



National Seniors

National Seniors Association

Submission to
Parliament of Australia
Senate Community Affairs Committee

*INQUIRY INTO THE COST OF
LIVING PRESSURES ON OLDER
AUSTRALIANS*

National Seniors
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Association

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About us

National Seniors is the largest senior's organisation in Australia with over 285,000 individual members in 170 branches across the country. We are a not-for-profit community organisation with the following objectives:

- to provide economic and social benefits for people 50 years and over;
- to represent our members' views to Government at all levels; and
- to make donations and provide service and advice to charitable institutions assisting people over 50 years and over.

National Seniors offers members a vast range of services and benefits and is an influential vehicle for contributing to policy debates affecting older Australians.

The **National Policy Office (NPO)**, based in Canberra, facilitates the implementation of National Seniors' national policy agenda, and advocates on behalf of older Australians to government at all levels, and to business and the broader community. The NPO works closely with our National, State and Territory Policy Groups and our extensive network of State Offices, Branches and Zone Committees in determining issues of relevance to older Australians and identifying trends in ageing.

The work of the NPO is assisted by the Commonwealth Department of Health and Ageing, through the Community Sector Support Scheme (CSSS). The funding received under this scheme better positions National Seniors to:

- grow the operational capacity of the NPO;
- expand communications with the seniors' community;
- increase engagement opportunities for disadvantaged seniors; and
- act as a conduit for information flow between government and the community in order to draw together seniors' views on issues of relevance and provide a consultative mechanism for the government.

The NPO also plays a key role in informing the development of the research program for the National Seniors Productive Ageing Centre, which in turn, provides research input to the NPO.

The **National Seniors Productive Ageing Centre (NSPAC)**, established in 2002, is co-funded by National Seniors in collaboration with the Department of Health and Ageing. NSPAC's role is to research issues that impact on the ability of seniors to contribute productively to the economy and society. The centre is consumer focused in both the development of its research agenda and conduct of research activities.

Executive Summary

National Seniors welcomes this opportunity to provide comment on the issues identified in the Terms of Reference for the Senate Community Affairs Committee *Inquiry into the cost of living pressures on older Australians*.

Consultation

National Seniors' policies and policy agenda are developed through a comprehensive grassroots process that enables members to contribute through local branches, regional zone committees, State and Territory Policy Groups (SPGs), and a National Policy Group (NPG). The outcomes from this policy formulation process are incorporated into our *National Policy Document*¹.

The issues identified in this submission have been informed by our *National Policy Document*, the NPG and SPGs, local branches and from additional research. In addition, we sought the views and life experiences of our members through National Seniors' weekly e-newsletter *Connect*². This feedback has been essential in the preparation of this submission.

Context

The impact of cost of living pressures on older Australians is clearly a salient one. In Australia, the number of people 65 years and over is projected to increase from approximately 2.49 million now to 5.84 million in 2032, representing 23 percent of the overall population. This transformation presents a number of challenges for Australian society, not the least of which is the need to ensure that older Australians enjoy a comfortable standard of living.

With Australia currently enjoying a period of unprecedented economic growth, it is of great concern that a large proportion of our older citizens are facing considerable cost of living pressures. Older Australians make significant contributions to the nation's well-being during their lives, through both paid work and volunteering. It is therefore incumbent on us as a society to respect and support them as they grow older. With cost of living pressures increasing, it is essential that Age Pensioners and self-funded retirees are provided with appropriate financial safety nets. These actions will help to support older people in their retirement and keep their incomes above the poverty line.

Principles

In developing recommendations for this submission, four principles³ influenced National Seniors' response to the Terms of Reference. These principles are that every older Australian should be able to enjoy:

- 1. Access to resources**
- 2. Equity in access to resources**
- 3. A sense of personal wellbeing**
- 4. Opportunities for participating in the community**

¹ National Seniors. 2006. *National Policy Document*. Available at: www.nationalseniors.com.au/Policies.

