



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

**Social Services and Other
Legislation Amendment (Supporting
Retirement Incomes) Bill 2018**

Second Reading

SPEECH

Wednesday, 13 February 2019

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

<p>Date Wednesday, 13 February 2019</p> <p>Page 82</p> <p>Questioner</p> <p>Speaker O'Brien, Ted, MP</p>	<p>Source House</p> <p>Proof Yes</p> <p>Responder</p> <p>Question No.</p>
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Mr TED O'BRIEN (Fairfax) (16:40): This Liberal-National government takes the needs of older Australians very seriously. In the term of this 45th Parliament, as a government, we have delivered on a significant body of legislation that comprehensively improves both the financial security and independence of retirees and will ensure the highest-quality aged care for older Australians who can no longer manage on their own. And, while the previous Labor government legislated the pension age to 67, the Morrison Liberal-National government has announced that the pension age will go no higher. It will remain at 67 years of age. Not only should this come as welcome news for hardworking Australians approaching retirement, but it should be noted that the government's ability to clip the pension age at 67 while ensuring a sustainable social security system is due only to the strong economy that a Liberal-National government delivers.

Beyond simply maintaining the pension age, the government's record of delivery for older Australians is unprecedented. We retained the energy supplement, and, notably, since the coalition was elected, pensions have increased by a touch under \$100 per fortnight for singles and almost \$150 per fortnight for couples. The Liberal-National government is also supporting older Australians to voluntarily stay in the workforce, thanks to a variety of measures—some of which are the subject of this bill—that also include the provision of wage subsidies of up to \$10,000 for employers who welcome older Australians onto their payroll.

While making the case that only a Liberal-National government will fully protect the security, independence and welfare of older Australians, I can't move to the substance of this bill without first touching on the flip side—that is, what this government won't do. We won't steal the income of more than 900,000 Australians who will lose an average of \$2,200 every year under Labor's retiree tax. We won't kick the floor under the property market and threaten the value of people's homes while simultaneously driving up rents by adopting Labor's disastrous policy of ending negative gearing and jacking up capital gains tax. We won't adopt Labor's plan to rip over \$200 billion in extra taxes from the pockets of everyday Australians and small businesses. We won't legislate an economy-destroying 45 per cent emissions reduction target by 2030 that, if imposed, would mean a new dark age not only for Australian jobs and industry but, quite literally, for millions of Australians, including many older Australians who would face the devastating twin impacts of skyrocketing electricity prices and rolling blackouts under Labor's policy. Nor will we tempt a recession or threaten Australia's AAA credit rating or risk the jobs of everyday, hardworking Australians by deviating from our plan for a strong economy that ultimately protects Medicare, puts more drugs on the PBS, secures the age pension, builds schools, builds hospitals and pays teachers and nurses. These are the responsibilities that concern our government, and we won't be swayed and we won't be distracted by the false constructs or voodoo economics of those opposite.

Second only to the primary aim of keeping Australians safe, it is a key objective of this Liberal-National government to help Australians live longer, healthier and more active lives. In last year's budget, the government announced a comprehensive package of measures to help achieve just that, especially for older Australians. Some of these measures are the object of this bill. The Social Services and Other Legislation Amendment (Supporting Retirement Incomes) Bill 2018 will give retirees more options and a better deal in their retirement. The bill aims to enhance the standard of living for older Australians by giving them more flexibility and choice when it comes to managing their finances in retirement, and there are three specific changes proposed by the bill to help achieve this.

Firstly, schedule 1 establishes new means test rules that better accommodate the development of new and innovative income streams for retirees that have resulted, and will continue to result, from changes to superannuation first announced in the 2016-17 budget. These changes allow innovative pooled lifetime income stream products to qualify for tax concessions, provided they comply with requirements. Pooled lifetime income products, such as annuities, are financial products that effectively pool the contributions of multiple people to provide consistent income to surviving members for life. The existing means test rules were designed for simple income stream products, such as lifetime annuities, and would not be suitable for the wide range of more complex products that are expected to emerge in the near future, and, in the event of no action being taken, would leave

the system open to exploitation and distort people's financial decisions. The new means test rules will apply to all pooled lifetime income products purchased on or after commencement, being 1 July 2019, and held by social security or Department of Veterans' Affairs income support recipients. Products acquired before commencement will not be affected by the new rules.

