

It's a super bad idea

Industry takes swipe at tighter cap on pre-tax contributions

THE nation's superannuation industry has slammed the federal Budget's lowering of the cap on pre-tax contributions.

The government says that from July 2017 a cap of \$30,000 for under-50s and \$35,000 for over-50s will fall to \$25,000.

But the Self-Managed Superannuation Funds Association said that this was a backward step.

And the Association of Superannuation Funds of Aus-

ANTHONY KEANE

tralia chief Pauline Vamos also said it was a bad idea.

She said that it limited how much people could put into superannuation, "which is still not mature".

Many ordinary workers only began thinking about their superannuation funds when they reached their 50s.

These people would now have less of a chance to build

up their superannuation balances quickly.

The biggest losers under the government's 12 Budget changes to superannuation will be those earning more than \$250,000 a year, those with more than \$1.6 million in their super, and those with huge lump sums ready to pump into their funds.

The government will be banking on that being a relatively small number of Aus-

tralian, who would be more likely to vote for the Coalition parties in any event.

A decision to introduce a Low Income Superannuation Tax Offset will be of benefit to more than three million people, two-thirds of whom are women, the ASFA said.

Seniors can contribute to their superannuation up to age 74 without having to meet work requirements, and can claim a tax deduction for super

contributions that for many had not been allowed.

Financial strategist Theo Marinis said that Treasurer Scott Morrison was winding back tax breaks introduced by the Howard government during the mining boom, which had principally benefited wealthier Australians.

"Superannuation has been ridiculously generous for the last nine years, and it's still generous," Mr Marinis said.

Of course, the proposed changes are not a done deal: the government must still be re-elected and get them through the Senate.

"Be mindful of the dates when everything applies," Bailieu Holst financial adviser Helen Dundon said.

"There are a lot of changes that have been proposed and don't come into effect until July 2017."

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KEY SUPER CHANGES

- * Reducing the cap on pre-tax super contributions to \$25,000 per year
- * A lifetime cap of \$500,000 for after-tax contributions
- * A \$1.6 million cap on how much money can be transferred to a private tax-free pension at retirement
- * Higher taxes on contributions for workers earning more than \$250,000 a year
- * A Low Income Superannuation Tax Offset to replace Labor's similar scheme
- * More flexibility for contributions from Australians aged 65 to 74
- * More flexibility for people who take time off work to raise children

WINNERS

- * Individuals earning less than \$37,000 a year
- * Women and men who have interrupted work patterns
- * Couples with a spouse earning less than \$37,000 a year
- * People with super balances below \$500,000

LOSERS

- * Retirees and super fund members with balances above \$1.6 million
- * People earning more than \$250,000 a year
- * Anyone wanting to inject a big lump sum — greater than \$500,000 — into their super fund
- * People wanting to save tax through a transition-to-retirement strategy



CALLS FOR PENSION BALANCE

TIFFANY KORSSEN

FRIENDS Phyllis Atkinson, 84, and Dave Caines, 71, both say the key Budget changes to superannuation are acceptable, but are instead calling for an increased pension.

Retiree Mr Caines, from Werribee, says he doesn't have a problem with capping pre-tax super contributions at \$25,000 a year, the new lifetime cap of \$500,000 for after-tax contributions, the \$1.6 million cap for starting a tax-free super pension and the decision to tax high-income earners more on their super contributions.

"The idea of a super fund is that when you retire you can live off your investments, not necessarily die with all that money still intact," Mr Caines says.

"If you've got 1.6 million you don't need the pension."

Fellow pensioner Mrs Atkinson, of Yarraville, says it is unlikely the superannuation changes would affect many retired people.

"I've never had money like that, so it doesn't affect me," the former post office worker says. "Most of us pensioners are struggling to survive, because the cost of living keeps increasing but the pension never does."

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Phyllis Atkinson and Dave
Caines. Picture: ALEX COPPEL

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