

7th September 2004

The General Manager
Superannuation, Retirement & Savings Division
The Treasury
Langton Crescent
PARKES ACT

Dear Sir/Madam

My husband and I are writing to voice our concerns in respect to the change in the defined benefit pensions which will be paid from our Self Managed Super Fund.

My husband is 61 years of age and I am 58 years of age. We have our own Self Managed Super Fund. Through ill health we are no longer working and after totally funding ourselves from savings for two years, I now receive a disability pension and my husband receives an allowance.

We have saved throughout our working life, both having worked for 43 years. Like a lot of people who planned ahead towards retirement, we were saving long before compulsory superannuation came along.

We will have a modest \$350k to \$400k between the two of us, which is the equivalent of an aged pension paid to a couple who retire at 65 years of age and reach life expectancy, however without the benefits of the concessions. Meanwhile, those people who did not plan ahead and spent everything throughout their working life will now expect to sit back and take up to \$400k and concessions off taxpayers.

Our "gripe" is that we have planned our financial retirement for some years now, which was to save as much as possible whilst working and for my husband to have a complying life annuity (defined benefit pension) paid through our SMSF at age 65 years. Upon retirement at 64 years I would have an allocated pension from our SMSF. This would enable access to a minimal aged pension together with concessions. The goal posts have now been moved yet again and even though the Government has reversed their decision allowing commencement of the above annuities until 30th June, 2005, we have to make a decision to either take a pension 3 years earlier than planned or continue to allow the Fund to build up over the next 3 years and wait until my husband is 65 years and take a Growth Pension, for which we will have to pay Fees to a Life Company to manage it.

It is not known at this stage if there will be entrance fees. However, annual fees will be deducted even when the Life Company Managers are running their funds (our savings)

at a loss. This occurred during the 2001 to 2003 slump. Statistics show that SMSFs outperformed Industry Funds and that both of these outperformed Retail Funds, including Life Companies. So why would we want these so called "Professionals" to lose our hard earned money during economic downturns?

Is this because the "big end of town" are lobbying the major political parties to ensure that they have access to fees?

We are not asking the Government for handouts, what we are asking is that like our retirement plan which has evolved over the last 10 years, that decisions taken by Governments in respect to retirement planning have a lead time of a minimum of 5 years. People in the final accumulation phases of Superannuation are often in the least favourable position to be able to alter their plans to ensure a beneficial outcome.

Those persons who plan to be financially independent, need to be rewarded by Governments and not penalised.

Change the decision regarding ceasing of complying annuities to enable those persons, 60 years of age and over and who belonged to a SMSF as at budget night to fulfil their plans and allow continuing accumulation until age 65 years.

I understand that the Government made their policy change regarding complying annuities because some SMSFs had large sums of money which was taxed concessionally and which was then handed down to their families. I believe these funds would have been in the minority and as Alan Kohler, ABC TV stated "a sledgehammer was used to crack a nut" in the Governments endeavours to stop this practice. There must be other ways to stop this practice without penalising honest and genuine people who have modest balances in their Funds.

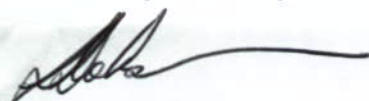
Other concerns that we have include:

Taxing pensions on exit rather than contributions on entry, not occur for anyone 55 years and over (Ms. Phillipa Smith, Superannuation Australia is lobbying for this policy change).

The Co-contribution should be available to all, whether working or not, as every taxpayer is paying Goods & Services Tax and therefore should have access to this benefit.

As you can see from the above, our SMSF is modest however, we now wonder whether we made the right decision by trying to look after our own financial future.

I am sure young people who are in the early accumulation phases of superannuation will judge political parties on their current decisions concerning Superannuation changes and decide not to lock away their savings or wealth for up to 30 or 40 years if it is going to be continually eroded by Governments.



(Mrs.) LYNE DOBSON