² Available at: www.nationalseniors.com.au/News.

³ ACT Poverty Task Group. 2000. *Sharing the Benefits, Final report of the ACT Poverty Task Group outlining recommendations for responding to poverty in the ACT*.



Response to the Terms of Reference

(a) The cost of living pressures on older Australians, both pensioners and self-funded retirees

i) the impact of recent movements in the price of essentials, such as petrol and food

With the price of essentials increasing rapidly over the past five years or so, many Australian households have faced increased cost of living pressures. These pressures have been more pronounced in the case of older Australians as a result of their typically below-average, fixed incomes, and their generally lower levels of discretionary spending.

Australian households spend considerably more on goods and services, when compared to several years ago, with the largest spending increases in the areas of: housing costs; miscellaneous goods and services; household services and operation; and medical care and health expenses. The *Australian Social Trends Report 2006*, which analyses household expenditure according to the age and composition of its inhabitants, illustrates that the effects of these cost increases have been non-uniform, and are in fact dependant on household characteristics, with older persons being among the least able to cope.

Housing Costs

Housing costs (e.g. mortgages, rates, insurance, maintenance and repairs) have also increased at an alarming rate, impacting on both homeowners and those in rental accommodation. While these impacts have been most pronounced, but by no means limited to, Age Pensioners who are single, those paying a mortgage, or those living in rented accommodation, housing costs have impacted on all older Australians. While the pressures on those in rental accommodation are lessened through the provision of rental assistance, single older persons paying a mortgage receive no additional assistance.⁴

While mortgage and rent payments remain the primary components of housing cost increases, repairs and maintenance have been a contributing factor and a traditionally understated element of housing costs, taking up an increasing share of total expenditure for both Age Pensioners and self-funded retirees. Maintenance and repairs such as plumbing and electrical services are also expensive, with costs usually in the hundreds of dollars each time a tradesperson is called. Maintaining a garden can also be an added cost pressure, as is the repairing and replacing of fences, footpaths, and guttering. Additional cost pressures also include land rates, water rates and insurance. Associated pressure to downsize or modify their home as they age, is also having an affect on older people's wellbeing and sense of safety.

National Seniors members have also raised the cost pressures associated with local rates, and home and contents insurance, which have traditionally been tied to the value of a property, and have therefore risen with house prices.

⁴ Australian Bureau of Statistics, *Social Trends Report 2005 – Housing Arrangements: Housing for Older Australians* – In 2005 around 4 per cent of older couple households owed a home with a mortgage, 89 per cent owed a home without a mortgage, and 5 per cent rented. For lone older person households: 72 per cent owned a home without a mortgage; 2 per cent owned a home with a mortgage; and 18 per cent rented.



Food Costs

Food costs have increased rapidly in recent years, creating considerable cost pressures for many older Australians. These pressures have been compounded by the fact that some seniors have had to cut down on their food costs in order to meet costs elsewhere, such as fuel.

According to the ABS's *Household Expenditure Survey(2006)*, older Australians on average spend more on food than any other household group, with around 20% of their total weekly expenditure spent on food. Many seniors have also expressed concerns that the relative high cost of fresh fruit, vegetables and meat makes it difficult for them to maintain a healthy diet. Whilst attention has been directed to cases of malnourishment in aged care facilities, greater levels of malnutrition occurs in the home environment⁵.

Transport Costs

National Seniors has also identified fuel costs as representing a considerable cost pressure, and having a significant impact on the ability of older Australians to participate in community activities.

From June 2005 to June 2006, transportation costs increased markedly, and had a particularly high impact on Age Pensioners and self-funded retirees. Over this period, proportional spending on transportation increased by 9.7% for Age Pensioners, and 8.2% for self-funded retirees,⁶ illustrating that older Australians have been less able to cope with increased petrol prices than other sections of society. Transportation costs now account for nearly 15% of self-funded retirees total expenditure.

