

## SMSFOA Members' Newsletter

# 7/2016      3 June 2016

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## Keep up the good work

Dear Members,

It is about halfway through the election campaign and we are starting to hear some rumblings within the back bench about the sheer anger felt by the Liberal's own supporters.

SMSFOA has been very active in briefing the press and Coalition members of Parliament and your letters to us have certainly helped to put some 'reality' behind our submissions.

As you will see from this newsletter we have also been working with Dr Ron Bewley (Professor of Econometrics and Head of the School of Economics at UNSW) and there will be more from him. His work categorically dispels the Treasurer's claim of some 'broadly similar relationship' between a self-funded pension derived from a cap of \$1.6m on the one hand and either 4 times the Age Pension or a government funded defined benefit pension of \$100,000 on the other.

We believe that at this stage a wholesale change to Coalition policy as outlined in the Budget is unlikely. However, we are calling on the Coalition to publicly recognise that there may be adverse unintended consequences and to commit to appointing a body (including a representative of SMSFOA) to review and refine the policy.

I encourage you again to make your feelings of betrayal and disappointment known to your local Coalition member/candidate. This policy, if enacted, will kill off the first real attempt in this country to establish a retirement income policy which encourages savings and self-reliance and promoted a culture of aspiration rather than entitlement.

Best regards,





## Election 2016: Malcolm Turnbull says Coalition will not back down from superannuation changes

The Prime Minister has ruled out any change to the Government's superannuation tax policy announced in the recent Budget and now a central issue in the Federal election campaign.

This message was also delivered bluntly by two of the Treasurer's senior advisers when we met them last week (3 June).

They maintained that:

- The announced policy is not going to change
- There are no unintended consequences - all of the consequences have been considered
- There are no miscalculations in the Government's numbers

There will be consultation on legislation to bring in the changes but *"none of that changes the clearly stated policy intention."*

One revelation to come out of the meeting, which has not been stated before, is that the benchmark for the \$1.6 million cap on superannuation pension accounts was set at double the assets test for the aged pension (\$800,000).

The benchmark of four times the age pension referred to by the Treasurer in the Budget and since was not the policy rationale for the \$1.6 million cap. It appears it was just used by the Treasurer to 'sell' the changes by comparing the tax free income from a superannuation pension account with the tax free aged pension.

It would have been nice to know what the real benchmark was.

In any case, whether it's four times the age pension or twice the age pension assets test, it's still bad policy in our view.

We gave the Treasurer's office a list of 22 questions about unintended consequences in terms of fairness and practical implementation issues, many based on feedback from members.

As mentioned above, they maintained there were no unintended consequences. Every consequence is intended.

We also gave them a sheaf of messages we have received from members raising specific concerns and examples of how members will be affected.

The meeting with the Treasurer's office was arranged by SMSF Owners and included the Australian Shareholders' Association, the Small Independent Superannuation Funds Association (SISFA) and had the support of the Australian Investors Association.

## **\$1.6 million x 4 times the age pension = \$100,000? Wrong.**

The equation sold by the Government – that a pension account of \$1.6 million will generate an income of four times the age pension (about \$90,000) which is equivalent to the \$100,000 tax free income from defined benefit schemes – simply doesn't add up.

Defined benefit schemes are enjoyed by politicians and many public servants. They are guaranteed by the Government, indexed against inflation and bear no market risk. In contrast, the superannuation savings of everyone else are not guaranteed, not indexed and subject to market risk, capital loss and longevity risk (the risk that you will live longer than your savings last). And especially now – government policy risk.

We asked Dr Ron Bewley, former Professor of Econometrics and Head of the School of Economics at the University of New South Wales, to examine the equation.

He says: *"I found the differences between these pensions are so great that no reasonable person could draw that conclusion."*

Further, he found there's a good chance someone with \$1.6 million in their super savings account will still be living well after their superannuation runs out. Then they will have to fall back on the Age Pension.

