

# Inequality in the Retirement Income System

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# AGENDA

Background

Current  
Outcomes

Proposed  
Change

Implications



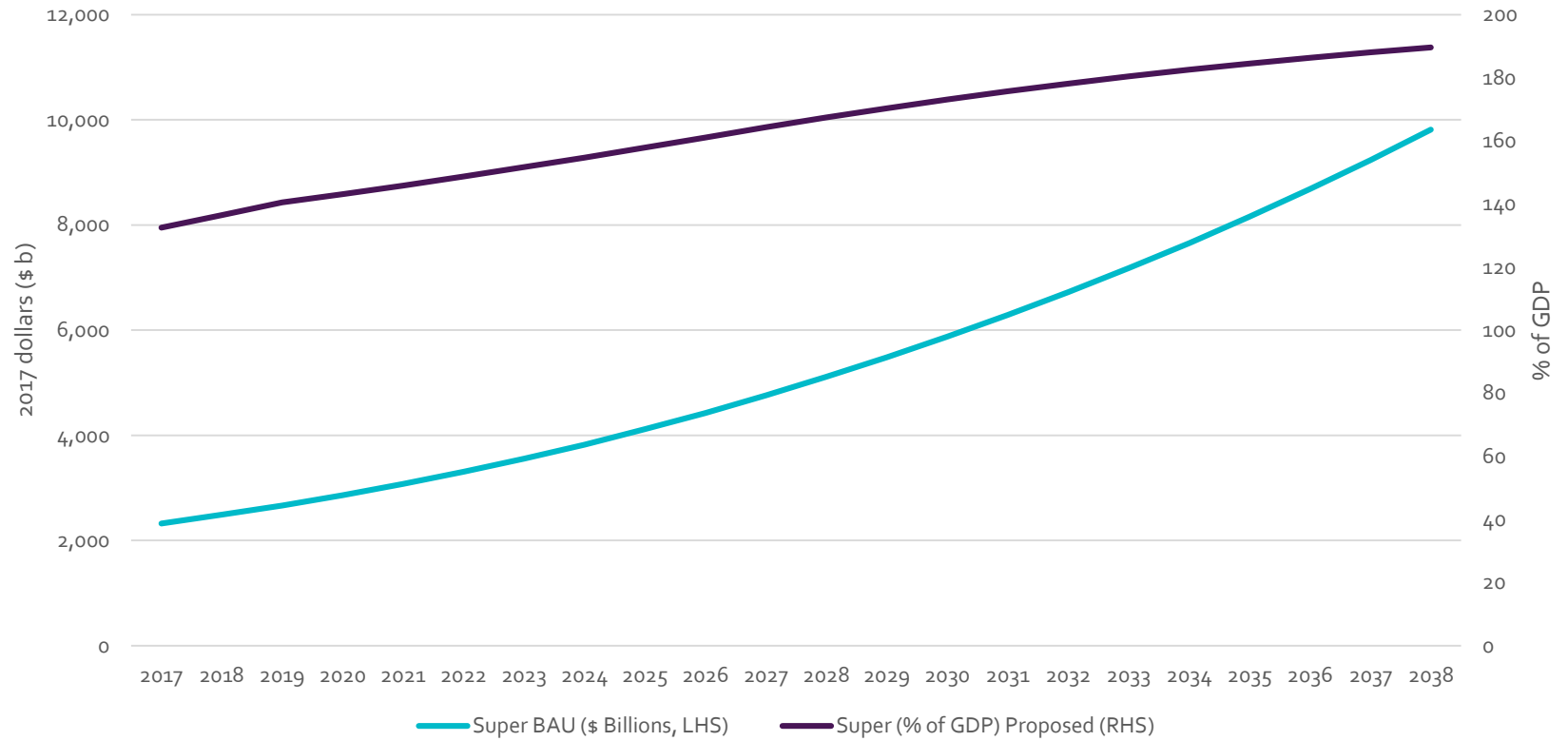
# BACKGROUND

Growing up means things change