The new means test will only assess 60 per cent of payments from any pooled lifetime income stream and, by doing so, accepts that part of the payments from the income stream simply represent a return of the individual's initial investment and therefore should not be counted as income. The 60 per cent assessment will continue for a minimum of five years or until the person reaches their threshold day—which currently is when they reach 84 years—whichever is longer. Beyond this point, just 30 per cent of the purchase amount will be assessed. Schedule 1 also amends the rules for investment-type life insurance products to make sure they are consistent with the new rules for the pooled income products.

Secondly, schedule 2 of the bill increases the work bonus, being an income test concession for age pensioners and DVA pensioners over a qualifying age to encourage them to undertake work to supplement their pension. The proposed increase is from \$250 to \$300 per fortnight and represents the only increase since 2011. There is also a mechanism for pensioners that take advantage of the work bonus to accrue any unused portion of the current \$250 fortnightly exemption, up to a total of \$6,500, and use it to exempt future earnings from the income test. Schedule 2 will increase the maximum unused concession from \$6,500 to \$7,800, in line with the proposed increase in the work bonus amount. The work bonus will also be extended under the schedule 2 provisions to include all income from gainful work that involves personal exertion and, for the first time, will also include self-employed income, together with income from work as a contractor or as a consultant. As the work bonus currently applies only to employment income, this extended application improves both consistency and equity and, together with all schedule 2 reforms, will increase payments for more than 88,000 social security pensioners and extend eligibility to another 1,150 retirees.

Thirdly, schedule 3 of the bill extends the existing Pension Loans Scheme, otherwise referred to as the PLS, available through Centrelink to all older Australians with securable real estate, while also providing substantially improved access to the scheme. The PLS operates as a type of reverse mortgage where amounts borrowed are a debt payable to the Commonwealth, which is secured against real property owned by the retiree in Australia. The loan is subject to a compound interest rate set by the minister, which is currently at 4.25 per cent. The loan may be repaid at any time, with the debt usually recovered either following the sale of the secured property or from the person's estate after their death.

Schedule 3 amends all relevant legislation to allow any Australian, subject only to reaching age pension age or other relevant qualifying age, to participate in the PLS irrespective of their income or asset test assessment, including pensioners assessed at a maximum pension rate. Those participating in the PLS can draw on the equity in their homes and effectively borrow to a new threshold of 150 per cent of the maximum fortnightly pension rate, inclusive of any special assistance or other supplements that may apply in their case. This measure will better and more comprehensively target the PLS to meet the needs of a diverse range of retirement situations, giving older Australians greater flexibility and more choice via an affordable government regulated scheme to support their standard of living in retirement while allowing them to remain in their own homes.

In summary, this bill provides for three technical reforms to better support Australians in their retirement. New means test rules will ensure a fair and sustainable assessment of newly developed income stream products. The increase and extension of the work bonus will mean that less income from work will be assessed for income testing purposes, allowing higher income support payments to be maintained for eligible veterans and pensioners. And the expansion of the Pension Loan Scheme, the PLS, will allow retirees, including for the first time maximum rate pensioners, to improve their standard of living by accessing the equity in their home as a government loan while still living there.

The reforms outlined in this bill will give older Australians more choice and greater flexibility in managing their finances, allow them to keep more of their pension when they work and allow retirees who own their home to receive more income. By leveraging these successful social security programs to better support the needs of retirees, this bill further delivers on the Liberal-National government's strong, ongoing commitment to older Australians and, thus, I commend the bill to the House.