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GOVERNMENT MUST ACT ON SUPER ANOMALY

Ill informed people could be paying 93 per cent tax on some of their super as a result of regulation changes introduced on 1 July 2007 and the new Government should move quickly to amend this anomaly, according to Adelaide based financial strategist Theo Marinis.

"Under the old Reasonable Benefit Limit (RBL) system if a person had inadvertently over funded, financial advisers had strategy options to deal with this; for example keeping the money in super, starting a non-rebatable pension or try a self managed super fund RBL compression strategy which would either defer the problem or eliminate it altogether," Theo said.

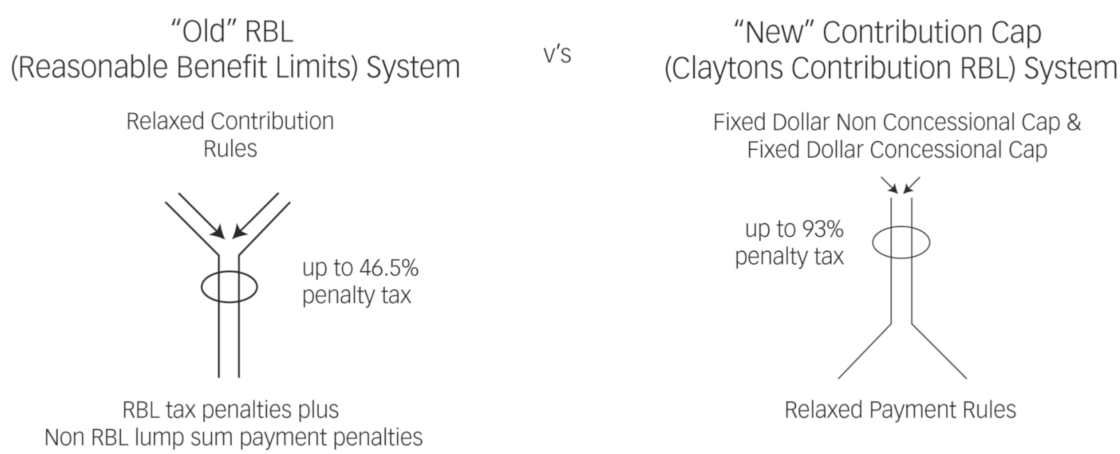
"Shockingly, under the new system if you exceed the cap you get penalized; no ifs buts or maybes!"

"Therefore it is vital that clients check with their financial adviser to ensure they do not over fund. "

"If you look at the example of a conscientious Doctor who consults to a Public Hospital and receives superannuation from it as well as making his or her own contributions from their private practice, they will need to tell their financial adviser up front exactly how much super is being contributed as a result of all their work. There is no point contributing $100,000 too much to super just to see the tax man get $93,000 of it due to poor planning – 46.5 per cent from their salary and 46.5 per cent in penalty – leaving just 7 per cent for themselves, if they innocently contribute above the Government's superannuation caps.

"The most recent changes to super policy have effectively turned the 'funds funnel' on its head. In the past, the funnel narrowed at the Reasonable Benefit Limit, $1.2 million for a couple before the 30 June 2007 change, but it was wide open when it came to putting cash in to super."

"Now the 'funds funnel' is tipped upside down, with the limit being on how much you can put in, with as much as you like falling out the bottom," said Theo.



"Either way, the legislation still severely limits how much wage and salary earners can put into their retirement savings."

"Instead of being stung for excess benefits, you now get a bigger tax penalty for excess contributions!"

"I find this repugnant. If a person wants to save for their retirement and has the ability to contribute a significant sum in one year, they should be allowed to contribute as much as they can afford. The government will still recoup its tax cut via the GST when the money is consumed."

"The new 'Better' super rules are also a disincentive for retirees to hang on to their money, which would leave many people without any retirement funds too early in life, a situation we all want to avoid."

"The Federal Government should act decisively in the upcoming budget to remove this penalty for those who are working so hard to provide for their own future."

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