

Superannuation

Message to Australian MPs: Cut your own superannuation perks first

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News Corp Australia Network

POLITICIANS are being urged to cut back some of their own superannuation tax breaks before hitting the retirement savings of millions of ordinary Australians.

As MPs argue about restricting how much money people can put into super, a new analysis by financial strategists Marinis Financial Group estimates that more than \$1.5 billion a year could be saved if they remove an "obscene" tax break for retired politicians and other public servants.

Hundreds of thousands of public servants with defined benefit superannuation schemes, which were closed to new members by the mid-2000s, were granted a 10 per cent tax offset on their retirement pension income a decade ago even though members paid no tax on their super contributions or fund earnings during their working years.

"They're among the most generous schemes in Australia, and probably the world, and they don't need an extra free kick," Marinis Financial Group managing director Theo Marinis said.

"The pensions they are getting have never, ever been taxed, anywhere, but politicians want to start clobbering people who have been taxed the whole way."



Former prime minister Tony Abbott is not in favour of the Turnbull government's superannuation changes. Picture: AAP Source: AAP

Defined benefit pensions typically pay a percentage of a person's previous salary for the rest of their life, unlike most Australians' super which is a finite amount that drops as it gets spent in retirement.

"Politicians and public servants in untaxed schemes receiving defined benefit pensions cannot double dip. They automatically receive their pension each fortnight, usually automatically indexed to CPI, with no exposure to market volatility," said Mr Marinis, a former Treasury official.

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Financial strategist Theo Marinis says retired public servants and MPs get an “obscene extra tax free kick”. Source: *News Limited*

Australia’s Future Fund, now worth \$123 billion, was created to pay public servant superannuation pensions, but some say it is not large enough to cover the huge future cost.

Finance commentator Robert Gottliebsen has been campaigning against defined benefit scheme “rorts” and last week renewed his call for a parliamentary inquiry.



Australian PM Malcolm Turnbull is still pushing for changes to superannuation. Picture: Lyndon Mechielsen / News Corp Source: *News Corp Australia*

“The cost of those defined benefit pensions is rising by \$6 billion a year and there is a \$400bn to \$600bn shortfall. That increase in costs is conveniently buried and not included in budget figures but it’s a real cost,” he said.

Public sector superannuation specialist Laurie Ebert said some senior public servants were “avoiding tax from beginning to end” and said the system should be changed.

“I doubt that it would happen,” he said. “They’re not going to give it up easily.”

Mr Marinis said politicians made little mention of these schemes “because it affects them”.

He said the tax concessions could be stopped by a simple change to the Tax Act. “You are not supposed to give tax concessions to somebody who hasn’t already paid tax on their super.”