Seniors Card

Whilst most seniors can obtain from the various State and Territory Seniors Card programs, anomalies and inequities are created by the lack of a national transport reciprocity scheme. Introduction of such a scheme would also assist to remove a major disincentive to interstate travel amongst older Australians and help boost the Australian tourism dollar. Furthermore, a national card would enable low-income older Australians to visit friends and family interstate, thus helping to reduce the impact of social isolation.

Health Costs

Older Australians out of necessity spend more on health compared to other age groups, and have therefore been more susceptible to increases in the cost of health services and prescribed medicines.

On average, self-funded retirees spend around 15% on health, compared to around 7% for Age Pensioners.⁷ While still a considerable cost pressure for Age Pensioners, pressures related to health costs are even more evident for self-funded retirees,⁸ who do not receive the same concessions as those in receipt of a pensioner concession card. Whilst National Seniors

⁵ Ageing Well National Ageing Research Institute. 2006. *Newsletter Issue 37*

⁶ Australian Bureau of Statistics. 2006. *6463.0 Analytical Living Cost Indexes for Selected Australian Household Types*

⁷ Ibid - On average, self-funded retirees spend around 15 per cent on health, compared to around 7 per cent for Age Pensioners (expenditure weights by major commodity group and household type)

⁸ Ibid



recognizes that the Pharmaceutical Benefits Scheme (PBS) provides affordable access to many medicines, our members have reported that the high cost of medications not on the PBS can also be an extreme burden for older Australians.

The Australian Government encourages private health insurance for older Australians by providing the private health insurance rebate. This rebate was increased for older Australians in the 2004 election from 30 per cent to 40 per cent for people aged 70 years and older and to 35 per cent for people aged from 65 to 69 years⁹. These figures need to be maintained to ensure that older Australians can continue to access affordable private health insurance.

Older Australians, particularly in remote and rural areas, face high transport costs in order to get to medical appointments. Whilst various patient transport assistance schemes operate at the state and territory level to assist patients with travel and accommodation costs, the assistance provided is not significant (e.g. QLD = \$0.10 in the dollar, NSW = \$0.12, WA = \$0.13, TAS = \$0.13, VIC = \$0.14, SA = \$0.16 cents¹⁰). This is in contrast to the rates allowable for taxation claim purposes, which vary from \$0.55 to \$0.67 per kilometre. While these rates have been determined for taxation purposes rather than for a travel assistance scheme, they provide a benchmark assessment of the real costs of operating a motor vehicle.

National Seniors therefore believes that the recent movements in the price of essentials have had a significant impact on the ability of some older Australian's to access resources and participate in the community. It is essential that Age Pensioners and self-funded retirees have the financial security to meet these costs.

National Seniors recommends that the Australian Government

- *Ensure that prescribed medications that are not currently subsidised by the Pharmaceutical Benefits Scheme will count towards low-income seniors Medicare Safety Net thresholds*
- *Take a leadership role in developing and implementing a national transport reciprocity scheme for seniors*
- *Encourage the States and Territories to increase funding and awareness for patient travel assistance schemes*
- *Maintain the private health insurance rebate for older Australians at the current levels*
- *Provide an annual prosperity dividend (similar to the seniors' bonus) as a reward to older Australians for use at their discretion (e.g. volunteering expenses, travel to work, increased household costs)*

⁹ Department of Health and Ageing. 2005. *Private Health Insurance increases today for older Australians*. Available at: <http://www.health.gov.au/internet/ministers/publishing.nsf/Content/health-mediarel-yr2005-ta-abb029.htm?OpenDocument&yr=2005&mt=4>

¹⁰ Juvenile Arthritis Association. 2007. *Subsidies Available*. Available at: <http://www.kidsarthritis.org.au/subsidies.html>



ii) the costs of running household utilities, such as gas and electricity

Meeting the costs of household utilities (e.g. petrol, power, water, internet) is a major concern for older Australians, and is having a significant impact on their capacity to age well.

