

FINANCIAL REVIEW

The Turnbull government backs an unprincipled purpose of super



Treasurer Scott Morrison is backing the wrong purpose of super.



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On Wednesday the Turnbull government released draft legislation to bring some of its superannuation promises into law. These changes are not the whole policy – we are told that some of the most contentious parts will be legislated in the future. But in many ways this legislation is even more significant than the policy of how superannuation should be taxed. Because for the first time the draft legislation enshrines the purpose – the principles – of our compulsory superannuation system into law.

When the government used the May budget to shred its promise not to increase taxes on superannuation, it did not consult the public on its proposal. At least they're having a consultation this time. But the consultation will go for nine days. That's correct. The public get nine days from when the draft legislation was unveiled (7 September) to the date consultations close (16 September) to make submissions on the future of an industry with more than \$2 trillion in assets.

Meanwhile, the government estimates it will get \$100 million this year from new taxes from overseas backpackers working in Australia. The consultation period was a month, and reportedly resulted in 1000 public submissions. But the consultation on the objective of superannuation goes for nine days. A sceptical observer might conclude that perhaps ministers have already made up their mind.

Over the last month the Treasurer has travelled the country assuring the public that the Coalition's plans to retrospectively apply a \$500,000 cap on post-tax contributions and limit the amount that can be held in accounts in the pension phase will only affect one per cent of superannuants. The problem with this analysis is that even if the one per cent figure is true (accurate figures for superannuation are notoriously inaccurate), the number only applies to people who are immediately affected by the change.

The figure takes no account of people potentially affected into the future. Further, the implication of the Treasurer's claim is that if only one per cent of superannuants are affected by arbitrary and retrospective changes to superannuation, then there's nothing to worry about. He is coming perilously close to claiming the rule of law shouldn't apply to rich people.

'Primary objective'

The thing that the government will spend nine days consulting the public on is the idea that the "primary objective" of superannuation should be put into law. According to the Coalition the primary objective of the superannuation system should be "to provide income in retirement to substitute or supplement the age pension."

The problem with this as the objective of the superannuation is that it puts superannuation and the age pension the wrong way around.

The focus on any retirement income policy should be on strengthening self-funded superannuation, and the age pension should only act as add-on or top-up. The government should aim to have as few people rely on the welfare of the age pension.

Expressing the objective of superannuation in the way the government proposes is to put tax and financial consideration at the centre of superannuation policy. Instead, the starting point for any consideration of superannuation should be the inherent dignity of individuals taking personal responsibility for the care of themselves in retirement.

Saying that the main objective of superannuation is merely to save taxpayers the cost of the pension, is like saying people should be encouraged to get a job so the government doesn't have to incur the expense of paying the Newstart Allowance. Work is important in and of itself. The self-respect of a retirement that doesn't rely on support from someone else is no less important.

An objective for superannuation that was centred on dignity and choice in retirement could be expressed in the following way.

"The objective of the superannuation system is to ensure that as many Australians as possible take personal responsibility to save for their own retirement. The age pension provides a safety net for those who are unable to provide for themselves in retirement."

Their policy on superannuation is not the only thing Turnbull and Morrison have got wrong.

They're also wrong on the principles of superannuation. Getting a principle wrong is much more serious than mucking up a policy. Policies can be fixed and reversed. Principles are more difficult to correct.

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