TAX | Stick with private pensions

Simpler super not much better

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superannuation

CONFUSION about the new superannuation rules could lead to many retirees paying unneccessary tax, an Adelaide financial strategist says.

Theo Marinis said a common misconception since the July 1 changes was that super was completely tax-free once a person reached age 60.

Only withdrawals from superannuation are tax free – investment earnings continue to be taxed at 15 per cent while the money sits in a super fund.

Tax-free earnings only apply once the super is rolled over to an allocated pension, new account-based pension or most non-government private super pensions.

"Most private super pensions are tax exempt 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," said Mr Marinis, managing director of Marinis Financial Group. "Why, at 60 in particular, roll money from the tax-free private pension environment back into the 15 per cent super tax environment?" he said.

Mr Marinis said taxation of death benefits when paid to non-dependants was another potential problem, but this could often be overcome by a good financial strategy.

He said many of the changes were "simply spin" by the Federal Government, given super withdrawals were already tax-free up to about $140,000 and most retirees did not have more than that sitting in super anyway.

"The fact the new super system was originally promoted as 'Simple Super' and then became 'Better Super' in the Federal Government's own advertising 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," he said.

34 The Advertiser www.adelaidenow.com.au Monday, Oct 15, 2007

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