Super Gets a Real Workout

*Changes to superannuation aren't fixed, but older people will get more flexibility, writes **Anthony Keane***

AUSTRALIANS aged over 65 are set to gain some more flexibility in their superannuation, regardless of what emerges from postelection posturing.

As Canberra politicians grapple over the 2016 Budget super measures, it is expected that new rules to allow people aged between 65 and 74 to contribute to super more easily will sail through parliament.

That's because the rule change is forecast to add $130 million to government revenue as more people pay contributions tax, and every dollar counts for a parliament under pressure from a potential credit rating downgrade.

Currently people aged between 65 and 74 can only contribute to their super if they satisfy a work test of 40 hours in a 30-day period. That rule is set to disappear from July next year, and there will be flexibility to allow anybody to make tax deductible contributions at any time – rather than relying on salary sacrifice through employers.

Financial strategist Theo Marinis says this flexibility is one of the "good news" items from a dozen budget super changes that have received a mixed response.

Plans to limit retirees' super pension balances to $1.6 million, cut the non-concessional contribution cap to a lifetime limit of $500,000, and reduce the cap on concessional contributions – such as salary sacrifice – have been criticised. The lower concessional contribution cap – from $35,000 to $25,000 for over 50s – looks most likely to be stopped by the Senate.

"Let people have the opportunity to grow their super in the final 10 years before they retire," Marinis says.

He says other Budget changes that tighten the transition retirement rules are overkill because they hit middle-class pre-retirees rather than the wealthy.

"It's like you shoot them and then burn them with a flame thrower as well," he says.

Seniors group COTA Australia surveyed members last month and found that more than three-quarters of older Australians believe the age pension is not enough to live on.

COTA broadly supports the Budget super reforms, but CEO Ian Yates says that super's tax incentives still favour wealthy savers more than the masses and should be better targeted. "Even with the changes, if you have a higher income you have a greater incentive to put money away," he says.

After age 60, any money sitting in a super pension has zero tax on earnings and withdrawals, making it a great structure to store wealth.

Yates has no time for people who are complaining about the plan to cut back tax concessions for individuals with more than $1.6 million in a super pension.

"Are people saying they should be getting those concessions at the risk of Australia's AAA credit rating? For goodness sake, after that they are still only paying 15 per cent," he says. "There's still no other more attractive vehicle for higher income earners."

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