

Super Will Save Us Financially ... YET again!

According to Adelaide based financial strategist Theo Marinis, in the current health (and resulting impending economic) crisis, the government should allow our sturdy super system to save us financially. There are three simple short-term measures that can be implemented quickly and easily via amendments to existing super regulations.

Short Term Measure 1

Immediate access, under the existing “Hardship Provisions” to a gross amount of \$10,000 (at least \$7,800 after tax) for all superannuation members. Such access should not be subject to the usual cumbersome proof of financial hardship, it could be made available perhaps every two months but limited to a six-month period.

Under normal circumstances, this measure will be seen as heresy for most superannuation academics (myself included), but these are not normal circumstances. However, it would mean that thousands of mortgages and car loans will continue to be paid, as will home rentals, keeping many small businesses afloat. During this period of global crisis, if people need their savings, they should be able to access them to pay life’s essential bills.

Short Term Measure 2

Transition-to Retirement (T2R) was designed to enable older Australians to reduce their working hours without retiring fully. At present, a person over the age of 57 is able to reduce their hours of work and draw down from their superannuation to offset a reduction in salary.

When Peter Costello introduced this system in 2005, this concept was to assist baby boomers to “maintain connection with the workforce” however, this is now also a perfect short-term solution to ease the financial pressures of COVID-19 and provide income for all superannuants during this crisis.

Short Term Measure 3

John Howard made life easier for retirees during the GFC in the middle of THAT crisis, by halving for a short period, the minimum mandated drawdown on Account Based Pensions, avoiding the need to sell pension assets at a loss.

This measure too, should be once again temporarily re-instated to match a temporary release of super benefits for those under the age of 57. It is clear that under ‘COVID-19 enforced self-quarantining’ for a time, every one of us (including pensioners) will have fewer activities on which to spend. This measure will allow the deferral of Account Based Pension payments (as well as consumption) until things recalibrate and normality is restored, at which time the deferred consumption will help our economy recover quickly too.

Remember, super regulations can and have been temporarily changed before.

I understand that many will argue that some of the measures I am advocating involve selling assets into a falling market, but arguing this point is counter to the issues at hand.

A background in economics and a lived experience has demonstrated to me that if we are able to inject this cash into society during COVID-19 and its economic implications, we will keep the economy afloat, enabling a more rapid recommencement of normal activity when this eventually passes. Furthermore, these temporary changes to our super regulations will also serve to:

- Free up government support to assist those with little to no super of their own - in other words, help our citizens who may be undergoing extreme financial hardship to also get through this period.
- Allow the government to concentrate its economic 'firepower' to assist many more businesses to survive the virus-imposed slow down and be ready to re-employ their staff when the crisis is over.
- Restore a level of confidence. If people are no longer worried about losing their homes, affording to pay the rent or feed the family, they will be faster able to return to their normal consumption patterns once the virus has resolved.

We need good businesses to be there for all of us after we come out of COVID-19 hibernation. We should all use this time, as two of my local restaurants have, to be innovative (they are offering a free home delivery service, and hopefully this will help keep them solvent in these volatile times).

Removing fear from society is when we will all make better and more rational decisions. Frightened people panic, as unfortunately, we have seen every night on the news. It is important to remember that a calmer society is also a kinder society. There will be more assistance given to the vulnerable and isolated. We will see more self-sacrifice and acts of altruism.

"To the many 'super sceptics' who argue our system is flawed, I remind them that it is our excellent superannuation system which helped our economy during the GFC - when our banks recapitalized by issuing shares, it was the super system which 'mopped' them up. Superannuation can and WILL help save us again financially during this crisis."

With some big picture thinking and some minor changes to existing regulations; albeit, requiring prompt and simple legislative action by Parliament, we can benefit as a society and an economy if we get this right. We need clear and innovative thinking both on a micro scale and from Canberra.

I will be writing to the Prime Minister and Treasurer this week regarding the measures I propose.

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