26th April 2004

SM Advisory
SF Services
Incorporating
P. W. KITT & CO

General Manager
Superannuation Retirement
Savings Division
The Treasury
Langton Crescent
PARKES. ACT 2600

Dear Sir/Madam,

As an accountant who has been in public practice for 29 years and a member of the Self-Managed Superfund Professionals' Association (SPAA) I am writing to express my concerns and to request your committee as part of its recommendations to allow small managed DIY superannuation funds access to the full range of pensions as currently permissible under Section 1.06 of the SIS Regulations.

The issue is highly relevant from a personal and professional viewpoint as both myself as well as five of my business clients (i.e. 50%) who manage their own DIY superannuation funds have properties as part of and/or a major component of their fund assets. This high representation of parties with properties in their funds has not in any way resulted from any recommendations by myself (I have never advised clients on choice of investment at any time) but is rather a reflection of two issues. The first is an affinity by Australians to invest in property generally as a means of investment having a tangible "touch and see" quality. The second in my view was the decision by government when it introduced changes some years ago which encouraged parties to invest in business property as an investment component of fund assets.

This has now resulted in people taking the opportunity of acquiring property as it affords individuals a better opportunity to manage a significant portion of their fund assets without reliance on financial planners, investment mangers and insurance company entities to invest their superannuation monies.

In a majority of my clients there is an expectation to retain the property assets as a source of their retirement income. In order for that to occur they would require the ability to choose either a Lifetime Commutable or Flexi Pension [S1.06(4) or S1.06(6)] or a Complying Pension [S1.06(2) or S1.06(7)] or a combination of these. The single choice of an Allocated Pension [S1.06(4)] in a DIY superannuation fund is unnecessarily limiting and unfair to parties who have now planned their retirement around retention of their property assets.

The unavailability of access to the whole range of pensions by DIY superannuation funds means that properties will have to be sold and the proceeds in almost all instances given to third parties such as life companies etc. to invest in managed investments.

SMSF Advisory Services Pty. Ltd.
A.B.N. 90 097 808 145

Level 6, 12-14 Ormonde Parade, Hurstville N.S.W. 2220
Telephone: 9580 8088 Facsimile: 9579 6446

Postal Address: P.O. Box 93, Hurstville Business Centre N.S.W. 1481

I believe this to be totally against the spirit and content of Government superannuation policies which have been to encourage people to fund for their own retirement without access or reliance on government pensions. To encourage people to take up the challenge to fund their own retirement requires them to be able to access the whole range of pensions available so that they can continue to control their investments and be assured that in event of their deaths that such assets in part or whole can be passed down to family members in their entirety and not unduly dissipated or lost.

The restrictions which are sought to be imposed on DIY Superannuation Funds are in my view highly detrimental and I urge your committee to find alternative solutions to perceived problems which you are attempting to address without implementing the present proposals.

Yours faithfully,

P.W. KITT