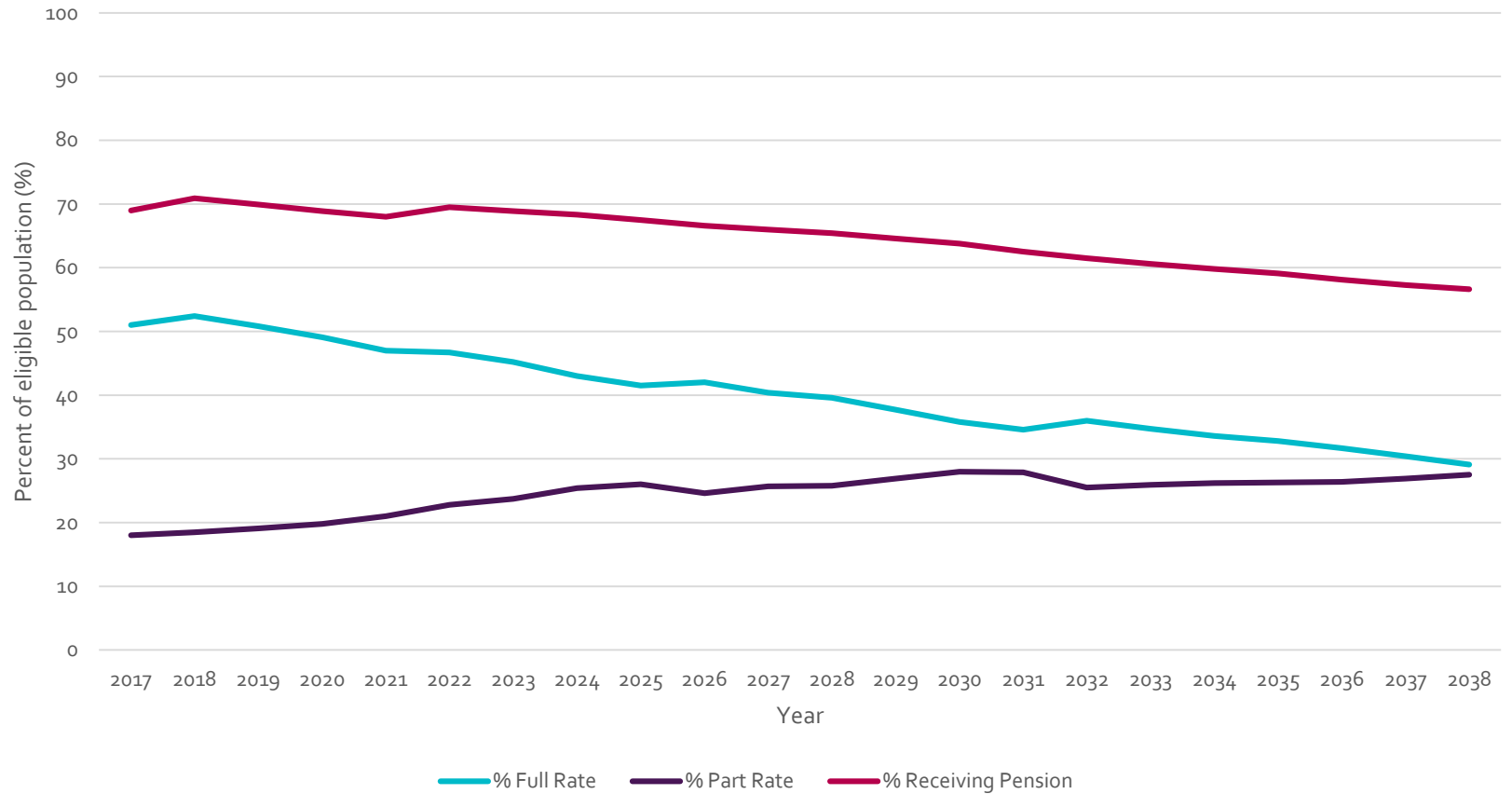
# Australia's Retirement Income System

- 3 Pillar System
  - Voluntary saving
  - Compulsory saving
  - Age Pension
- Since the introduction of compulsory superannuation the system has grown via:
  - Guaranteed contributions
  - Strong investment returns

