



**COTA Over 50s Submission**

**SENATE COMMUNITY AFFAIRS COMMITTEE  
INQUIRY INTO THE COST OF LIVING PRESSURES  
ON OLDER AUSTRALIANS**

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Authorised by  
National Policy Council

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## INTRODUCTION

COTA Over 50s commends the Senate for establishing this Inquiry in to the “Cost of Living Pressures on Older Australians”. Older people consistently experience cost of living pressures that reflect specific burdens related to the costs of basic necessities and to life course changes in expenditure patterns. In response to these pressures many older people adopt living patterns that over the medium to long term undermine their capacity to live healthy active lives.

Whilst the Consumer Price Index (CPI) provides a view of cost shifts across a defined set of expenditure items, it provides an average result rather than identifying costs that relate to sub-sets of the population. People on low and fixed incomes, including many older people, have expenditure patterns that deviate significantly from this average measure. We estimate that for some groups of pensioners costs may have increased by 15 points more than is reflected in the CPI over a 15 year period. Indigenous older people and those from culturally and linguistically diverse backgrounds are over-represented amongst these groups.

Whilst the pressure of rising living costs is borne by all older people it has the most profound effect on those on lower incomes. Ensuring that all older people have sufficient income to achieve at least a modest standard of living is of paramount importance. Australia has a three pillars retirement income policy that relies on a combination of age pensions, superannuation and private savings. Only once current compulsory superannuation policies reach maturity (2025). “Will a majority of the population of older people have the opportunity to experience the full benefits of significant measures introduced over the last two decades. Current cohorts of older people, especially those whose primary source of income is the age pension, do not have the opportunity to benefit from these policies. As a consequence there are serious issues of poverty, inequality and social exclusion for many older Australians.

Gender and partnered status make considerable differences to retirement incomes and the capacity of individuals to bear cost pressures. Single people who are long-term age pension recipients are particularly vulnerable. The vast majority of these older people are women who had very limited paid work and few, if any, opportunities for superannuation. Two do not live as cheaply as one, however the overheads associated with housing and utility cost bear disproportionately on single people. The retirement income industry advises that single people require 70% of the income received by couples to achieve the same standard of living but the single age pension is only 60% of the couple rate.

Many older people, who have led frugal lives over a long period of time, have managed to survive on inadequate incomes by making adjustments that have a negative impact on their capacity to continue living actively and safely in the community. This has severe, although frequently unrecognised, social and economic consequences for individuals, families and the community. Assessments of the

income requirements for a modest living standard need to take into account the internationally recognised need for healthy/active ageing to include participation in the community, and security (e.g. of food, housing, income,) as well as health.

Cost pressures being experienced by older people are exacerbated by other social and economic changes including introduction of regressive indirect taxes , increases in user pays charges in former public enterprises, co-payments for medical and pharmaceutical services and lack of accessible transport and affordable housing. Access to affordable, secure housing, is essential to older people's capacity to lead healthy lives and retain their social networks. Current housing stress on those in private rental is severe. We understand that those in this situation are most likely to be living in poor health or to be socially excluded.

The accumulations of superannuation and other retirement assets occurs across the life course therefore policies to ensure that older people have an adequate retirement income depend on policies that affect them during their working lives. Those who suffer disadvantage and discrimination throughout their lives, including those with interrupted working lives, those with few formal qualifications and those forced into premature retirement through ill-health or retrenchment are unable to save sufficient funds to ensure a secure retirement and a modest lifestyle. Strategies are required across the lifecourse to ensure that these groups do not bear undue cost pressures in older age.

In this submission we recommend a range of strategies that would increase older people's capacities to withstand cost pressures and discuss some of the specific Terms of Reference of the Inquiry in greater detail.

## Recommendations

COTA Over 50s recommends that the Inquiry endorses the following recommendations and an appropriate strategy for their achievement within the life of the next Parliament.

