# Retirement Incomes

**Retirement incomes are derived from a range of assets which includes**

> **Personal Wealth and Property ,**
>
> **Retirement Savings Plans,**
>
> **Statutory Superannuation and Retirement Income Schemes**
>
> **Government Pensions**
>
> **Personal earnings, income and personal savings within self managed statutory retirement income schemes**
>
> **Incomes derived from outside Australia.**

## Retirement incomes should be Taxed under rates applied to ordinary income.

**The blanket exemption allowed to over 60s is an example of the ad-hoc inequity and inefficiency of the current Taxation Regime.**

**Through the use of complex Taxation laws and even more convoluted Superannuation rules and exemptions, High Income earners attracting the highest levels of taxation paradoxically gain a disproportionate benefit from the taxation and rebates system. Ironically this class of tax payers substantially augments their contribution to future retirement saving at little or no extra cost.**

**Superannuation has become an instrument in wealth planning for Family Succession. Superannuation rules under the current flawed Taxation Regime promote the use of Fringe Benefits Tax, Trust account assets, Negative gearing and other "flexible" cost arrangements to allow for a comfortable retirement lifestyle and opportunities for wealth protection without realizing a taxable event. By placing substantial assets in the tax advantaged Superannuation environment and not realizing those assets until the beneficiaries are aged 60 substantial taxes and duties are avoided. ***

## A retirement income should be a substantial proportion over 50% of current Average Weekly Eanings

**The substantial majority of tax payers on lower incomes and especially women (even if they are in higher earnings tax brackets) cannot accumulate sufficient savings to reach a sustainable retirement threshold .**

**The accumulation period for most taxpayers is insufficient.**

**Taxpayers must struggle to overcome recurrent costs, insurance costs and low earnings during the early years of Retirement savings.**

**Instead of gradual accumulation the taxpayer should place a substantial starting amount in their fund .**

**The accumulation equations;**

**Accumulation Period = Retirement Age-Years not in Labor Force. Assume retirement age 65.**

**Pre-school years, 5.**

**Years in education -Primary and Secondary, 12.**

**Post Secondary Training, 3 to 5 years.**

**Females (predominantly) lose years due to childbirth and Family duties.**

**Average due to Births 2years, plus Family duties average, 5 to 7years.**

**Maximum Accumulation Periods**

**Males and females without children**

**Secondary educated 65-17= 38**

**Post Secondary educated 65-17-3 = 35**

**Females undergoing child birth and family duties. 65-17-7=31**

**Estimate of Total Possible Retirement Savings for Average Weekly Earner-(Simplified Example without salary sacrifice.)**

**Assumptions**

**Initial Salary $50,000**

**Estimated averaged annual increase plus inflation $1500. (3%)**

**Years of continuous employment = 35**

**Final Salary $101,000**

**Contribution rate 15% (10% contribution + 5% average fund growth)**

$$\sum_{k=0}^{n-1}(a+kd)=\frac{n}{2}(2a+(n-1)d)$$

**Sum of Annual Incomes over Accumulation Period X Contribution rate**

**Total Earnings $ 2642500 * 15%**

**Retirement Savings =$ 396375**

**Assume max 7% drawdown for pension = $ 27746.25 which is Less than 30% final salary.**

**The fund growth needs to double the accumulated balance to approx $800,0000 to provide a Pension approximately $55000. ie 55% final earnings. This is almost impossible with current rules and Taxation.**

**Conclusion:**

## Average taxpayers cannot ever achieve Superannuation targets required for a self supporting pension.

**Retirement Incomes rules and restrictions are inequitable**

**To women,**

**To working parents earning average weekly wages or less**

**Anyone who is not in permanent employment**

**Low paid workers**

**Anyone who suffers from an injury, chronic affliction or mental illness.**

**Retirement incomes schemes such as Superannuation as envisioned by the Keating Government will not relieve the Commonwealth Government of a substantial Pensions liability.**

**The predictions arising from the first Intergenerational Report have not been resolved.**

### Governments Responses have been shortsighted, unimaginative and Draconian.

1. **Work longer ie until 70.**
2. **Reduce Pensions**
3. **Delay increased contribution Level**
4. **Raise taxes.**
5. **Privatise Public Funds**

## Alternatives:

1. **Seed Retirement contributions from Birth to increase the Superannuation accumulation period by 20 years. (use tax credits for parents or designate part of child allowances)**
2. **Establish a Taxation Department administered Children's Superannuation Fund to manage early contributions until they become employed taxpayers and can nominate their own fund.**
3. **Some social groups should be assisted by Employers, Insurance or Government - supplement to continue superannuation contributions. Eg Family Leave contributions.**
4. **Delay taxing contributions until a critical threshold where account growth equals contribution taxes.**
5. **Don't tax contributions until fund balance reaches Government pension thresholds.**
6. **Tax fund growth at lower rate. (Increased Fund balances will compensate)**

7. **Tax in the pension phase, but provide enhanced Tax free threshold  up to 66% average weekly earnings. ***
8. **Promote lower retirement ages and transition to retirement in order to increase employment opportunities for next generation.**
9. **Limit the maximum capital value in Superannuation accounts to an amount necessary to provide for pensions up to double average weekly earning.**

*These proposals are best seen in an improved and streamlined, efficient Taxation Regime. The current Taxation regime is skewed and corrupted by constant changes, litigation and self serving concessions which enable wealthier taxpayers, business, and schemers to avoid tax inappropriately. Radical reform is required but I inadvertently missed contributing to that section.

With regard to my proposals regarding Retirement Incomes, certain aspects of a streamlined alternative Tax Regime are important. I list some of the most important:

1. **ALL taxable entities** such as employee, employer, sole trader, manufacturer, international corporations and **Pensioners**, should be taxed, **not on "taxable income"** but on "**Revenue**".
2. Tax due on Revenue should **not be offset** in any way by allowances or deductions.
3. **All income taxation rates should be lowered t**o compensate for loss of rebates and deductions.
4. Certain classes of taxpayer may require compensations or exemptions but this can be accomplished by **variable taxation exemption thresholds**, not repayments of tax already collected.
5. **Pensioners would receive a maximum exemption threshold equivalent to 2/3 average weekly earnings**.  Further received income would attract normal taxation rates. No blanket tax exemptions  for over sixties.

Should you wish further discussion, my email is provided.

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