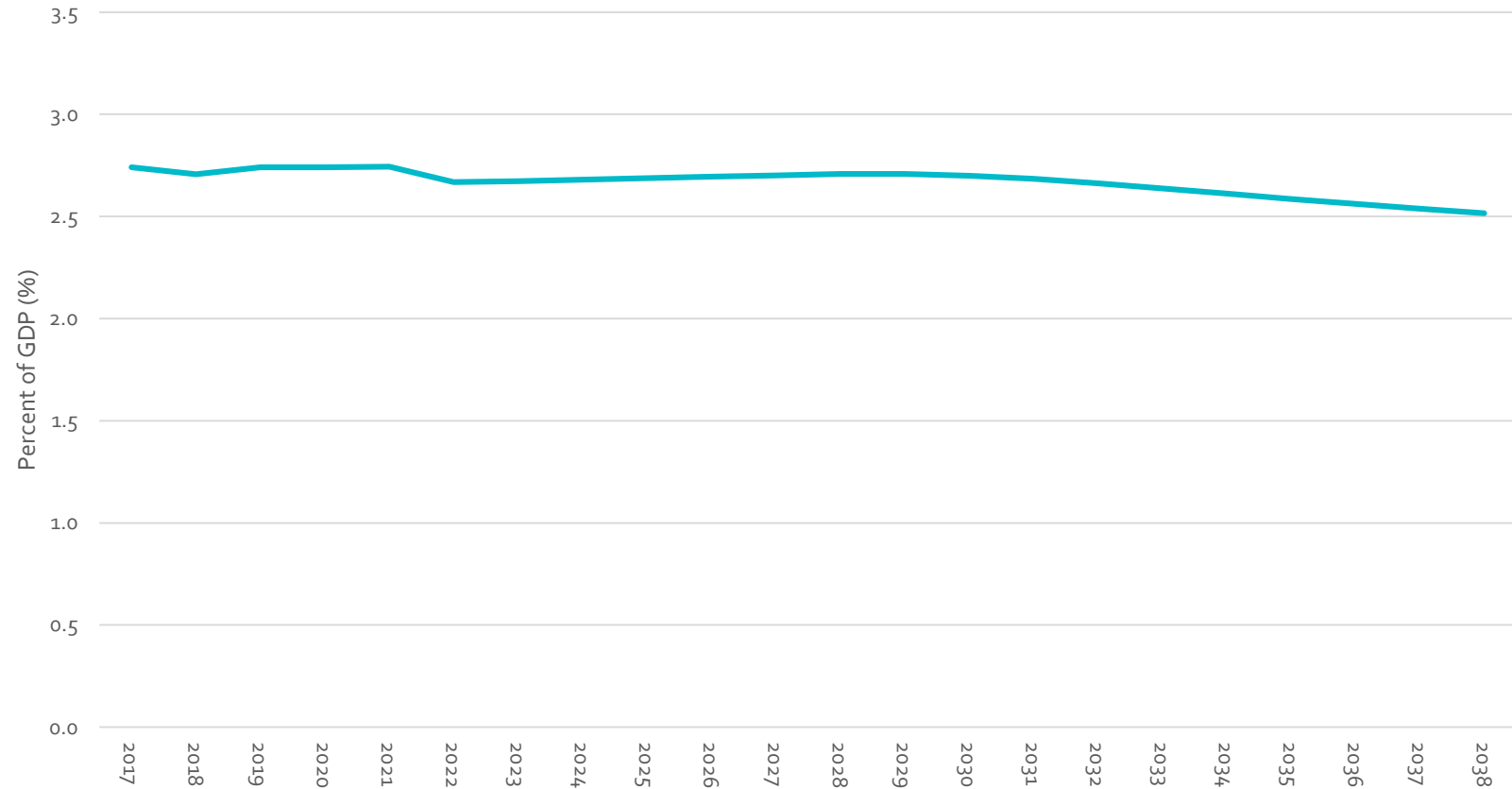
# Growth of Australian Superannuation Assets (\$B and % GDP)