COTA Over 50s recommends that:

1. The major goal of retirement income strategies should be to ensure that the retirement income of all older people enables them to fully participate in society and enjoy a lifestyle in accordance with contemporary Australian standards.
2. Immediate measures are introduced to raise the retirement income of those currently on incomes below the level necessary to secure a modest lifestyle. These measures should include:
  - An immediate \$1000 per annum pension supplement for full pensioners that continues until the other measures adopted come into effect.
  - An increase in the single age pension from sixty percent to two-thirds of the pension rate for couples.
  - A mechanism to ensure that the financial security of all Australians is regularly monitored and reported to Parliament. The adequacy of the age pensions, the maintenance of its real value and the appropriateness of the relevant benchmarks should be a key component of such monitoring.
3. The establishment of a Task Force charged with developing sustainable strategies to enable older people to achieve the combination of income security programs, superannuation and taxation ensure that all older people achieve the level of income deemed necessary for a basic lifestyle.

The Task force should:

- Recommend strategies to increase the income of the lowest income groups by a significant increase in the full pension rate, and/or income supplements for people below the “modest lifestyle’ measure.
  - Examine strategies relevant to different groups of older people These groups include current cohorts of older people on fixed incomes who do not benefit from current retirement income policies; single long-term pensioners the majority of whom are older women, mature age unemployed workers and disability support recipients.
  - Report to the Parliament within 12 months.
4. Strategies be implemented for increasing labour market participation, and consequentially the retirement income, of women including:
    - Provision of paid maternity leave (and payment of superannuation guarantee contributions during absence from the workforce).
    - Provision of adequate childcare facilities at an affordable cost.
    - Encouragement of family friendly workplace practices.

5. The Newstart Allowance be increased for mature age unemployed people to more realistically reflect the likely duration of unemployment. The current level of a pension payment would be appropriate. The income test for this payment should also be lifted to the same as that for the age pension.

## Discussion of Selected Terms of Reference

### ***(a) The Cost of Living Pressures on Older Australians, both pensioners and self-funded retirees***

#### **Amount of income received**

In 2003-04, the Australian Bureau of Statistics estimated that the average disposable income required for all persons living in private dwellings was \$549 per week. This is the amount required to maintain an average standard of living in private dwellings in Australia. There were approximately 19.6 million people living in these dwellings<sup>1</sup>.

Of course, such averages do not tell us much about the vast spectrum of household income throughout Australia. For example, for low-income people in Australia – those whose income falls within the two lowest quintiles – the average weekly income is \$300 per week (for the lowest quintile it is \$246 per week). The lowest income quintile groups include a high proportion of older people, and government pensions and allowances are the primary source of income for this group (69.8%). Less than half of the people in this income bracket own their own home (47.7%).

More specifically, for *couples* over 65 years (a population of 656,700), the average weekly income is \$399 per week. For 66.9% of this particular population, the primary source of income is government pensions and benefits. Most couples in this bracket own their home without a mortgage (85.2%).

For *singles* over 65 years (a population of 717,000), the average weekly income is \$350 per week. For 76.5% of this particular population, the primary source of income is government pensions and benefits. Again, most individuals in this group own their home without a mortgage (73.8%).

People 65 years and above have the lowest average incomes in Australia, placing them in the lowest quintiles for income. This might be manageable for those who are already homeowners and who have additional sources of income, but for those who do not, the cost of living is significant. The maximum Age Pension rate equates to \$262.55 per week for a single person, and \$219.55 each for a couple per week<sup>2</sup>. While rent assistance can provide up to \$104 per fortnight for singles and \$98.20 each per fortnight for couples, the income remaining for all goods and services is extremely limited. And while non-home owners are a minority among older people in Australia, they still account for about 97,000 couples and about 188,000 single people who are at real risk of poverty.

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<sup>1</sup> Australian Bureau of Statistics, Year Book Australia 2006, cat. No. 1301.0

<sup>2</sup> Centrelink, March 2007 [www.centrelink.gov.au](http://www.centrelink.gov.au)

### Household Expenditure<sup>3</sup>

During the period of June 2003-04, Australian households spent an average of \$893 per week on goods and services. However those in the lowest gross income quintile (the lowest 20% of households ranks according to gross income) spent \$413 per week. Those in the 65+ age group are included in those households whose weekly expenditure is significantly below the average, at \$510 per week.

As couples and singles over 65 years receive an average of \$399 and \$350 per week respectively, the average weekly household income is less than the average weekly expenditure. To sustain this, many people draw on savings, especially retired people who have superannuation or personal assets. But for those who do not have access to additional funding, life in retirement becomes extremely limited as only very modest lifestyles can be maintained. This has a significant impact on the quality of life for older Australians (see (b) below).