Domestic Fuel, Power and Water

The effects of increases in domestic fuel and power prices are significantly compounded in the case of older Australians because of their typically below average fixed incomes and low discretionary spending.

It is no longer the case for many older Australians that energy rebates are commensurate with supply charges for gas and electricity. In some cases, the supply charge often exceeds the cost of the energy used.

According to *Australian Social Trends 2006*, older person households typically spend more on domestic fuel and power than any other household group¹¹.

Water has also been identified as a significant cost pressure in recent years. From July 2007, water charges rose by more than 8% in Western Australia, 23-35% in metropolitan Brisbane, and 13% in NSW¹² - these increases are significantly greater than the commensurate increase in the Age Pension.

Communications

An added cost pressure for older Australians is the price of internet access. In a world increasingly reliant on people having access to internet technologies, we must work hard to ensure that older Australians remain connected with their communities. Recent studies in the United States show that there are significant cost savings to be achieved from widespread use of broadband technologies¹³. This, in combination with the additional benefits gained for individuals in combating social isolation and detachment issues, makes a compelling argument for helping older Australians to bridge the digital divide.

National Seniors recommends that the Australian Government

- *Provide assistance to older Australians to meet the increasing cost of domestic fuel, power and water expenses*
- *Facilitate a low cost national program that enables low-income seniors to gain access to broadband, which could include subsidising computer training programs*

¹¹ Australian Bureau of Statistics. 2006. *Australian Social Trends – Household Expenditure Patterns by Lifecycle*.

¹² Australian Financial Review. 2007. *States urged to overhaul water pricing*. 4 July 2007.

¹³ Litan, R. 2005. *Great Expectations: potential economic benefits to the nation from accelerated broadband deployment to older Americans and Americans with disabilities*.



(iii) the cost of receiving adequate dental care

Whilst Australian children enjoy free or low-cost oral health care throughout primary and secondary school, the same is not true for adults. Australia has the second worst adult oral health of all OECD countries and access to oral health care in Australia is becoming increasingly difficult¹⁴. It is estimated that overall, 40% of Australian adults cannot get the dental treatment they require when they need it. Access to oral health care services is generally determined by capacity to pay, as the majority of dental services in Australia are funded on a private basis, with or without the assistance of private dental insurance¹⁵.

National Seniors is concerned with the difficulties older people face to accessing dental care. The high cost of dental care services; long waiting lists; and scarcity of resources, including funding, oral health care practitioners and equipment, must be addressed.

Cost of Dental Care

Dental care services are relatively expensive for older people: a standard consultation costs around \$123 and around \$220 where an x-ray or a fluoride treatment is required¹⁶. More complicated procedures (e.g. root canal work) can be as high as \$500 and specialist treatment can amount to many thousands of dollars.

The high cost of dental health services means that many older people put off going to the dentist, which can result in the development of severe health problems that necessitate even more costly health treatment. Oral health means more than good teeth: it is integral to peoples' general health and essential for well-being. A healthy mouth impacts significantly on a person's wellbeing, as it enables people to eat, speak and socialise without pain, discomfort or embarrassment¹⁷. The interrelationship between oral health and general health is particularly pronounced amongst older people; chewing and eating abilities can affect nutritional intake and the high use of multi-medication therapies amongst older people can further complicate oral health¹⁸. Both prevention and cure of oral disease is therefore important for overall health.

Aged Care Facilities

Older people in residential aged care facilities face further difficulties to accessing dental care services. High levels of oral disease amongst older people are compounded in residential care settings because of other medical problems and their increasing frailty. The National Oral Health Plan¹⁹ states that providing oral health equipment within such facilities is necessary and arrangements need to be made to ensure affordable and appropriate transport arrangements are available for residents. In addition, lack of formal coordination between the dental and aged care sectors leaves confusion about who is responsible for residents' oral health care.

