



MEDIA RELEASE

Government Accedes to Calls for Change to Superannuation Proposals

The Government has responded at least in part to pressure by A.I.R. and other organisations representing self-managed superannuants to change aspect of its Budget proposals around superannuation.

The decision to scrap the \$500,000 lifetime non-concessional cap is very sensible given its benefit was questionable in light of the \$1.6m transfer balance cap. The replacement of the lifetime non-concessional cap with a reduced non-concessional cap of \$100,000 a year (with \$300,000 bring forward) going forward is much better than a lifetime cap of \$500,000 back-dated to 2007. While it is not as favourable as the current \$180,000 per year limit, it will allow people to continue making contributions rather be stalled as is the current situation.

Of concern, however, is the decision not to proceed with the harmonisation of contribution rules for those aged 65 to 74. A.I.R. has advocated for many years for harmonisation as was proposed in the Budget and queries the figure quoted by the Government of a cash flow improvement of \$180 million over the forward estimates and a total of \$1,920m to 2026-27.

The decision takes no account of changes in the community and the fact that many people may need to work until they are 74 or more and, ideally, put every available dollar into superannuation to achieve some level of self-sufficiency when they eventually retire.

We cannot see how this decision in any way supports the Government's stated objective to provide income in retirement to substitute or supplement the Age Pension. It appears that there has been little consideration given to what the current generations of working Australians will want from their retirement in the decades to come.

There is a similar disregard for the increasing longevity of Australians which requires easing of the annual compulsory drawdown capital percentages of retirees' super accounts to allow them to stay off the pension for longer. It would be interesting to see an estimate from the Government on the additional Age Pension payments that will be required in future years.

This is yet another example of change being made on the basis of rushed consultation rather than the result of bi-partisan well-thought out, long term planning. It remains to be seen if the Government will also reverse the changes to the Age Pension qualifying age and the preservation age is the same nonsensical way.

For further information, contact Sue Hart, Executive Officer on 02 6290 2599
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The Association of Independent Retirees (A.I.R.) Ltd is a member-driven national, not for profit, non-political organisation which works to advance and protect the interests and independent lifestyle of Australians in retirement. A.I.R. seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs.