

SUBMISSION TO:
SENATE COMMUNITY AFFAIRS COMMITTEE
INQUIRY INTO THE COST OF LIVING PRESSURES ON OLDER AUSTRALIANS.

Background:

Age 66, self-funded retired teacher, but work as a casual teacher for DET and Catholic schools. Married. My wife is 42, with casual employment in a newspaper advertising department.

I wish to submit my thoughts on a number of issues which affect me as an “older” Australian and my wife as the wife of an older Australian.

We live on a rural sub-division of 42.42 hectares (106 acres) much of which is bushland, and all of which I am endeavouring to improve ecologically. I have been given a small grant from the Hawkesbury-Nepean Catchment Management Authority to continue doing this. It is not worthwhile trying to use it in an ‘economically’ productive way (ie to try to earn an income from it).

We try to live within the bounds of our low level of income and have been avoiding drawing from my superannuation fund on the principle that this will be the funds for when I can no longer do casual teaching work, and will, by necessity, have to supplement my wife’s low income.

a) The cost of living pressures on older Australians:

i) recent movements in the prices of essentials:

I feel that the CPI does not reflect inflation in terms of the senior sub-group of the general population. This, I think, is because the needs of seniors vary to some extent from those of the general population. Some of the CPI’s important weighted items (eg mortgages interest rates, household goods, cars) would be of less importance to seniors as they are less likely to have mortgages and tend to replace household items and cars less frequently (if at all) than younger people.

The **basics** then, such as food, petrol and fares, electricity and so on, become of a relatively greater importance in their cost of living. Along with these are other essentials that are becoming increasingly difficult for senior Australians to pay for. These include items such as house and house-contents insurance; motor vehicle insurance, registration and licences; medical fees and pharmaceutical prices along with medical and ancillary insurances.

Considering the above-mentioned ‘basics’ I will take each of them -

a) **Food:** We find that our shopping trolley in Coles and Woolworths tends to have a much smaller quantity in it for any given number of dollars than in the previous year or two. I feel the broadcaster, Alan Jones, has hit the nail on the head on numerous occasions when he has criticised these two firms for their non-competitive practices.

A lack of competition in towns such as Goulburn is a problem for us, as there is no real alternative in the form of independent fruit/vegetable shops for these products at reasonable prices. We buy in Wollongong and Fyshwick independent green grocers on the occasions we are in those places as they are considerably lower priced for the same or better quality than what is available in the major super-markets and in Goulburn. As an example of high prices on Monday 3.July.2007, in Coles at Goulburn the following were the prices per kg of various fruits and vegetables: apples \$4.98, mandarines \$4.98, pears \$3.98, bananas \$5.98, broccoli \$4.78, beans \$9.98, pumpkin \$1.98, onions \$1.98. Small cauliflowers were \$5.98 each. The only affordable things for people such as senior

citizens and others on low incomes were: carrots \$1.48, tomatoes \$2.87, potatoes 3kg for \$3.98. I have not included examples of the prices for various cuts of meat, but we mainly rely on “specials” to stock our refrigerator. Many cuts are always far too expensive for people on our level of income.

So food, especially in rural Australia, can be of great importance to the older Australian’s real CPI.

b) **Petrol:** This has certainly been having an impact on our budget. We live 22kms from the centre of Goulburn and the high fuel prices in the last few years have taken a “bite” out of our income.

Price increases such as these have a greater impact on self-funded retirees, pensioners and any low income earners as compared to the relative impact on average and higher income earners.

c) **Fares:** For the holders of the Pension Concession Card and the NSW Seniors Card, fares, I think, are satisfactory where public transport systems are available. On occasions I use it to travel by train (slow train) to and from Sydney, but it is too expensive for a senior to travel by XPT, and, as well, there is now a booking fee for certain services which makes it prohibitive for many.

d) **Insurances:** House and contents insurances become increasingly more expensive. Parts of this expense include taxes such as GST and fire brigade levies, and stamp duty. These latter get higher, as a raw figure, as the base premium increases. I provide an example using my own house and contents insurance:

Premium: \$793.62

Fire service levy: \$154.70

GST: \$94.84

Stamp Duty: \$93.88

Total amount payable: \$1137.04

It can be seen that the fire levy and taxes have added 43.27% to the insurance bill. And in the process both the federal and state governments have taken their slice of the cake.

