

First, the good news...

7 September 2016

The first tranche of draft legislation covering some of the superannuation measures announced in the May Budget covers changes that will generally be broadly supported.

SMSF Owners are more concerned about how other more problematic aspects of the Government's measures – new limits on contributions and account balances - will be explained in draft legislation that is still some weeks away.

SMSF Owners generally supports the intent of the first tranche of legislation though we will need to study the fine detail.

Our major reservation is that the proposed objective of superannuation - to substitute and supplement the age pension - is not ambitious enough.

Benchmarking retirement incomes to the age pension sets the bar too low. It bases policy on one pillar (the age pension) of a three pillar retirement income system (the other two being compulsory and voluntary contributions).

The age pension should be a social safety net to look after those who have not been able to save enough during their working lives to sustain their own income in retirement.

Everyone else should be encouraged, via concessional taxed compulsory and voluntary contributions, to be financially independent in retirement.

Setting superannuation policy within the context of the age pension will give governments' license to further grind away the benefits of superannuation through tighter contribution limits and taxation of super savings.

A better objective would be to set an objective for retirement incomes via the concept of a 'reasonable replacement rate', being a retirement income of about two thirds of pre-retirement, after-tax income. This would be set a realistic performance target for superannuation.

We await with interest the next tranche of legislation on how the \$1.6million balance cap and the \$500,000 non-concessional contribution cap will be implemented. This legislation should answer the many questions that have been raised about how these limits will work in practice.

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