed on developing a retirement portfolio which will enable myself, my wife, and family to sustain a quality life in our retirement phase which we have now entered. I have budgeted for financial security based on a long-established tax regime.

Kevin L.

I have been a self-funded retiree since my retirement several years ago. At retirement I was advised to arrange a life time superannuation pension with a commercial superannuation fund with the bulk of my retirement lump sum and to invest the remainder of the lump sum into blue chip shares with franking credits.

Allan W.

I feel that Labor's policy is very short sighted and makes the younger generation question the value of putting extra into superannuation. There needs to be some stability in the superannuation rules.

Marjorie R.

Several respondents despaired they would not have the opportunity to recoup losses because they were unlikely to re-join the workforce.

We are now retired! There is nothing we can do to regain lost income. We are very unlikely to be able to get another full-time job.

The politicians meddle with super so often and for those in, or nearing retirement there is little recourse and no certainty. Our decisions were made a long time ago and based on the rules at the time. It is not fair to change them with no “Grandfather” provision for those nearing retirement and those already retired.

Frances S.

We are very concerned about impact of proposed changes that would affect our on-going self-managed super fund with the Labor Government [sic] changing the franking credit rule. We made our decisions 12 years ago, and then to change the rules now we are over the age of employment is not fair, as our fund is the only money we receive, we don't ask the government for any money at all.

Jenny J.

Our retirement planning was based on the rules which had been in place for many years, including the cash component of franking credits. With care, we have sufficient funds to last us out. Should Labor’s proposal come into force, we would have an effective reduction in our income of over 20%. There is obviously no opportunity to replace that income.

Roger and Elizabeth

In some instances, this sentiment about being unable to change, is linked directly to the inability to shift investment strategies. As this member notes, significant share market losses later in life undermine the capacity to change strategies and recoup losses:

I am one of the one million Australian mums and dads who were encouraged by the Howard Government to take up shares in the Telstra privatization float where regrettably I now hold many Telstra shares with some bought at \$7.30 and presently worth around \$3.25 per share and returning much lower dividends.

As a self-funded retiree its pertinent to say that this is but only one example of the fate that has befallen some of my other share-holdings also whereby at age 81, I will never recoup these losses in my life-time.

Ron B.

The frustration and anger about constant superannuation rule changes is felt particularly strongly by those who are older. Several respondents are in their 80s. One member in his 70s, told National Seniors on the phone, that at his age he was well into the retirement phase and simply not able to restructure his affairs. This sentiment was echoed by others:

I am 89 and I am a self-funded retiree who has staunchly resisted a need to accept a pension ... Financially I am on the borderline but unable to claim pharmaceutical benefits. Most of my remaining assets are invested, as I was advised when I retired at 70, that this was the most independent and logical way to secure a future income. There was a setback over the Global Financial Crisis and I have depended upon the franking credits for a livelihood and my entire lifestyle has been based on that consideration. It's a bit late to change now.

Jude B.

I am a 76-year-old self-funded retiree. Hopefully I will have several years of life ahead but realistically I am in the twilight of my life. For the Labor party to attack my modest income in the latter stages of my life is appalling.

Allan W.

As has already been argued, many prospective and current self-funded retirees have planned for their retirement over the long-term. They have made significant decisions about their investments through careful analysis of the risks and opportunities these different investments deliver and have done so within the prevailing rules. In many instances they have paid significant amounts of money to financial advisors to inform their retirement income decisions.

These decisions are not taken lightly. As the Global Financial Crises and recent events have shown, investment in the share market carries significant financial risk.

... people with shares that get dividends and the tax credits also expose themselves to some huge losses in the share market. For example, we paid \$10 for AMP shares that are now worth \$3. Telstra / Origin / the banks we are well down on our investments, in these companies but at least we get the dividends and tax credits.

Greg S.

We had a substantial hit by GFC, from which we still have not clawed back. We are nervous that our future is also linked to the share market which has shown its volatility time and time again.

Michael T.

Older Australians have chosen to invest in Australian shares as a direct result of analysis of the risks and returns offered relative to other investment opportunities. Older Australians have chosen to invest in Australian shares because refundable franking credits provide financial benefits when compared with other investment opportunities.

The frustration that self-funded retirees feel about this potential rule change is creating unnecessary regulatory risk.

Just like a business, individuals make these decisions based on their understanding of the prevailing rules. While there is always a risk that tax rules may change, it is a principle of good governance to minimise regulatory change as this reduces the impact on individuals, businesses and the economy more generally. Rapid regulatory change or even the threat of rapid regulatory change poses significant threats to investor confidence, which can have unexpected or unintended consequences.

