SMSF Owners' Alliance
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SMSFOA Members' Newsletter

#3 /2014

Dear Members

In the run-up to the Federal Budget on 13 May, there's been much media comment on a possible extension of the retirement age to 70 and the alleged cost of superannuation tax incentives to the budget.

Retirement at 70

The previous government planned to lift the age pension age from 65 to 67 by the mid-2020s. This timetable might be accelerated in the budget though the Audit Commission report released today doesn't envisage the retirement age reaching 70 until 2053! This may be of academic interest to many of us.

If the retirement age is lifted, a consequent question is whether the age limit for access to superannuation should also be raised.

SMSFOA has noted that people can exercise choice over their retirement age if they have sufficient super to be financially independent – our media release on this topic is attached.

Cost of superannuation to the Budget

SMSFOA has consistently challenged claims that super tax incentives cost the Budget $32 billion rising to $45 billion over the next four years. These claims are based on Treasury's annual Tax Expenditure Estimates which are presented in a way that allows misleading and mischievous conclusions to be drawn.

We have challenged the veracity of the TES numbers because they provide ammunition to people who think superannuation benefits the better off at the expense of the lower paid and therefore super tax concessions should be reduced or super savings taxed more.

Such claims are based on a fundamental fallacy. Putting aside the question of whether the tax cost number is $32 billion or somewhat less, the assumption is made that if super tax concessions are reduced there will be an equivalent saving to the budget. However, this won't happen. If super contributions are taxed more, less money will flow into super and the cost to the budget of pensions will rise. If less money flows into super, the government will get less revenue from super fund earnings (of course, this may or may not be offset by tax on investment earnings outside super).

The latest sally on this issue came last week from the Australia Institute – a left leaning research house stacked with former Greens/Democrats/Labor staffers and whose Board includes the President of the ACTU.

The Australia Institute report claimed that the cost of super tax concessions would overtake the cost of pensions in two years. It proposed that the present system should be changed to one where everyone gets a pension, regardless of their income, and that mandatory super savings should continue but be taxed at the marginal rate. Of course this would remove a powerful incentive to save. You can view the report at http://www.tai.org.au/content/sustaining-us-all-retirement

The Sydney Morning Herald ran this story uncritically, without qualifying comment, but also published our letter the next day – see attached.

Better still, in her column in The Australian, the well-known economist Professor Judith Sloan took Treasury to task over the TES numbers. Her critique is well worth reading – see attached.

We have asked Treasury to present the TES numbers so they are less open to wilful or merely mistaken interpretation and have suggested they correct misleading reports of the TES when they occur. As we noted in our submission to the Financial System Inquiry, Government agencies and officials should have the same obligation as company directors to correct misleading information in the marketplace.

Red Tape Review

The Federal Government has an on-going review into unnecessary red tape and is committed to saving the economy $1 billion in red tape costs each year – it claims to have saved over $700 million so far.

We are keen to know of examples of unnecessary or overly complex regulations affecting SMSFs.

For example, we hear that last year's 'reforms' to the Excess Contributions Tax are not working as well as they should.

If you are an SMSF professional (accountant or financial adviser) or a trustee concerned about unnecessary red tape affecting SMSFs, drop us a line to info@smsfoa.org.au and let us know of your concerns.

You can also visit www.cuttingredtape.gov.au and leave a comment.

Your opportunity to get more involved with SMSFOA

The SMSFOA Board has decided to establish two advisory committees – a Technical Committee and a Policy Committee – to assist us in dealing with the wide range of superannuation topics with which we are coming to grips.

The role of the committees will be to help SMSFOA identify and prioritise issues of concern to members, undertake background research and assist in developing position papers and submissions. We are looking for people who can bring their knowledge and expertise to the table and also be prepared to do the practical work.

These will be 'virtual' committees operating primarily via email. If meetings are necessary, they can be organised via Skype.

If you are interested, please contact Duncan Fairweather at dfairweather@smsfoa.org.au mentioning your background and areas of interest.

Out and about

In April, SMSFOA participated in SMSF Strategy Days organised by Morningstar. Our Chairman, Bruce Foy, took part in panel discussions in Melbourne and Sydney while Duncan Fairweather went to Brisbane. The sessions drew audiences of up to 300 people and were a good opportunity for SMSFOA to be seen and heard by SMSF trustees and beneficiaries. We hope to be doing more work with Morningstar and other credible organisations in the SMSF space.

Next Newsletter

We'll aim to get another newsletter to you in a month.

SMSFOA Members' Newsletter #3/14.

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