It becomes an increasingly difficult choice for older Australians to adequately insure their assets and thus not be a burden on the community if disaster strikes. Yet one can see the government grants and charitable aid given to the uninsured at times of disaster. It comes to a stage when the asset rich but income poor older Australian may find it prohibitive to insure property.

e) **Motor vehicle insurance, registration, and licence fees:**

Insurance - similar points to those I made in regard to house and contents insurance, and one is at great risk to drive without comprehensive insurance.

Registration- If the older person has a Commonwealth Pension Card then the registration of a motor vehicle and trailer, etc is much cheaper. But the self-funded retiree has no such benefit. The NSW Seniors Card is not recognised for this and nor is the Commonwealth Senior Health Card.

Licences -As with registration, the holder of the pension card gets a benefit, in this case no fee for the drivers licence. No benefit for the self-funded retiree with or without the Senior Health Card.

ii) Utilities, etc

a) **Electricity** - The recent increases and the planned increases will make it increasingly difficult for older Australians, and even more so for self-funded retirees. The age pension recipient with the attached Commonwealth Pension Card gets 10% discount on electricity bills, but again those older Australians without it, do not get such a discount. GST is charged on electricity bills.

b) **Council Rates** - These are also increasing especially in line with increases in land valuations. Again the self-funded retiree without the Pension Concession Card is at a disadvantage getting no discounts on Council rates. Older Australians, in general, can but only find it more difficult to pay

any increase in rates on their rather fixed incomes.

iii) Dental care, etc

a) Medical and pharmaceutical - Without a Pension Concession Card the self-funded retiree pays the full amount for medical treatment and pharmacy, unless he has the Commonwealth Seniors Health Card which provides low level assistance. It is barely worth having as compared to the Pension Concession Card, but better than nothing.

Health Insurance is just too expensive. I have ancillary benefit health insurance for myself only, because I have had it over a long period of time. My wife and I have ambulance cover with NIB because of our distance from town. We will depend on public hospital treatment if we should require hospitalisation.

b) The impact of the cost of living pressures on the living standards of senior

Australians I consider, is considerable. When one looks at the price of basic fresh foods in particular and sees an ever diminishing basket for the given amount of dollars, it makes one rather afraid of one's financial security and living standards in the future. This is due to ever increasing amounts going out on these basics. Add to this the increases, actual or proposed, to the household utilities and there is an even greater impact of the standard of living.

At what point does the senior Australian have to decide to curtail the expenditures on house insurance for instance and thus take the risk of being uninsured. One possibility to assist here would be to reduce or to eliminate taxes on house and content insurance for seniors and to also to eliminate the fire brigade levy on insurance. After all, those without insurance have equal access to fire brigade services without having to pay a levy.

c) The impact of these cost pressures on older Australians and their families: I cannot provide the support that I would hope to give to my wife, let alone to my children and grandchildren.

d) The adequacy of tax, etc arrangements:

Certainly **some of the recent tax changes** have been of benefit to senior Australians. I think, however, that they, along with all low income earners, **need a much higher threshold for tax-free** income.

There have been, over the past few years, very large tax cuts for middle income and especially higher income Australians but only **meagre tax cuts for the low income**, amongst whom are the typical senior Australians. Some of these tax cuts could be expressed as being the equivalent to a hamburger (or less) for older Australians and all low income people, while it is equivalent to a very good meal in a high quality restaurant for the high income - each week. Given the propensity to save is completely different at the two levels of income, it is obvious that the higher income people are given a much greater opportunity to enjoy the tax cut, while the low income levels would probably not get the extra hamburger but would be using it to merely try to pay for the normal living expenses.

The **GST**, being a flat tax on purchases, goes against all the principles of progressive income tax. Low income earners such as pensioners and non-pension self-funded retirees suffer this GST as it is unavoidable with goods such as processed foods and services such as insurance premiums (as shown above), electricity, and maintenance and repairs to one's house, car, etc. Prior to the introduction of the GST goods such as those mentioned and all services were free of tax, so the GST has added to economic difficulties for senior Australians.

