SMSF Owners' Alliance
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SMSF Owners Facing Quadruple Whammy

Australia's one million SMSF owners have been dealt not just a double or even a triple whammy but a quadruple whammy from recent announcements and government measures.

First, lower interest rates caused by the RBA's efforts to deal with a slowing economy will reduce SMSF income from bank deposits. ATO figures show that in March this year SMSFs held $137.8 billion in cash and term deposits. If banks reduce the interest paid on these accounts by 0.25%, reflecting this week's cut in the official rate, SMSFs will collectively receive $344 million less in interest.

SMSFs typically hold a significant proportion of their assets in cash and term deposits, ranging from 33% to 57% for funds with less than $500,000 in assets, so any reduction in interest has a major impact on fund earnings.

Second, we estimate the new 0.05% levy on bank deposits up to $250,000 to create a Financial Stability Fund, will cost SMSFs collectively $40.5 million per year. We estimate that about $81.5 billion in SMSF cash and term deposits will be subject to the new levy.

The levy is an unnecessary cost for SMSFs and other account holders because it won't raise anywhere near enough to cover a bank failure. The best safeguard against bank failure is to have strong, well-managed banks closely supervised by APRA.

Third, the annual ATO supervisory levy is being raised by 35% to $259. However, complicated transitional arrangements mean that for 2012-13 SMSFs will be paying a levy of $321 (a rise of 68%) and for 2013-14 the fee will be $388 (a rise of 103%). Over the next four years, the higher ATO levy will collectively cost SMSFs $513 million – a $316 million (61%) increase over the cost of the levy in the last four years.

SMSFOA believes the increased levy, draining over half a billion dollars from the SMSF savings pool over four years, has not been adequately explained and justified.

Fourth, some SMSFs will be paying a new 15% earnings tax, with retrospective effect, depleting SMSF savings by $313 million over four years.

Lower interest rates paid on deposits will lessen the income to SMSFs and the new Government imposts will drain more money out of SMSFs, reducing the pool of savings that one million Australians are relying on to support themselves financially in retirement.

Putting aside the effect of the slide in interest rates, we estimate recently announced Government actions will cost the SMSF sector about $790 million over the next four years.

The Government recently announced that if it retains office, there will be no further changes to superannuation policy for five years.

However, for SMSFs much cost has already been imposed.

Contact:

Duncan Fairweather
Executive Director
SMSF Owners' Alliance
dfairweather@smsfoa.org.au
0412 256 200
www.smsfoa.org.au