¹⁴ ACOSS, June 2003, *The Bare Necessities: Poverty and Deprivation in Australia Today*. Submission to the Senate Inquiry into Poverty and Financial Hardship.

¹⁵ National Advisory Committee on Oral Health. 2004. *'Health Mouths Healthy Lives'*. Australia's National Oral Health Plan 2004 – 2013. Adelaide: South Australian Government.

¹⁶ CHOICE. 2007. Available at: www.choice.com.au/viewArticle.aspx?id=105780&catId=100233&tid=100008&p=1&title=Dental+care

¹⁷ Op cit

¹⁸ World Health Organisation (WHO). 2006. *Oral Health Priority Action Areas*.

http://www.who.int/oral_health/action/groups/en/index1.html

¹⁹ Op cit



Preventative Dental Care

Historically, oral health care has focused on reactive provision, meaning attending to problems that have already occurred or emergency procedures. Evidently, there needs to be more emphasis on preventative measures.

Preventative health care is increasingly being encouraged across all health areas. Oral health issues, in particular, are preventable. This is pertinent considering the link between oral health and general health. Whilst 73% of all Australian adults visited a dentist in the last two years, nearly half visited for a problem rather than a check up²⁰. As more people retain their natural teeth, there is a consequent increase in the need for preventive dental treatment over many more years of life, with more than 60% of the population over 65 years now having one or more natural teeth²¹. Further education in self-preventative oral health care is clearly needed.

National Seniors believes that many older Australians are not enjoying equity in their access to appropriate dental care services.

National Seniors recommends that the Australian Government

- *Facilitate the implementation of the National Oral Health Plan*
- *Focus on preventative dental services, for example, education about preventative oral health care including affects of medication on oral health and the importance of regular check-ups*
- *Ensure that people in rural and remote areas have access to public dental services*
- *Ensure that people with special needs including those in residential aged care have access to public dental services*
- *Provide additional funding to clear the back-log of waiting lists for state public dental health services*
- *Train more dental professionals, including dental nurses and hygienists, along with other health care practitioners (i.e. medicine, nursing, allied health, pharmacy) to support preventative care and education through an integrated, interdisciplinary approach*

²⁰ Australian Council of Social Services (ACOSS). 2006. *Fair Dental Care For Low Income Earners. National report on the state of dental care Info Paper*. Available at:

http://www.acoss.org.au/upload/publications/papers/1562_Fair%20dental%20care_%20final.pdf.

²¹ Public Health Association of Australia (PHAA). 2006. *Oral Health Policy*. Available at: <http://www.phaa.net.au/policy/contents.htm>.



(b) The impact of these cost pressures on the living standards of older Australians and their ability to participate in the community

The low levels of household income that many older Australians are forced to live on limits their ability to engage in many community activities (e.g. volunteering) and obtain basic services (e.g. legal services).

Income

Older Australians typically have lower average incomes and are much more likely to be reliant on Government pensions and allowances as their principal source of income.

On average, older Australians spend less on goods and services than other age groups. However, expenditure as a proportion of income remains comparatively high as a result of fixed below average incomes, and the increasing cost of goods and services. Older Australians also typically spend proportionally more on basic, less discretionary items, and have had considerably less room to maneuver in the face of recent food and fuel price increases. Between 2005-2006, Age Pensioner household living costs had the highest increase compared to other household groups.²²

Volunteering

The negative impact of high petrol prices on volunteers has been supported by a 2005 Volunteering Australia survey, with 42% of participants questioning, or considering stopping, their volunteering activities due to increasing costs²³. Furthermore, in research commissioned by the NSPAC into the barriers and benefits associated with volunteering, financial costs as a barrier to volunteering was rated the second highest²⁴.

