

Open season on super

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It's open season on super as the Labor Party tries to outdo the Government in cutting back the benefits of superannuation.

Today's Australian Financial Review reports that Labor wants to reduce the annual non-concessional contributions cap from \$100,000 proposed in the Government's draft legislation to \$75,000.

That's a sharp 42% drop from the current non-concessional cap of \$180,000 and 25% lower than the Government's proposal.

Labor is trying to seem tougher than the Government on Australians who have worked hard and saved hard to achieve financial independence in retirement.

Remember, non-concessional contributions are those on which full income tax has been paid.

They are optional savings by people who want to boost their super so they can enjoy a comfortable retirement without having to draw the age pension and impose a cost on the following tax-paying generations.

Reducing the annual non-concessional allowance will affect small business people who plan to sell their business and boost their retirement savings and home-owners who plan to downsize and put the proceeds into super.

Faced with the prospect, in retirement, of the new tax on superannuation earnings above a \$1.6 million balance cap and re-imposition of capital gains tax on assets above the cap, people planning to sell their house and downsize may change their plans.

The more superannuation is taxed and limited, in contrast to a tax free house, the more likely it is that people approaching retirement will decide to stay put. By not releasing their house to the market they will constrain supply and maintain the upward pressure on housing prices.

According to the AFR report, Labor also wants to drop the income threshold at which concessional contributions will be taxed at 30% from the Government's \$250,000 (down from the current \$300,000) to \$200,000.

Labor will also oppose the Government's plan to allow people with less than \$500,000 in superannuation to roll forward unused concessional contribution caps for up to five years.

People with less than half a million in super can't be considered wealthy. A 5% rate of return will give them a retirement income of \$25,000, marginally above the age pension.

It's all part of a plan by both major parties to slice away the benefits of superannuation under the pretext of 'fairness' to try to repair the budget mess they have created.

It does not make economic sense to curtail people's ability to save for the future to pay for re-current and chronic over-spending by governments.

On superannuation policy, politicians often say 'just this change, then no more.' That is, until the next time. Whatever changes Parliament adopts in the next month, they will encourage rather than discourage future governments to keep fiddling with super and raiding it periodically to pay for continued excessive government spending.

Unfortunately, the Government's simplistic objective for super, which positions superannuation as just an adjunct to the age pension, leaves the door wide open to the continual whittling back of superannuation benefits by future governments.

No wonder people are losing faith in the superannuation system.

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