The lowest income quintile groups are characterised as having more single households and more likely to rely on government pensions and allowances as the primary source of income. Compared to those in higher income brackets, those in the lowest income bracket spend a greater proportion of their income on: domestic fuel and power, food and non-alcoholic drinks and household services. There is less spending on: recreation, clothing, footwear, alcohol and personal care.

While the CPI has risen 18% in the five years from 1998-99 to 2003-04, goods and services have increased at significantly higher rates. For example the rate of cost increase for some goods and services accessed by those 65 years and over include:

- Housing costs up 47% (especially renters)
- Recreation up 29%
- Food and non-alcoholic beverages up 20%
- Transport up 18%
- Health practitioner fees up 44%
- Health insurance up 34%
- Domestic fuel and power up 32%.

However the picture of average household expenditure among the lowest income quintile does not necessarily provide an accurate picture of the expenditure patterns of highly specific groups of the population. The cost of living pressures varies markedly among retirees over 65 years who are split into three broad categories:

- Full-pensioners
- Part-pensioners and
- Non-pensioners

Further, within these broad categories, are many sub-groups of pension age individuals who range from extremely financially well-off (usually homeowners who have a healthy superannuation fund and/or other private income) to those who rely on government pensions and benefits, rent privately and rely on public transport. The

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<sup>3</sup> Australian Bureau of Statistics, *Household Expenditure Survey Australia: Summary of Results 2003-04* (Reissue)



latter are arguably the ‘hot spot’ for risk of poverty, as income levels are far below that required to sustain even moderate lifestyles. To obtain a more accurate understanding of the cost of living pressures for those in the lowest income brackets, requires a breaking down of the expenditure on goods and services that specifically relate to the population under consideration, together with a comparison of the real changes in the CPI of those particular items.

### **Cost of Living pressures**

The Consumer Price Index for the subgroup *Age Pensioner Households*<sup>4</sup> reflects highly generalised experiences. For example, it does not measure changes in the relative standard of living of further subgroups, nor does it reflect changes in living costs over the lifecourse (costs and needs change as retirees grow older).

It is however possible to compare the expenditure patterns of certain subgroups of the population according to their incomes. Researchers from St Vincent de Paul used the ABS Household Expenditure Survey to construct weightings for several subgroups, one of which was the Aged and Disability support pensioners<sup>5</sup>. Further, this study developed Relative Price Indexes to account for different lifestyles through prescribing specific CPI price trends for various housing and transport options.

The weightings emerging from this study indicated that from 1990 to 2005, the CPI has risen to 148.8, while the cost of living for Age/Disability Pensioners who were home owners/purchasers, and who used private transport, increased to 153.99. For renters relying on public transport, the increase was to 162.93.

The report noted that the following cost increases are directly applicable to Age/Disability Pensioners:

- transport costs have increased to 117% of inflation rate, while private motoring increased 5.78% below the underlying CPI;
- that health costs have increased at 130% of the inflation rate;
- dental services by 130%;
- insurance by 207% (pricing low-income households out of the market);
- utilities by 16.7%;
- diary products by 41%, and
- bread products by 34%.

Meanwhile, the Government claims: “While indexation in line with CPI increases ensures payment rates reflect increases in prices, the male total average weekly earnings benchmark ensures that pensioners share in any increases in community living standards as measures by the growth in wages”<sup>6</sup>. And yet from the period June

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<sup>4</sup> Australian Bureau of Statistics, 2005, *Year Book Australia*, cat.no. 1301.0

<sup>5</sup> St Vincent de Paul Society, 2005, *Winners and Losers: the story of costs*, Social Policy issues Paper 2, G. Dufty.

<sup>6</sup> Department of Families, Community Services and Indigenous Affairs, Annual Report 2005-06, Outcome 3.1 Support for the Aged  
[www.facsia.gov.au/annualreport/2006/2\\_3\\_1.html](http://www.facsia.gov.au/annualreport/2006/2_3_1.html)

1998 – June 2006, the ABS reported that the living costs for Age Pensioners showed the highest rate of increase<sup>7</sup>.

