

10 Simple Changes give Super... the Simplicity, Security, Flexibility, and Understanding all Australians want

The Aim & Purpose of this Submission is to show how **10 Simple Changes...**

Modify the Super System, and eliminate the complexities and need for numerous, ever changing Rules... giving Australians the Superannuation they can immediately understand, embrace, trust, and at a lower cost, to them and to Government.

These **10 Changes** will give a **Safer System** to better provide Retirement Incomes, plus Lump Sum amounts needed for unexpected events and to **Start with a 'Clean Slate'**.

The Changes also create **universal equality** for contributing, and taxes.

With this level of Simplicity it will be no longer necessary to ask '*Why does Super have so many complex and ever changing Rules!??*'

Rule Substitution and Elimination

Recommendations make present rules, variables and inequalities applying, but not limited to the areas below, are made obsolete:

contributions;	monitoring;	working age/test;
taxes;	comparisons;	Salary Sacrifice;
preservation;	performances;	Compulsory cashing
choice;	splitting;	at death;
Concessional/Non	Supported/	Indexation;
Concessional;	Unsupported;	

4 Structural and Procedural Changes are

- 1 Contributions can be made for others
- 2 Contributions are 'Income related' not 'only when working'
- 3 'Open source' with 'New Constants' improves today's 'Multi detailed, Rule Centric' system
- 4 One Tax rate for all components

3 New Features give opportunities for greater Retirement Security.

- 1 'Pension Plus' increases income for disadvantaged groups
- 2 Age Pension 'Means Test Dilution Buy Back' solves longevity risk
- 3 The 'Super Access' Fund

Communication recommendations give immediate understanding and engagement.

- 1 Investment labelling that is applicable and understandable
- 2 Correcting false and negative perceptions eg tax deductibility/refunds, fees, media
- 3 All language and descriptions to be Consumer Centric

The 10 Changes can be explained in 4 minutes!

*“A person of any age can contribute at any time, for themselves, or to the Super Fund of their partner, children, or any person of any age... an amount up to **Half their income** and gain a Tax Deduction on the contribution at **Half their Marginal Tax Rate**. (this amount includes Employer SG)”*

*“Tax on Super Fund Earnings (including CGT) in **both Accumulation and Pension phase** is **Half the Company Tax Rate** (ie $30c \$ \div 2 = 15c$)*

Tax on payments to Retirees can be calculated with the Half Rule but for simplicity continue present ‘Tax Free’ arrangements”

*“There will be a **Maximum Super Amount per person of \$2.5 million (or \$3 million .**”*

*“Any **excess** over maximum to be **transferred to another person’s Super!** (e.g. partner, child, niece, nephew, extended family etc)*

Or where there is nobody to give to...

*The excess can spill to either the (new) **Super Access Fund**, or cashed, after paying normal MTR and recovery of any deductions”*

The maximum amount needs to be adjusted on a 3 to 5 year basis in line with average Investment Performance.”

***Tax Paid Contributions** (non-concessional) also fall within this maximum. (Non-concessional contributions are not related to Half one’s income)”*

*“**Super Money left at death, passes to your Beneficiaries’ Superannuation Fund(s)!** Moneys compound until Recipient can access at their Retirement. (Beneficiaries can be other than Dependents)*

Dependents could have some level of access for financial need (could be Half?).

Transfers to other’s Super Funds are tax free.”

“Restrictions of Salary Sacrifice, ‘Supported’, ‘Unsupported’, are replaced with Universal Tax Deductibility and Equality.”

If adopted... the 3 Additional Features

*“**Pension Plus** expands on the benefits of co-contribution and member thrift. Eligible Retirees gain additional Pension payments based on a multiple of their remaining Super after at Retirement Spendings’ to give themselves a ‘Clean Slate’*

*“**Age Pension’s ‘Means Test Dilution Buy Back’ solves Longevity Risk** by setting a price for people who’d be eligible but within Means Test Group – where they could pay Government via ATO or Centrelink to “buy back” the Means Test dilution.*

This would give a greater buffer to solve Longevity Risk and at no actual cost to Government.”

*“The ‘**Super Access Fund**’ is a savings scheme (with a level of access restrictions) which could be used for major needs. It is not a ‘piggy bank’.*

Members could also transfer/loan a proportion of their Super Fund to the Access Fund to help pay mortgages etc, however transferred/loaned moneys need to be repaid to their Super Fund before or at Retirement.

The Access Fund pays normal company tax on earnings.

Moneys are available only after a number of years, e.g. after 5 or 10 years and for specific purposes.

