2 Boden Place

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Hon Kelly O;Dwyer MP - Assistant Treasurer

Objective of Superannuation

What are the objectives of superannuation:-

Ideally it should be in time a way of providing income for retirement

This can be as a fully self funded retiree , or for lower income earners to supplement a part pension.

The current 9.5% Superannuation contributions will not make anyone a fully self funded retiree. This needs to be increased.

What we need is inducements for people to save additional monies in their lifetime to lower the need for a part pension.

To achieve this there has to be the carrot on the stick approach which encourages people to do this and they must have the confidence that the government will not pull the rug from under them, when they are about to retire.

With the Government proposed changes to Assets level for Full Pension and the cut off with Assets for a couple above $823,000 it is in fact a total **disincentive** to save between the $375,000 where you have a full pension and the $823,000 where there is no pension.

Note:

The 2 scenarios which show that there is no incentive to save between the 2 limits (based on July 2015 amounts)

Scenario 1 Pension with proposed new $375,000 assets - No loss of pension

	$263,938 is where pension starts to reduce based on income test			
age pension			$33,716.80	$1,296.80
super pension	6.8%	**$263,938**	$17,948	deemed income $7,384
other assets no income			0	above $7,384 for couple
	Total Income		$51,664.58	

Scenario 2   Pension with proposed new $823,000 assets   - No pension

	$718,338 no pension based on income test			
age pension				$0
super pension	6.8%	**$718,338**		$48,847
other assets no income				0
	Total Income			$48,847

The advice must be to go for the "**annuity** known as the Full Aged Pension , which is indexed annually "with assets not exceeding $375,000 unless you will go well above the $823,000. With this you have all the medical and other benefits available to a Pensioner. Go on your world trip, and reduce assets to qualify.

A fully self funded couple will loose in the order of $685,000 of pension plus benefits by having an additional $448,000 assets ($823,000-$375,000). Car, rates electricity etc

The proposed changes are a short term gain for a long term loss.

You are not going to in the long term reduce the number of retirees on a pension with these changes.

There is the current thought that people should not accumulate large amounts in a tax free area such as superannuation.

There is already a Tax free area where there is no tax outside superannuation.

$18,200 No Tax limit with 5% return = $364,000 Capital

Couple $728,000

There is the push to increase the drawdown rate in super . People are expected to live longer and are concerned that they have sufficient assets to cater for later life medical needs , retirement homes etc .

Scenario 2 above shows 6.8% in line with current push to increase income , as opposed to the current 5% for 65 years old. Is the increased drawdown rate necessary?.

Where is the encouragement to work past the retirement age?

There should be incentives to work past the retirement age.

The mature age rebate for working has stopped . This was an incentive . A form of this should be brought back.

I personally do not see that adding the reportable employer superannuation contributions, as shown on the group certificate ,to your taxable income with a 15% rebate as wrong (nearly all people have the same rebate)

However the 9.5% superannuation contributions should be left as is and taxed within the superannuation at 15% as was originally intended .

People with an income less than $18,200 are in a tax free area ,but their superannuation contributions are taxed at 15% . If kept in superannuation this should be rebated for incomes up to $18,200

One proposal I hear is for low income earners to be allowed to take out their super . Low income should be less than the $18,200

If they take their super it should be added to their income and taxed at the appropriate rate.

There is enough TV and radio comments that the Government is about to tax heavily Superannuation and not address Negative Gearing.

Losses on property should be deducted when it is sold against capital gains. Why penalise superannuation and leave Negative Gearing alone.

The Tax burden should be spread across all sectors and not just Superannuation.

This letter was prompted by the article in Alex Hawke Newsletter

Regards Greg White

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