As volunteering is rarely financial neutral, this is a cause for concern, particularly for older Australians who rely on a fixed income. Meals on Wheels services, for example, need between approximately 120 and 350 volunteers each week, with the majority using their own car²⁵. There is currently no scheme in Australia allowing volunteers to claim tax deductions or other Government support for volunteer expenses, requiring that non-profit organisations and/or volunteers cover the costs of expenses arising out of the activity of volunteering²⁶. As volunteers contribute substantially to the Australian economy, National Seniors believes it is in the Government's best interests to support older volunteers. Furthermore, providing financial assistance to volunteers will enable more older people to participate in volunteer activities, thus benefiting not only themselves but also the wider community.

²² Australian Bureau of Statistics. 2006. *6263.0 Analytical Living Cost Indexes for Selected Australian Household Types*

²³ Volunteering Australia. 2005. *Impacts of Petrol Prices on Volunteering*. Available at:

<http://www.volunteeringaustralia.org/files/VC4QPDP9H0/Petrolpricesresearchbulletin.pdf>

²⁴ Dr Jeni Warburton and Jessica Paynter. 2006. *Barriers and Benefits of Volunteering for Seniors*. Available at:

http://www.productiveageing.com.au/docs/ns_pac_bulletin_v2no1_web.pdf

²⁵ Queensland Meals on Wheels. 2005. *Volunteering*. Available at: <http://www.qmow.org/volunteer/index.html>.

²⁶ Op cit.



Accessing Legal Services

One of the most significant barriers older Australians face to accessing legal services is the high cost. A 2004 report by the Law and Justice Foundation of NSW into the legal needs of older people found that many older people feel that access to legal services is beyond their means and that lawyers do not give value for money or misrepresent their legal costs²⁷.

Based on our statements above, National Seniors believes that some older Australians are facing significant barriers to participating in the community as a result of their low incomes.

National Seniors recommends that the Australian Government

- *Promote and support the payment of legitimate out-of-pocket expenses for volunteers*
- *Increase the funding to State and Territory legal aid bodies to improve access to legal aid assistance for older people*

²⁷ Ellison, S, Schetzer, L, Mullins, J, Perry, J & Wong, K. 2004. *The legal needs of older people in NSW*

c) The impact of these cost pressures on older Australians and their families, including caring for their grandchildren and social isolation

Our members have reported the significant impact of cost pressures for those older Australians who are caring for grandchildren, children with disabilities or an ill or incapacitated spouse. These pressures, combined with transport costs are risk factors for social isolation.

Caring for Grandchildren

National Seniors supports a system whereby grandparents do not suffer undue hardship due to their decision to care for their grandchildren, by giving carer grandparents the same resources as other non-related carers. This is an issue that has been championed extensively by National Seniors, both in our *National Policy Document*, a submission to the Australian Government Department of Human Services²⁸ and in various research papers produced by NSPAC²⁹, with so far disappointingly little change to the current situation. National Seniors calls on the Government to support a more coordinated approach to addressing the needs of grandparent families.

The Australian Bureau of Statistics (ABS) estimates that in 2005 there were approximately 22, 500 Australian families in which grandparents were the guardians of their grandchildren, accounting for 31, 100 children. Reasons for these care arrangements vary according to family circumstances, but are often as a result of some type of trauma, be it parental death or addiction to drugs etc. Grandparent families are obviously older on average than other families and are less likely to be engaged in paid employment than parent-led households. Grandparents raising grandchildren may feel isolated and overwhelmed, not knowing what support may be available.

Grandparents can suffer considerable strain as they cope with often-traumatised children; their own grief and loss, and anger; and considerable extra costs associated with raising children, especially financial, legal and social costs, with little or no outside support. One of the major financial issues is that there is no recognition of grandparents as a distinct category of carers.

Looking at the Tasmanian situation, it has been suggested that whilst foster carers receive \$172 a fortnight, the estimated 8,000 custodial grandparents are receiving only \$28 a fortnight, an amount that has not been increased in 15 years³⁰.

