



**SUBMISSION 52**

House of Representatives  
Standing Committee on  
Economics, Finance &  
Public Administration  
Submission to the Inquiry into improving superannuation savings of people under 40 - Anthony Zeitoun  
phone: [redacted] - 20 October 2005

## **Submission to the Standing Committee on Economics, Finance and Public Administration for the Inquiry into improving superannuation savings of people under 40**

### **Mortgage Offset Superannuation Proposal by Anthony Zeitoun**

House of Representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	52
Date Received:	20/10/05
Secretary:	[Signature]

#### **Overview**

Currently in the market there are many providers of mortgages that offer an offset everyday bank account that compliments the mortgage that is taken out with that institution. This is used to reduce interest payable on the mortgage. An example of this type of product is the Westpac Rocket Home Loan.

However, There is no provider in the market that allow clients to use their Superannuation savings to offset their mortgage and I believe this market has huge potential especially in the under 40 age range.

Many financial institutions offer a mortgage product and also Superannuation products and this would allow people under 40 an option when it comes to their Superannuation savings.

A major factor is that the mortgage and the superannuation savings are stand alone an independent of each other as products i.e. ETP monies do not make mortgage payments etc

#### **Applying for the product**

The client will apply for the Superannuation offset account by filling in the application at the back of the Superannuation Mortgage offset Product Disclosure Statement (PDS).

The client would apply for a mortgage in the normal way by filling in an application form and paying an application fee etc. If possible the mortgage application may be attached to the Superannuation PDS.

#### **How the offset works**

Once the client has applied for the Superannuation product their funds are then placed into a Superannuation Portfolio that guarantees that the capital will not fall and also has no growth or income in the specific portfolio (or possibly a cash style portfolio would be used). This Portfolio will need to be set up in a way that funds are used to offset mortgages held within an investment fund of a financial institution..

After the Super portfolio and mortgage have been set up then any money within the Super Portfolio offsets the amount of the mortgage for interest payable calculations up to a maximum of

Submission to the Inquiry into improving superannuation savings of people under 40 – Anthony Zeitoun  
email: [REDACTED] phone: [REDACTED] – 20 October 2005

80% of the value of the mortgage. The reason for the capping is so that the mortgage is never paid out using Eligible Termination Payments (ETPs).

Examples of this are:

- (i) *If the Mortgage is for \$100,000 and Superannuation holdings are for \$90,000 the interest payable will be calculated on \$20,000.*
- (ii) *If the Mortgage is \$100,000 and Superannuation is \$50,000, the interest payable would be calculated on \$50,000.*

When the Superannuation Portfolio exceeds 80% of the mortgage at any time the excess funds must be invested in another Superannuation Portfolio apart from the offset account i.e an equity portfolio.

An example of this is:

*The Mortgage value today is \$100,000, yet the client has \$250,000 of Superannuation.*

*In a case like this the maximum amount the client can have in the offset account is \$80,000 the remaining \$170,000 must be placed in another Superannuation portfolio option such as Managed fund options.*

In the Superannuation PDS it will allow clients to set up a regular investment plan, which can be used for employers or clients who want to participate in salary sacrifice. It could also allow clients to consolidate their super by filling in a transfer authority form.

### **Features – Mortgage**

The mortgage is a fully features mortgage which could include:

- Salary Direct Crediting allowed
- Addition payments permitted at any time
- Unlimited Redraw facility to any institution with a BSB number (we can push our CMT in this case). Min Redraw \$100
- Manage loan by touch-tone phone & the Internet  
7 days per week.
- No monthly fees
- On primary residence only
- No split loans i.e. Primary residence & Investment property

### **Features – Superannuation**

- Up to 80% Offset of mortgage with Superannuation Monies held
- A portfolio of unique and innovative funds to choose from for Superannuation monies above 80% of mortgage balance
- Regular Investment plan can be set up
- Consolidation of Super can be done simply
- Quicker reduction of mortgage

Submission to the Inquiry into improving superannuation savings of people under 40 – Anthony Zeitoun  
email: [REDACTED] phone: [REDACTED] – 20 October 2005

### **Conclusion**

The market is currently flooded with Mortgage products that have offset facilities but no one in the market has the facility for clients to offset Super against their Mortgage due to current legislation. This maybe what is required to attract more people under 40 to make more voluntary contributions to superannuation without superannuation members actually accessing their superannuation monies prior to retirement.