

From: Grow | Marinis Group
Sent: Friday, 1 August 2014 12:17 PM
To: Grow | Marinis Group
Subject: Defined Benefit Super Funds
Attachments: 2014 07 07 - Reply Letter from Senator Corman.pdf; 2014 07 22 - Our Reply to Senator Corman.pdf

Dear friends,

Some of you may have a 'defined benefit' super fund or have a family member or friend who is a member of this type of fund. Such funds pay a benefit that is linked to a percentage of final average salary at retirement. If you or your family member or friends have been employed by the Federal or a State Government, there is a chance you have a defined benefit super fund.

Defined benefit funds differ significantly from 'accumulation' style funds, where the retirement benefit is dependent on the market value of the investments in the fund. In contrast, the defined benefit pays a set amount every fortnight and returns are not affected by the stock market, providing certainty of income and reducing financial concern.

Given that many government departments are currently offering voluntary redundancy packages, I've recently found myself providing advice to a number of people with defined benefit superannuation schemes. Some older workers take the opportunity to take a payout and stop working a little sooner. Many plan to travel, some plan to spend more time with grandchildren, while others want to volunteer or offer consulting services.

The difficulty associated with making such retirement decisions is that the rules are complex and often differ from individual to individual. For example, there are significant variations between State and Federal public service superannuation rules, and sometimes the payout can be affected by when you choose to retire (e.g. in some situations, it is best to retire aged 54 years and 11 months!). Making sense of this can be both confusing and distressing, particularly as some schemes are more generous than others.

As one client recently said to me, 'the rules can do your head-in'. In that particular case, the client was a member of a South Australian 'Constitutionally Protected Fund'. This type of fund can't be taxed by Canberra, so the contribution rules are very confusing. In fact, if you read the Section 293 advice attached, you can see even the regulator gets it wrong from time to time!

<https://www.ato.gov.au/Tax-professionals/News-and-updates/Superannuation/Incorrect-Division-293-tax-amended-assessments/?issue-27-2014>

A further consideration is that not all funds adjust payments for the Consumer Price Index. This means that a fund member may effectively take a pay cut each year as living expenses rise as a result of inflation but their pension remains the same.

Sometimes it's in a person's best interest to take the full Defined Benefit superannuation pension, sometimes to take a full lump sum. In my experience, it's often best to have a hybrid arrangement—part pension and part lump sum—to diversify strategic options.

What's best for any individual relates to their personal situation and, as always, I strongly recommend that you seek professional advice before making a binding decision.

As a separate issue, I invite you to take a look at my most recent correspondence with Senator Cormann, in his role as Assistant Treasurer. I'm delighted that the work I, and others, have put into lobbying the government has had some impact on improving the super system for you. I'm committed to continuing this effort, and will make all updated correspondence available for your information on our website – www.marinisgroup.com.au.

As always, if you wish to discuss this edition of eGrow or any other matter with myself or another member of the Marinis Financial Group team, please do not hesitate to call us on 08 8130 5130.

Best wishes,

Theo Marinis B.A, B.Ec, CPA, CFP®
Financial Strategist
Authorised Representative



GROW @ Marinis

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

P 08 8130 5130 | **F** 08 8331 9161 | **E** grow@marinisgroup.com.au
A 67 Kensington Road, Norwood SA 5067 | **W** marinisgroup.com.au

If you do not wish to receive further messages of this nature, send a reply email with the word UNSUBSCRIBE in the subject box.

This message is confidential and may be privileged. It is intended only for the use of the addressee named above. If you are not the intended recipient, any unauthorised dissemination, distribution or copying is illegal. We do not guarantee the security or completeness of information hereby transmitted and we are not liable in either respect for any delay. Nothing in this message is intended as an offer or solicitation for the purchase or sale of any financial instrument. Any market prices or data, unless specifically verified and identified as such, are not warranted as to completeness or accuracy. It is the responsibility of the recipient to virus scan this email.