# Proportion of the Population receiving an Age Pension (%)

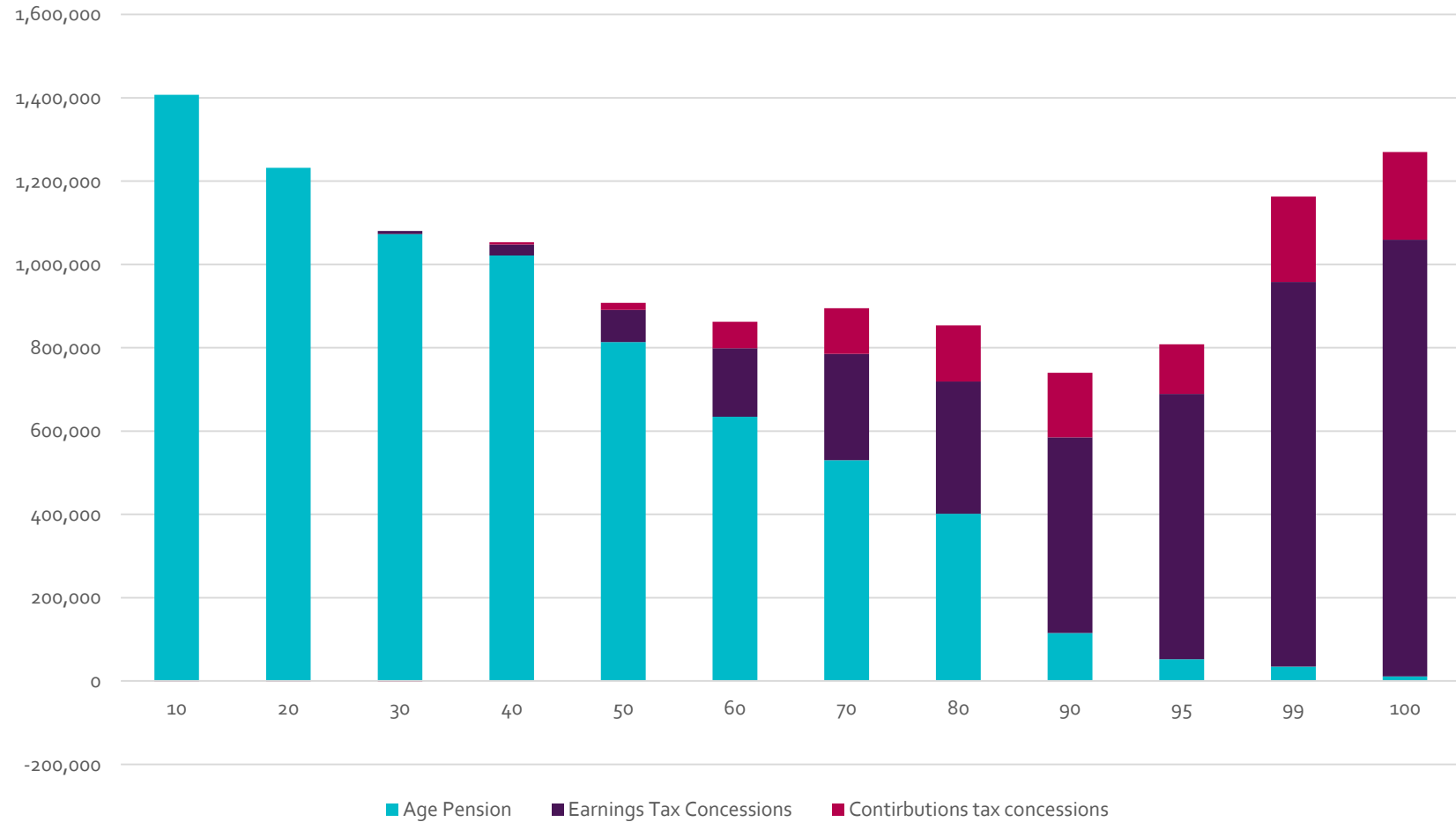


# Age Pension Expenditure as a Proportion of GDP (%)



# Current Equality:

# Lifetime Government Assistance





# Implications of current the current environment

- **Now is the time to review whether the policy settings are delivering good outcomes:**
  - Government expenditure on Age Pension is decreasing
  - The super system will achieve its objective as the system matures
- **However – Inequality DOES exist:**
  - Wealthy individuals get significant tax concessions
  - Value of housing not reflected in the Age Pension means tests
  - Scope to increase assistance to those less fortunate (particularly single people who do not own a home in their retirement)



