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**Submission to
Objectives of Superannuation -
Discussion Paper of 9 March 2016 By The Treasury, Australia.**

To: Division Head

Retirement Income Policy Division

The Treasury

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This submission is made by Dilip Jadeja in his capacity as an individual representing interests of him and of a group of family, friends and colleagues who want to remain unnamed.

For reasons of privacy, the address is to be suppressed however details are provided to the Treasury separately in case it becomes necessary. The submission itself if permitted for publication as required. The views are contextual and must be read as a whole in the context of this inquiry and its topical discussion. All other rights not required to be surrendered for the purpose of this submission are reserved.

Questions for consultation

- **Do you agree with the objectives recommended by the FSI? Why?•**

I do not agree with the objectives and recommendations of the FSI. There are many reasons for it.

Reasons:

1. In a capitalistic democracy fundamental rights are important.

The ability to earn, save, spend as one wished, invest, dispose, give, gift, trade, bequeath or do anything at all with one's money, assets, investments, receivables, goods, services, commodities, belongings, articles and artefacts, possessions and ownership entities and every right to a tangible or intangible benefit is one's fundamental right, a matter of one's own discretion and one's own free will.

It is subject to only restrictions that involve criminal aspects or intent which have the impact of restricting these rights. Save that, there is absolutely nothing that a capitalistic democracy should be allowed to prohibit otherwise one loses the very motive to be a responsible and compliant citizen of such a democracy and once that happens, the hell's gates are opened and

we all know how people take on to black money, investments off the record in questionable assets like gold, diamonds, bitcoins, hawala and so on and so forth.

Any restriction or dilution of this right, in any shape or form, under any pretext or reason whatsoever, is and will be shunned by the citizens. Those who have the foresight, will do so in foresight, others when it hits them and the rest when they realize what happened. No government can even run the risk of thinking this, let alone doing it, and those who do will pay the prize both at the elections and future elections and also every step of the way.

The nation will lose trust in government's commitment to capitalism and its consequences can only be dire. The clear message is, "do not touch my super" is what every Australian tax payer and citizen and resident has been screaming for years now and this proposed changed of objectives would be one straw too many on the camel's back.

It is a make or break moment, not just for the Turnbull government but every other after it.

2. It is the job of both the Government and Regulation to be minimalist and not to be one fraction of an ounce over-bearing, over-reaching, over-doing, over-prescribing, over-acting, over-intending and over-estimating welcome of their policies, no matter how well-intended and well-begun those policies may be.

The superannuation industry is worth \$2 trillion and it would be the only most ignorant person in Treasury, or anywhere else, who would believe that this is NOT a pot of honey or gold that superfund managers are not eyeing badly.

Of course, bulk of them would want to use this opportunity, and every other before it or hereinafter, to generate perennial pension for themselves for very little that many of them deserve.

It would be a stupendous mistake to hand over the keys of this hen house to the foxes in wait. Their objective is the only one that will be served well by any change to Super objective that dilutes the existing freedom of super members - or super owners really - to do whatsoever they want done with their super.

3. Super members - or owners as I prefer to call them - have paid their dues and proper tax on income and on super, on income going into super, on relevant contributions into super, on earnings, on all outgoings and or all incomings. They also pay due and proper tax on their withdrawals, their pension, their annuities and everything else.

Once one pays all taxes, the remains are one's disposable asset or income. What will be done with it is one's own decision and must remain so in an unfettered and unequivocal manner.

One's right to do whatsoever what one wants done with one's super cannot be and must not be taken away otherwise it is definitely and permanently and irrevocably going to kill super, be in no doubt. If you want to muck around with my super, guess what, I will not have super, not advise or recommend it to anyone and to all those over whom I have any influence, I will ask them, in fact beg them, urge them, convince them that they do not need to have super - the sham super that has become a sham due to successive government meddling with it.

4. Super was a super idea. It is no more. It was not an Australian idea but many ideas that are killing and will kill it are unfortunately very Australian. Many were created by some or the other greedy super fund industry player of Australia and dare I say - somewhat foolish and transiently motivated short-eyed governments.

Super is still a great idea that must be left alone. It must be well and truly freed from those foxes at the hen house and that is about the only thing worth doing - other than increasing attraction of young people to super. Right now, believe me, all those who I ask to invest in super - and there are many and I have nothing but their interest at heart in it - are refusing point blank because they say this..."Hey, who knows what will happen to it in 50 or 60 years when I need it...forget it. I will rather invest in a house that I need to stay in." And so on.

Some have even suggested to me that they know enough to know that after all entry fees, exit fees, management fees, performance based super (as opposed to good old defined benefit schemes that are now well and truly closed), all switching options costs when one changes investment asset mix and such other fees and charges have resulted in such poor performance in net terms for super members that one would actually do heaps better in both investment and return terms (and after this inquiry in freedom terms), by simply putting up an investment company and buying a house, buying an investment property or following index funds alone or investing in a pool to buy just one share of Mr Buffett's company or a share of Apple or Google. You get the drift.

Youngsters are not fools and they have no patience to read one page, let alone to invest in super for 60 years. Who are you kidding? If you wanted super to be a good super, you would have demonstrated it by example - by leaving it alone and by cultivating it as a defined benefit scheme. Too late for that now!

Super is not so super therefore. Not anymore.