You can read Dr Bewley's report here: <https://smsfoa.org.au/home/expert-advice.html> and our media release here:

[https://smsfoa.org.au/images/expert\\_advice/160602\\_Governments\\_super\\_policy\\_doesnt\\_add\\_up.pdf](https://smsfoa.org.au/images/expert_advice/160602_Governments_super_policy_doesnt_add_up.pdf)

Dr Bewley is now working on his next report which will show a pension account balance of twice the \$1.6 million is necessary to make retirement savings last for most people.

Keep an eye on our website for his next paper.

## **Member comments keep on coming**

We've been encouraged to keep up the fight by supportive emails from members, like this one:

*"Thanks SMSF Owners for the work you are doing on our behalf. It is abundantly clear both the Liberal and Labor super tax policies are retrospective. The game has changed for anybody who has retired in the expectation of a certain level of income in retirement. I feel sorry for anyone who has made life-changing decisions about retirement only to find the goal posts have been shifted. How can we have confidence in the system and entrust our savings to it when the rules will be changed? Politicians will always tell you they need to make a change and then they will leave it alone. Don't believe them. You can bet that future governments won't be able to resist opening the superannuation lolly jar. This should be a real worry for people in mid-career who will find when they reach retirement that hard-earned savings will have been eroded by more changes to the rules.  
Matthew – Sydney"*

You can now add your opinion on this issue via our online Members' Forum here:

<https://smsfoa.org.au/forum-chrono.html>

There are two ways you can do this:

1. Go the website and log in using your username and password. Then click on Forum on the top menu bar and look for the topic '2016 Election Superannuation Tax Debate' and enter your comments.
2. Or just send your comment by email to [info@smsfoa.org.au](mailto:info@smsfoa.org.au) and we'll post it to the website for you.

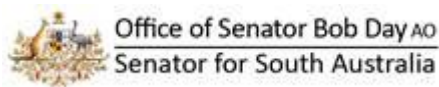
You don't have to give your name.

## **Independent Senators pledge to oppose the super tax changes**

Depending on the outcome of the election, it may be that independent Senators will again have influence in the Senate.

We contacted Senator Bob Day and Senator David Leyonhjelm and asked them whether they stand on the proposed superannuation changes:

### **From Senator Bob Day – Family First**



Dear Mr Fairweather

Senator Day will not support the changes to superannuation and will vote accordingly if returned to the Senate after the election.

Senator Day appreciates that you have written to him about a current issue that concerns you. He was elected as a Family First Senator for South Australia on a platform of "Every family, a job and a house". This massive task promotes independence, self-reliance, reduces government intervention, smaller government, lower taxes and more money in the pockets of families. Senator Day has a limited capacity to advocate for (a) issues outside of his State or (b) policy priorities beyond that focus. Were Senator Day to have more Family First colleagues elected to the Senate, we could provide greater support. Regrettably, the Liberals, Nationals, Greens and Nick Xenophon have done a deal to eliminate us from the Senate. Independents and minor parties give constituents or groups like you more opportunity to raise concerns in the Senate. Without your support, the Senate will be closed to just an elite few parties who may not listen to you at all.

Thank you again for your email.

**Senator Bob Day AO**  
**Senator for South Australia**

## **And from Senator David Leyonhjelm – Liberal Democrats**

Hi Duncan,

Senator Leyonhjelm will oppose the superannuation changes in the Senate.

We are actively prosecuting this issue in the media and in conjunction with the financial services sector. Any thoughts or ideas that you might have for amplifying the strong opposition of the Liberal Democrats to the superannuation changes to your members or the public are most welcome.

Max Rheese

Senior Adviser – Office of Senator David Leyonhjelm

**The only way we can get the Government to re-think its policy is to keep up pressure on Coalition Members and Senators during the election campaign.**

To find your Member/Senator's contact details, please go to this address:

[http://www.aph.gov.au/Senators and Members/Guidelines for Contacting Senators and Members](http://www.aph.gov.au/Senators_and_Members/Guidelines_for_Contacting_Senators_and_Members)

Or just Google your Member's/Senator's name and this will take you to their own websites where you can leave a message. Politicians tend to be more responsive if their own electors write to them.

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