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SUBMISSION 56

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House of Representatives Standing Committee
 on Economics, Finance and Public Administration
 Parliament House
 Canberra ACT 2600
 By facsimile 6277 4774

Attention: Sharon Bryant

House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	56
Date Received:	4/11/05
Secretary:	SA

Dear Sirs/Mesdames

Subject: Inquiry into the superannuation for people under 40

In my original submission to the committee dated 27 July 2005 (marked as submission 21), I recommended the abolition (or at the very least review and increase) of the age-based deduction limits on employer superannuation contributions.

Upon reading the Hansard transcript of the subsequent hearing on 18 October 2005, I was prompted to submit some further salient points for the consideration of the committee.

Firstly, abolition of the age-based limits could be achieved independent of any consideration of other reforms, including reasonable benefit limits (RBLs). That is, abolition of the age-based limits could be incorporated into the current superannuation system as it stands OR in conjunction with further reforms.

Secondly, I wish to point out that the abolition of the age-based limits could have immediate impact on the savings strategies of young people. Many proposed changes to the superannuation system relate to conditions at retirement; I would suggest that very few young people contemplate their retirement with any priority and therefore reforms impacting so far in the future are difficult concepts to grasp. However, the abolition of the age-based limits would encourage young people to contribute to their own savings because an immediate benefit results due to the concessional taxation treatment of superannuation assets.

Thirdly, in addition to people with unusual working lifetimes, the abolition of age-based limits would particularly encourage savings from young people with discretionary income prior to additional financial burdens such as a mortgage or raising a family.

Finally, it was identified that there would be a potential loss of taxation revenue to Treasury as a result of the abolition of the age-based limits, although I suggested that for people under 40 this would be relatively small. However, if more young people were encouraged to fund adequately for their retirement (which after all should be the primary objective of our superannuation system), the subsequent gain from a smaller proportion of people reliant on age pension payments would significantly outweigh this loss. In my opinion the short-term cost would be minor but the long-term benefit to all should be significant.

Thank you again for the opportunity to address this issue.

Yours sincerely,
 Stephen Woods