Media Release No: 41 **23rd May 2011**

Government still “whacks” Mums, Farmers and People with Multiple Super Accounts – despite budget changes

Australian mums returning to work, farmers who have a bumper year after seasons of suffering and people with a number of superannuation accounts are at risk of losing almost everything extra they put into super. This is because of the government’s grossly unfair Excess Contribution Tax “whack” of up to 93%, according to Adelaide based financial strategist Theo Marinis.

“The May 10 Federal budget told us that the Government was aware of this gaping anomaly, but judging from the mere lip service paid to it in the changes which were announced, it would appear that it was either too scared – or too greedy – to fix it.”

Based on the current approach, it would seem that the politicians in Canberra who assume that everyone else earns on a regular basis as they do, would rather stop Australians who don’t receive a regular pay packet from trying to make up lost ground in terms of saving for retirement.

“To highlight just what is wrong with the current approach, you should consider that in 2007/08 the Federal Government’s tax take from ECT was $100,000,000. Given that most excess contributions are the result of reporting or other errors, this is, in my view, tantamount to stealing retirement savings. Furthermore, Australian taxpayers should be under no illusion that the errors can be easily reversed – the ATO has recently stated that they have rejected 98% of claims for refunds of overpaid contributions **(1)**

”Even more worrying is the fact that the 2007/08 figures are the latest available – suggesting that even more superannuation savings have been stolen in the last two and a half years (particularly if we recall that the contribution was halved with effect from the 2008/09 financial year!).

“I should point out that under the new rules announced in the Budget, the margin for error has been relaxed to just one mistake in the lifetime of the Australian taxpayer, and as long as the excess contribution is under $10,000 you can get it back. In reality, however, nothing has changed.”

“Mothers returning to the work force after taking time away to care for children or to nurture a new baby still need to be very careful when ‘catching up’ on their superannuation. Should they inadvertently contribute more than the $25,000 currently allowed by the government in any one financial year, as much as 93 cents in every dollar contributed above this level could be taken by the government as Excess Contribution Tax (ECT).

“Similarly, after a first bumper year in a decade of drought, farmers who decide to put some of this windfall into super are still not allowed to make up for their past lack of contributions beyond the current age based limits (up to $25,000 for people under 50 and $50,000 for those over 50) without running the gauntlet of the ECT gouge.

“For people with multiple superannuation accounts, for example, doctors working in more than one clinic or hospital, still remain at considerable risk of losing track of just how much super is being contributed on their behalf – with highly punitive consequences.

“Bear in mind that these and other hard working Australians are trying to provide for their retirement. They are not criminals and all contribution transactions have been made via the correct procedures and appropriately disclosed.

“In my view, a far better superannuation system would allow contributions to be made when funds are available. Statistically, women have far lower super balances than men, in the order of two thirds less **(2).** Why not allow someone who comes back to work and who chooses to make significant super contributions, to make up for the time they were out of the work force?

“It is my belief, that there needs to be a change of mind set in Canberra around superannuation law. That view should be based on encouraging people to put away as much as possible for a secure retirement when they have the money available to do so, regardless of their age or stage in life. If a contribution limit is required, an indexed lifetime limit would facilitate this approach.

“Effectively, the pool of retirement savings would be increased, the government would still receive the benefit of tax through consumption (GST) and the burden on the public welfare purse would be greatly reduced.

“I believe that the current system is mean-spirited and castigatory. Not everyone has a career cash flow which is smooth and predictable. People stop work to have children, there are many businesses, including farming which have varied incomes and not everyone does all their work for the one employer. The recent changes announced in the Federal budget did not go anywhere near far enough towards fixing the ECT debacle,” Theo said.

-o0o-

(1) ***“A Very Narrow Concession” 15 March 2011 – article by Robin Bowerman, Head of Retail, Vanguard.***
Reporting on the Senate Economics Legislation Committee meeting in February 2011.

(2) http://www.womenandsuper.com.au/Essentials/SuperGenderGap/TheFacts

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

Disclaimer

The information in this article reflects Theo Marinis’ understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. While it is believed the information is accurate and reliable, this is not guaranteed in any way. The information is not, nor is it intended to be comprehensive or a substitute for professional advice on specific circumstances.

The information given in this article is of a general nature and has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision on the basis of the advice above, a prospective investor needs to consider, with or without the assistance of a professional adviser whether the advice is appropriate in the light of their particular investment needs, objectives and financial circumstances.