

## 2016 AIST Mercer Super Tracker released: Government urged to revise Age Pension Asset Test

- **Asset Test changes will widen inequity gap and hurt middle income earners**

Thursday, 17<sup>th</sup> March, 2016

The **Australian Institute of Superannuation Trustees (AIST)** and **Mercer** have called on the Government to urgently revise its new Age Pension Assets Test, with modelling showing the test will have a significant impact on the retirement outcomes of middle Australia.

**AIST CEO Tom Garcia** said the new test – announced in last year’s Federal Budget and set to come into effect on January 1, next year – was extremely harsh and threatened the integrity and sustainability of the super system by disincentivising voluntary saving.

Modelling in the latest AIST Mercer Super Tracker shows that replacing the current \$1.50 test taper rate with a \$3 rate will see the level of Government support – made up of super tax concessions and Age Pension – drop by up to 40% for those on average incomes.

As a result, the top 10% of wage earners will receive double the level of government financial support (between \$500,000 to \$600,000 of super tax concessions over a working lifetime) towards their retirement income than middle income earners. This compares to government support for retirement of average income earners of about \$300,000 under the new test. (see graphs below).

“A retirement income system where high income earners are effectively receiving almost double the financial assistance from the Government to save for their retirement than individuals on the part Pension is not a fair system nor a sustainable system,” Mr Garcia said.

The AIST Mercer Super Tracker uses 10 indicators to assess the progress of Australia’s retirement income system. It aims to make important contributions to the discussion about the system’s ongoing development. The 2016 score for the AIST Mercer Super Tracker is 68.8 out of a possible 100.

Dr David Knox, Senior Partner at Mercer, said the AIST-Mercer Tracker had an important role to play in modelling the long term implications of different policies on adequacy, fairness and sustainability on our retirement income system.

“We’ve got one of the best retirement savings systems in the world – but there is always room for improvement as there is always a risk with continuous tinkering,” Dr Knox said.

“The doubling of the asset test taper from 1 January next year will hurt many retirees who do not have a large retirement nest egg. An increase in the taper to \$2 would be reasonable but a \$3 taper is tough, especially in a low interest rate environment,” he said.

Mr Garcia said Tracker modelling has shown some tax proposals recently put forward to improve the fairness of super would have only minimal impact if the new asset test comes into effect.

“If the Government is serious about making the super system fairer, we need it to acknowledge that the new asset test was ill-conceived and needs fixing, ideally with a less aggressive taper rate,” he said.

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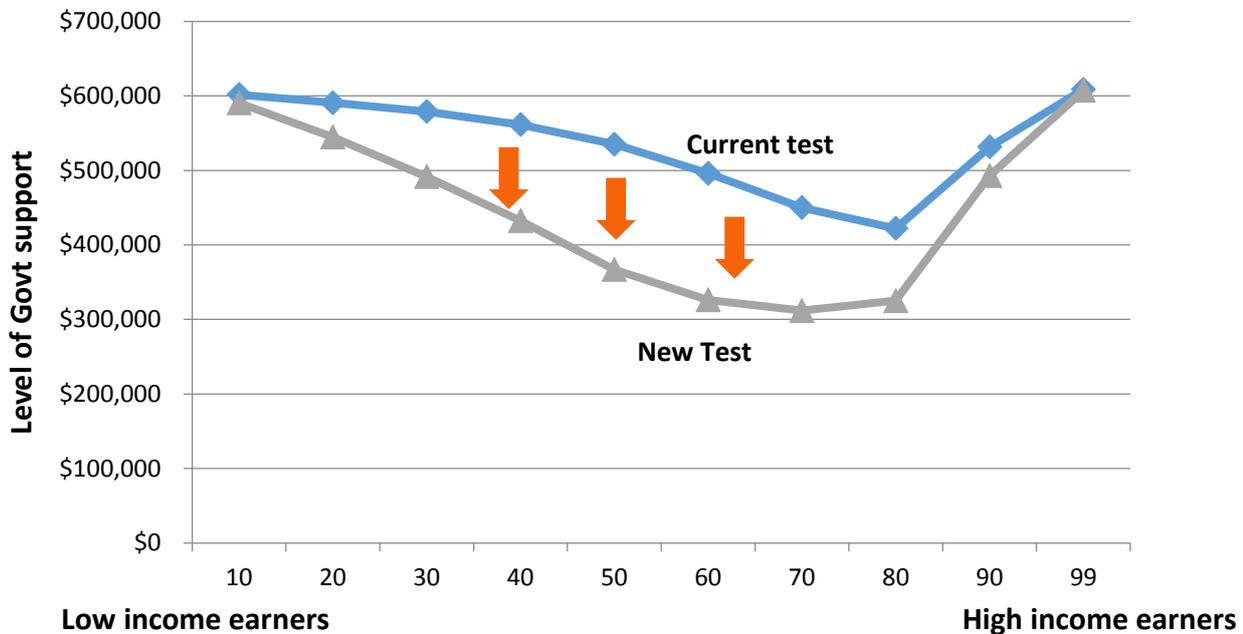
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*AIST is the peak industry body for the \$650 billion not-for-profit super sector which includes industry, corporate and public sector funds.*

