

Super measures will improve fairness and sustainability of super: AIST Budget commentary

3 May 2016

Key superannuation measures announced in tonight's Federal Budget are a necessary step toward a fairer and more sustainable super system, **the Australian Institute of Superannuation Trustees** said today.

AIST CEO Tom Garcia said the Government's decision to rethink a super tax break for low income earners was a much-needed win, particularly for low paid women who faced many challenges saving enough for retirement.

"This is a welcome - but very necessary - move to ensure the super system is fair for all working Australians," Mr Garcia said. "It is good to see that economic sense has prevailed and the Government has recognized that its original plan to abolish super low income measures was a backward step."

Mr Garcia also welcomed the Budget measures to reduce overly-generous super tax breaks for very high income earners.

"Reducing tax concessions for those earning over \$250,000 recognizes that a retirement income system where the top spectrum of income earners receive the greatest benefit from super tax breaks is neither fair, nor sustainable," Mr Garcia said.

AIST strongly welcomes the announcement that all Australians will now be able to claim an income tax deduction for personal contributions to superannuation.

"Saving for retirement will be more attractive as all Australians will now effectively have access to the benefits of salary sacrifice," said Mr Garcia.

However Mr Garcia said more needed to be done to improve fairness in super, noting that the changes to the Age Pension Asset – announced in the previous 2015 budget but due to come into effect on January 1, next year - would have a significant negative impact on part-pensioners.

"The new Age Pension asset test will hit middle Australia hard," Mr Garcia said. "While tonight's Budget changes includes some good news for low income earners, there is nothing to compensate the many hundreds of thousands of part-pensioners for the significant drop in their retirement income that lies around the corner."

Mr Garcia congratulates the Government for setting the objective for superannuation as recommended by the Financial System Inquiry.

“This objective will create stability and certainty in the super system and guard against ad hoc tinkering,” said Mr Garcia. “We look forward to working with the Government to ensure the objective is measurable.”

On other Budget measures announced tonight:

Reduction of concessional caps to \$25,000: “We are concerned about the impact on people over 50 who are planning for their retirement.”

Limiting amount of money put into pension phase to \$1.6 million: “This cap will make the super system more sustainable, while also funding other important measures like the LISTO.”

\$500,000 lifetime non-concessional contribution caps: “We recognise that more Australians will now be able to claim tax deductions on their personal contributions to super but are disappointed that the cap has been set this low.”

Transition to Retirement (TTR) changes: “We support measures to ensure that Transition to Retirement arrangements are used by those who are genuinely transitioning to retirement as opposed to looking for a tax break.”

Catch up concessional contributions: “These measures will have little impact on low income earning women who will have limited capacity to fund catch up payments.”

Choice in retirement income products: “The extension of the earnings tax exemption on retirement products is a good start but there are other flexibility measures that are still needed.”

Removal of age barriers: “These measures encourage older Australians to build their super balance and stay in the workforce longer.”

Further media enquiries:

AIST media officer Sarah Goodwin 0401 769 296

AIST Executive Manager, Policy, David Haynes 0429 029 230

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