Clearly these cost pressures are experienced differently in different households. Gavin Dufty from St Vincent de Paul has compared the percentage variance from the CPI for specific items for single people with two children and Age pensioners<sup>8</sup>. For example:

<b>Item</b>	<b>CPI</b>	<b>Single 2 kids</b>	<b>% Variance</b>	<b>Age Pension</b>	<b>% Variance</b>
<b>Food</b>	18.1	21.6	+19.3	23.6	+30.68
<b>Housing</b>	17.4	19.3	+10.92	12.9	-25.86
<b>Utilities</b>	3.5	4.0	+14.29	5.5	+57.14
<b>Health</b>	5.2	2.9	-44.2	6.6	+26.20
<b>T/Port</b>	14.6	12.4	-15.07	11.3	-22.60
<b>Com/ion</b>	2.7	4.1	+51.8	3.8	+38.69
<b>Cld/care</b>	0.5	1.3	+160	0	-100
<b>Education</b>	3.0	2.7	-10	0.1	-96.67

The cost pressures for Age Pensioners are significantly higher than other low-income groups for a number of basic needs such as food, utilities and health. Additionally, these costs far outstrip the CPI indexes, showing how inadequate this measure is for highly specific groups.

For those at significant risk of poverty, namely full-pensioners who rent their homes and rely on public transport, access to many of those basic necessities that other Australians take for granted become impossible to afford. This raises several concerning issues – do low-income pensioners delay critical medical treatment? What happens when they can't afford to pay utility bills? What other goods and services might they forego?

More generally, the St Vincent's study shows that for low income Age Pensioners, especially those with few assets and no other source of income, the cost of living has priced them out of the market for those services that are basic rights for any Australian. The extent to which this affects the quality of life of this particular subgroup is considerable indeed.

<sup>7</sup> Australian Bureau of Statistics, 2006, *Analytical Living Cost Indexes for Selected Australian Household Types*, June 2006. Cat. No. 6463.0

<sup>8</sup> National Ageing Research Institute Biennial Seminar, *Who decides? Lifestyles and care of Older Australians* 'The implications of changing cost pressures on various household types and income groups', G. Dufty

**(b) The impact of Cost Pressures on the Living Standards of Older Australians and the Ability to Participate in the Community; and**

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

In 2003-04, Westpac commissioned the Association of Superannuation Funds of Australia (ASFA) to determine how much money was needed in retirement to fund a *modest lifestyle*, and a *comfortable lifestyle*<sup>9</sup>.

According to the ASFA, a *modest* lifestyle enables only basic living, and precludes such things as eating out, travel, private health insurance, running a motor vehicle or entertaining at home. Whereas a *comfortable* lifestyle enables a healthy retiree to be involved in a broad range of social and leisure activities; to purchase some household goods such as electrical equipment; to own and run a good car; and to partake of some national and occasionally, international travel. In all these estimates, it is assumed that the retired individual or couple owns their own home.

Breaking down budgets into areas such as on-going household costs, utilities, clothing, personal care, transport, leisure, and others, the ASFA suggests that a single person living a *modest* lifestyle, needs approximately \$18 400 per year (\$353.05 per week), while a couple would need approximately \$25 900 a year (\$496.57). To live a *comfortable* lifestyle, the ASFA suggests that a single person requires \$35 700 per year (\$685.26 per week), while a couple requires \$47 800 per year (\$917.16 per week). These costs are based upon the national average costs as at December 2006<sup>10</sup>, and illustrated below as a comparison to the maximum Age Pension.

<b>Income per week</b>	<b>Single</b>	<b>Couple</b>
Required for a <i>modest</i> life in retirement (assuming home ownership) – Westpac/ASFA	\$353.05	\$496.57
Required for a <i>comfortable</i> life in retirement (assuming home ownership) – Westpac/ASFA	\$685.26	\$917.16
<b>Age Pension (maximum)</b>	\$262.55	\$438.50

Table 1. A comparison of income figures

<sup>9</sup> Westpac/ASFA, 2006 *Retirement Living Standard: Detailed Budget Breakdowns*, December Quarter [www.superannuation.asn.au](http://www.superannuation.asn.au)  
 Accessed March 2007

<sup>10</sup> Ibid.

