8 Bahama Ave
Alstonville
NSW 2477

28 May 2015

Tax Conversation Response

Dear Sir, Madam,

I make this submission as a self-funded retiree (and for those people like me) who has retired recently at age 61 prior to age qualification for the Commonwealth Aged Pension.

The question everyone nearing retirement asks themselves is will I have enough money to live in the manner to which I am accustomed into my old age?

For most of us that is a real worry, and many of us seek the advice of a financial planner.

A professionally prepared financial plan was obtained at substantial cost to me in June last year based on the rules at the time, most of which had been long standing. In my case part of the plan included a defined benefit pension. The rest of my superannuation and entitlements is invested in an account based pension, (conservative strategy,) subject to the vagaries of the financial markets.

I decided based on this Plan that I could retire, however I had to understand that the funds held at that time must be depended upon for the rest of my years (unless I invest in riskier strategies or return to some form of paid work).

Future taxation of the independent retiree is therefore of considerable interest to me and my cohort, a group of Australians who in the main have worked hard and made sacrifices to obtain the funds they had at exit from work. Most of us are far from wealthy, although there appears to be a tendency by both sides of Government to convey the perception that self-funded retirees are wealthy in order to cut back or grab from us.

Any increase in indirect taxation directly hits the self-funded retiree. We do not receive the compensation offered to holders of a Commonwealth Aged Pension when GST is imposed. Proposals to increase or broaden the GST will have a direct effect on our available funds. Already affected by increases above inflation including insurance, medical and hospital fund premiums, Council rates and charges, any increase in the GST or any other form of indirect tax (including bank deposit tax) would have an immediate impact on our standard of living.

Even more alarming to me is the prospect that super returns may be subject to income tax to a much lower level than they are presently.

How the Government could consider imposing an income tax on super earnings received by self-funded retirees, other than those wealthy retirees presently affected, when we are already cutting back to live on the meagre investment returns at the moment defies belief.

Any further imposts by way of income or indirect taxes wallop this group of older Australians who have “had their go” against significant odds to be independent in their retirement. We don’t get another go!

Those recently or currently retiring had to contend with the GFC which in my case in a few short months wiped out the best part of ¼ of the personal contributions made over a lifetime of contributions. This affected those nearing retirement the most with virtually all fund strategies making losses except cash. In my case involved tens of thousands of dollars. This really hurt as making contributions of 6% on top of paying mortgage repayments of 13.5% (and higher for many) in those earlier years meant going without luxuries and even things many people today would not be prepared to forego.

For many of us this loss to our super balances has meant deferral of retirement plans so that some of the loss could be made up.

Most of us in those final years of work attempt to boost our super savings in the hope we can save enough for a comfortable retirement.

The Government hindered this by limiting concessional contributions firstly to $25,000 accompanied by some heavy tax penalties for breaching the permitted threshold. Sensibly this was later relaxed to enable concessional contributions of up to $35,000 for those over 55 years.

We now learn that the Government in its 2015 budget intends to change the long standing treatment of defined benefit pensions (that were designed to encourage superannuants to take a pension rather than lump sums so they would not be a burden on the old age pension) from January 2016. The money paid in to obtain that pension is gone. It does not pass beyond one's spouse and it cannot be drawn from. These changes if passed (together with changes to the deeming arrangements) will ensure the majority of us never see a part Commonwealth Aged Pension or more importantly the Commonwealth Health Care Card. Defined benefit pensions whilst indexed to CPI don't come with a Health Care Card. I am now committed to such a pension – there is no turning back. How unfair is that!

The point being made here is that self-funded retirees in recent times, and those planning to do so in the near future, have (or are) having a very rough trot! Now that it is our turn, we are seeing goal posts shifted with little or no ability to compensate.

I find it astounding that for many years international corporate giants including Apple and Microsoft have been able to avoid paying their fair share of company tax that Australian Companies have had to pay. I applaud efforts now proposed to ensure these firms that are making billions of dollars charging Australians even more for their products than in their home countries pay tax in Australia. Given the number of these firms, if managed properly and quickly these measures should do much more to repair the budget than hitting self-funded retirees who have been paying their taxes for their whole working life and now have little or no ability to recover from new imposts.

I take the view that the group I refer to is being penalised - not just disadvantaged for trying hard to look after themselves into old age and it is time to "lay off".

Please give this group the consideration they deserve.

Graham Plumb