General Manager
Superannuation, Retirement and Savings Division
The Treasury
Langton Crescent
PARKES ACT 2600

Count Financial Ltd
Level 9, 1 Alfred St,
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To whom it may concern,

2006 Federal Budget Changes

Count Financial Ltd is Australia's largest independently owned network of financial planning accountants and advisers. Currently we represent approximately 900 authorised representatives nationally.

Whilst applauding the simplification of the superannuation system, the clients of our advisers have been significantly adversely affected by the limit of $150,000 placed on undeducted contributions into superannuation effective from budget night.

Clients at various stages of their retirement planning have been affected by this change. This ranges from initial meetings to discuss how to fund their retirement which may be several years away, to advanced planning where several clients we have are settling on investment properties (or in the process of selling other investments) at the moment to finance an undeducted contribution into superannuation to fund their retirement.

If this limit is to apply without transitional relief clients in these circumstances will be permanently disadvantaged through no fault of their own.

In fact these clients should be applauded as they have addressed the issue of funding their own retirement.

We have attached a sample of the correspondence we have received from our advisers regarding clients who they have who will disadvantaged by these measures.

You will note that the extreme case involves a client positing a cheque on the 8th of May, only to have the cheque presented by the fund manager on the 10th May, after the budget changes. An allocated pension is to be immediately commenced with these funds. How are we to explain to this client what will happen to his funds?

We thank you for the opportunity to provide feedback on this issue, and trust you will consider the comments of these clients in providing some sort of transitional relief.

Regards

Marianne Perkovic
Chief Operating Officer
Director
Count Financial Limited

Dean Bornor
Technical Services Manager
Count Financial Limited

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Dear Sir/Madam

I would like to make comment on the budget release re new super rules. I am a Financial Planner licensed through Count Financial Ltd and provide extensive superannuation and retirement planning advice to my clients. While I welcome a lot of the changes to simplify the system, I have concerns about work in progress, where detailed client strategies are left in limbo with the cap on undeducted contributions.

I have a number of clients I am advising at present to make large undeducted contributions into superannuation. Some of which I have prepared and presented detailed a Statement of Advice, and they are yet to make the contribution. Others I am in the process of preparing the Statement of Advice, with the aim of making the contributions in the next 2-3 months.

After reading through your release and also speaking to Technical service teams, it is very unclear as to whether the clients can proceed with my advice. While the cap of $150,000 on post-tax (undeducted) contributions is not law yet, there is a provision that if it is passed, it could be retrospective back to 9th May 2006.

This does not seem very practical as we can legally advise the clients to make contributions now, but could be penalised later (if the legislation is passed). My clients want to put the funds into super so they can commence Allocated Pensions as soon as possible.

Some of these strategies have been in the pipeline for 12-18 months as my clients have approached retirement, and it now seems as though we cannot implement our recommendations and strategy (strategies the client have paid fees for). Maybe you can consider some transitional rules for clients in this position, or at least provide guidance on what we are allowed to do and not allowed to do in this circumstance.

Your urgent response will be appreciated.

Regards

Brent Fairhead
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Dear Sir/Madam,

Proposed Superannuation Changes - 2006 Budget

I wish to draw to your attention that one major component of the proposed changes to superannuation legislation is fundamentally flawed. I refer to the proposed cap of $150,000 per annum for undeducted contributions to superannuation. This proposal is flawed on two counts:

1. A very large number of Australians delay making any decisions in relation to retirement funding, or plan for retirement funding, until immediately prior to retirement. This will continue to be the case despite our best efforts at making regular superannuation contributions over a longer period. It's simply human nature to "not worry about tomorrow". For these individuals, when they finally do seek professional financial planning advice, their best option is often to make a large undeducted contribution to superannuation immediately prior to retirement. Often, this funding comes from downsizing a principal residence, selling other property, selling other investments or an inheritance.

If your proposed change is implemented, these individuals will find it very difficult to fund their retirements. For example, many Australians now have large amounts of capital tied up in residential property, whether they be principal residences or otherwise. This can be a poor use of capital for retirement funding in terms of risk, volatility, diversification and yield. Superannuation is often a much better avenue for these people. However, should you cap undeducted contributions, this capital will be very difficult to transfer to superannuation. As retirees remain in their highly valued residential properties but have very little superannuation, the long term result will be more retirees dependent of social security.

From my experience, to say that this proposed change will impact very few people is completely wrong. I personally provide a great deal of advice to people who should be considering large undeducted contributions. These people aren't extremely wealthy. They simply have some assets that can better fund their retirement should they be invested within the superannuation environment. In most cases, this

needs to be done at once because they have not given this scenario any consideration until immediately before retirement.

2. I am dismayed by the suggestion that should this proposal be accepted, this cap on undeducted contributions will be effective from budget night 2006. Do you understand the ramifications of this? I have a number of clients making undeducted contributions at present. They have sought my professional advice, I have prepared Statement's of Advice (SoA's) and advised them accordingly. One client recently accepted my advice and mailed a cheque in excess of $150,000 to their superannuation provider on Monday the 8th of May. Fortunately, the superannuation provider banked this cheque on the 9th of May. What do I say to the client who mailed a cheque yesterday on the 10th of May? What do I do with the SoA I have prepared for a client that is due to be presented to the client today? What do I say to the client today?

