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Don't Change Super Policy in Budget

The Federal Government risks profoundly damaging Australians' confidence in their retirement savings strategies by unnecessarily changing superannuation policy in the upcoming May budget, says Adelaide based financial strategist Theo Marinis.

"After almost two decades of superannuation innovation and reform, we have just about got the balance right between the needs of the taxpayer and the retirement saver. However, if government 'pulls the pin' on Transition to Retirement' benefits (known as T2R), as discussed recently in the media[*], they will seriously damage both the good faith of working Australians and paradoxically increase the long term burden on the public purse."

"T2R acts as an incentive for Australians to remain engaged in the workforce and not draw on Centrelink pension benefits. Essentially, the Government forgoes some tax revenue in the short term but this is offset by not paying pension or unemployment benefits to people over 55 who are prepared to work part time and they recoup funds through the GST when the retiree begins to spend their money."

"Also, research regularly demonstrates working people are healthier and happier[+], meaning they require less health support through Medicare."

"Most importantly to the economy, in my view, is the issue of keeping skilled and knowledgeable people in the workforce. If media predictions are true and a third of the nation's workers, part of the Baby Boomer demographic, will be eligible to retire by 2017[#], T2R remains a great way to keep this vitally important experience-base contributing."

"I am also very concerned there would be a fundamental loss of belief in super if such a change were made which would have huge impact on the investment markets at a time when they are already racked by uncertainty. Now is not the time to send shockwaves through this most important of confidence drivers for the economy."

"We would expect that working Australians over 55 who already have a T2R strategy in place, would not be impacted by such a move as governments have in the past when changing policy in this type of way, 'grandfathered' existing arrangements even where prospective or future transactions have been prohibited." Theo said.

Sources:

* From The Australian of 15 April 2009: "....As the Government searches for ways to constrain revenue losses, transition to retirement pensions look vulnerable. Much appreciated for their ability to offer an early start to part-retirement, they also cost tax revenue through their use of salary sacrificing….." by Tim Blue.

\+ Centre for Retirement Research at Boston College – Paper by Esteban Calvo
\+ Consensus statement: Dame Carol Black's review of the health of Britain's working age population.

\# ABS – Australian Social Trends – March 2009

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group ABN 54 083 005 930
Australian Financial Services Licence No: 326403

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For further information please contact:

Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategies (SA) Pty Ltd
Trading as Marinis Financial Group
T 08 8130 5130
F 08 8331 9161
M 0412 400 725
E admin@marinisgroup.com.au
A 67 Kensington Road
NORWOOD SA 5067
W marinisgroup.com.au