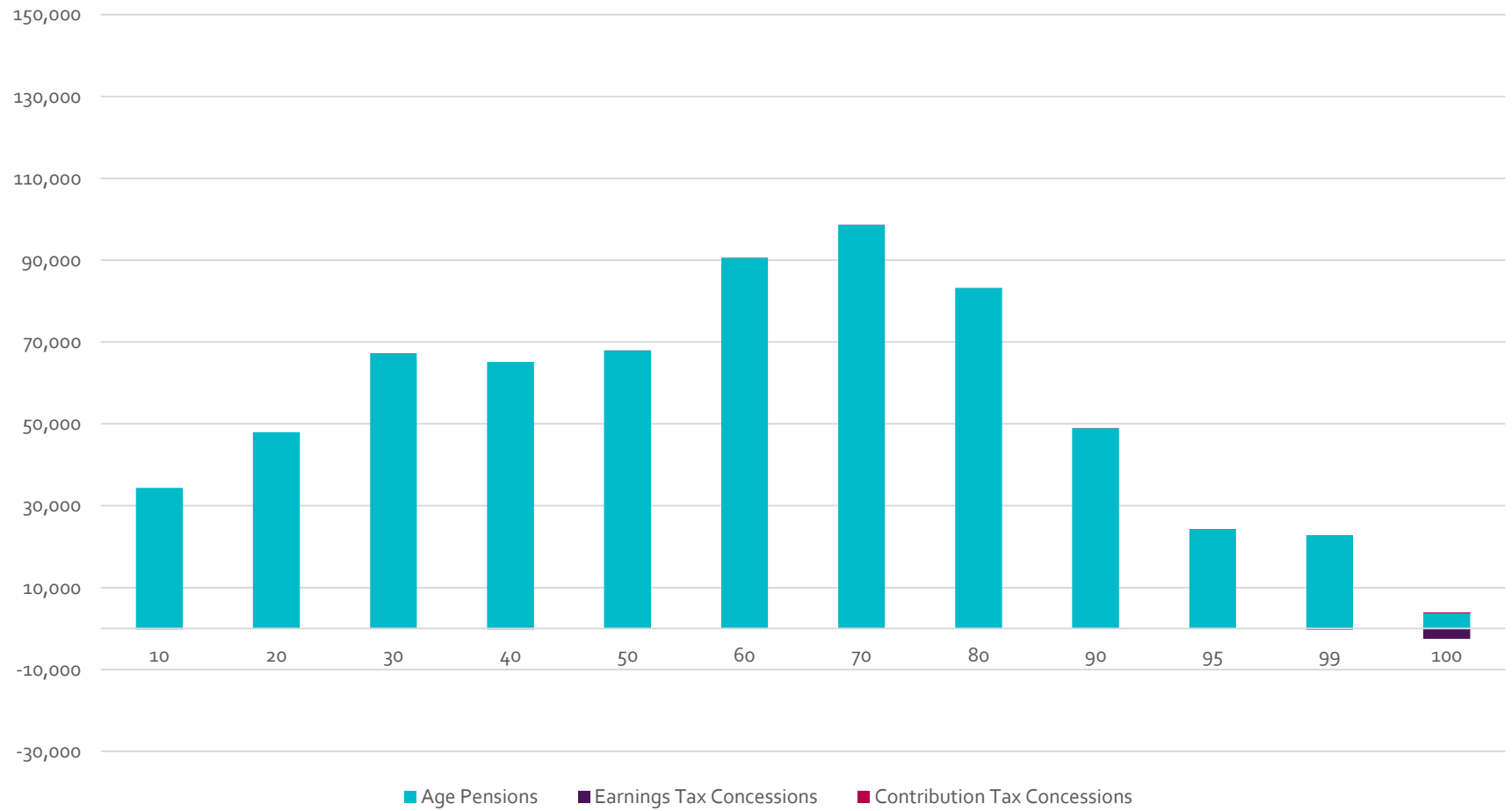
# POLICY CHANGES

Ensuring the maturing system provides equitable outcomes

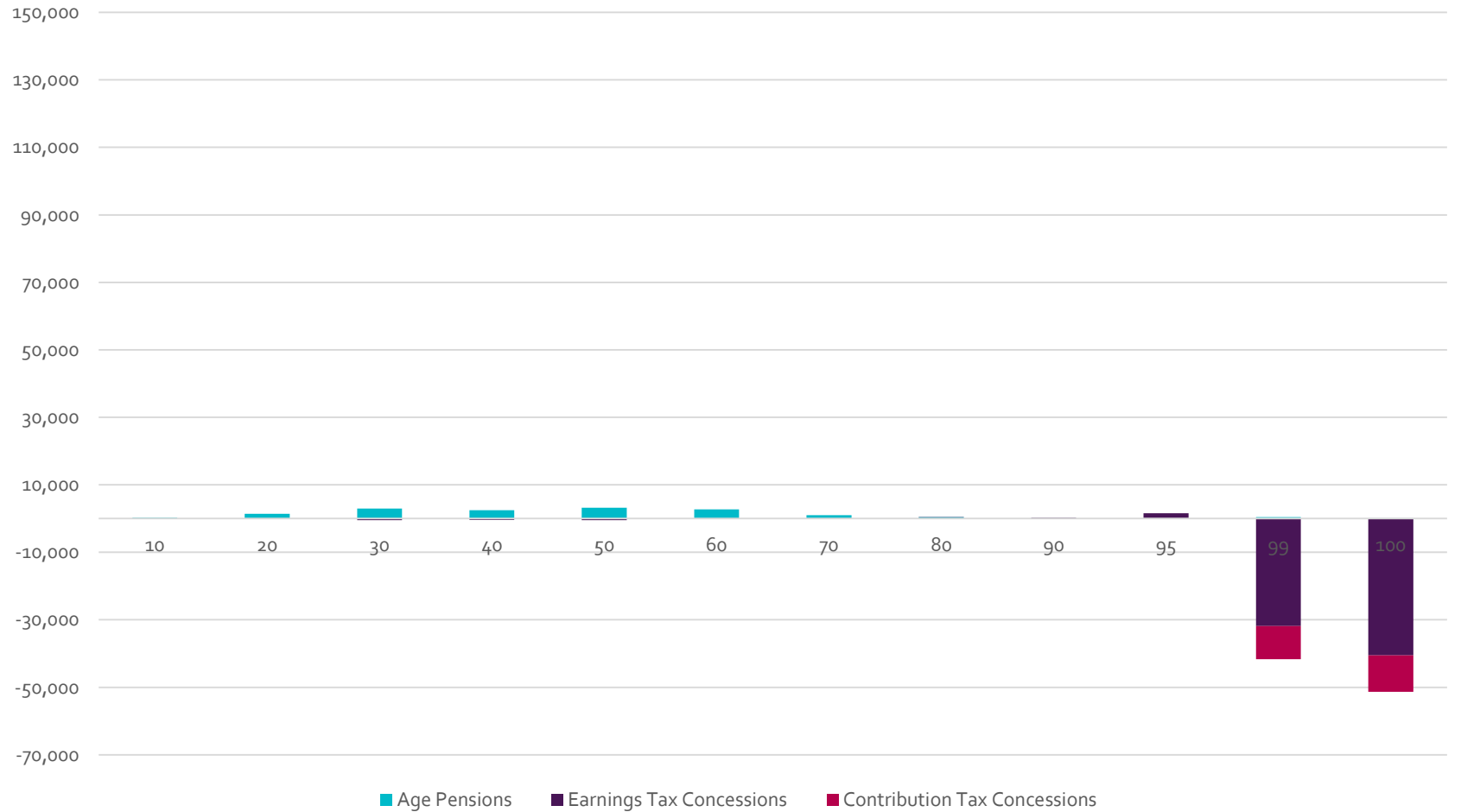
## Proposed Changes

1. Increase the assets test threshold for non-home owners from \$456,750 to \$659,750 for singles and from \$583,500 to \$786,500 for couples
2. Increasing the income test threshold for both home owners and non-home owners.
3. Increase the maximum basic rate of Age Pension by \$20 per fortnight for singles
4. Decreasing the maximum super contribution base to \$180,000 annually

