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27th October 2014

The Hon. Kevin Andrews MP
Minister for Social Services
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear *Mr Andrews*,

ACCOUNT BASED PENSION DEEMING
A GREEN LIGHT FOR RETIREES TO BLOW THEIR CAPITAL

I write with some concern about the quality of advice being given to you by Centrelink, in particular the letter I received (attached) which attempts to explain the Government's views on deeming Account Based Pensions in superannuation.

Clearly the author and probably the people who promoted the idea, have no experience of human behaviours when related to social security payments, nor do they understand how an account based pension was designed to function.

Sadly, the bottom line is that some Australians tend to be irrational when they think they can 'get on' a Centrelink benefit. This comment is based on my observations as a financial strategist over 20 years and prior to that as a public servant with the ATO, Centrelink and the ISC.

I have seen some people do ridiculous things to get a pension, which of course, is why Centrelink has designed strict gifting and "Deprivation" rules.

It is my warning that the new rules due in January 2015 will cause people with modest superannuation balances to 'spend up' in order to qualify for increased age pension benefit.

There is an implicit dis-incentive to be frugal under the new rules, which will not ease the cost burden of social security in the longer term.

This is an ill-advised departure from a balanced retirement incomes policy which does little to encourage retirees to manage their retirement cash flows.

Account based pension income streams were designed to allow the return of a capital component, which was precisely why they are:

- a) subject to minimum, age based payments and
- b) why the 'exempt' component (or 'capital' component) based on actuarially calculated longevity factors, was applied.

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Minister, I would urge you to seek some informed advice from 'front desk' regarding the consequences of the new rules as I am certain you will be shocked by the contradictions you will hear.

Finally, I look forward to the opportunity for continued dialogue in respect to these and similar matters. Should you or your staff wish to have any additional information or require further clarification on any of the issues raised in this letter, please feel free to contact me.

Sincerely

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

Encl:

Finally, I would add my endorsement to the recommendations that a Coalition government reconsider the account based pension deeming rule, which will do little to encourage retirees to manage their retirement cash flows. Far from reducing the cost burden of social security, this rule, which encourages Australians to squander their 'deemed' retirement savings will instead, see them qualifying for increased Centrelink support sooner than they otherwise would have. Clearly, this is an outcome which is not in the nation's best interest.

