Financial Systems Inquiry Report - Superannuation

Underlying principles:

1. One of the main purposes of superannuation is to reduce the reliance on the Age Pension and provide for a good standard of living after retirement, when people are often in a position where they can't work or improve their financial situation.

2. The idea that people should leave an inheritance while at the same time drawing an Age Pension supported by the taxpayer, needs to be changed.

Specific issues:

1. Banks and other lending agencies should not be allowed to include the full value of superannuation in calculating loans. My experience is that banks will lend considerably more than can be repaid from regular income, on the understanding that a loan will be paid out by a lump sum withdrawal from superannuation. While this is makes sense financially, it defeats the purpose of superannuation to support people instead of the Age Pension. A limit needs to be established that remains in the superannuation fund to generate income that pays a pension to a level where the Age Pension is not required.

2. Pre-tax superannuation contributions. It is ridiculous that some superannuation contributions can be made pre-tax, which reduces income tax paid by generally higher income earning people, including me. Having not paid tax on it, I can then withdraw it tax free after I turn 60! This is grossly unfair. People at all levels of the tax scale should pay tax as prescribed, and pay superannuation contributions from post-tax income.

3. Home ownership. People should be able to remain in their family home regardless of its value, and receive the Age Pension. There should be a time limit on how many years they have owned the property for it to be deemed a "home" – for example, five years. The Garvan Institute's proposal for being paid the Aged Pension against the value of the property, to be repaid from the estate, or if the person chooses to move. This way, people who are "asset rich" can be supported with dignity, and remain in their local community. It protects people from the risks of a reverse mortgage that could result in someone owing more than the value of the property.

4. Management. The current government appears to have an ideological bent against industry superannuation funds, especially those with union involvement. In my experience, industry funds provide better returns to members than retail funds, including some of the largest in the country. Retail funds seem to generate large fees and commissions for their employees and managers, which reduces returns to members of the funds.

5. Lump sum withdrawals. Lump sum withdrawals should be limited so that there is a prescribed balance left in any fund to enable it to pay a pension, preferably to the value of the Age Pension.

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