# Impacts of Age Pension Changes



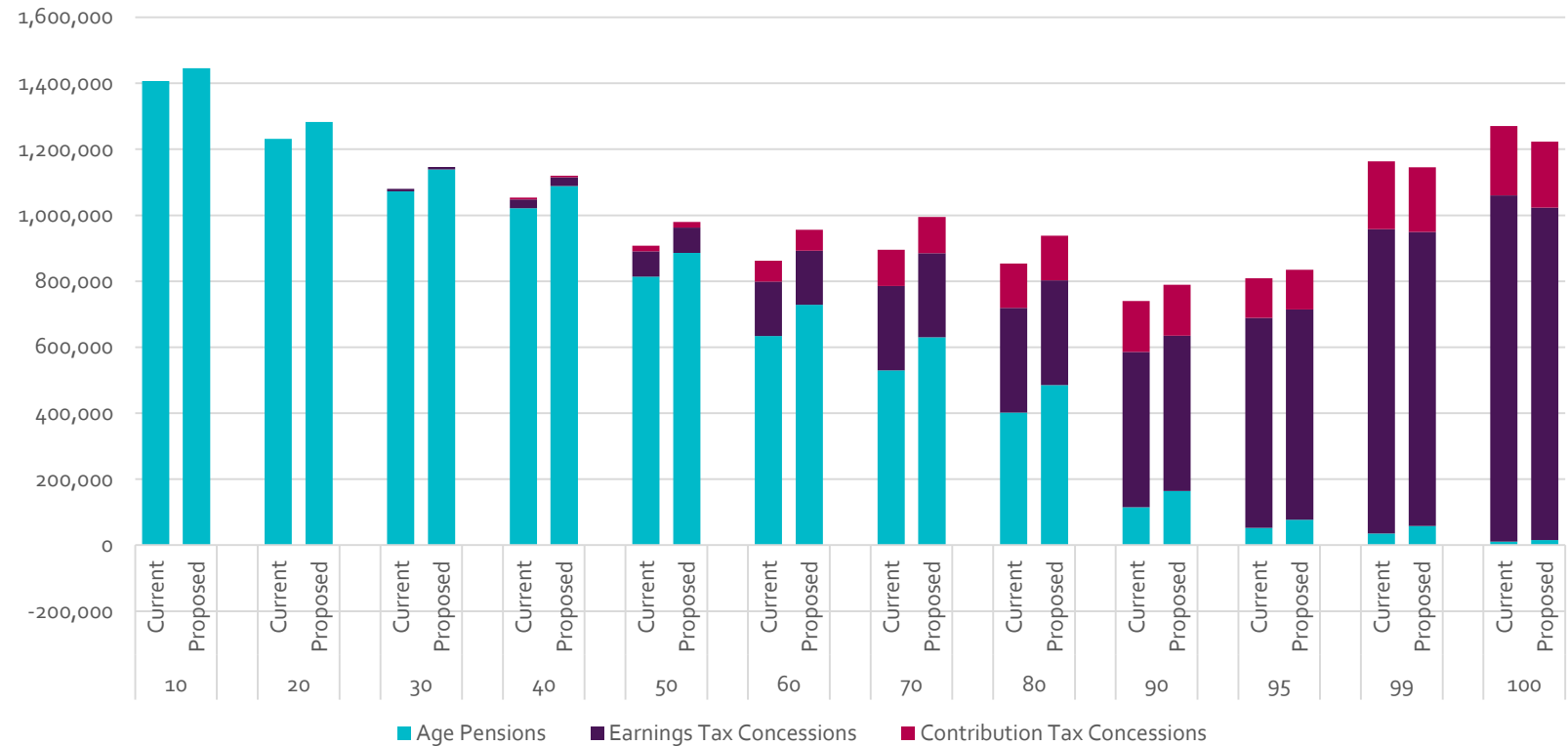
# Impacts of Increasing the Maximum SG Base



