

Submission to the
Charter of superannuation Adequacy and Sustainability
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Q. 1 What is our view of the core principles?

Retirement ages should be indexed to life expectancy. 60 is too low and 67 is just not high enough. Unless more incentives are offered, the 12% will not be enough especially for those workers on low incomes, stay at home carers, broken employment. Another consideration is if you are raising the retirement age, then raise the awareness that people over 55 can still work and should not face the discrimination that they currently do.

Personal Experience: Ann is specialist in learning disability. She has been turned down for a job at the local kinda for 3 hours/week because she does not have the latest certificate even though she has a B.A., M.A., and is classed by the government as an expert teacher of 30 years experience. The person who got the job is young, has no specialist training but has that extra piece of paper. Experience – forget it. Geoff is a computer specialist and a systems engineer. Neither of us is considered employable. If we were working, we would have more money and not be collecting the pension and we would be paying tax which we no longer do.

Years ago, the pension was supposed to be for the poor – those who had no savings, no family help, disabled, and others. Today, we are a nation of 'beggars' who think that the pension is an entitlement. Those who do not save, even if they are able, are STILL rewarded with the pension. Today, the government has the records of individuals' life time earnings so the pension should be based on average annual wage, for instance, that will guard against spenders and reward those individuals who do save. Then those people on limited incomes will still be protected with the pension. There will always be exceptions such as those persons who suffer misfortunes in their lives.

Personal Experience: If we purchase a \$30,000 car, it is classed as an asset for the pension. If we take a \$30,000 holiday we have spent some of our assets and the pension may be adjusted. Where is the incentive to save?

Sufficient savings is a vague term. We noticed that a formula of 70% of wages would be 'sufficient.' Does this figure take into account weekly average wages, consumer types, and a host of other parameters? So, this term needs some very strict definitions. How do we guard against self-inflicted stupidity? Of course it is then onerous to those individuals who do not need a raft of rules to save.

Personal Experience: As we were migrants, we had to save because we had no family to help us in any way. Therefore, we could not and are still not consumers. So 70% is too large for us. We live easily on 60% without touching our capital.

Q. 2 To add to the policy:

The system needs more ability for investors to self-manage. Where is the statement that financial literacy plays a significant role in how money is allocated over a life time. This point is one of the strongest recommendations that we can express.

Q. 3 What safeguards are needed:

Do not let the politicians make 'policy on the run' for superannuation. Using 'sunset' clauses may be of some help. If there is legislation, let it be a 75% majority or a conscious vote to take decisions out of party politics.

Q. 4 Adequate Transparency:

How are decisions made? Personal Experience: The rule about working 40hr/30days to make a super contribution. Who thought up this sorry rule? How does a casual worker ever get to contribute when work hours are so inconsistent? Rule 2: You must earn \$450/mo to contribute. To us, these rule are arbitrary and irrelevant. Perhaps there are reasons for them, but there is no transparency here. Such rules are so onerous that they are subject to manipulation. We spent years as volunteers, our shares could never be put into superannuation because we had no 'visible' income even though we worked 7 days a week in some of the harshest environments that Australia has to offer.

Q. 5 Superannuation Benchmarks:

The statement 'beyond a certain point' please try to avoid empty words. Use operational words that are specific such as : 'Beyond a certain limit set by...'

Q. 6 Government assistance:

There should be fairness between the cost of the service and the cost of the administration of the service. Paying everyone a pension could wipe out all of the Centrelink employees involved in constant monitoring of pensions. How much would the salaries and benefits of these workers compare with the additional pension expenses? Attempting to make pension payments fair is causing the spending of tax payers money totally unfair. Economic responsibility makes far more sense than fairness. It takes a national view rather than zoning in on individuals. Besides, the higher the income, the more of the pension will be given back in tax by wealthier individuals. The pension becomes an adjunct to the superannuation savings of individuals. Then pension earnings will be taxed.

Q. 9 As Above

Q. 10 Weight given to considerations: Let us take a step back and look at how can super be better structured to encourage more than the compulsory contributions?

Is there a culture of saving in Australia? NO. Do we have incentives outside super to save? NO. Interest and dividends are taxed.

One suggestion is to allow a percentage of voluntary contributions to super to be accessed with a penalty. Why or how would a person at 25 save extra for retirement when expenses use up so much capital? The future factor and the fear factor prevent people locking their money away. What happens when there is an emergency situation? The only incentive you have at present is tax relief to save to super.

The system will still have a sizeable pool of funds. Once the money is in the fund, perhaps people would be less inclined to take it out.

Personal experience: We worked before compulsory super. We saved to purchase a house and have a family. We eventually got government super but it was at a low level.

We had no extra for voluntary contributions. We did save, but that money was put away for emergencies as we had no family to help us. We had to wait to contribute to super until our children were working and our mortgage was gone. We could not have the worry or insecurity to lock our money away. But it would have been beneficial to have the money in super, knowing that we were not only saving for our future but that if something terrible happened, that we had access to some of that money.