Social Isolation

More than 90% of Australians currently age in their own homes. Research shows that by 2010, a high proportion of older Australians will be living alone. We must therefore ensure that they do not become socially isolated from the broader community. By supporting older Australians that elect to age at home, positive outcomes are provided to both the individual and government by

²⁸ National Seniors Australia. 2006. *Progress Review of Service Delivery Aspects of Grandparent Access to Family Assistance Measures*. Submission to Australian Government Department of Human Services.

²⁹ National Seniors Productive Ageing Centre. 2006. *Intergenerational caring: current trends in Australian custodial grandparenting*. Available at: http://www.productiveageing.com.au/docs/ns_pac_bulletin_v2no2_web.pdf

³⁰ The Australian. 2006. *Grandparents wait for equal footing*. Available at: <http://www.theaustralian.news.com.au/story/0,20867,20663671-5006788,00.html>. Accessed 16 November 2006.



reducing social isolation and lessening demand for residential aged care. The challenge however, is to ensure that this group of older Australians receives adequate support and care.

The increasing cost of living has been identified as a risk factor for social isolation³¹. In particular, rising petrol and transport costs can restrict the ability of older Australian's to participate in their community. Whilst Home and Community Care (HACC) and Community Aged Care Packages (CACPs) packages assist frail older people to remain living in their own homes, they focus on servicing people's daily living needs, tending to overlook the client's social needs.

Furthermore, our members report that one of the outcomes of increased cost of living pressures is that some older Australians have no option but to make a choice between spending their money on groceries and other essentials, or on social activities. Such a choice leads to social isolation, and contributes to a feeling of marginalization for older Australians in our community.

Based on our statements above, National Seniors believes that some older Australians are not enjoying equity in access to resources as a result of caring for their grandchildren, and that this inequity impacts on social isolation.

National Seniors recommends that the Australian Government

- *Acknowledge financial implications of supporting grandchildren by ensuring that custodial grandparents are given the same access to financial and other support as foster parents*
- *Ensure benefits for grandchildren should not be designated as 'income' for tax and/or pension purposes*
- *Ensure Government allowances for grandparent carers should not be means tested but received as an extra payment so that those grandparents on Centrelink payments are not affected by the increase in pension received*
- *Ensure adequate support is provided for people ageing at home, including financial and respite assistance for carers*
- *Undertake a detailed review of the current transport support services provided under CACPs, with a view to meeting the specific social needs of older people*

³¹ Queensland Government. 2006. *Cross Government Project to Reduce Social Isolation of Older People*.

(d) The adequacy of current tax, superannuation, pension and concession arrangements for older Australians to meet these costs

The Australian Government has made significant changes over the past 5-years or so to the national taxation, superannuation and concession arrangements. These changes have assisted older Australians to better age well and meet their living costs.

However, a number of gaps and inefficiencies still remain, which need to be corrected.

Taxation

Older Australians are significantly less likely to be employed on a full-time basis, and are therefore less likely to reap any benefits from generous income tax cuts. In addition to \$36.7 billion worth of tax cuts announced in 2006-07, in the 2007-08 Budget the Australian Government pledged to \$31.5 billion in tax cuts over four years. The intended effects of these cuts to increase disposable incomes and to provide an incentive for workforce engagement provide little real benefit to the majority of older Australians.

Superannuation

The Australian Government has stated in its *Simpler Superannuation* reform package, that its reforms of the superannuation arrangements have made superannuation easier to understand, improved incentives to work and save, and provided greater flexibility over how superannuation savings can be drawn down in retirement.

While recognising the positive impact of these changes, certain age limitations remain in place, undermining the ability for some older Australians to fully utilise superannuation as a means of securing an equitable standard of living in retirement. Age limitations still apply to the superannuation guarantee obligation, personal contributions, tax deduction eligibility, and the co-contribution scheme. These upper age limits appear to have no justification, and contrast with both the aims of the simpler superannuation reforms and with the increasing life expectancies of Australians, as identified in the second *Intergenerational Report (2007)*.

