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

Dear Sir

Government's Plan to Simplify and Streamline Superannuation.

The introduction of a limit on contributions will have a significant effect on the retirement saving of Australians.

Undeducted Contributions:

In our view there are several aspects which need to be clarified in order to make the limit on undeducted contributions more workable. These are listed below:

- For practical reasons, the limit should commerce to operate from 1 July 2006 rather than 9 May 2006. This will considerably simplify administrative issues for the trustees of superannuation funds;
- We recommended that no averaging apply for ages 60-65 but that, instead, a higher limit or limits be allowed during a transitional period of 3 – 5 years. Such an approach would acknowledge the difficulties faced by those approaching retirement who were intending to make significant contributions, as allowed pre 09/05/2006, in the next few years whilst also achieving the Government's objective of placing a limit on undeducted contributions. The limit for this age group could be set at $1 million for the five years to age 65.
- We understand that the Government's intention is that, as contributions can be made to a number of funds, trustees of superannuation funds themselves will not be required to monitor the limit. The Government should confirm this understanding.
- The limit should be indexed in line with movement in AWOTE with the indexed amount rounded to the nearer $1000, allowing for inflation and maintaining a real value.

Tax Deductible Contributions:

Whilst we would prefer, on simplification grounds that no limit apply, we can understand the Government's concerns that a limit should be applied. However, we believe that the proposed amount of $50,000 is too low and should be increased to $100,000. We would suggest the concept of a transition period be removed.

It is unlikely that few people will be able to contribute significant amounts before about age 50 due to family and mortgage commitments etc. The removal of the age based limits is therefore unlikely to have a significant impact at these younger ages.

The introduction of a $50,000 concessionally taxed limit (about half of the current age based deductible limit) may however considerably reduce the ability of these people to effectively fund their retirement in the later years when they may have a higher ability to save.

We would recommend the proposed limit should also be indexed in line with movements in AWOTE with the indexed amount to be rounded to the nearer $1000.

Introduction of a new contribution limit:

We propose the introduction of a total contribution concept.

The proposed limit on both undeducted and deductible contributions would be replaced by a combined limit equal to the sum of the undeducted and deductible contributions limit; however the total that could be treated as deductible would be limited to the amount shown above.

With a combined limit, members will have the flexibility to contribute up to $250,000 of both undeducted and deductible contributions.

This would allow an individual to maximize the total allowable contributions even when they are unable to fully use the tax deductible limit, thereby assisting in the funding of their retirement benefits.

Yours Sincerely,

Martin Murden ANZIIF (Fellow) CIP, CPA, SSA, B. Ec