We are certain that the government would not believe that people would keep the money in the fund. We believe differently. Some will always abuse the system, but many would not and it does not take an army of public servants to administer. Quit telling people 'what's good for them.'

Q. 11 and Q. 12 Enshrine in Legislation: Do we let the bear guard the honey pot?

Superannuation has been through RBLs, contribution limits, minimum and maximum withdrawal limits and on and on. Every government has its policies. Will the Charter be tossed away because the government does not like or need it? At least changing legislation is a more difficult path to tread.

Q, 13, 14, 15,16 Interaction with Others:

Will the Council have a sledge hammer? It should work with Treasury but not be its slave. The Minister should refer issues and vice versa. Research is absolutely necessary. Not a lot of people read documents. The Council will have to work exceptionally hard to relay information that the public can understand – remembering that the level of financial literacy is extremely low.

Personal Experience: Both of us are investors. Money is what we do. We read, research, and act. In company with others, when we mention that we are investors and we move money around, it is as if Dr. Death just sat down to the table. No one wants to know.

Q. 17 Council and existing agencies:

How many of these agencies have employees paid by the government? Is there impartiality? Why not have the Council act as a clearing house and give to those agencies the work that they have been set up to do. Do they talk to each other? Do they have a common data base? This situation is typical of the complex way superannuation has been allowed to develop – a bit here and a bit there.

Personal Experience: We have tried on several occasions to get more information about superannuation and especially the changes. Why? Because we manage our fund and we also have developed the software to administer it. We need access to up to date information. Our accountant is helpful but not always available. When trying to access agencies, we are ignored, pandered to, or told to go away. If we had a central clearing house, perhaps, just perhaps, we could get some answers to questions. Looking into superannuation is like staring into a mirror. We just see the same old faces.

Q.18 Change the structure of oversight bodies:

Yes, yes, yes. Get rid of waste – we mean the waste of words and paper shuffling that we experience. Do not become an advisory body. Has the government listened to the productivity commission recently? Do we have more affordable housing because we have a housing advisory council? The superannuation industry is just that – a business that

needs corporate structure.

Q. 19 Operates independently

Fortunately, we do not know about how to draft legislation. We are business people. We are wary that the Custodians do not have enough practical experience. We would like at least one of the Custodians to be a 'person of the people.' How many of the 5 Custodians actually purchase super products? How many of them live on a low wage and struggle to save anything? How many of them are on the receiving end of monumental changes that act like a tsunami to the typical super trustee (that's us)?

Personal Experience: How many of them are continually bullied by government departments whose employees are either too ignorant to answer questions or too busy to even be contacted but threaten when THEY want something. And yes, that is the maelstrom. we are subjected to regularly. A recent questionnaire was sent to us. We decided not to participate. We were then told that it was compulsory and if we did not fill it in, our pension would be cut off in 28 days. Do the Custodians get insulted on a daily basis?

In Summary

An alternate view of superannuation which would be simple and overall fairer is offered. Continue to provide tax incentives for contributions whether in the form of reduced tax on the contributions or by means of reducing tax payable on superannuation investment income. Provide for partial withdrawals of voluntary contributions.

At the pension phase, give the pension to all and remove the complicated, onerous and expensive pension compliance requirements currently administered by government agencies. At the same time, remove the apparently ad hoc and political rules which currently apply.

To balance this pension payment, the income earned by the pensions within the superannuation fund would be treated as personal income for the pension fund member. To provide some equity and cover for non work periods for a spouse, income sharing would be allowed. The pension would also be included in an individual's income.

This system mirrors people's experience during their income earning years. The tax levels can be set to provide those with the lowest income with sufficient funds for retirement. Those with substantial superannuation funds would return most if not all the pension as tax. The collection of tax is already available and would need very little additional resources. The savings on the present departments that administer pensions would be substantial. Indeed, the overall savings might return funds to the government. This idea is certainly one that needs to be explored.

People must learn that their superannuation, although their money, is not theirs to do with as they please. It is a separate entity which few people understand. Again, this matter is a reflection on the lack of financial understanding of the current system. There is currently an ad on television which portrays superannuation as boring. It also concludes with the phrase, "after all, it's your money." Well, yes and no. It is a source of a lot of compliance issues.

The big issue in Australia is infrastructure. Superannuation is ready to go. Infrastructure is something tangible. Yes, you might own shares in BHP but you probably do not dig the dirt out of the ground. If you own a part of a road, airport, school, you can go there and know that you are part of them along with others in your community/region/state. The income earned from these investments is being paid back to you.

Personal Experience: We have the money. We are all dressed up with no where to invest. We have equities. We have had property in the past. We have collectables. And we have interest rate securities. Shares are easy. The rest are more difficult to find. Give us more quality investments. Infrastructure is one of them.

We close with reinforcing again that financial literacy is the key to life long money management. Children know about money. They see that their parents give it directly to them. Superannuation is just all too hard.

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