



Government Affairs Unit
AMP Services Ltd
ABN 50 081 143 786

PO Box 3409
MANUKA ACT 2603

Suite 1G
65 Canberra Avenue
MANUKA ACT 2603

T +61 2 6295 2966
F +61 2 6295 2484

4 August 2017

Manager
Accumulation and Savings Unit
Retirement Income Policy Division
The Treasury
Parkes ACT 2600

Dear Sir or Madam,

Housing-Related Superannuation Measures

AMP welcomes the opportunity to make a submission in relation to the Government's proposals contained in the Exposure Draft Legislation for the "First Home Super Saver Scheme" and "Reducing barriers to downsizing" which were announced in the Budget.

As you would be aware, AMP is one of the largest providers of superannuation in Australia and has been involved in both the accumulation and pension phases of superannuation for decades. Accordingly, AMP is well placed to be able to assess the likely success or otherwise of these two housing-related superannuation measures.

The proposals comprise two separate measures:

- 1) The establishment of a First Home Super Saver Scheme
- 2) The permitting of a special downsizing contribution to be paid into a superannuation fund.

While AMP opposes the first of these measures, it supports the second.

Measure 1: First Home Super Saver Scheme (FHSSS)

Under this proposal, first home savers who make voluntary contributions into the superannuation system would be able to withdraw those contributions, together with an amount of the associated earnings to purchase a first home, subject to a range of conditions.

AMP opposes this measure for four reasons:

1. The proposal is directly contrary to the objective of superannuation, as set out in the government's own Superannuation (Objective) Bill (2016), which is currently before the Senate. The Bill states that the objective of super is "to provide income in retirement to substitute or supplement the age pension". On these grounds alone, namely that it is inconsistent with the Government's pre-existing Superannuation (Objective) Bill - it should be rejected.

2. Should this proposal be legislated, the integrity of the superannuation system will be breached. It will only be a matter of time before other proposals would arise for the use of superannuation savings for other purposes such as health or education. This emphasises the need for the objective of the superannuation system to provide income in retirement to be enshrined in legislation.
3. The proposal is likely to inflate housing prices, by stimulating demand. House price inflation is a major concern to policy makers and regulators and will further reduce housing affordability. The proposed policy initiative is inconsistent with the Government's desire to contain the rate of increase of house prices and the Government's intended purpose for the FHSS proposal which is to reduce pressure on housing affordability.
4. The proposal is unnecessarily complex and will be difficult and costly to administer. The associated potential savings benefits to first home buyers are relatively small and the take-up rate is therefore likely to be low. The deeming rate is inflexible and low considering potential earnings rates in superannuation. Similarly, there is no real consideration of impacts to an individual's account and other superannuation savings in a period of negative returns.

For all these reasons, AMP recommends that the Government does not proceed with this proposal.

Measure 2: Reducing barriers to downsizing

Under this proposal the Government proposes to permit individuals aged 65 and over to downsize their homes and enable them to contribute some of the proceeds from selling their home into their superannuation account. With some caveats, this is a welcome initiative.

By allowing individuals to top up their superannuation from a house sale, individuals will be able to make use of the concessional tax rates on earnings in both the accumulation and pension phases of superannuation rather than leave the assets in the family home. For many people, this measure will provide more income from their superannuation and enable an enhanced standard of living in retirement. This is consistent with the Government's objective of superannuation.

However, as a note of caution, this proposal may not help everyone that pursues this downsizing strategy and individuals should be warned about the need to seek personal financial advice before proceeding with such a strategy. In many instances, individuals could be worse off.

This proposal will help some retirees, particularly those that wish to downsize and have assets well above the assets test threshold for the Age Pension. However, there is a significant risk that for many individuals with assets below the assets test threshold, this proposal could result in them losing part or all of their Age Pension and therefore be worse off, because the family home is exempt from the assets test, but superannuation savings are not. These individuals need to be forewarned before adopting such a strategy. It would be unfortunate if some of Australia's most vulnerable people end up in this situation by pursuing a strategy that is not in their overall best interests.

Should you have any queries, or wish to discuss any elements of this submission, please do not hesitate to contact me on 02 6295 2966.

Yours sincerely



Alastair Kinloch