34 Henry Street
Cook, ACT 2614
18 July 2006

John Lonsdale
General Manager
Superannuation, Retirement and Savings Division
The Treasury
Langton Crescent
Parkes, ACT 2600 (Attention: Louise Lilley)

Dear Sir,

Thanks for your response of 5 July 2006 to my plea for further transitional measures in connection with the Government's planned changes to superannuation announced on Budget Night and in a subsequent press release. For convenience, I've appended earlier e-mail exchanges with simplersuper@treasury.gov.au.

Your response appears to assume that the planned changes (including the proposed transitional measures) satisfactorily accomplish the Treasurer's intention, announced on Budget Night, to not significantly disadvantage anyone approaching retirement. There is, however, a class of people who *will be significantly disadvantaged by the planned changes*, even when the proposed transitional measures announced to date are taken into account. This class includes people who:

- Under the previous arrangements had substantial Transitional Reasonable Benefit Limits;
- Were intending to retire within the next few years, because of advancing years, failing health, and/or lifestyle choice; and
- Had substantial assets accumulated outside superannuation that they intended to transfer into the superannuation system (either via a Self-Managed Superannuation Fund or otherwise) prior to their retirement.

The annual limit of $150,000 for undeducted contributions means that such people may not be able to complete transfer of their assets into superannuation within a reasonable time scale, if at all (because of the cut-off date of 75 years or earlier failing health)[1]. To illustrate the problems here, I'll refer to my own case and use figures from a financial plan drawn up for me by National Australia Bank in October 2005.

I've been in the workforce since 1960 and for much of this time I've been on a relatively high salary. During my working life I've acquired substantial income-producing assets (primarily investment property and Australian shares). I am now 66 years old and had intended to retire from full-time work as a Defence scientist late this year, followed by a period of part-time work until I was 70 years old in 2010. NAB's financial plan specified transfer into an SMSF of $1,681,966 in undeducted contributions (mainly in-specie transfer of existing shares), consistent with my Transitional RBL. The undeducted contributions were to be accompanied by regular SGC and salary-sacrifice contributions together with rollover of an existing superannuation fund (UniSuper). Under NAB's plan, when I ceased working at age 70 I would have been able to draw a substantial Allocated Pension, most of which ($253,596 per year) would have been tax-free.

[1] It could be argued that having to continue in the workforce beyond a previously planned retirement date, for the purpose of achieving transfer of undeducted contributions into superannuation, is by itself a significant disadvantage for such people of the planned changes.

Given the Government's planned changes, I could not transfer the specified undeducted contributions into an SMSF, even if I remained healthy enough to continue in the workforce until age 75 and could satisfy the "work test". If I was to cease working at age 70, as originally planned, I could transfer no more than half the specified amount of undeducted contributions. I've set up an SMSF and made an in-specie transfer of $146,610 in shares on 20 June 2006 plus a further $404,909 in the current financial year. After these transfers, I can make only minor further undeducted contributions to my SMSF prior to 1 July 2009. (The averaging provisions assist to some extent by allowing me to transfer undeducted contributions into my SMSF earlier, but don't increase the total amount I'm able to transfer.)

I am representative of a class of people who, compared with the previous arrangements, are seriously disadvantaged by the planned changes (especially if their health fails and they're unable to continue working until well beyond normal retirement age). One possible way of addressing the problems here would be to provide a once-off opportunity for people nearing retirement to transfer undeducted contributions into superannuation, consistent with their former Transitional RBL. If necessary, this could be limited to assets already identified in a financial plan drawn up by a licensed financial adviser prior to Budget Night. (People further away from retirement will have sufficient opportunity to move their assets into superannuation at a rate consistent with the proposed annual limit.)

If you have any questions regarding the above, please contact me by mail or by phone on 0404 042 496 (mobile) / (02) 6256 6129 (work). Alternatively, I can be reached via e-mail at iain.macleod@dsto.defence.gov.au or iainmacl@tpg.com.au.

Regards,

Iain Macleod.

Simpler Super,

Thanks for your response to my earlier e-mail. I've read the press release clarifying the operation of the proposed cap and have a couple of additional points I'd like to bring up.

First, transfer of post-tax assets identified in my financial plan into my SMSF would take more than 15 years if I was limited to $150,000 per year -- the $450,000 achieved by lumping three years together helps, but to only a limited extent. Second, if because of illness or advancing years I'm no longer able to satisfy the work test, I'd be prevented from moving any further post-tax assets into my SMSF. This latter point is a further significant disadvantage that people approaching retirement could suffer as a result of the changes announced on Budget night, despite the Treasurer's statement that this was not intended. Additional transitional arrangements need to be implemented here.

Regards,

Iain Macleod
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Cook, ACT 2614.
Phone: 0404 042 496

From: Macleod, Iain [mailto:Iain.Macleod@dsto.defence.gov.au]
Sent: Tuesday, 30 May 2006 6:48 PM
To: Simpler Super
Subject: 457 Need for further transitional arrangements with simplified superannuation

THE NEED FOR ADDITIONAL TRANSITIONAL ARRANGEMENTS IN IMPLEMENTING THE RECENTLY ANNOUNCED CHANGES TO SUPERANNUATION

My retirement plans have been thrown into disarray by the restrictions announced on Budget night regarding annual limits on undeducted contributions to superannuation funds.

In 1997, at the age of 56, I took a redundancy from my previous employer (who I had been with for some 30 years). At that time I had built up a significant amount of superannuation, but as I had already found new employment I did not need to draw on that superannuation for living expenses. I intended working until normal retirement age of 65 years or beyond (I'm nearly 66 now and still working). In 1997 and 1998 I progressively withdrew more than $400,000 out of the superannuation funds I had access to and invested these funds in "blue chip" shares, with the intention of placing the resulting assets back into superannuation as I approached retirement.

In October 2005, I consulted a financial adviser who drew me up a financial plan that specified transfer of these assets (or as much as I could consistent with my RBL) to a Self-Managed Superannuation Fund prior to my retirement at the end of this year. I still hold these assets and had intended to move about half the total into an SMSF this financial year (FY05/06) and half early in the coming financial year so that I could split the large amount of capital gains tax payable over two financial years.

The limit imposed as of Budget night of $150,000 per year for undeducted contributions means that it will take me many years to get my SMSF established. The Treasurer stated that the changes announced on Budget night were not intended to significantly disadvantage anyone approaching retirement and that suitable transitional arrangements would be implemented.

It should be clear that the transitional arrangements already foreshadowed do not address my case satisfactorily. There must be many more taxpayers approaching retirement who are in a similar situation to me. I request that consideration be given to those of us who can provide firm evidence that financial plans we had drawn up as of Budget night (nominating assets we held at that time) have been severely disrupted by the announced changes.

Regards,

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