 **Please think of the environment before printing this email.**



Minister for Finance Acting Assistant Treasurer

Mr Theo Marinis
Financial Strategist and Authorised Representative
Marinis Financial Group
67 Kensington Road
NORWOOD SA 5067

Dear Mr Marinis

Thank you for your letter of 14 February 2014 originally directed to Senator Sinodinos, concerning the case for further reform of the excess contributions tax rules. I am writing to you in my capacity as Acting Assistant Treasurer. I sincerely apologise for the delay in responding to you.

The Government recognises that a number of Australians are taxed punitively for genuine unintentional errors where their voluntary superannuation contributions exceed the non-concessional cap. Currently superannuation contributions in excess of the non-concessional cap are taxed at the top marginal tax rate.

The Government has announced in the Budget that it will allow individuals the option of withdrawing all superannuation contributions in excess of the non-concessional contributions cap and the associated earnings. If an individual chooses this option, no excess contributions tax will be payable, with only the earnings to be taxed at the individual's marginal tax rate. This measure will apply to contributions made on or after 1 July 2013.

This measure delivers on the Government's election commitment to address all inadvertent breaches of the contribution caps where the error would result in a disproportionate penalty. It achieves the Government's objective in the most effective way and is broadly consistent with the treatment of contributions in excess of the concessional contributions cap. Final details of the policy will be settled following consultation with stakeholders in the superannuation industry.

The Government understands that an individual may still have an excess contribution as a result of an inadvertent triggering of the bring-forward rule. However, the Government's reform will enable the individual to unwind the effects of the inadvertent contribution and to avoid the disproportionate penalty that would have previously applied.

I trust this information will be of assistance to you.

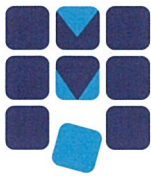
Kind regards



MATHIAS CORMANN



7 July 2014



MARINIS
FINANCIAL GROUP

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

T 08 8130 5130
F 08 8331 9161
E admin@marinisgroup.com.au
A 67 Kensington Road
Norwood SA 5067
W marinisgroup.com.au

22nd July 2014

Senator Mathias Cormann
Minister for Finance
Parliament House
CANBERRA ACT 2600

Dear *Senator Cormann,*

FIXING OUR SUPER SYSTEM

This is my first direct communication with you in your role Minister for Finance, and I believe that it is important that the government has a dialogue with industry professionals in respect of superannuation and financial advice matters.

Firstly, I take this opportunity to congratulate the government for its decision to remove the inflexibility surrounding Excess Contributions Tax on non-concessional superannuation contributions – it was refreshing to see the new Government move so quickly. The previous rules were unnecessarily punitive and not compatible with the spirit of shared responsibility for retirement saving.

In a similar vein, it is my committed belief that the impending deeming of Account Based Pensions will have a negative impact on our superannuation system and the budget, as a consequence of increased Centrelink pension outlays in the medium to long term.

As it currently stands, there is no doubt that this policy change will act as an incentive for superannuants over age 60 to spend their retirement savings faster, thereby qualifying for increased Centrelink support sooner than they otherwise would have.

A much simpler and more equitable system would be leave ABP income as Tax and Centrelink exempt up the minimum Age Pension. Amounts drawn in excess of this minimum might attract tax at the rate of 17% at source, with no refund available. Further the income in excess of the minimum could also be assessed by Centrelink.

Such an approach would mean there is a greater incentive for Australians to preserve their superannuation to supplement retirement income (rather than provide the incentive to squander it) for as long as possible. This after all, is the main objective of a superannuation system.

Senator Cormann, I make these comments to you from a front-line position of providing strategic financial planning advice on retirement savings issues. If you or your staff would like to discuss any of the issues raised, please do not hesitate to call as I would be happy to make my time available.

Yours sincerely

Theo Marinis
Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategist
Authorised Representative