Association of
Financial Advisers

13 May 2013

Manager
Contributions and Accumulation Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES, ACT, 2600

Email: ConcessionalContributionsCaps-2013@treasury.gov.au

Dear Treasury,

AFA Response to the Exposure Draft –Superannuation Concessional Contributions Caps

The Association Of Financial Advisers Limited ("**AFA**") has been serving the financial advising industry for over 65 years. Its aim is to provide members with a robust united voice, continually improve practices and focus firmly on the exciting, dynamic future of the financial advising industry. The AFA also holds the client to be at the center of the advice relationship and thus support policies that are good for consumers and their wealth outcomes.

With over six and half decades of success behind it, the AFA's ongoing relevance is due to its philosophy of being an association of advisers run by advisers. This means advisers set the agenda, decide which issues to tackle and shape the organisation's strategic plan.

Thank you for the opportunity to provide feedback on the draft legislation on the increase in the Superannuation Concessional Contribution Cap for older Australians.

The AFA supports this legislation as we recognise the need for older Australians to increase their superannuation balances in order to better prepare for retirement. Many of the individuals who are currently aged 60, will only have had access to superannuation for half of their working life. Thus currently many Australians who are approaching retirement have significantly less in Superannuation than they need for a comfortable retirement. This initiative will make some difference for these people.

We also support the proposal that this higher contribution cap is available to all Australians and not just those who had less than $500,000 in superannuation. The less than $500,000 qualification criteria would have been problematic to administer and would have caused a number of problems for financial advisers when working with a client who was close to the cut-off. A movement in investment markets could have moved them from one side of the cut-off to the other. Also, given that many Australians have multiple superannuation accounts, some of which they may not have been actively monitoring, there was a noticeable risk of one or more funds being left out of this calculation.

We do however note that the Government's previous intention was to provide for a higher cap of

$50,000 for people over 50. We are disappointed that the Government has reduced this level to $35,000. We are also concerned that the new higher cap for older Australians will not be subject to indexing, and thus will only exist for five years or so. This is disappointing as older Australians need a greater opportunity to catch up for lower contributions in their early working years. We recommend that this higher cap for people over 50 years of age be made permanent, as it reflects the stage in a person's life when they are better capable of making higher contributions.

We support the change in the qualification period, to the individual's age as at the previous 30 June date, as this will overcome the issue identified in paragraph 1.12 of the draft Explanatory Memorandum.

Conclusion

We support this piece of legislation, however we would like to see the size of the higher cap for older Australians increased and subject to indexation so that it continues to be available into the future.

Should you have any questions, please do not hesitate to contact me on (02) 9267 4003.

Yours sincerely,

Philip Anderson

Chief Operating Officer