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## Federal budget measures set to widen retirement income gap

The peak body for the \$600 billion not-for-profit super sector, The Australian Institute of Superannuation Trustees (AIST) said last night's Budget measures could create further inequity in Australia's retirement income system over the long term.

**AIST CEO Tom Garcia** said AIST was disappointed and concerned that the Superannuation Guarantee (SG) rate would be frozen for four years and would only reach 12% in 2022/23 instead of the original plan to reach 12% by 2019/20. This is the second change proposed to the legislated schedule in 12 months and adds another year to the timeline.

"It's a real concern that the Government has decided to extend the 12% timeline further than originally planned. This will only make it harder for people to build up their super savings and save for a dignified retirement," Mr Garcia said.

"The Government should now give an absolute commitment there will be no further changes to the schedule and that it is fully supportive of lifting the SG to 12%."

Mr Garcia said lifting the Age Pension eligibility age to 70 could significantly increase old age poverty among future generations of Australians unless there were appropriate measures to ensure older workers who were unable to work longer were not penalised.

"Changes to the Pension Age will hit low income workers and poorest retirees disproportionately," Mr Garcia said.

AIST research has highlighted that a significant minority of Australians (up to 40%) retire involuntarily, with ill health and lack of suitable jobs being major contributing factors. Low income earners – those with the lowest superannuation savings – are more likely to struggle to work for longer or find work.

He was also concerned the indexation of the pension would make it tougher for retirees. Over time linking indexing to CPI rather than average weekly earnings may have substantial compounding effects that would hit pensioners hard.

Mr Garcia said a lack of hard data to support the extent and timing of the new measures, meant it was far from certain that the new policy settings were right.

"If we are to ensure our retirement system is both equitable and sustainable for the long term, we need a full and comprehensive review of the retirement income system rather than a quick fix, piecemeal approach that simply targets the most vulnerable," Mr Garcia said. "We need to put everything on the table not just the Age Pension."

Mr Garcia said it was disappointing that the Government was pressing ahead with its intention to axe the Low Income Superannuation Contribution (LISC) scheme, which has been in place since July 2012.

"This is an important equity measure in the super system for low-income Australians, who will lose a super tax rebate of up to \$500 each year if the scheme goes," Mr Garcia said.

Commenting on other measures, Mr Garcia welcomed the move to include untaxed super in the income test for new recipients of the Commonwealth Seniors Health Card as a sensible sustainability measure.

Mr. Garcia also said the Government's establishment of an Infrastructure Growth Package, an Asset Recycling Fund and other commitments to remove infrastructure bottlenecks were welcome.

**Further media enquiries:**

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***AIST is the peak industry body for the \$600 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.***