

Submission: Senate Inquiry into Government's superannuation package

Superannuation (Excess Transfer Balance) Imposition Bill 2016 (Provisions)

The Superannuation (Excess Transfer Balance) Imposition Bill 2016 proposes to impose a tax on the notional earnings of capital removed into a retirement phase superannuation account that is in excess of the \$1.6 million transfer cap. From 1 July 2017, any notional earnings of the excess capital would be taxed at a rate of 15%.

Treasury Laws Amendment:

Transfer Balance Cap.

Schedule 1 to the TLA Bill imposes a \$1.6 million cap (the transfer balance) on the amount of capital that can be transferred to the tax free earnings retirement phase of superannuation.

In making my submission to the Senate Inquiry Committee I offer the following information about the above proposals where I have attempted to follow the guidelines provided.

SUMMARY

I would like to promote and support policies and legislation, which contain grandfather provisions that maintain the previous entitlements of those Australians who will be significantly affected by major rule changes to their existing superannuation provisions. The coalition proposals are wrong in principle and unworkable in practice.

Submission:

I am now 73 years old and retired in 2007. I sold my family home and downsized so that I could put more money into superannuation to fund myself in retirement. I retired just before the global financial crisis and lost a considerable sum of money, the total of which in one fund, after nine years, I have never recouped.

I realized that I would have to take a greater risk if I was to sustain myself in retirement, and for a time this paid off: I invested in Australian companies in the Australian Stock market. If the government's proposals go ahead I will no longer be able to take the risk of investing in Australia but place my superannuation in cash or fixed interest.

We all know how low the interest levels are at the moment. My income will be reduced but, as I have done all my life, I will live within my means. This is a shameful outcome for the Coalition government.

Mr Morrison's proposed changes to superannuation disappointed and disgusted me, and tens of thousands of other Australians. He had said on many occasions that the Coalition would not touch super and yet here he is

bringing in changes that will destroy all trust and certainty in the superannuation system. People will no longer trust the government not to change the rules to disadvantage retirement living standards after they have retired. There will be no certainty in the superannuation system and instead of their intended outcome people will soon realize that there is no need to get to \$1.6 M because there will be severely diminished returns from saving more than \$340,000 in super. This amount maximizes the combined retirement income from a super pension and a part age pension (the latter with all its perks).

If the \$1.6 million falls it cannot be topped up. In today's volatile economic climate this is a possibility. So the outcome will be the retiree's income will fall. Is this what the Coalition really wants after 30/40 years of people paying into their superannuation fund, a reduced income affecting their lifestyle?

The changes that the Coalition have proposed will:

- reduce the super self-reliance and increase reliance on the aged pension ;**
- reduce the trust in superannuation as a safe vehicle for lifetime savings and a secure living standard in self-funded retirement;**
- increase the need to invest in the principal residence and**
- decrease the efficient allocation of scarce savings through efficient capital markets.**

The transfer balance caps are extremely complex and requires the "effectively retrospective" approach of moving funds already lawfully placed in a retirement account into a new transfer balance account and forcing any excess in the transfer balance account over \$1.6 million into an "accumulation account" and taxing the income on that account at 15%. The additional tax has the effect of reducing retirement income by an "effectively retrospective " change in the law.

The specific means for applying the transfer balance account through general and personal transfer balance caps quickly turns inevitable complexity into absurd complexity.

The net revenue gains from the Budget measures over 4 years would be roughly equalled by the initial compliance costs to savers and retirees. How cost effective is that for the Coalition government?

It is my understanding that the proposed changes are retrospective. Even Mr Morrison talked about "effective retrospectivity" where he said stability and certainty were needed in the retirement phase. He spoke of those Australians who had put money into superannuation under the current rules and that he feared taxing them in the retirement phase. He has done just that? Where has the credibility gone in both the system and those who try to implement it?

The coalition proposals are wrong in principle and unworkable in practice.

I ask that the Coalition government not punish those who have paid the highest taxes throughout their working lives, complied with legislation that was appropriate at the time and are not a drain on the already struggling welfare economy.

I have signed the petition on the Save Our Super website and trust that the Senate Committee will do the right thing by not only those Australians like me, but also those who are younger and will be questioning the value of superannuation if they can have no trust and certainty in the system.

Surely the most effective strategy is one that encourages self-funded retirement by way of superannuation. Such a strategy has the effect of reducing reliance, even by top up, on welfare. The focus on this inquiry should be to do the right thing by those Australians who have done this and grandfather the proposals, thus bringing trust and certainty back into the system.

**Maureen Burke
16 November 2016**