FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

26 October 2018

Ms Rebecca McCallum
Manager
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuation@treasury.gov.au

Dear Ms McCallum

The Financial Planning Association of Australia[1] (FPA) welcomes the opportunity to provide feedback on the Work test exemption for recent retirees – draft legislation and regulations.

The FPA is supportive of the intent of this policy to allow people who are over the age of 65 to continue to contribute to their superannuation and continue to build their retirement savings.

However, we believe the draft legislation and regulations limit the scope of the application of the measure and adds even more complexity and rules to the system. It does not simplify the rules of the system for Australians which will not help to improve consumer engagement with their superannuation.

We disagree with the proposal to introduce a new 'total superannuation balance' limit of $300,000 for this measure, which will significantly increase the associated implementation and administration costs for funds and members by creating another tier of 'total super balance' that needs to be observed (i.e. various measures already hinge on limit of $500k, $1.4M, $1.5M, or $1.6M), adding to the complexity of the system.

If the government persists with a 'total super balance' limit for this measure, the FPA recommends aligning the 'total super balance' limit with the limit for the bring-forward arrangements for non-concessional contributions in the ITAA 1997, by increasing the limit from $300,000 to $500,000. This would significantly simplify the system by ensuring there is consistency between the two interacting measures as well as broadening the application of the measure for consumers.

We are also concerned with how this measure will interact with and impact on the bring-forward arrangements of the non-concessional contributions cap. There is already a level of complexity when

[1] The Financial Planning Association (FPA) has more than 14,000 members and affiliates of whom 11,000 are practicing financial planners and 5,720 CFP professionals. The FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first "policy pillar" is to act in the public interest at all times.
- In 2009 we announced a remuneration policy banning all commissions and conflicted remuneration on investments and superannuation for our members – years ahead of FOFA.
- We have an independent conduct review panel, Chaired by Graham McDonald, dealing with investigations and complaints against our members for breaches of our professional rules.
- The first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices. This is being exported to 26-member countries and the more than 175,570 CFP practitioners that make up the FPSB globally.
- We have built a curriculum with 18 Australian Universities for degrees in financial planning. Since 1st July 2013 all new members of the FPA have been required to hold, or be working towards, as a minimum, an approved undergraduate degree.
- CFP certification is the pre-eminent certification in financial planning globally. The educational requirements and standards to attain CFP standing are equal to other professional bodies, e g. CPA Australia.
- We are recognised as a professional body by the Tax Practitioners Board.

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it comes to making a non-concessional contribution and triggering a bring-forward arrangement on or after a client's 65th birthday. These rules are complicated and not well understood. Introducing additional rules preventing the ability to trigger a non-concessional contribution bring-forward arrangement when making a contribution under the proposed work-test extension measure, will only add further complexity.

We are concerned that the regulations may also lead to the following scenario of an individual who turns 65 part-way through a financial year, doesn't meet the work test during the current year, but met the work test in the previous financial year:

1. If they contribute immediately **before** their birthday, they **can** trigger the bring-forward arrangements (and no work test is required).

2. If they contribute immediately **after** their birthday, but secured a temporary part-time, they **can** trigger the bring-forward arrangements as they would have met the work test.

3. Yet, if they contribute immediately **after** their birthday, but did not work during the financial year, they **cannot** trigger the bring-forward arrangements as they would be relying on this 12-month work test exemption to make the contribution.

The FPA recommends this measure could be greatly simplified by removing the total super balance limit, and just by stating that "contributions can be made for a further 12 months following the cessation of work".

If you have any questions, please contact FPA's Head of Policy, Ben Marshan [redacted] or myself [redacted] on [redacted].

Yours sincerely

Heather McEvoy
Policy Manager
Financial planning Association