

Is \$1.6 million in super achievable?

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In his third report examining the viability of the Government's superannuation policy, Dr Ron Bewley concludes that people are unlikely to be able to save enough to reach the \$1.6 million in superannuation that the Government considers an appropriate benchmark for tax-free retirement savings unless they can make the maximum \$25,000 concessional contribution in each and every year for most of their working lives.

He questions whether it is realistic, even for people with good prospects, to put aside \$25,000 a year (less 15% tax) for such a long period – in each and every year - when they have other priorities such as paying off HECS, buying a house and raising children.

As such, private sector workers, whose super savings are exposed to market and longevity risk, are severely disadvantaged compared to public sector employees, including politicians, on defined benefit schemes that are guaranteed by the Government, indexed for inflation and paid for life. Indeed the difference between the public servant and the private sector retiree is so large as to be not a matter of statistical detail but a matter of obvious bias.

Dr Bewley is a former Professor of Econometrics and former Head of the School of Economics at the University of New South Wales.

He concludes that the concessional contribution caps are obviously far too low for most people to reach an amount that would generate a retirement income matching the comparable benchmarks given in the Budget papers, namely 'four times the Age Pension' or a \$100,000 guaranteed tax-free pension from defined benefit funds enjoyed by politicians and public servants.

Dr Bewley also noted that the effect of the higher concessional tax rate on contributions (30% for those in incomes above \$250,000) meant that people on higher incomes would actually be able to save less than those on lower incomes receiving a concessional rate of 15% on their contributions.

About Ron Bewley



Dr Ron Bewley retired from his position as Professor of Econometrics in the School of Economics at the University of New South Wales, including Head of the Department of

Econometrics and Head of the School of Economics. He was also a senior executive with the Commonwealth Bank, specialising in investment research.

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