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The Treasury
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PARKES ACT 2600.

<u>Consultation: Objective of Superannuation</u>

Dear Ms Wilkinson,

The FSI recommendation of the primary *objective "To provide income in retirement to substitute the Age Pension"* is clear and simple but it maybe regarded as limiting in that for all it may not be complete if a persons income runs out then the Pension should become a source of income. Basically the pension should provide for those who do not have an adequate superannuation.

The current position is a collection of good and bad issues and has become huge business for all sorts of persons making living out advice, administration which have been encouraged by bad government policy.

The outcome of this review should provide for simplicity and clarity as well equality for all in their contribution rates. The range of statutory contribution rates is discriminating and not fair to all sections of the workforce. For a policy to have an honest open and fair basis this should be priority in your decision making.

I realise that there would be a reasonable political risk in this matter but perhaps any new policy should only apply to those aged 40 and younger.

Poor political decisions have allowed the SMSF's to have and hold investments that are not at arms length eg, business premises etc. These decisions have allowed people to use Superannuation Funds as a means of accumulating funds in a low tax environment that go beyond the generation that creates the fund from their working life. Theoretically the day one dies the money should run out. The concept of having it going beyond the partner or dependent child without a full amount of taxation being paid on the balance at that stage is contrary to the principle of superannuation. The theory of superannuation was that it was never intended to make it a means of reducing tax or create an inheritance.

I am now in pension phase and it seems strange to me that I do not pay a medicare levy on the income I receive. I am now of the age when my need for medical services increase yet I make a lesser contribution.

My original fund was a Section 79 and I was limited in the amount of contribution I could make $2400.00 per annum and was required to invest 30% in Govt securities and pay tax at the rate of 50% of the income over 5%. So you can see I have had a long history

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of government policy changes and structural changes in the super policy and have watched the elements of bad government policy.

The 1992 policy was introduced to assist the significant section of the workforce that did not have any government or employer superannuation. Government policy then totally failed to make it uniform but created a differential system with certain sections of the community being privileged at the expense of others.

The history since then seems to have an industry has been created largely benefiting a group of persons who administer these funds not on the basis work done but on the basis of %age of funds this has contributed to many of the excesses in the industry. The government approved secrecy of the fees paid to fund managers does not help the open discussion of this issue.

The system is in such a mess that I think there should be an arbitrary decision made for those who are under say 40 to simplify and clarify the system and remove the large elements of the current system so that one system applies to all whether politicians, public servants ,self employed and employed persons. This means equal amounts of contributions not the current range of over 15% to 9.5% which seems to be inequitable and unprincipled. The only exceptions that I would make are those in Armed Services, Police and Fire services as they are prepared to put their life on the line for the benefit of all and by the nature of their employment face very different issues arising from their employment. The other issue is the Judiciary this needs some careful thought and it could only apply to the future appointees and perhaps a more rational approach to this than is present now.

Yours faithfully,

John Church
5th April,2016