National Seniors believes that governments must be cautious when making decisions to change regulatory settings. Hasty or ill-considered change to regulatory regimes has the capacity to create negative outcomes for individuals and the wider economy.

An issue of fairness

National Seniors believes it is unfair that retirees, especially older retirees who in good faith have made investment decisions based on long-standing rules, should be penalised by changes that ban franking credit refunds.

In addition, the proposal to ban franking credit refundability creates a regulatory system that is unfair. Our members and supporters expressed a strong concern that removing franking credit refundability is unfair because it treats one type of investor differently to another.

The move to introduce full refundability in 2000 introduced a fairer treatment of low-income self-funded retirees. Because these retirees have insufficient taxable income to

utilise imputation credits, refundability corrected this by allowing them to claim a refund for unused franking credits.

The current franking credit rules ensure that all shareholders, whether they pay tax or not, are treated equally. It provides those who do not pay tax with an equivalent cash refund. Those who pay no tax would be taxed at the corporate rate of 30% if they were denied refunds on franking credits.

Our members believe that it is unfair if one person is treated differently depending on whether they pay tax or don't pay tax.

I find it galling that the policy impacts on my modest income while high income earners including, Bill Shorten, Scott Morrison and Chris Bowen will continue to have the ability to receive a cash refund for their franking credits by simply deducting their franking credits from their overall tax bill.

Allan W.

The fact that people in the workforce can continue to receive a tax credit on their dividend imputation shares (effectively a cash grant from the ATO) whereas retirees are unable to receive a similar benefit is clearly discriminatory and unfair.

Adrian S.

What I cannot understand is that no-one seems to be pointing out to the public that it is only those on SMSF pensions with accounts under \$1.6 million who are being singled out. Those with accounts over this will already have the excess rolled over to accumulation phase and be able to claim their credits back as they will be paying 15% tax on their accounts and are therefore taxpayers.

Georgina C.

Similarly, the policy is unfair because it discriminates against one class of investor, those holding SMSFs in the pension phase. Unlike regular superannuation funds, SMSFs will be impacted by the change. Superannuation funds will be able to utilise their franking credits to offset tax liabilities because they have a mixture of members in the accumulation and pension phase. These funds can then pass this benefit on to their members. Small SMSFs that do not pay enough income to attract tax will not have this benefit.

The other fairness issue raised by members is the contradiction between the proposal to ban franking credit refunds and other policy changes affecting investors. The primary of these is Labor's decision to grandfather changes to negative gearing on the basis they do not want to impact pre-existing investment decisions. This contradiction has not been lost on our members, as this one quote shows:

Looking at Chris Bowen's other speeches, this is from the National Press Club on 17 May 2018:

Journalist: "Your negative gearing changes are grandfathered meaning those who enjoy the benefits today enjoy the benefits forever; they're largely baby boomers who enjoyed the growing economy every step of the way from free education all the way through to negative gearing with you. How is that fair?"

Bowen: "It's fair because those people have made investment decisions based on the rules at the time. Big investment decisions and we respect that."

What about the SMSF trustees who set up investments based on the franking rules at the time?

And last week, at the Financial Services Council conference in Melbourne, he said:

"I am not interested in advantaging one sector of superannuation over the other. I am interested in improving member outcomes. Full stop."

Peter C.

National Seniors does not support introducing changes to franking credits that unfairly impacts or discriminates against and to the disadvantage of one set of retirees over another.

Potential impacts

The most striking response from our members and supporters were observations about the potential impact of this policy change on the economy. It has been expressed that the loss of franking credit refunds will lead many people to revert to relying on a pension, which ultimately will increase the burden on the taxpayer.

The loss of those franking credits would lower our earnings in our self-managed super fund. Soon enough we would be on at least a part pension. Where is the sense of a government that removes independence and adds a cost burden to the public purse?

Shirley K.

The loss of franking credits would mean a 15% drop in yearly income. This would mean that we would be able to claim some Centrelink pension ... removing the franking credits would force many retirees living on self-funded pensions onto the Aged Pension

Alan and Beverley

... if this proposal becomes law we would have no incentive to stay above this figure [pension assets test limit] and maybe we would be better off spending some of our assets to receive a part pension. To me the more people that stay off the pension is a good thing for the country. You can imagine the cost to the country if another one million people are forced onto the pension.

David S.

Paul Keating encouraged us working people to be aspirational, to work hard and save hard for our retirement. Now Bill Shorten wants us to be on the pension.

Our concern is if franking credit refunds are stopped we will no longer be able to afford to see our grandchildren and will eventually be driven onto the pension.

Graeme M.

