

Superannuation reform: no saving grace in this stuff-up



Illustration: Eric Lobbecke

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The superannuation package Scott Morrison announced in this year's budget is turning into a complete shemozzle.

The Liberal Party's membership is in revolt — that is, among those members who haven't already resigned.

There is a widespread sense of betrayal. There are also some specific criticisms about the package: it's over-engineered, unworkable, unfair and the figures are wrong.

The real reason Malcolm Turnbull knocked back Kevin Rudd had nothing to do with Rudd's poor interpersonal skills but rather Turnbull's realisation that his party base would go into complete meltdown had he supported the former prime minister's candidacy for the position of UN secretary-general.

Turnbull and Morrison probably now realise they have been played for mugs by the bureaucrats in Treasury and Prime Minister and Cabinet who have long held the ambition to unwind what they see as the unjustifiable superannuation tax concessions.

You have only to check out the highly erroneous but enormous values put on these concessions, as presented in the annual tax expenditure statement released by Treasury, to pick up the agenda that the activist bureaucrats have been running.

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We also know that in 2014 Treasury advised Joe Hockey as treasurer to ditch the tax-free status of superannuation pension income and to impose much higher taxation on contributions using marginal tax rates minus a rebate, even though this latter piece of advice was essentially unworkable. Hockey had the sense to reject the advice.

We also should not overlook the fact, to a man and a woman, the senior officials advising the government on superannuation matters will receive unimaginably generous defined benefit superannuation payments on retirement (more than half of their final salary) that are barely affected by the budget measures. Note the salaries of these senior public servants have been jacked up significantly in recent years and that their personal financial contributions to superannuation while working are trivial.

No need to save up, pay tax and make non-concessional contributions for this lot.

And if any of them die before their spouse or partner, then a two-thirds pension is paid to the surviving spouse or partner until that person dies.

For them, paying a few thousand dollars more tax each year on their (indexed) retirement incomes is just chicken feed compared with the impact of the superannuation measures on those who have accumulated superannuation balances in good faith under the rules that applied at the time.

That stuff about “commensurate measures” the Treasurer was going on about at budget time was just a ruse.

Here’s an idea. Why don’t these senior officials agree to forgo the benefits of the defined benefit scheme and instead be given an account of, say, \$1.6 million to be used to generate a retirement pension? Any residual amount would be returned to the commonwealth when they die. After all, the Treasurer thinks the income generated from a fund of this size is perfectly adequate.

The core problem now for Turnbull and Morrison (and we can throw in Finance Minister Mathias Cormann and Revenue and Financial Services Minister Kelly O’Dwyer) is how they can construct a more palatable superannuation package without completely undermining their own leadership.

But we shouldn’t think a nip here and tuck there will cut it. There has to be a fundamental rethinking of some of the measures, including ditching some of them altogether. The backdating of the lifetime cap on non-concessional contributions has to go, for instance.

But the real issue is this: as long as there is a cap on the final tax-free superannuation balance, there is really no need for many of the other measures. After all, people have paid the full whack of tax on non-concessional contributions, so why would we want to restrict them?

And talking of the cap, \$1.6m is the wrong figure given the low rates of return retirees can expect and the longevity risk that they bear. Had the old reasonable benefit limit remained in place, it presently would be \$2.5m. So this is the sort of figure the government should be considering.

But there is an even more fundamental problem with the cack-handed budget measures.

With all the restrictions in place, including the unrealistic figure of \$25,000 on annual concessional contributions, most people won't be able to get to the maximum balance that the government regards as being worthy of tax-free status.

By and large, people are able to save seriously for their retirement only when their mortgage is paid off or is relatively low and the kids are off their hands. But the government's one-size-fits-all measures simply fail to acknowledge this lifetime pattern.

The real worry for our fiscal future — Turnbull and Morrison will be long gone — is that the combination of the restrictions being contemplated will mean that many people just give up on the dream of self-providing for their retirement and instead plan to rely on the age pension, full or part.

If there is any spare money in the meantime you may as well invest in buying a better home or upgrading your present one — Morrison doesn't seem to object to this form of estate planning. It's only superannuation that is an evil form of estate planning, even though non-dependent beneficiaries pay 15 per cent tax on inherited superannuation.

Another big hint for the government that it has seriously messed up is the endorsement of the measures by journalists and commentators working for left-wing media outlets, including the ABC.

Any sane Liberal treasurer would be aghast at the degree of backslapping from people who wouldn't vote for the Coalition if their lives depended on it.

And what a bad look it would be if the Turnbull government were to rely on Labor or, worse, the Greens to secure the passage of the superannuation measures through the Senate.

The Labor parliamentary leadership group just couldn't believe its luck when Morrison announced the superannuation measures on that fateful night in May.

Opposition Treasury spokesman Chris Bowen never thought he could go that far and get away with it, politically speaking.

Now Labor will seek to wave through most of the measures in the knowledge that it will be Turnbull and Morrison who will be politically damaged. And in the meantime the champagne corks will be popping in the boardrooms of the union-controlled industry super funds.

Does it get any better than this for Labor? Does it get any worse for the Liberal Party?

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john57 MINUTES AGO

What about Wyatt Roy? How much will he get at his young age?

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LIKEREPLY



Simon1 HOUR AGO

I have emailed my disgust to numerous liberal party members and also barnaby joyce over the last week. I have had no response from anybody yet. I get the feeling they will just ignore the public and ram this through. I am sorry to say this but i think the Liberal party are finished!

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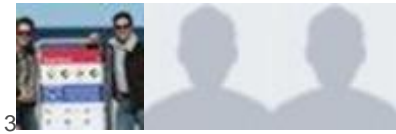
LIKEREPLY



Edi1 HOUR AGO

A great contribution Judith. it appears that the purpose of the super debacle was no more than a grab for the blue collar vote, much like Abbott's PPL was blatant reach for the female vote. One could be excused in thinking that Turnbull is a Labor mole, doing his best to undermine the Liberals from within. Winning elections should not be considered as an at all costs thing. If the people are not prepared to vote for the right policies, they don't deserve good government.

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LIKEREPLY



Maree1 HOUR AGO

I cannot think of a better way to discourage current workers from saving for retirement. Having worked from the age of 15, self-educated, deferred spending on some of the good things in life like travel, reared two children who have worked all their adult life and saved for our own self-funded retirement, the rules have changed and trust has been destroyed. My children's generation now see saving for your own retirement laughable. Trust has been destroyed and that is a major issue. What is next is the main question.

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