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RECEIVED
17 FEB 2003
Senate Superannuation Committee

The Secretary,
Senate Select Committee on Superannuation,
Parliament House,
CANBERRA ACT 2600

RE: mechanisms to assist people to plan for, and make the transition from work to retirement, with particular reference to exploring the opportunities available for older people to plan for their retirement.

I refer to the Senate Committee's previous report on the adequacy of superannuation tax arrangements, which found that the current arrangements for superannuation may not provide an adequate income in retirement for most people.

Accordingly, in respect of this inquiry I seek to make a number of suggestions on how to best utilise the superannuation tax expenditures so as to assist people to plan for, and make the transition from work to retirement, by better targeting government tax expenditures.

Suggestion 1 – That all of the current superannuation tax expenditures be replaced with an annual direct government grant to be credited equally to each citizen's account in a government controlled fund yielding interest at the Commonwealth Government's Treasury bond rate. The proceeds of the account can only be paid out on and after retirement age as a means tested fortnightly or monthly annuity. The annuity would not be payable though if a citizen had a certain self sufficient level of other income or assets.

Rationale

This would overcome the inefficiency and inequity of the current superannuation tax expenditures that tend to provide the greatest benefit to high income earners and then considerable -some benefit to middle income earners, but offer little or no benefit to low income earners.

Additionally, this would ensure that the limited funds available for superannuation tax expenditures would not be directed at people who did not need them. Rather, these funds would only be targeted to people who need retirement support. This would in turn greatly relieve the growing financial pressure on funding old age pensions and maximise the government assistance to where it is needed.

Suggestion 2 – Restrict access to retirement savings so that all retirement savings must only be paid out as annuities commencing on retirement age (65) and extending over the remaining lifetime. Upon retirement the retirement savings must be rolled over into a government approved investment fund providing such lifetime annuities.

Rationale

This would firstly ensure that citizens could not spend all of their superannuation funds over a short period of time and then fall back on the old age pension system. Secondly, this would remove the burden on retirees having to invest retirement nest eggs. Thirdly, this would mean that citizens who have obtained superannuation tax concessions would be subject to income tax where their income exceeds the relevant income tax threshold. Again, this would in turn greatly relieve the growing financial pressure on government.

Please feel free to contact me on 08-8201 2102 to discuss these suggestions.

Yours Faithfully,

Paul Kenny
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Flinders University