

OBJECTIVE OF SUPERANNUATION

I am a self-funded retiree.

I agree with the FSI and the Government that the primary objective of superannuation is to provide income in retirement to substitute or supplement the Age Pension.

The subsidiary objective "Alleviate fiscal pressures on Government from the retirement income system" should be the main objective of the Government.

However, **to be fair:**

- **FIRSTLY, super needs to be a more attractive option than the 100% assets test exemption on the family home.**

As it is, if you can't pass the Age Pension assets test, just move to a pricier suburb leaving yourself just enough liquid assets to supplement the full Age Pension.

When you die, the Age Pension will have allowed you to keep your home so your heirs will inherit an asset that has increased at twice the rate of inflation which they can put into moving to a pricier suburb, qualify for the Age Pension and pass the asset onto their heirs, and so on.

This has turned into a rort and needs to be modified so that those people are more inclined to support themselves.

HOW TO IMPLEMENT?

For those who become age-eligible for the age pension in the future (and that includes me), the excess over a **fair** land valuation should be included in the Age Pension assets test. **Fair** would be a value above which nobody should receive welfare.

Include a small amount to cover the value of a basic house on the land. The house is a depreciating asset, especially one owned by an Age Pensioner.

- **SECONDLY, there should be a cap on the amount of earnings that can be concessionally taxed in super's accumulation stage, or tax-free in retirement.**

HOW TO IMPLEMENT?

The **cap on earnings** would be an amount that would represent a reasonable return on an amount of capital that should keep an average retiree self-funded for their years of retired life expectancy. It would be varied periodically when there are significant changes in formula data.

Excess earnings would just be added to taxable income.

People earning in excess of the cap could choose to leave their excess capital in superannuation, especially income streams, for cash flow purposes, reversionary ability and diversification.

I appreciate the Government giving me the opportunity to offer my thoughts on the primary objective of superannuation and hope that the Government continues to seek opinions on other matters.