

To the Panel

Thank you for holding this review of Australia's Retirement Income System, and for providing the opportunity for a written submission to be made by a member of the public.

I would like to make a brief submission in respect of the third Pillar of the system and specifically voluntary superannuation contributions that are supported by tax concessions.

The retirement income system's primary purpose should be to allow all Australians to achieve an adequate income in retirement, in a way that is sustainable for current and future generations. The system should not serve as a tool for wealth creation over and beyond what would be considered an adequate retirement income. Moreover, any excess wealth creation through the system should not be supported by taxpayer money.

Such a view of the system is not compatible with the current settings for tax concessions, particularly as these relate to voluntary contributions. These cost billions in taxpayer funds each year and disproportionately incentivize and favor high income earners. According to analysis of Treasury figures, the cost is around \$43bn a year, with the top 1% of income earners receiving over \$700,000 to their personal super account in the form of taxpayer support, while those in the bottom 10% receiving less than \$50,000.

It is easy to understand how we arrive at such perverse, unfair and unaffordable outcomes when considering the following:

- A person earning \$18,200 or less a year will receive a Low-Income Tax Offset payment of \$260 per financial year. This amount covers the 15% tax they would have otherwise paid on their Super Guarantee. However, any further voluntary contributions that person makes to their super account will be taxed at 15%, as will any interest earned by that account. Given that this individual has a marginal income tax rate of 0%, there is no incentive to save more for retirement than what is provided by the SG.
- A person earning \$181,000 or more a year will pay the flat rate of 15% on their SG, any voluntary contributions to their superannuation account and any interest earned by that account. Having a marginal income tax rate of 45%, these individuals are strongly incentivized to make voluntary contributions to their super account.

To achieve its purpose, the retirement income system should provide more incentives and support for Australians on low wages to save for their retirement, as these are the people more at risk of falling short of an adequate retirement. However, the tax concession settings at present have the opposite effect. The Panel should make it a focus of the Review to address this issue.

Sincerely