In this study, it is suggested that the shift to a comfortable lifestyle for retirees significantly enhances their quality of life, while living a modest lifestyle is clearly limited. For example without health insurance, those living a modest lifestyle are at the mercy of public hospital waiting lists. Take Ivy\*, who is a 69 year old full pensioner living in a rented home in a retirement village. She made the point that:

Health is the biggest issue for me. I had to wait for 3-4 years to get my dental treatment. I find health insurance is far too expensive for me. But now I have some dental and optometry cover because I cannot wait that long for treatment and my teeth and eyes bother me if I don't keep up with my doctors' appointments. But unless it is an emergency, the waiting lists are very very long.

For those who can afford health insurance, the situation is entirely different. Grace\* is a 69 year old non-pensioner, who lives in a new townhouse that she bought two years ago. She made the point that:

I have full health insurance. I had to have surgery yesterday and I just went in and had it straight away. If you couldn't afford health insurance you'd be waiting around forever in a public hospital and probably wouldn't get a specialist.

Transport is another issue. Being unable to travel readily for medical treatment is highly problematic as transport costs are escalating, and services are often unsuitable. Consider Nancy\* who is in her 70s, receives a full pension and rents her home. She notes that:

Transport is expensive, especially when you are not in the inner city. I get taxis ½ price, but they're expensive when I need to go to the doctors in the city. So I use trains and buses a lot. They're cheaper. But they don't run at the hours that I would like. There's nothing after 6pm, so I can never go out at night. People closer to the city probably have it a bit easier, but I couldn't afford to live closer in.

Moreover, as can be seen from Table 1 above, a modest lifestyle actually requires a greater income than a full pension allows, even with rent assistance. Thus those full pensioners who rent and rely on public transport are living below even the modest standard. For these individuals, even the basics become difficult to afford. Nancy notes that:

What I also find expensive are utilities. Heating especially. My heater needs both gas and electricity, so I get charged for both. So I try not to use it at all during the day, until that really bitter cold comes in at 4 or 5pm and then I have it on for a while. But when the room heats up I turn it off again and try to bundle up for a while. If it gets too cold, I might turn it back on, but not usually. I try to manage with blankets and jumpers. So I can afford the basics – rent and food – and I'm grateful for that. But any more than that is tricky. Things are getting more expensive and I just keep adjusting. For example I don't buy much meat anymore. I have cut down a lot

and tend to walk past it at the supermarket because it is just too expensive. There's not much left for clothing. I've ended up going to Op Shops which was at first a little degrading. I used to buy my own clothes. But they are really nice there, and they chat to you. It's a good chance to chat. Isolation is no good, so any chance you get to have a chat with someone is great.

Ivy reported similar issues when budgeting on her pension allowance:

Food is expensive, and so are utilities and I find I have to move money around a bit to cover this and that. But my life (during the War) has taught me to manage things pretty well. I can cover my needs all right, but I don't have any little luxuries. I would like to buy better clothes and shoes for example, but I can't afford to do that. I would also like to go to concerts in the city, but the transport there and the tickets make it too expensive for me to go. I certainly couldn't afford a car.

Ivy raises another critical issue affecting those on very limited incomes – that of social connectedness and community participation. For those on limited incomes, the cost of transport to facilities and entry fees are often prohibitive. Nancy stated earlier that she just didn't go out at night because her local buses didn't run after 6pm, and she couldn't afford to move closer to the city where they do run a little later. Nancy noted that she would love the opportunity to get out of her house and meet people:

What I would really love is to have an exercise club to go to. It's really important for us oldies to move and get fit, but there are no classes that I can either afford or get to. It would be great because you could meet people and have a chat, but also exercise at the same time. It would be a win-win situation. Even swimming classes would be good, although again there's nothing that's accessible for me. I like to walk occasionally, but frankly older people don't feel that safe on their own. If something happened, what would you do? Plus you never know who else is out there walking around.

As cost pressures continue to rise and outstrip the CPI, older Australians, especially full-pensioners who are renting and relying on public transport, are finding the price squeeze increasingly difficult to manage. As Nancy states, "As things get more expensive, I don't know what will happen." Meanwhile the possibilities for those on the full pension are diminishing as many basic needs are barely affordable, and social isolation increases as community participation becomes less and less affordable.