5. To think that people are stupid or they cannot handle their investments themselves is a tall poppy syndrome of certain rouses in financial industry and of which the industry itself would privately agree, there are some. If the Government at a policy level is concerned about it, make money and investments a school course from kindergarten. Kids know more about money and want to learn...except that no school, Uni or course I went into ever had a subject of how to make money or how to invest properly for growth in uncertain markets. Now there are some courses but they are less clever than I would like them to be and not widely available or easily affordable or free.

But to use the fact that people are not trained or qualified for this or that or to take away their ability to withdraw their super in a lumpsum or to disallow them to invest or spend however they want is just an extremist's idea. It is so dictatorial an idea that it is an absolute non-starter.

I prefer giving education to people and give it free from school to their end of life, on investments and good decision making. At some point, I think, everyone is interested in taking up that offer and learn basics which can easily teach how not to waste super, consult more knowledgeable and independent people, or financial mentors if one likes that term, and make better decisions.

6. It would be utterly foolish of any person to think that a given use of super is not proper. Suppose I want to invest it, I will. If I want to spend, I will. If I want to give it away, I will. It is my money. I paid tax on it. I own the money. To begin with I had the right not to put anything in super at all and not contribute to it. Or claim dire need to withdraw it by putting my asset in one

heaps in a casino to win or lose and you know what would have happened. So just because I did not do anything stupid, do I have to now listen to other more stupid on what to do with it?

7. As it is a person with reasonable super is usually the one who will disqualify on asset or income grounds from claiming pensions so what is all this fuss really about?

Just because there are some who may be rigging the system that is not a cause to change the system but rather make a rule about rigging. No objective change is required for that, just better monitoring and event-specific action or person-specific action.

Also to think that one system can get rid of all troubles is another stupidity of some policy makers, some journalists or some commentators, observers or industry operators. We still have mafia, drug paddlers, terrorists, paedophiles, criminals and all sorts of people. Why do we think there will not be some who misuse super provisions? Is that however a reason to change system or is that a reason to be more targeted about that particular person?

8. It is also argued by some super gravy train beneficiaries and some others that super have a discounted tax and therefore it be subjected to more whims like these if the government wishes. Wrong.

Tax is what it is. Governments can change it and that is their right but also a responsibility. After all, no matter how it is collected, there is only so much tax people will pay or can pay or are willing to pay. Over taxing companies has led to big global IT companies not paying due and proper tax. Overtaxing has led to the rich hiding incomes in tax heavens. Over taxing has led to even tradesman asking for cash payments to avoid GST. All these happen, every day, no matter who denies it. We read of it even in newspapers. It would be wrong to put tax on everything and add pages to the Tax Acts. Better, the Government takes the tax it needs in as few hits it can.

Things like Super are not tax tools. The government must leave it alone and let one scheme be so final that it survives 60 years. Otherwise its trust is lost and when trust is lost in a financial instrument, it is all over. This is the summary of all teachings and lessons from history. Just read the "Accent of Money". Do we need one more lesson to learn from?

Questions for consultation

• **If you do not agree with the FSI recommendation, what do you think should be the objective of superannuation? Why? What are the implications of this objective?**

I do not agree with the FSI recommendations and the reasons are:

9. As regards the views of the Super industry, please spare those views. Leave them alone. We all know why they say what they say. Some said super should not be more than \$600k and a punter writing in the Australian Financial Review's letters column calculated that will give \$32 K per year in retirement. Is that even enough?

Some said put upper limit of benefit to \$2-4million? Why? Even the courts consider lifestyle in so many of their judgements- even in divorce and will settlements. Is retirement not a life style issue? Take undiscounted full tax on inputs at that sort of (indexed) high level, do not limit outputs or balances of super.

Some said give benefit as a pension and not lumpsum. Why? So that they can charge fees and keep a percentage of earning and pay peanuts to poor monkeys that they made out of super owners?

Some said give only so much lumpsum? Why? Ditto!

Some said do not allow investment in a house. Why? To keep the share market running for some super fund manager mobsters?

Some said do not allow super to be bequeathed? Why? If that is the case, capitalism is dead and good bye to super will come very early from people. Do not take punters to be fools. When they bleed money, they know it before anyone else.

So for all these reasons, there should be only one objective to super.

Super's objective is and must be to save money so that that pool of money is available to a person at his or her age of around 55-65 at the earliest and any time thereafter, at that person's sole will and discretion. The objective of that money must be whatsoever that person wants to do with that money at that time. The objective should be to allow that person to withdraw that money in any form one likes it at his or her sole discretion that includes cash, lumpsum, annuity, pension, and commuted pension, anything, in whole or part as that person chooses. Freedom of the timing, method of encashment of the benefit and its disposal or subsequent use or gift or investment or expenditure and so on is and remains sacrosanct and no government should in the future change it - so should say the objective.

The purpose of super money in retirement is whatsoever the super member i.e., its owner or in whose name it is or vests, wants it to be. No change must be made to arrangements as existed on 1 January 2015 in terms of tax in super earning within the fund or earnings in accumulation phase and from super payouts (lumpsum and pension) in retirement phase.

Questions for consultation

- **In which piece of legislation should the objective be legislated and why?**

The purpose as above that I described should be legislated in the Super Guarantee Legislation as well as in the Income Tax Legislation and both must be identical text OR in their effect identical.

The reason is that purpose is not necessary at all and must be left as is but if the Parliament still wants it to be there, it should be as I described and it should be in either the SG or Income Tax Act.

With regards

Dilip Jadeja