

Media Release - 21 June 2013

Superannuation Charter has Merit, but Council of Custodians Must Be Independent

The SMSF Owners' Alliance sees value in creating a charter of superannuation adequacy and sustainability but doubts there is value in setting up a Council of Superannuation Custodians unless the Council is given genuine independence.

SMSFOA today lodged its response to the Government's discussion paper.

We welcome the paper's recognition that superannuation is a key factor in the economic and social welfare of Australia and make the following points:

- Changes to superannuation, e.g. contributions and taxation, should be subject to consultation in advance and should not be retrospective in their effect.
- The taxation of superannuation should be 'ring fenced' in the Budget and superannuation should not be used by governments as an easy source of revenue when they run up a deficit.
- At current contribution levels, superannuation savings will not be adequate to allow most Australians to be financially independent throughout their retirement – contribution caps need to be doubled.
- The proposed Charter is well intentioned and it should be incorporated in legislation similar to the Reserve Bank Act which sets out the RBA's economic and social function.
- The proposed Council will be ineffective unless it is given real power to shape superannuation policy. Without independence, its cost can not be justified, particularly if the cost is to be recovered from superannuation funds, reducing the value of members' savings.

The proposed Charter needs to have bipartisan support. It is necessary for political parties to recognise and accept that superannuation, as a long-term national savings vehicle, should transcend the budgetary and electoral cycles. Governments must resist the urge to regard the pool of superannuation savings as a reservoir of money that can be tapped to top up revenue when they allow the budget to fall into deficit.

Ideally, superannuation and the taxation of it should be 'ring fenced' within the budget. Superannuation should be a fiscal 'no go zone'.

We are not convinced that the best oversight of the superannuation system is a standing Council of Custodians which has only an advisory role. If a Council is established, it should have proper powers under legislation and scope to make decisions on the evolution of the superannuation system. Otherwise, periodic reviews by eminent authorities (e.g. Wallis, Henry, Cooper) will be more cost efficient.

Contact:

Duncan Fairweather

Executive Director

SMSF Owners' Alliance Limited

dfairweather@smsfoa.org.au

0412 256 200