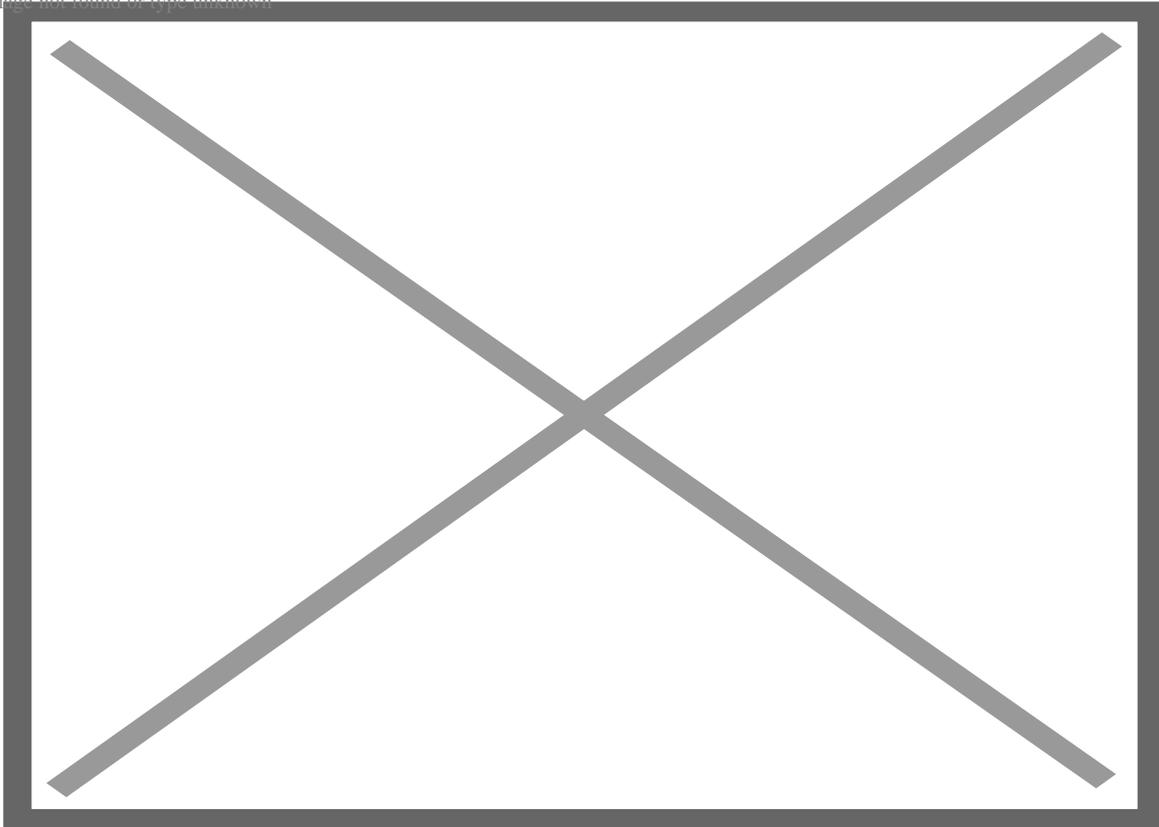


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Submission To The Senate Economics Legislation Committee Inquiry Into The Australian Government Superannuation Imposition Bill

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The purpose of the retirement income system should be to enable Australians to maintain in retirement the living standards they achieve during their working lives.

While our system largely achieves that goal for low and high-income earners, middle-income Australia is poorly served.

High effective tax rates on superannuation are a critical factor contributing to a retirement savings deficit for middle-income Australians, increasing their reliance on the age pension.

Moreover, the current system imposes unacceptably high transactions costs and risk on middle-income Australians.

Unfortunately, proposed changes to superannuation from both the Government and the Opposition worsen, rather than fix the system's myriad weaknesses.



Superannuation reforms should be judged by the effect that they have on helping each individual to accumulate sufficient funds to maintain their living standards in retirement.

The Government should:

- ensure that the Objective of the superannuation system is to allow people to maintain their living standards in retirement;
- task the Productivity Commission to review the whole retirement income system, considering the interaction of the age pension, superannuation and the taxation of savings;
- phase in a return to an EET system over time, where taxes are levied on benefits in retirement, not contributions or earnings,
- put out a tender for a low-fee default superannuation scheme and allow people to switch to it when they submit their tax return.
- facilitate the provision of defined benefit pensions to those who wish to purchase them.

If however the Government continues with its current policy approach, then it should allow income generated from assets outside superannuation to count as part of the \$1.6 million asset base for tax-free retirement income and also allow the carry forward of unused concessional caps from 2007.

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