Pension

It should be recognized that despite making significant contributions to the nation's well-being during their working lives, many older Australians have little or no superannuation or private savings with which to support their retirement. With household living costs increasing as a result of rising energy and petrol expenses, it is essential that Age Pensioners and low income self-funded retirees are provided with appropriate financial safety nets. Actions designed to support older people in their retirement will assist to keep their incomes at an appropriate level.

Concessions

While many older Australians currently receive a range of concessions, provided by government at all levels, eligibility is generally restricted to those in receipt of an Age Pension. Although self-funded retirees are likely to have additional income or assets, these amounts are intended to



last throughout their retirement, and can be easily exhausted in the event of unforeseen housing or health costs. As discussed in *part a*), self-funded retirees also spend considerably more than Age Pensioners, employees, and other government transfer recipients on health, household contents and services and recreation.

While the Commonwealth Seniors Health Card (CSHC) provides some health concessions, it is significantly inadequate in comparison to the pensioner concession card. The income limits which apply to the CSHC are also inadequate, having not been increased since 2001.

National Seniors therefore believes that current tax, superannuation, pension and concession arrangements are inadequate. While recent reforms have assisted many older Australians to increase their retirement savings potential, reforms have largely failed to address the needs of those who rely solely on government support as their principal source of income. These inadequacies both limit access to resources for some older Australians, and present considerable barriers to those people participating in the community.

National Seniors recommends that the Australian Government:

- *Abolish the upper age at which the superannuation co-contribution scheme ceases (currently 71)*
- *Index Commonwealth/Defence superannuated pensions in line with a wage based index, similar to that applied to the Age Pension*
- *Increase the pension income test for single pensioners (currently 56 per cent) to 2/3rds of the rate of the couple (combined) income test*
- *Increase the rate of the single Age Pension (currently 60 per cent) to 2/3rds that of the couple (combined) Age Pension*
- *increase income limits for the Commonwealth Seniors Health Card and index these limits in line with a wage based index*
- *Abolish the upper age at which the superannuation guarantee obligation ceases (currently 70), and allow employers to claim a tax deduction for these (before tax) contributions*
- *Abolish the upper age at which older Australians can make personal contributions to a superannuation fund (currently 75), and allow individuals to claim a tax deduction for these contributions*

(e) Review the impact of government policies and assistance introduced across all portfolio areas over the past 10 years which have had an impact on the cost of living for older Australians

The Australian Government has introduced a number of significant reforms and increased funding in key areas, which have helped to improve the lives of older Australians.

However, as noted throughout the body of this submission, there are a number of areas where National Seniors believes that further investment and change is still required if our senior Australians are to continue to prosper and have long, healthy lifestyles.

National Seniors commends the Australian Government for undertaking this *Inquiry* and urges the Senate Community Affairs Committee to give due consideration to our recommendations contained herein.

References

ACOSS, June 2003, *The Bare Necessities: Poverty and Deprivation in Australia Today*. Submission to the Senate Inquiry into Poverty and Financial Hardship.

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Appendix A

Terms of Reference

- (a) *the cost of living pressures on older Australians, both pensioners and self-funded retirees, including:*
 - (i) *the impact of recent movements in the price of essentials, such as petrol and food,*
 - (ii) *the costs of running household utilities, such as gas and electricity, and*
 - (iii) *the cost of receiving adequate dental care;*
- (b) *the impact of these cost pressures on the living standards of older Australians and their ability to participate in the community;*
- (c) *the impact of these cost pressures on older Australians and their families, including caring for their grandchildren and social isolation;*
- (d) *the adequacy of current tax, superannuation, pension and concession arrangements for older Australians to meet these costs; and*
- (e) *review the impact of government policies and assistance introduced across all portfolio areas over the past 10 years which have had an impact on the cost of living for older Australians.*