The number of older Australians in this position is difficult to ascertain. It includes most full-pensioners who live on their own in a rented home and who rely on public transport. Certainly some full pensioners who have the assistance of nearby families for transport, food and other care are in a slightly better position. However the situation is clearly different for those who are more isolated from family and friends and who must pay for all home and personal care services. There are also some part-pensioners who live on a very limited income but who cannot obtain full pension status because of asset-tests that deem them to be wealthier than others. This might include some home owners who certainly have a significant asset, but who are finding it hard to maintain and run their homes on limited incomes. The extent to which some homes fall into disrepair due to escalating costs is considerable. This factor may

precipitate entry into aged care as the home is no longer safe. Residence in an aged care facility does not bring relief from many of the cost pressures. Full pensioner residents spend 85% of their pensions on their daily care and rent, leaving them less than \$50 per week to pay for their medication, other health costs, transport, clothing, toiletries and haircuts and any incidentals or recreational pursuits. While their basics are covered, there is little dignity in being unable to afford much else outside the care accommodation.

For example Dominic\* is in his 60s and receives a full disability pension. He lives in a low-care residential facility and spends much of his time talking to people or resting. He gets out to the football occasionally, but cannot afford to do much else or buy much. Often he obtains a loan from the petty cash officer at the facility to tie him over during the fortnight when his disposable income of \$90 a fortnight runs out. While he noted that he had most things he needed – a roof over his head, his own room and three meals a day – it was an affront to his dignity that he couldn't afford to buy new clothes. He said:

Actually it would be great to buy new clothes one day. It would be nice to buy my own shoes and clothes without having to go to St Vinnies or the Salvos. They all know me, so that's alright, but it would be nice to be able to buy them new.

Clearly the Age Pension as a primary source of income is insufficient for a comfortable, dignified retirement. That any older Australians have to forego basic needs, endure social isolation and battle their pride to purchase second hand goods in order to manage the escalating cost of living is unacceptable.

***(d) The adequacy of current tax, superannuation, pension and concession arrangements for older Australians to meet cost of living and provide a comfortable lifestyle, AND whether there are arrangements in place sufficient to ensure those who retire up to at least 2050 can enjoy a comfortable lifestyle.***

Issues surrounding the adequacy of the tax arrangements for older Australians are mostly irrelevant for the population under discussion who are retired from working life. For others, the Senior Australian Tax Offset allows individuals to earn more income before tax and the Medicare Levy is paid. Individuals can be eligible for this scheme if they are recipients of the Age Pension; if they receive a superannuation pension; income from investments; or any other assessable income including salary or wages<sup>11</sup>. Therefore most pension age individuals are eligible, depending on taxable income. The taxable thresholds for singles is less than \$33 340, and less than \$59 244 for couples (combined). However again, this will not have an impact on those retirees who are full pensioners and not paying income tax. This scheme is more likely to affect non-pensioners and part-pensioners who receive income from a superannuation fund, dividends, or who work part-time for example. The recent decision to make many superannuation payments tax free is welcome but will similarly result in benefits for those older people on relatively higher incomes than their peers for whom the age pension is the primary source of income. Additionally, the amount of money individuals can save through the Tax Offset is unlikely to have an affect on their overall income and subsequent standard of living in retirement.

A NATSEM study<sup>12</sup> has determined that ½ of all Baby Boomers have almost no super savings. Additionally, in 2004, the median amount of super saving for men was \$30 700 and for women, was only \$8000. Most financial advisors suggest that at least \$30 000 a year is required for a comfortable retirement. If the Age Pension provides about \$13 000 a year, then another \$17 000 needs to come from super or private savings. Clearly the Baby Boomers are going to struggle to achieve anything close to a comfortable retirement on this level of income.

Simon Kelly and Ann Harding from NATSEM suggest several possible solutions to the Baby Boomer problem. These include retirement saving options such as:

- Increasing labour force participation
- Increasing Superannuation Guarantee rates to 15% (from the current 9%)
- Decreasing superannuation fees that are currently taxed three times
- Decreasing superannuation fees and charges (management).

Additionally, Kelly and Harding suggest the need to decrease Government outlays through better targeting of the Age Pension and through promoting income streams over lump sums. However these suggestions would come too late for most Boomers,

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<sup>11</sup> Australian Taxation Office, Senior Australians Tax Offset – General Information ([www.ato.gov.au](http://www.ato.gov.au)) Accessed 12/07/07

<sup>12</sup> *ibid.*

and their best hope for achieving greater retirement incomes is to stay at work for longer. Currently, about 70% of people aged over 65 years are living on less than \$300 a week which is not adequate for a comfortable lifestyle, and there is little hope that Baby Boomers will enter their retirement years with significantly larger sums than this.

