3rd August 2016

Hon Alex Hawke our elected Local Member

for forwarding to The Hon Scott Morrison MP -- Treasurer

Changes to Assets Test for Superannuation Jan 2017

I have written a number of letters to you over the last 12 months regarding superannuation changes, and as I see this , neither the Government or the Opposition see that a lot of the changes are only a disincentive for Mr Average wage earner to work towards becoming a fully or partly funded retiree.

As the current 9.5% Superannuation contributions will not make anyone a fully self funded retiree. This needs to be increased by encouraging people to put more into their superannuation.

What we need is inducements for people to save additional monies in their lifetime to lower the need for the government to fund age pensions.

To achieve this there has to be the carrot on the stick approach which encourages people to do this and they must have the confidence that the government will not pull the rug from under them, when they are about to retire.

With the Government proposed changes to Assets level for Full Pension and the cut off with Assets for a couple above $823,000 it is in fact a total **disincentive** to save between the $375,000 where you have a full pension and the $823,000 where there is no pension.

Note:

The 2 scenarios which show that there is no incentive to save between the 2 limits (based on July 2015 amounts)

Scenario 1 Pension with proposed new $375,000 assets - No loss of pension

	$263,938 is where pension starts to reduce based on income test				
age pension				$33,716.80	$1,296.80
super pension		6.8%	**$263,938**	$17,948	deemed income $7,384
other assets no income				0	above $7,384 for couple
	Total Income			$51,664.58	

Scenario 2 Pension with proposed new $823,000 assets - No pension

age pension			$0
super pension	6.8%	**$775,000**	$52,700
other assets no income	$48,000		0
	Total Income		$52,700

The advice must be to go for the “**annuity”** known as the Full Aged Pension , which is indexed annually “with assets not exceeding $375,000 unless you will go well above the $823,000. With this you have all the medical and other benefits available to a Pensioner. Go on your world trip, and reduce assets to qualify.

A fully self funded couple will lose in the order of $685,000 of pension plus benefits by having an additional $448,000 assets ($823,000-$375,000). Car, rates electricity etc

The proposed changes are a short term gain for a long term loss.

You are not going to in the long term reduce the number of retirees on a pension with these changes.

The average earner $80,000 to $100,000 per year if now at retirement age would have 3 to 3.5 times salary in super if worked continually from when compulsory superannuation started and did not contribute additional monies to super. This would be under The $375,000 and they would receive a full pension.

There are a lot of articles out there now advising people of ways that they could reduce their assets to qualify, if only for a part pension.

One article states “people would be better off (in terms of annual income) running down A/C balance and become eligible to receive the age pension rather than living a lifetime below the pension income .This is particularly relevant to retirees who have money in term deposits and would have to withdraw considerable capital from their savings to match the age pension.

People are being advised, for eg, to not overvalue your household furniture , gifting , funeral bonds , spending $100,000 on travel and house renovations . A reduction of $100,000 if on the marginal area will increase your pension by $7,800 per year which equates to 7.8% There is also the benefits of council rates electricity ,rego, licences etc if you make only $1 pension . The CSHC Card only covers medical .

There is the push to increase the drawdown rate in super . People are expected to live longer and are concerned that they have sufficient assets to cater for later life medical needs , retirement homes etc .

Where is the encouragement to work past the retirement age?

There should also be more incentives to work past the retirement age.

The mature age rebate for working has stopped . This was an incentive . A form of this should be brought back.

The Tax burden should be spread across all sectors and not just Superannuation.

I agree with the new $1.6 Million balance Cap in the tax free pension phase , however with the new contribution caps of concessional and non concessional contributions there is little chance that people in the future will be able to get to $1.6 Million anyway.

This letter was prompted by the inactions of the government to see that their current policies are not looking at the long term goal of trying to encourage, especially the middle income earner to be self funded at retirement and not be penalised for doing so.

Regards Greg White