We need to consider if we walk away from super and spend, spend, spend on travel. The pension, seniors card and other benefits appear to be more beneficial to us than fending off the dogs on our own by being self-funded.

Michael T.

I am concerned that both Liberal and proposed Labor changes will push people back toward government support because it is a much better return for less.

This proposed change will drop my retirement income well below what an age pensioner gets including their franking credit refunds. I can react by using up my capital in my SMSF and then qualify for a part age pension at a later time.

Peter W.

While members expressed the sentiment that the policy change would result in reliance on the Age Pension, it is important to keep in mind that retirees holding a pension in their SMSF before 28 March 2018 will be eligible to continue to receive the refund.

Retirees with funds in an SMSF who revert to the Age Pension after this date will not be able to receive refunds. The only way they will be able to receive a franking credit refund is if they restructure their affairs and shift their funds to a managed superannuation fund. This is another clear example of the discriminatory nature and unfair impact of this proposal.

The other potential impact of the proposed policy is on the share market. Some members raised the spectre of a retreat from holding shares:

I for one will be looking at getting out of shares as they will no longer be the offer of security for me and my family should this change eventuate.

Doug

In light of your [ALP] policy on imputation credits what do you suggest I should do? Should I sell my share portfolio, draw down my SMSF and spend up big on a more expensive home, a luxury car and expensive holidays? In the process there is every likelihood I would become eligible for an age pension and the associated benefits that come with it. My over-whelming preference is to remain a self-funded retiree and not be dependent upon an age pension, but you may leave me with no alternative.

David H.

Given that it is only Australian listed companies that provide fully franked dividends, this will likely have a significant impact on the share market and the ability of Australian companies to raise capital in the future.

National Seniors also noted that members and supporters signalled that this policy would influence their voting intentions at the next election.

As a result, we will be placing any ALP candidate in both the Senate and House of Representatives at the next Federal Election last on the ballot paper unless this policy is reversed.

Adrian S.

I have categorically told my Labor member that I will not vote for Labor next election if they pursue this path.

Royce W.

Several participants claimed they were long-term Labor supporters but had decided that they were not going to vote for Labor at the next federal election because of this policy.

I come from a strong Labor background and have voted Labor for most of my life. If you proceed with this draconian policy proposal you can be assured that I shan't be voting Labor at the next election and shall preference Labor candidates behind all others.

David H.

... due to my past industrial back-ground I have been a life- long Labor supporter and have given the full measure of my past devotion to the Labor cause throughout my working life ... I am now being unequivocally advised in advance that if I continue with my traditional support then I am assured to be reprehensively and unfairly disadvantaged via the loss of my imputation credits which amounts to approximately 10% of my retirement income ... As an aggrieved labor supporter, I trust that this questionable and vexed decision by Labor attracts the political attention it deserves.

Ron B.

Any electoral implication for Labor would probably be most significant in marginal electorates with a higher proportion of self-funded retirees.

Conclusion

This submission has outlined feedback from self-funded retirees who will be directly impacted by the proposal to take away refundable franking credits.

Self-funded retirees have worked hard and planned carefully for their retirement. They view this change as an attack on their retirement income and on their long held personal values. It is an unfair policy that disadvantages one group of retirees over another. The proposed change negatively impacts on low-income self-funded retirees simply because they do not pay tax.

Self-funded retirees do not enjoy the same level of subsidy as pensioners and use the refunds from franking credits to help pay for essential services, including private health care, which reduces costs on the public purse.

Self-funded retirees utilising franking credits are angry that they have carefully planned for their retirement within the rules. They believe it is unfair to change those rules, many feeling they will not be able to restructure their affairs if the change is legislated. National Seniors believes that the threat of this policy is not only affecting individual's financial security but also undermining the health and wellbeing of older Australians.

As expressed by our members, there is a real threat that this policy will result in low-income self-funded retirees having no choice but to restructure their affairs to receive a taxpayer funded pension and related pensioner concessions.

National Seniors urges the federal Opposition to reconsider its proposed policy to disallow franking credit refunds. As we have stated, we are not opposed to fair and considered reform. However, we believe that the proposed changes will negatively impact on low-income self-funded retirees, undermine confidence in the superannuation system and ultimately result in greater take-up of the Age Pension.

This proposal will have significant and longstanding impacts on the capacity of current and future self-funded retirees to be self-sufficient and self-reliant in retirement.

National Seniors does not support policies that undermine the capacity of Australians from maintaining their economic sustainability, prosperity and independence as they get older.

National Seniors Australia

ABN 89 050 523 003

Level 18, 215 Adelaide Street
Brisbane QLD 4000

GPO Box 1450
Brisbane QLD 4001

general@nationalseniors.com.au



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