But what about those who do not even have the benefit of 12-15 years of Superannuation Guarantee – the non-tax-paying, 65+ year old full pensioners? As the figures mentioned previously suggest, their income is clearly inadequate for what Westpac/ASFA describe as a *modest* lifestyle, let alone a *comfortable* lifestyle. The Age Pension provides about \$13 650 per year for singles, and about \$22 800 for couples, while the Westpac/ASFA study suggests that for a modest lifestyle, singles need at least \$18 400 per year, and couples need about \$25 900 per year. The shift to a comfortable lifestyle, and arguably a greater quality of life in retirement, requires \$35 700 for a single person, and \$47 800 for couples. The Age Pension would need to more than double to provide this.

Additionally, the Westpac/ASFA figures assume that people own their own homes. Meanwhile, those non-homeowners (even with rent assistance) relying solely on the Age Pension must manage additional rent payments on top of utility bills, medical bills, food and beverages, clothing and all other miscellaneous goods and services on a significantly reduced income. If living a modest lifestyle is considered to represent a reduced quality of life in retirement – not much can be said about the relative adequacy of the Age pension as a primary source of income. When  $\frac{3}{4}$  of all retirees rely on the Age Pension, and  $\frac{2}{3}$  of these recipients receive the full rate, it can be seen that the potential for risk of poverty affects a vast number of older Australians.

Additionally, the adequacy of concession and benefits for older people in Australia has also come under scrutiny. The concession regimes vary between jurisdictions sometimes reflecting material differences in the environment and sometimes as a result of political expediency. Although these concessions are valued by older people they leave many recipients struggling to meet necessary expenditures as costs rise faster than the concession and new, unsubsidised elements are added to basic accounts. For example rebates on municipal rates and utilities have not kept pace with the rising values of properties and the increasing cost of user pays systems. Anticipated costs associated with reduction of greenhouse gasses and global warming will bear more heavily on low income families and those who are at home for much of the day. Transport costs continually come in for criticism by those older people who rely on the public system. A closer look at the concessional rates is apparently warranted, but so too are the schedules. Recall Nancy who is in her 70s and relies entirely on public transport. She noted that:

Transport is expensive, especially when you are not in the inner city. I get taxis  $\frac{1}{2}$  price, but they're expensive when I need to go to the doctors in the city. So I use trains and buses a lot. They're cheaper. But they don't run at the hours that I would like. There's nothing after 6pm, so I can never go out at night.



For those people who have a chronic diseases and functional disability the costs of aged care services and home maintenance create further pressures. In a 1998 study of disability, ageing and carers in Australia<sup>13</sup>, it was found that 42% of those aged 65+ expressed a need for assistance to help them stay at home, including property maintenance, transport, housework or personal care. Theoretically, HACC and CACPs services are in place to assist older Australians to remain in their homes for longer. They are subsidised by the Government and offer services that some older, frailer people can no longer perform themselves. However in the above-mentioned study, it was determined that of those who described their needs as being fully met, *83% received assistance from family and friends*. Some pensioners point to cost, others to quality of service. Again from Nancy:

I don't use the services that the government offer because they are too expensive. Plus I had a woman come to help me after I was in hospital and she was useless. She just stood around and did nothing. The thing I asked her to do she said wasn't part of her job! I rang the agency and said not to bother sending anyone else out.

For full pensioners who are also homeowners, the cost of on-going maintenance is yet another cost pressure that must be factored in. For David, a 70-year-old pensioner who lives with his wife in his own home, hiring manual labourers to do work around the home is simply not an option. With his health in question, he turns to friends and neighbours:

Right now we're saving for new fences around the house. This costs a lot. We need to buy in all the materials, but we'll do the work ourselves. My neighbour is a carpenter and he helps with most things around the house. Its too expensive otherwise.

Hiring someone in, even at pensioner-discounted rates, was clearly out of the question for David. Certainly homeowners who are primarily managing on pensions are hit hard, as a substantial percentage of the income must be set aside for continuing maintenance. The high reliance on family and friends to assist with such tasks, points to a need for a critical look at the costs, quality, appropriateness and availability of services.

