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President Michele O'Neil

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Committee Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
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Canberra ACT 2600  
By email.

**Re: Treasury Laws Amendment (Self Managed Superannuation Funds) Bill 2020**

Committee Secretary,

The Australian Council of Trade Unions (ACTU) opposes the passage of Treasury Laws Amendment (Self Managed Superannuation Funds) Bill 2020 (the Bill). This Bill will exacerbate the misuse of superannuation as a vehicle for tax avoidance and intergenerational wealth transfers.

The Bill reflects the priorities of the Morrison Government to continually advantage the wealthy while undermining compulsory superannuation for workers. This change does nothing to improve the retirement savings of workers but instead promotes its use as an estate planning tool.

The Bill proports there is a need for an increased number of allowable members due to larger families incurring additional costs in setting up two SMSF's or alternatively invest in a large superannuation fund. According to the Australian Taxation Office (ATO), 70% of SMSF's have two members and 23% have a single member. Only 4% of SMSF's have three or four members, just 24,000 of the 600,000.<sup>i</sup> The Bill highlights the priorities of the Abbott-Turnbull-Morrison Governments for superannuation to make it work better for the wealthy.

Instead of focusing on a small wealthy segment of the population, the Government should urgently act to improve the retirement outcomes of women by removing the \$450 per month minimum threshold for superannuation guarantee eligibility, paying superannuation on paid and unpaid parental leave, act on the nearly \$6b per year of superannuation theft, and restore the savings of 3 million workers who were forced to withdraw their superannuation to get by including the more than 600,000 Australians who have drained their entire superannuation balance due to inadequate Government support.

This Bill further encourages the use of SMSFs without proper enquiry into their deficiencies which were highlighted in the Productivity Commission's final report into *Superannuation: Assessing Efficiency and Competitiveness*. This Commission raised questions about the value being provided to customers by SMSFs and that those 'with less than \$500 000 in assets perform significantly worse on average'.<sup>ii</sup> This is due to the higher average cost as a proportion of its asset base and the costs incurred by banks and SMSF providers.<sup>iii</sup> The long term impact for many is lower returns and worse retirement outcomes.

Any expansion of the SMSF operating powers could provide further opportunity for poor financial advice and more profits for banks and for-profit superannuation fund providers. The Hayne Royal Commission showed reprehensible conduct from for-profit providers including conflicted remuneration, exorbitant fees, poor performance, fees for no service and charging fees to the dead. Countless retirees and workers are now facing a worse retirement due to the profit seeking and the self-interest of for-profit funds.

The expansion of SMSF operating rules also assume a sufficient level of financial literacy within the general community, given that SMSF rules place accountability on an individual for the decisions they make as trustee. This change makes SMSFs even riskier and this is compounded by the Productivity Commission's concerns. SMSFs create greater uncertainty for the retirement outcomes of workers and undermine their ability to maintain their standard of living in retirement.

Industry Super Funds consistently out-perform retail funds and are consistently creating better retirement outcomes for members. Their ethos of 'member first' has been at the forefront of their successful model for growth. It continues to support best worker retirement outcomes.

This Bill is simply another attempt by the Morrison Government to prioritise the wealthy with more generous SMSF rules to make it even easier to transfer their wealth to the next generation. The result will be an even greater gap between the worker's retirement outcomes and the already wealthy that will extend into the next generation.

18 September 2020

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<sup>i</sup> Self-managed super fund quarterly statistical report – June 2019. In <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/SMSF/Self-managed-super-funds-A-statistical-overview-2017-18/?page=2#fn5>

<sup>ii</sup> Productivity Commission, *Superannuation: Assessing Efficiency and Competitiveness* (Canberra: Productivity Commission), P13

<sup>iii</sup> Ibid 14