

Committee Secretary,
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

The Role of Superannuation

16 November 2016

The basic principle behind the introduction of superannuation is to ensure that retirees will, as far as possible, be financially self-sufficient and not have to rely on a federal government age pension that is drawn from consolidated revenue. The current proposed changes to superannuation are totally and utterly incompatible with this principle and will, in the long run, have the opposite effect leading to a significant INCREASE in the budget deficit, instead of providing the trivial benefits predicted by Treasury. The factors contributing to this totally negative economic outcome are as follows:-

- 1) Stability of the national superannuation system is absolutely essential, if workers are going to be persuaded to sacrifice the possibility of short term expenditure in order to set aside funds for their retirement for periods of up to 3 decades. The proposed changes to superannuation open the door for future governments of any political persuasion to plunder these laboriously accrued superannuation balances in a futile attempt to reduce an ailing budget deficit. The Turnbull government will go down in Australian history as the pirates that pillaged the savings of the elderly and triggered the demise of the superannuation system.
- 2) As demonstrated by their comments at the time, the members of Federal Parliament and the public servants who provided the advice on which these senseless changes were based have little or no knowledge and understanding of superannuation. All these people look forward to an extremely generous, fully indexed, gold-plated pension paid entirely out of government funds. Did anyone have the sense to ask self-funded retirees for their opinions, before they proceeded to ransack their savings?
- 3) No attempt was made to follow the existing precedents in the age benefit arrangements to set the amounts due to a couple living together at 1.6 times that of the amount due to a single person living alone. In the relatively common current situation where a retired couple has the great majority, if not all, of the superannuation funds in the husband's name the proposed changes will effectively force this unfortunate couple to exist under the total cap of a single person. What a classic example of the lack of understanding by those responsible for drafting these new provisions.
- 4) The absurd annual limits on non-concessional contributions penalise small business owners, farmers, contractors and investors – all the people that Malcolm Turnbull praises for being responsible for economic growth. If this is the way the promoters of economic development are treated, then the present government cannot be surprised when this desirable growth peters out.
- 5) No estimates of the costs of enforcing these proposed changes appear to have been made. The biggest problem with these complex, convoluted financial arrangements is that it takes a small army of well-paid bureaucrats to monitor and enforce them. The huge cost of this will inevitably swamp the predicted gains and all that will be achieved is the loss of electoral support for the government responsible and the beginning of the end of the superannuation system.

- 6) Most important of all, there are NO 'grandfathering' provisions which totally exclude those already on a retirement pension, many of them very elderly now, from being adversely affected by the introduction of a pension balance cap. Federal politicians and public servants in defined benefit funds managed to avoid the negative effects of recent changes to regulations relating to concessional contributions via a 'grandfathering' clause. Why can't self-funded retirees benefit from 'grandfathering' or are some more equal than others?

Summary:- By all means ensure that superannuation is not used as a mechanism to accumulate huge sums of money of the order of 10 million or more. It shouldn't be a tax dodge for the super wealthy. But don't do this by introducing measures which will destroy the superannuation system entirely, open the door for further raids by greedy governments on self-funded retirees and ensure that anyone approaching retirement will make sure they spend enough of their savings to allow them to get a government funded age pension. The consequential negative effects of these ill-conceived, short-sighted superannuation changes on the deficit in the years to come will be enormous and the current government will responsible for this economic disaster. Of course when it happens most of the politicians responsible, together with the Canberra public servants who advised them, will be retired and living on excessively generous, government funded pensions. Who needs superannuation?

Instead of interfering with a superannuation system you do not understand or appreciate, why not focus on a far more lucrative and unfair system – the largely unfunded pension arrangements enjoyed by Canberra public servants and politicians?

Dr Patrick Kelly

Phone:- [REDACTED]

Email:- [REDACTED]