## CONCLUSION

Older people constitute a very diverse sector of the community. They experience the burden of cost pressures in different ways. This diversity is shaped by their whole life course as well as by current circumstances. Many of these influences on older people's capacity to manage the costs pressures and achieve active healthy ageing, have been or are outside their individual capacity to influence.

Although the impact of cost pressures on the lives of older people varies significantly across the various sub-populations, those living on low to middle fixed incomes are

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<sup>13</sup> Australian Bureau of Statistics, 1998 (Reissued in 2003), *Survey of Disability, Ageing and Carers*, cat. no. 4430.0.30.002

most vulnerable. Therefore measures to prevent people sliding into poverty as they age and to support those on low incomes should be a primary focus of the Inquiry. In 2003 the Committee conducted an Inquiry into Poverty in Australia to which we made a comprehensive submission on issues of poverty amongst older people. (Submission 184 COTA National Seniors Partnership) We believe that many of the deliberations of that Inquiry remain pertinent to current circumstances.

COTA Over 50s supports policies that encourage people to maximise their own capacities but we believe that there must be a national commitment to ensuring that all older people can achieve a modest lifestyle. At current contemporary Australian standards this would require a minimum income in the order of \$18,500 - \$19,000 from the combination of age pension, superannuation and other private sources of income. For current cohorts of retired people this would require a significant increase in the age pension as they are not able to increase their own private income at this stage. As the effects of compulsory superannuation and tax free superannuation income flow through future populations of retired people the age pension component of the combination would decrease.

A range of other measure to protect low income people from undue effects of cost pressures should be built into all future policy measures that seek to place a greater share of unavoidable costs onto consumers. In the immediate future anticipated new provisions for increased water and power charges to fund strategies to limit global warming will need to contain measures to ensure that those on low incomes to maintain their supply of affordable services.

## What is COTA Over 50s?

COTA Over 50s is the national peak seniors body, whose member organisations work with over 500,000 older Australians. COTA's members are eight State and Territory-based entities—Councils on the Ageing in NSW, Victoria, Tasmania, Western Australia, South Australia, ACT, Queensland and the Northern Territory – plus the national organization ARPA Over 50s.

COTA Over 50s' has a focus on national policy issues from the perspective of older people as citizens/consumers. Its prime objective is to promote, improve and protect the circumstances and wellbeing of older people in Australia, of which there are over 6 million; not just its members, and in particular the vulnerable and disadvantaged. Other work draws on views of today's seniors and on concerns for future generations of Australians.

In doing so the COTA Over 50s members adhere to five main principles:

**Policy Principle 1      Maximise the economic, social and political participation of older Australians and challenge ageism.**

COTA Over 50s supports policies and programs that encourage and facilitate the inclusion of seniors in all aspects of Australian life.

**Policy Principle 2      Promote positive views of ageing, reject ageism and challenge negative stereotypes.**

COTA Over 50s supports initiatives that recognise the capacities and contributions of seniors and actively combat ageism. COTA Over 50s believes that the impact of ageism, based on negative age stereotypes, restricts the participation of older people in all aspects of Australian life. This has adverse effects on the community and on older people.

**Policy Principle 3      Promote interdependence and consciousness across generations**

COTA Over 50s promotes policies that meet the specific requirements of seniors whilst taking account of the needs of the entire community for sound economic and social development. Senior Australians share an interest in long-term policies that serve the welfare of all Australians.

**Policy Principle 4      Redress disadvantage and discrimination**

COTA Over 50s believes that all people have the right to dignity, to security, to access high quality services, and to equality in participation in the community regardless of their income, status, background, location or any other social or economic factor. COTA Over 50s recognises that seniors are a diverse group with differing backgrounds and social, economic and health status and advocates strongly for those who are most vulnerable and disadvantaged.

**Policy Principle 5      Protect and extend services and programs that are used and valued by older Australians.**

COTA Over 50s develops policies and provides advice on maintaining and improving services and programs that seniors use and value. These include primary health care, hospitals, pharmaceuticals, employment services, utilities, public transport, residential care, housing and community care. It will seek to ensure that there is an adequate "safety net" of services and income support, which all seniors can access according to fair and equitable criteria in order to maintain a reasonable quality of life.