

Baby boomers need a fairer deal from super reforms

Peak superannuation body calls for fairer deal for baby boomers

The Australian Institute of Superannuation Trustees (AIST) – the peak representative body for the \$450 billion not-for-profit superannuation industry – today called on the government to re-think its super budget reforms for older workers, warning that the new rules on concessional tax limits could hamper plans for last-minute super top-ups.

Addressing a post-budget analysis meeting in Sydney today with the Minister for Superannuation, Nick Sherry, **AIST CEO Fiona Reynolds**, noted that many baby boomers – already hit hard by the effects of the global economic downturn - would have their retirement savings plans further disrupted as a result of the Federal Budget changes to concessional contribution caps.

While supportive of the Government's move to address some of the inequities in the current superannuation system, Ms Reynolds noted that the majority of baby boomers (those aged 50 and over) had low superannuation balances, having missed out on a working life of compulsory superannuation – which only reached 9 per cent in 2002, after been gradually phased in from 1992.

“Those aged 50 or over have had only 7 years of compulsory superannuation at 9 per cent so it's no surprise that their super balances are – in most cases – very low,” said Ms Reynolds. “We should also be mindful that the superannuation balances of older workers will have less time to recover from the global economic downturn.”

AIST supports the reduction in the tax concessional cap for younger workers who are many years away from retirement but is calling on the government to **either extend the transition period past 2012 for those over 50 or allow this age group a higher cap**, even if not quite as generous as before. Under the current rules, the Government will reduce the concessional cap from \$50,000 to \$25,000 (indexed) for the under 50s while for those 50 and over, the transitional cap will reduce from \$100,000 to \$50,000 until 2012, after which it will revert to the significantly lower \$25,000 cap (indexed) – ie the same cap as the under-50s.

Ms Reynolds said the shortfall in retirement balances among older workers would continue past 2012.

“We need to recognise that people don't necessarily save the way actuaries want them to save,” said Ms Reynolds, “The retirement income shortfall for older workers is not going to disappear just because we reach the magical year of 2012.”

Ms Reynolds said current estimates were that the average retirement balance for those aged between 45 and 55 was about \$70,000 – with the average balance in this age bracket for women (who take longer career breaks than men) just \$48,000.

“Older workers will need to catch up and are much more likely to make 11th hour top-ups to their super later in their working life when their children have grown up or their mortgage is paid off.”

DISCLAIMER

This summary is intended as information only and should not be used in the place of legal or other advice. Australian Institute of Superannuation Trustees expressly disclaims all liability and responsibility to any person who relies in full, or in part, on any of the information contained in this summary, or is omitted from it.

This material is copyright and cannot be reproduced without AIST's express permission.

Baby boomers need a fairer deal from super reforms

Further enquires: Janet de Silva, AIST media 0425 745 095

AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly 2/3 of the Australian workforce.

DISCLAIMER

This summary is intended as information only and should not be used in the place of legal or other advice. Australian Institute of Superannuation Trustees expressly disclaims all liability and responsibility to any person who relies in full, or in part, on any of the information contained in this summary, or is omitted from it.

This material is copyright and cannot be reproduced without AIST's express permission.