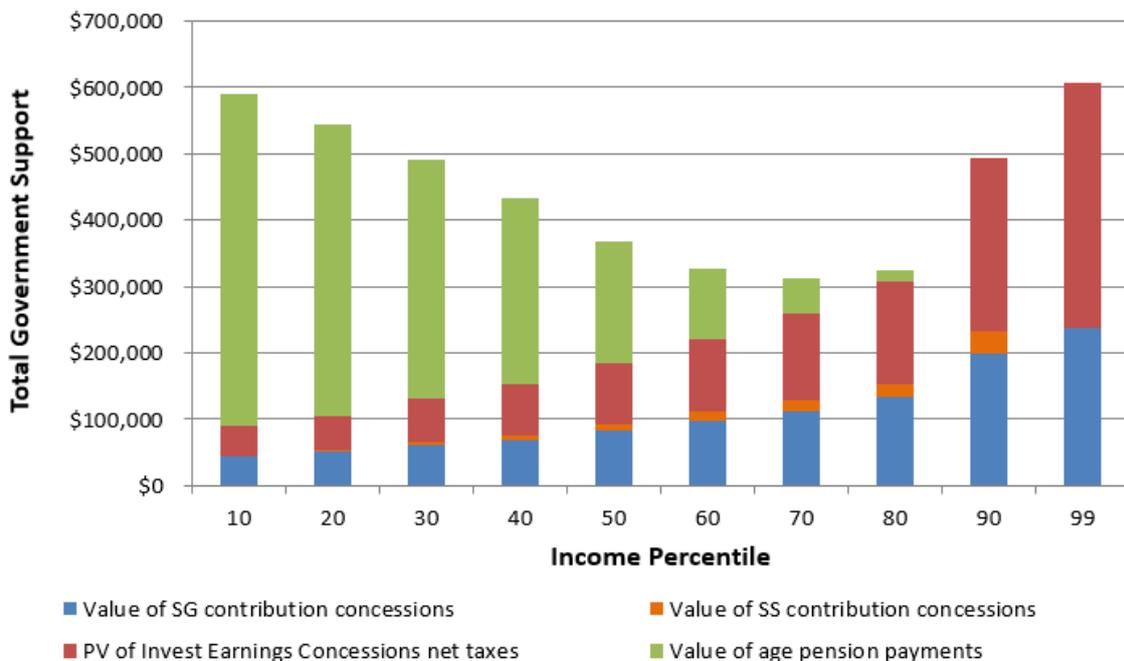
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## How the new Age Pension Assets Test will impact on fairness

Source: AIST – Mercer Super Tracker



## Break-down of Government support under new Asset Test



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