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GOVERNMENT HAS ALLOWED SUPER TO BECOME SIMPLY SPIN

The federal government has wasted most of its 11 years in office creating a web of spin about superannuation changes instead of undertaking substantial reform and improvement, according to Adelaide based financial strategist Theo Marinis.

"The fact the new super system was originally promoted as "Simple Super" and then became "Better Super" in the federal government's own add campaign confirms it is focused on spin, because it is NOT simple by anyone's standards and the changes have not made it substantially better than what they inherited, said Marinis.

"One of the many misconceptions for example being allowed to percolate through society at present is that super is tax exempt at age 60. It is not. Only most super private pensions are and many people who should know better, including politicians and some financial advisers are recommending for example, that people roll funds back to super from their private pension.

Why at 60 in particular, roll money from the tax free private pension environment back into the 15% super tax environment? If you don't need the private pension cash flow (half your luck) re -invest it back into (possibly to age 75) or even outside of super.

This over 60 exemption was brought in because there was very little tax revenue being raised on super private pensions under the old regime, so the cost to revenue of this rule was minimal. Perhaps the cynical might suggest it favoured the top end of town while appearing to be very generous to all - smart politics but questionable economics.

The better economic super policy was Senator Minchin's suggestion to remove the super contribution tax BUT that would not have been as politically popular and would certainly have cost a lot more in revenue even though it would have made a massive difference to the retirement savings pool of us all!

Ironically, it was former Prime Minister Paul Keating (the father of the Super system) who as Treasurer introduced the 15% Super contribution tax in the late 1980's.

Perhaps it demonstrates that the current Treasurer and aspiring Prime Minister has very much in common with Mr. Keating!

Similarly, the death benefit anomaly which remains in the Super legislation adds complexity that could have easily been removed and really made super simple.

Alternatively a better super policy in this area would have seen private super pensions made tax free (and the complex RBL rules removed) as they have been, but would have retained the minimum and maximum pension limits as well as the retention of ETP tax to be applied to any lump sum super withdrawals over and above the very generous private pension maximum limits - thus no death benefit tax anomaly.

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That way, if mum and dad withdraw large lump sums over and above the maximum pension limits, they too would pay ETP tax at the same rate as their kids will if they receive it as a death benefit after mum and dad are gone! This makes sense because only PENSIONS would have been tax free.

After all, one of the main reasons for the ETP lump sum tax was to discourage people from too quickly running down their savings potentially leaving them destitute in their dotage.

The new rules, while on the one hand provide lower minimums to help preserve your super pensions, simultaneously remove any tax disincentive for running down your super too quickly and as part of the deal have no maximum any longer either!

This is an unbelievable contradiction in policies from where I sit!

It is also clear the so called “$1 Million Super contribution transitional rule to 30 June 2007,” was nothing more than a “sales job” for the funds management industry which will report massive inflows and ultimate profits. It was promoted as a window of opportunity!

In fact, prior to the 2006 budget when this “opportunity” was first announced there was no limit - you could put in $10 million per year into super if you wanted or could afford to and even under the old pension rules would have paid very, very little tax on such large amounts in a private super pension anyway.

Some opportunity! Perhaps even the “top end of town” have been diddled after all by the new, better super too!

The MASSIVE challenge is to take the politics and “chest thumping” out of super policy and build on the great system put in place by both sides of politics (in spite of themselves) over the last 20 years or so, make the additional super enhancements/improvements to make super really work for everyone, rich and poor!

At present, it can be easily argued that good Super is an impossible dream for average working Australians - they will still be reliant on the Age Pension in retirement and the money they put away today can only be made worthwhile by the government being serious about support.

When you really think about it, the much vaunted Co-contribution is simply middle class welfare - great for those few who can afford the contribution, but real workers on low incomes can't spare the cash to make a contribution.

Therefore, the "Co" part should be dropped in the name of equity and the Government should contribute directly to the low paid's super, on the same scale as now regardless of that persons personal contributions or otherwise.

Eleven years of the federal government’s super policy has made the retirement savings system brilliant for merchant bankers, accountants and doctors but the sheet metal workers, the builders, the nurses and police continue to suffer with a measly retirement saving pool because every penny they earn goes in to paying the mortgage and raising their kids with nothing left over for saving for the future.

According to ASFA, the average super benefit with co-contributions for a woman aged 35-44 will be $154,000 and for men $220,000 - giving the average family a "kitty" of $374,000 - which represents just $18,700 pa at 5% - if private health care is maintained this drops to around $16,000 spending power, less the ravages of inflation. It is not enough.

“The cost of housing has blown out so far that average working people will be forced to use their super lump sum to pay off their homes rather than create a private pension for themselves,” said Theo Marinis.

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