

Superannuation: Coalition's changes undo the trust

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Chances are the Turnbull government will get most of its May budget proposed changes to super implemented.

Its problem has never been support from the Labor Opposition, which would never have dared to propose such drastic changes to the system itself, and is more than happy to see the government continue to support its own low income super tax offset.

The real problem has always been with the Liberals' own constituency which is the one hit hardest by the proposed changes.

It does seem that the Coalition leaders, particularly Malcolm Turnbull and Scott Morrison, will press to keep as much of the budget super package as possible — mainly from a revenue point of view.

Labor's super spokesman Jim Chalmers, who is calling for an independent evaluation of the proposed super changes, argues there is "serious internal dissent" over the proposed changes, pointing out that "people's retirement savings shouldn't be messed with on a whim".

Once the government has sorted its leadership out, the super industry is gearing up to have consultations on the proposed changes to ease back some of the most drastic changes — particularly the proposed cut in the concessional superannuation caps to \$25,000 a year and the \$500,000 lifetime cap on post-tax contributions backdated to July 1, 2007, which came into force on budget night.

The implementation of the package is going to have major implications for the super industry itself as it comes to terms with how to process the changes.

Confidence in the system is low, particularly among people who are or have been putting extra into super above the mandatory super guarantee requirements.

The industry and people with a sizeable interest in super have been in limbo since the May budget and can be expected to remain so until the actual legislation is passed in the Senate sometime later this year.

The big question will be how to restore long-term confidence in the system, particularly among the aspirational middle classes who have spent their working lifetime seeing super as a way to plan for a self-funded retirement with no reliance on the pension. Turnbull and Morrison have cynically hacked back on the super tax concessions to generate revenue to fund their proposed corporate tax cuts to help sell their much parroted mantra of “jobs and growth”.

The proposed changes were not the result of a detailed, thoughtful review of the super system but an overnight election eve attempt to claw back more revenue on the basis that those most affected would be rusted on conservative voters who had nowhere else to go.

They were “justified” by implying that people who were using the super system boosted by the Howard/Costello government to fund their retirement were evil rich people rorting the system when they were just following the law.

It was a bizarre political strategy, to say the least, which sought to attack those who had taken advantage of the Howard/Costello changes and made no attempt to spell out a long-term vision for super.

Few would argue that the tax concessions were very generous at the top end and arrangements like transition to retirement had evolved primarily into tax reduction exercises.

Reform of the tax concessions on super was always expected to be part of the tax white paper discussion.

The question is: what is the future of super under a Turnbull-led Liberal National government? Or does it even care? The Turnbull government must have a proper internal discussion about where it wants to go with super and whether it believes in the system at all above the basic super guarantee requirements.

Clearly the old curbs on governments going back on their election promises (in this case the promises made in the 2013 election) and not introducing retrospective policies have not worried the Turnbull/Morrison team despite the massive erosion in trust that logically follows.

That trust has now been lost, paving the way for “Mediscare” and who knows what other scare campaigns Labor and other government opponents will come up with in future.

Does the new government actually care enough about super to try to restore some confidence in the system, or will it continue to see super as a cash cow to be plundered for further budgets?

Does it care enough about super that it is up to assuring the public that there will be no changes after these changes for a guaranteed period of time? Probably not.

The next year will see a major rethink of investment strategies by the Australian aspirational middle class, which now realises that when it comes to super governments can't be trusted over the long term. Good luck with the partyroom talks, but the horse has bolted. Trust has gone. What actually happens over the next few months — and not government spin — will be pivotal for the system's future.

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