# Combined Impact

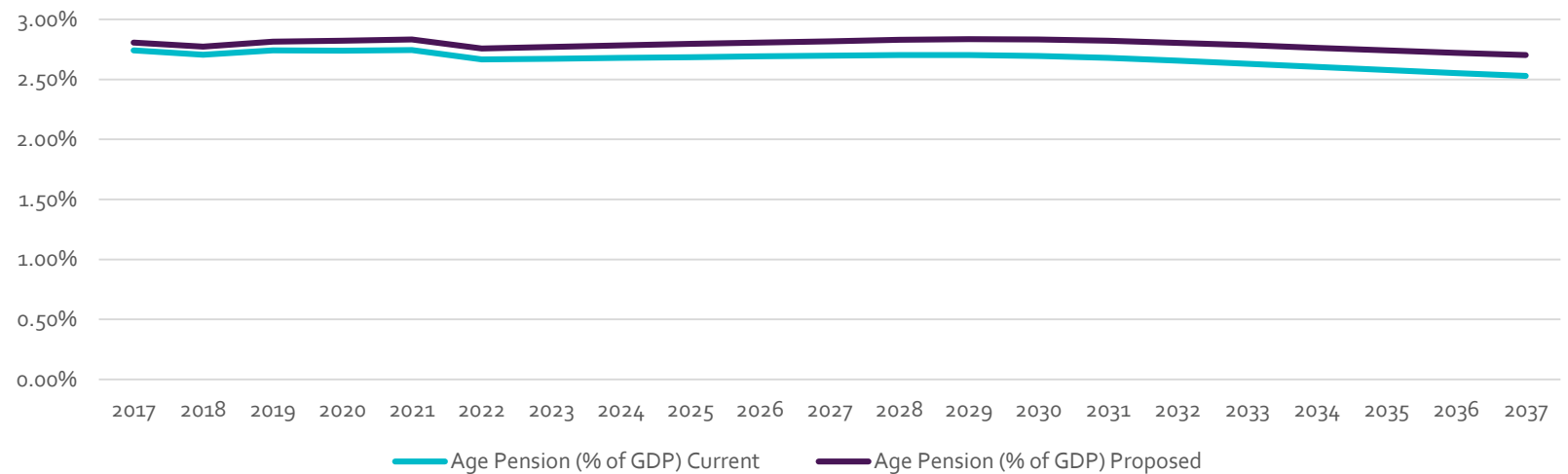
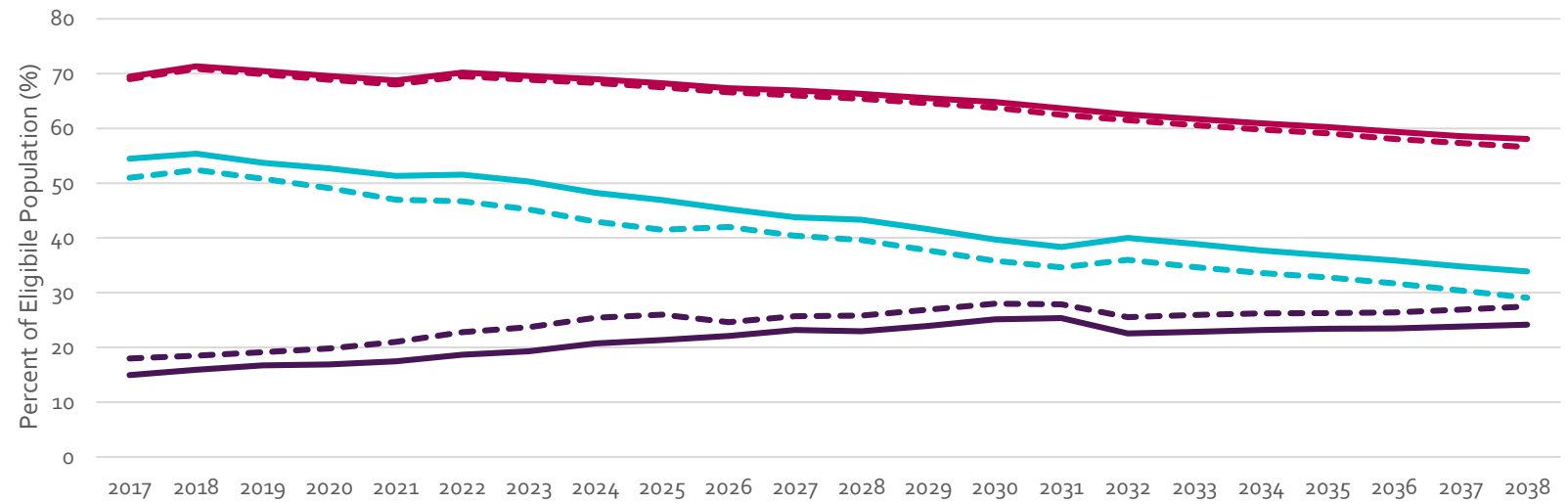


# Contrast to Current Market Conditions and Implications



- Outcomes are improved for all people below the 95<sup>th</sup> Income and Wealth decile
- Above the 95<sup>th</sup> decile lower earnings tax concessions lead to reduce support.
- Addressing multiple inequities in the system.
- Changes to the Age Pension policy will impact dependency on the Age Pension....

# Implications for the Age Pension





# Conclusions

## Equality can be improved by tweaking existing policy settings

Caveats:

- Results are indicative rather than prescriptive
- Alternate courses of action exist

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