Priority 6: Investing in future generations

Older Australians care deeply about the future and want to leave a better world.

National Seniors surveys consistently show older people are concerned for the welfare of the planet and the younger generations who will inherit it.

Our surveys show most older people (85%) accept climate change is occurring, with a majority wanting government action to meet emissions targets, even if this comes at a cost.[xxiv]

Seniors are not only concerned about environmental issues but also social issues.

Our research has shown older Australians are deeply concerned about the current state of the housing market. They worry younger people are finding it difficult to buy a home.[xxv]

National Seniors takes these challenges seriously and wants to help older Australians use their resources to deliver a better future.

Our focus is on promoting practical opportunities to tackle the pressing issues of today and create a better tomorrow. We want government to mobilise the wealth of older Australians to address climate change and the challenges facing younger people by issuing Clean Energy Bonds and by lifting pension gifting limits.

Key Recommendations
11. Allow older Australians to invest in renewable energy infrastructure by issuing Clean Energy Bonds.
12. Increase pension gifting limits to help the younger generation.

RECOMMENDATION 11

Allow older Australians to invest in renewable energy infrastructure by issuing Clean Energy Bonds.

Overview

- Clean Energy Bonds (CEBs) will give older Australians (pensioners and self-funded retirees) an opportunity to safely invest in large-scale renewable energy projects to meet our 2050 Net Zero emissions target.
  - CEBs would be guaranteed like bank deposits.
  - Funds would be invested in a sustainability fund (e.g. within the Future Fund), with dividends paid to the federal government to fund renewable energy projects and pay returns to investors.
  - Retirees would receive returns as fortnightly payments through Centrelink.
  - Returns would be fixed but vary depending on the term of the investment.

Benefits

- Provides a way for older people to use their wealth to meet emissions targets.
- Provides retirees with access to a safe savings option.
- Creates a simple way for retirees to invest (e.g. via Australia Post or other).
- Provides retirees with liquidity for unexpected costs (e.g. health and ageing).
- Boosts construction of renewable energy infrastructure.
- Creates jobs and economic development, particularly in regional Australia.
- Stabilises energy supply and reduces electricity prices (a major concern for all Australians).

Why the policy is needed

- Older people believe climate change is occurring and want action - 85% of older people believe climate change is occurring (2021); Two thirds of these people want action – even if it comes at a cost.[xxvi]
- To meet the Net Zero emissions target by 2050 Australia will need significant investment in new clean energy infrastructure - The International Energy Agency (IEA) has estimated that global annual energy investment to reach Net Zero by 2050 will be 5 trillion (USD) by 2030 alone.[xxvii]
- Older Australians already have an appetite for investing in renewable energy - according to our own research 60.7% of older Australians have already invested in one or more renewable energy products or projects.[xxviii]
- Inefficient roof-top solar receives an advantage over large-scale projects – this is because the family home, and solar panels, are exempt from the pension assets test.
- Retirees want a modest return from a safe, simple investment – $160 billion is invested in term deposits, most will be older Australians' money.[xxix]

Budget implications

- Clean Energy Bonds are designed to be cost neutral. By pooling investment through the Future Fund, government will be able to deliver modest returns to older investors while also generating capital to invest in large-scale projects, such as Snowy Hydro 2.0.

RECOMMENDATION 12

Increase pension gifting limits to help the younger generation.

Overview

- Raising Age Pension gifting limits will encourage older Australians to contribute financially to younger generations – especially those struggling to get into the housing market.
- The gifting limit should be increased to reflect inflation and indexed annually.
- Based on average inflation, the gifting limit in 2022 should be increased from $10,000 to $16,000.

Benefits

- Provides an incentive for part-pensioners to assist the younger generation with the costs of purchasing a home, health costs, education costs and other costs.

Why the policy is needed

- Under social security law, gifting is defined as the act of giving away income or assets; or selling something for less than the value it is worth.
- Under gifting rules, income or assets given away may still count towards the income and assets tests - The limit someone can gift without it running afoul of gifting rules is $10,000 per financial year.
- The gifting limit of $10,000 was set in July 2002. Yet housing prices have risen on average 8.6% per annum from 2002 to 2020 and inflation has increased on average by 2.7% per annum.[xxx]
- While assets test thresholds are indexed in line with inflation each year (in July) gifting limits haven't changed at all.
  - Based on average inflation, the gifting limit in 2022 should be more than $16,000.

Budget implications

- There are 384,000 part-pensioners who could receive a pension increase from gifting additional money. If all part-pensioners gifted $6,000 more the cost to the Budget would be appox. $200 million per year.
  - However, it is highly unlikely that a change in gifting rules would result in all part-pensioners choosing (or being able) to gift an additional $6,000 per year.
  - If 10,000 single pensioners gifted $6,000 the cost to the Budget would be $8m; if 10,000 couples gifted $6,000 the cost to the Budget would be $4.7m.
- It is important to note that there is no evidence of the current extent of gifting and its impact on pension outlays. A recent National Seniors poll (n=1410) showed that 87% have already, or would, consider gifting money to purchase a first home.[xxxi]