Indeed, where some older Australians were paying virtually no income tax due to their low level of income, they would now be paying this 10% GST on many of the goods and services they buy, **so their tax bill has, in effect, been drastically increased as they delve into their accumulated savings.**

In regard to **superannuation and especially the government co-contribution**, the current ruling is that a person over 65 must have done at least 40 hours of “gainful” employment in a 30 day period to get the government co-contribution. This seems to be unfair and discriminatory. What about the person who works every month but does not achieve 40 hours in any of those months? For instance a casual teacher might work for 5 days (each at 7.6 hours) in a month and over numerous months and therefore only a total of 38 hours in any one month. That person has surely been gainfully employed but is not entitled to the government co-contribution. I have to ‘trust to luck’ to get 6 days employment to exceed the 40 hours in one month.

In regard to the pension assets test, the current legislation discriminates greatly against those who own rural land. Many people have moved from towns on to smaller rural sub-divisions (5, 10, 25, 100 acres and so on). They find that their land outside of the 2 hectares around the house is considered as part of their assets in the asset test for age pension. This has been rectified to some extent in the changes due to be implemented in September, 2007 but it is still discriminatory.

I say this because of the following:

Firstly, there is a ceiling to the value of the assets including the land, so therefore one could say there is a ceiling to the land value itself. Yet another senior Australian could be living on a block of urban land worth many times that of the typical rural sub-division, perhaps even a million dollars or more, and not have it counted as an asset in the assets test.

Secondly there is the ruling re a 20 year attachment to the land through having lived on it (not just owning it, but living on it) for at least 20 years. This seems an unreasonably long period of time and in fact leads one to the question, “Why should there be a 20 year “attachment and living on” ruling for such land when there is no such ruling for an urban landholding?” It is obviously discriminatory against the rural dweller. Such ruling also prevents the senior landholder from selling his landholding to say, buy another rural block closer to town, as this person would then have to wait another 20 years to achieve that ‘attachment and living on’ status. The urban dweller, however, could change dwellings at any time without such penalty.

Thirdly, the pension received, if still under the maximum assets allowed of \$825,500 for a homeowner couple, will be reduced by \$1.50 per thousand of assets above the allowable assets limits.

So the area of land outside of the 2 hectare house area becomes a strong liability to the rural pensioner, even though the total land value may be far less than an urban block of land.

Capital gains tax also affects the senior Australian living on rural land and is again an example of discrimination affecting many senior Australians.

For example if the holder of a rural sub-division decides that due to age it would be better to move into town or to the coast, then on selling the block, all that land outside of the 2 hectare house area is subjected to capital gains tax if the land was purchased after 1986. (I think I have the correct year).

This could well make it financially impossible for such a citizen to move into town or anywhere else, as not only the cost of the urban land is higher, but the money received from the land sold has been eroded by capital gains tax and therefore the person has less still to buy a place and obviously

cannot buy a place to the same market value as that which he has sold.

This idea of selling and moving into town as a means of getting a pension was actually suggested to me by a Centrelink officer. This person obviously had no idea about the costs involved and the fact that the sale proceeds would be reduced greatly by taxes and fees and that urban land was of far higher value than my rural holding.

The owner/occupier of an urban block is not faced with such a penalty and therefore it shows the current laws are discriminating against those on rural land. One could argue that this is outside the scope of this inquiry, but since there are many senior Australians living on such land, the inquiry should include this issue.

Capital gains on shares ,etc and Centrelink assessment:

Centrelink takes the gross market value of shares into account when it is assessing an application for pension. If the market value of the shares is higher than the price paid for them, then there is a capital gain involved. If the owner of those shares were to sell them, then that person is liable for capital gains tax of at least 25% if the shares have been held for more than one year, and greater if held for less than one year. It seems to me that in the assessment of assets for pension the capital gains tax liability should be taken into account – in effect it would be looking at the true worth of those shares to the applicant for a pension.

Those ‘special’ payments that government has made to self-funded retirees, such as the telephone allowance are an absolute pittance and really do nothing to alleviate the self-funded retirees position.

All in all, I feel that older Australians have been suffering increased costs of living and have diminishing levels of income either as pensioners or self-funded retirees. Indeed, self-funded retirees may be in a most undesirable economic position. I also feel that rural dwellers have been greatly discriminated against and again leads to a most difficult situation for older Australians in this position. I hope that government redresses their situation.

End of submission.