General Manager
Superannuation, Retirement and Savings Division
The Treasury
Langton Cresent
Parkes ACT 2600.

September 3rd 2004.

Review of the provision of pensions in small superannuation funds. (SMSF's)

Dear Sir,

Having just come out of the period in my life when I changed my status from superannuant to pensioner I feel you should be made aware of the stress and anger I have recently endured.
A brief personal history;
Wage employee from age 15 to 45, small business operator from 45 to 60, self funded retiree 60 to 65, pensioner 65 till now 68.
Income and application profile; From age 15 to 45 regular income used to marry and raise four children, savings accumulated in home ownership. 45 to 60 regular income used to educate children, pay off mortgage and accumulate capital to finance small business and commence SMSF. 60 to 65 converted business capital to provided retirement income and build capital base of SMSF. 65^ established a lifetime pension to provide income for the final part of my life. (Life expectancy tables are so depressing)

From age 15 to 65 I had paid personal income tax in the middle range in the belief that upon retirement my living costs would not contain a high sales tax burden. At age 64 I then become subject to Goods and Services Tax (GST). Not only have I paid income tax accumulating my retirement capital I now find I am subject to GST when disposing of my retirement capital. I feel I have been poorly treated by your department's shift of policy in the economic management of taxation.

When in business I used the finance industry to purchase equipment. I paid up to 23% pa interest. Now my SMSF is in the investment cycle with the same banker I am paid about 7%pa less charges. Treasury does not explain to the home buyers, who enjoy record low housing loan interest rates, that it is at the expense of pensioners taking lower returns on invested funds. I have been poorly treated by your departments shift in economic management of interest rates.

My only defence to ensure my future private pension was not eroded in value by changes to the Australian economy was to become a Commonwealth Aged Pensioner!
This was only possible by my SMSF being able to offer me a Defined Benefit Pension (DBP) which now you want to preclude pensioners in the same circumstances as me from taking from their own SMSF. Your proposed legislation *forces* them to purchase a DBP from the big end of town in the finance industry. This is contrary to the ethos of SMSF's. I feel retirees have been poorly treated by your departments economic management of the change to DBP's.

The swift and immediate manner of your introduction of these three measures is severe and harsh on those who fund their own retirement. I ask that you consider a less severe transitional period. Foreshadow a four or five year period so as retirees can plan their future. After all we are working on a 15 year or lifetime investment time frame which is impossible to adjust.

Your departments handling of the GST, Interest Rates and DBP's indicates to me you are poor and insensitive economic managers because you always overlook to taper in changes that have a huge impact on the lives of retirees in the transition from superannuants to pensioners.

Yours faithfully,

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Copy; Barry Wakelin MP.
Minister for Revenue and Assistant Treasurer, The Hon. Mal Brough MP.
National Standing Committee on Taxation & Superannuation. A.I.R