Members don’t need to have maximum super before contributing to ‘Access Fund’. Younger people (or when member considers their Super is adequate) can contribute and funds used to help secure/pay mortgages etc.

*This can be the start of a **National Savings Scheme**.*

There can be alternative structures e.g. the capital could be available at any time but the interest stays in Fund till Retirement.”

Some examples of Communication

Members know their tax groups, so with a simpler, understandable and interactive Super system, member behaviours and involvement can be expected to modify.

Approximately 60% of working population, earn at or below AWOTE.

Approximately 60% of Retirees, receive Full Pension

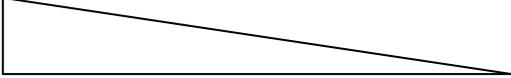
For this 60+% group, their Super balances in 5, 10, 15, 20 years will not be sufficient to fund their Retirement, especially after spendings needed to enter Retirement with a 'Clean Slate' – clear debts, mortgages, purchase white goods, a car, trip etc.

They shouldn't be encouraged (or chastised) to think it should.

Approximately 24% earning above AWOTE \leq 37c \$ MTR receive Part Pension.

High end 37c \$ MTR, and 45c \$ MTR have NIL Pension entitlement

Educate potential Pension Beneficiaries of the amount the Government is putting away for them, about \$400,000 for having a less advantaged working life, and /or not having enough to self fund their Retirement.

16%	45C MTR	NIL Pension entitlement	
24%	37C MTR	Can expect Part Pension	= 
60%	Up to and = AWOTE	Can Expect Full Age Pension	= 100% Refund of all taxes ever paid = to c \$400,000 put aside for them

Investment 'labelling' for Consumer Understanding and Involvement.

Present labelling by product or investment make-up creates irritation, lack of understanding and disengagement. Stop the confusion of investments labelled by product and investment methods, with some Funds having the same label but different make-up, and replace with a system to meet consumer understanding and knowledge and group them by Performance.

Expected Performance Groups

Conservative	Moderate	Medium	Medium-High	Aggressive
0 – 4%	4 – 6%	6 – 8%	8 – 10%	10%+

Fund Managers and Funds will list their investments by name, within each group... e.g.

Cash Fixed Interest Indexed Diversified	Capital Stable Conservative Growth Syndicated Loan	Balanced 60/40 Sustainable Balanced Protected Growth	Balanced 70/30 Managed Growth Tax Effective Income	Australian Shares Global Shares Property Securities
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Members can choose their investment mixes simply by either 'Performance Title', or... more involved, with selections from the fund's various investment managers and inclusions, and other benefits within those performance groups.

Members can easily recognise and monitor their default or own choices. They can see Medium or Medium-High will give more retirement money than Conservative (subject to volatility and cycles). How can they do that at present with labels such as 'Balanced 60/40'; 'Balanced 70/30'; 'Managed Growth'; 'Managed/Ethical' etc?

Funds declare their performance on a regular basis so members can easily track their Fund's performance to their own targets. This would enable more accurate comparisons between Funds than today.

All Funds to report (as many do) Net Performance after fees, charges and taxes etc

Don't ask the Fund Managers and Funds for uniformity of labelling of their investment make-up – but make each fund adopt uniformity of the Performance Group

The Funds (as often occurs today) can still use the same name but apply different investment mixes and percentages e.g. 'Balanced' can vary from 60/40, 75/25, even 80/20 which makes it more of a 'Managed Growth' however it's up to the Fund to apply their product into the respective performance groups.

Additional Benefits

1. Legislative Risk is removed. Constant changes become unnecessary and politically difficult.
2. Simplicity and understanding will bring cost reductions to Government, Funds and Members.
3. Changes in incomes, tax rates, CPI, AWOTE, etc are automatically accommodated in the comprehensive rules
4. Correcting incorrect perceptions re tax deductibility/refunds 'not favouring lower income groups' creates incentives and engagement opportunities.
(Factual realities are ignored by the present rule-centric systems and media)
5. One off or limited period additional contributions can still be accommodated
6. Consumer and Performance Terminologies for standardised labelling of Investment Groups, makes choice very simple and the benefits (and risks) are obvious to all. This will enable consumers to check their Fund's performance to their Targets at any time, and also to compare with other Funds.

Adjustments to Net Deductions with Half Taxes

Contributions	MTR	½ Deduction	Today	Result
			MTR - 15% = Net Deduction	
19c \$ =		9.50 %	0	+9.5 %
32.5c \$ =		16.25 %	15	+1.5%
37c \$ =		18.50 %	22	- 3.5%
45c \$ =		22.50 %	45	- 7.5 %

Further concepts on Product Design, Communication, Fee Reductions and Further Simplicities available at a future date.