To put it simply, this is a ridiculous situation. I note we have until 9 August 2006 to make submissions on these proposed changes. So, when will we know whether or not our clients can make undeducted contributions in excess of $150,000? Financial planners simply cannot provide professional advisory services to clients with this level of uncertainty. We have a duty of care. Furthermore, consumers deserve our professional services - not some sort of interim period where there is uncertainty. The financial planning industry requires urgent clarification in relation to this matter.

May I suggest you immediately amend this proposal to be effective 1 July 2007, as per the other proposed changes.

Yours sincerely,

Tim Ford
Financial Planner
Mackenzie & Co Investment Services
Authorised Representative
Count Wealth Accountants®
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I am dismayed at the new limit of $150,000 of personal (undeducted contributions) to super effective immediately.
This affects those over 65 still working who were going to place large amounts of undeducteds into super before ceasing work this year. They will not be able to contribute next tax year another $150,000 as they will be over 65, and the ability to contribute does will not be able to be done until 1/7/07 when the age limit increases to 75.This means a year in limbo.

It also applies to those under 65 who were going to place large amounts of undeducteds into super as funds became available who now will have to place funds in $150,000 amounts over a few years before starting an allocated pension immediately by using significant undeducteds. There tax will increase as funds in accumulation and outside super will attract tax whereas the tax free pension environment.

What is needed urgently is :-

1] The averaging provisions re undeducted limits to be clearly explained;

2] Immediately increasing the contribution age to 75, no work test

I currently have many plans in progress totalling approx $4,500,000 that will be severely affected by the new limit of $150,000 contribution levels. I also foresee a problem with super death benefits that currently will be paid tax free to a dependant that are of a considerable amount that normally would then have been re contributed as an undeducted into super, giving current tax benefits plus lower tax when eventually going to the next generation of non-dependants s the undeducted amount is tax free to them.

Graham Wroth

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The budget seemed to miss long term disabled clients. These clients should benefit like a 60+ year old and be able to contribute to super and draw a pension over their lifetime tax free e.g. a 1.2M life policy TPD payout (not in super) contributed in as an undeducted contribution to receive an allocated pension or a super pension. This should be for both any or own occupation.

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I discussed with you a number of issues we have with clients who appear to
be stuck between a rock and a hard place with regards to the budget changes
which have placed a cap on UDC prior to commencing a pension. Below are a
number of clients who are in exactly that position now and we have
absolutely no certainty with regards to UDC made and are as follows:

Client 1

Having completed a SoA and application form prior to budget we sent a
cheque to Skandia for the amount of $350,000 of UDC which was mailed on
the 8th May 2006 and was processed by Skandia on 10th May 2006. We are
looking to commence an AP for the client immediately with the contributions
and as such it went in as a contribution directly into the AP application.

The issue is that Skandia will commence the pension for the client not
knowing the outcome of the draft superannuation changes, this means
potentially that at some stage down the track Skandia may be forced to hand
back to the client $200,000 of their $350,000 as it breaches the cap on UDC
from budget night. This creates uncertainty and worry for the client which
is out of our control and places us in a unacceptable position.

Client 2

We have sold the clients investments which we were about to place into
their superannuation account as an UDC to the value of around $250,000 and
also implement a cash out and recontribution strategy of another $125,000
and then we were looking to commence an AP with the balance of the account
of around $500,000 prior to 30 June 2006.

We presently have cash sitting in the clients name as we can not with any
certainty make the UDC of the $250,000 and also are unable to implement the
cash out and recontribution strategy. Again we are placed in limbo as there
is no certainty for the client and we are unable to fully implement the SoA
which we were in the process of implementing.

Client 3

The next client placed $550,000 each (Husband and Wife) into superannuation
and was processed by BT SuperWrap on 5th May 2006. This client has recently
sold their farm and were looking to commence an AP in the new financial
year. They were looking to cash out their FMD's in July and place these
into the fund as well. Again the changes have created uncertainty and they
will not be able to place the additional FMD's of $350,000 into the fund in
July 2006 under the new rules.

These rules severely disadvantage farmers who have all their assets tied up
in their farms and when they sell their farms we have in the past been able
to make a large UDC with the proceeds from the sale of farms to place into
superannuation.

In all these cases we are stuck with uncertainty until the government
provide some clarity on their draft proposed changes. This places all our
planning in limbo and does nothing to give clients confidence in
superannuation and or the possibility that the government will not come

back and make further changes to the system.

If you would like additional details on the above cases to help build an
argument then please do not hesitate to contact me.

Regards

Marcus O'Connor
Johnsons MME
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My client's name is …… …….. and her SOA was reviewed via Count just before the budget changes. She is in the middle of a marriage breakup and she will receive $1.5M from sale of family home. She is 61 years old and has no super. In simplified form, the plan was to make a $900K undeducted contribution into WEA to provide her with a pension of $48K pa. The balance of funds $600K was to purchase a home unit for her. If you need more details, please let me know.

cheers

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