McIntosh Financial Planning Pty Ltd
Australian Financial Services Lic: 230622 ABN: 65 006 213 092
Head Office - 200 Moggill Rd Taringa Qld 4068 ◆ Ph: (07) 3870 9486 ◆ Fax: (07) 33714203

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

Dear Sir/Madam

Re: Self Managed Super Fund Defined Benefit Pensions

ISSUES

(1) We TOTALLY agree with the reduction in assets test exemption for complying pensions. The first problem for you to address is that 50% exemption reflected a lack of understanding of the issue. The exemption should be on a flat dollar amount, eg $300,000.

The flat dollar amount is a lot better for those at the lower end of the scale, and eliminates further the higher net worth retirees. Do the numbers and you will understand why the flat dollar amount should replace the 50% amount.

(2) CENTRELINK

The assets test exemption for a Self Managed Super Fund pension is LESS than for an annuity or the new TAPS, because of the deprived asset situation.

In addition the investment earnings of TAPS and Annuities are tax exempt. where as the investment earnings of Self Managed Super Fund pensions are PARTLY TAXED.

A SMSF pension with <u>less</u> assets test exemption than other options, and paying <u>tax</u> where others do not is banned. This reflects the lack of understanding in Canberra on retirement issues.

Excess Centrelink benefits have been addressed by reducing the exempt amount by 50%, but it should be changed to a flat dollar exemption.

(3) RBL VALUTATION

It was always a dubious practice to use valuation factors to measure SMSF pensions and your own CSS pensions.

The same assessment rules should apply for all, eg current lump sum and pension RBL limits.

(4) ESTATE PLANNING

Anyone with $200,000 plus could establish a SMSF and pay a pension. To therefore claim these pensions are not available to other superannuation fund members is quite wrong.

You can give the community the choice of establishing SMSF Pensions in retirement where it is highly likely if the investment structure is half correct, that the retiree will be paid a pension for life, rather than life expectancy plus five as proposed by TAPS.

As Alan Kohler suggested it appears the government doesn't want retirees to live too long.

With the SMSF pension, lets not forget tax on earnings is paid annually, and on death any residual balance can be passed through to other family members as superannuation.

What a wonderful idea, nearly every recipient of such a residual SMSF residual pension balance will inherit increased wealth and be less likely to be a future social security recipient.

If the entire community and government understood this issue, all would have SMSF pensions, with all the wealth passing through to their children. We would potentially end up with the majority of the next generation self funded, and ineligible for social security benefits.

These benefits of SMSF pensions could easily be duplicated by the funds management industry. eg Lifetime Pension minimum income set at 6% with variation, obviously any residual balance passed to other family members as superannuation.

(5) DESIGN FEATURES

Because of the additional actuarial flexibility necessary due to the small number of members pooling this risk, this is how we are able to pass on the wealth to the next generation, and you collect tax on investment earnings along the way. Why would you change that?

(6) INVESTMENT

The great majority of Australian retirees are with fund managers in balanced fund Allocated Pensions via master trusts, or in the future combined with TAPS.

It is important to understand this is a DISASTER waiting to happen. The standard balanced fund has a neutral asset allocation benchmark of 65% Australian International shares.

Between 1970 and 1974, the Australian All Ordinaries Index lost 56% of its value.

Should this happen again, as well it may, this would be a disaster for Australian retirees and the multiplier effect on our economy cataclysmic.

Our clients SMSF in retirement have approximately 45% of portfolio in three superb unlisted property funds with national tenants on long leases, 5% exposure to AMP Guaranteed China, 5% exposure to Macquarie Global Infrastructure etc etc.

The point is SMSF provide Australians with the widest choice of investment options to structure portfolios with maximum returns relative to risk. For this reason it is imperative their use is encouraged, because when the big bear market occurs, most retirees will suffer a massive loss of wealth.

(7) QUESTION?

Why must a retiree have super to buy assets test exempt TAPS, when he doesn't need super to buy assets test exempt annuities?

In other words, why are TAPS exclusive to ETPS? Why shouldn't a 78 or 82 year old selling their home, moving to a nursing home, be also able to buy a TAP rather than a life office annuity with rates bordering on fraudulent.

(8) UNDEDUCTED CONTRIBUTIONS MAJOR RETIREMENT ISSUE

This is the major retirement issue. They should be limited along the following lines.

Fund Value + U/c	=	Pension RBL

(9) SMSF PENSIONS MAXIMUM CONTRIBUTIONS

Centrelink	-	Limit $300,000
RBL	-	Pension RBL minus Lump Super RBL

(10) MEDICAL ISSUES

Approximately 80% of total medical expenses occur during the last five years of life, about the time allocated pensions and TAPS are almost expired. Surely super pensions in current form help offset this problem.

An ability to comprehend these issues will result in a fairer retirement system for all. Please call regarding any queries.

Yours faithfully

John McIntosh
Director & Representative
McIntosh Financial Planning Pty Ltd

PS CSS PENSIONS

A few years ago the Victorian Government offered lump sum commuted to everyone with a state government funded superannuation pension.

One day treasury will examine the same concept for CSS members, with a rollover option to a SMSF pension and/or similar option obviously attractive to many. A big win for the government and a majority of members.