Publication: The West Australian; Date: Dec 10, 2012; Section: West Business Liftout; Page: BUS8

ANGER AT CUTS IN CONCESSIONAL CAPS

Advisers warn Government off super attack

Neale Prior
Personal finance editor

In a Your Money special edition, WA's most experienced wealth managers talk about investing in a world of low interest rates.

Confidence eroded: Patrick Canion and Michael Heffernan. Picture: Dione Davidson

Some of WA's top financial advisers have warned of the damage that the Federal Government's attack on concession superannuation contributions is doing to the retirement saving plans of Australians.

Speaking at the *Your Money* Finance Forum, the planners have warned that confidence in the superannuation system was in danger of being eroded by tightening of superannuation rules and fears of more tightening of the tax treatment of superannuation.

In one of the most unpopular moves in superannuation in recent years, the Federal Government has deferred for two years a concession that would have allowed those over 50 with less than $500,000 in their super funds to keep putting up to $50,000 a year into super at the concessional rate.

From July 1, concessional contributions for most people with superannuation funds has been capped at $25,000 — one quarter of the limit five years ago.

Financial planner Patrick Canion, chief executive of ipac WA, said it was easy to portray cutting the concessional contribution cap from a maximum of $100,000 as a populist win for the little guy.

Mr Canion said the cuts had completely compromised the savings and retirement plans of thousands of Australians who had done it tough for many years with a view to increasing their superannuation when the children had left home and they had paid their mortgage.

He said this plan often involved the wife going back to work part time and the couple living off the lower income, while a big part of the husband's higher income was used to bolster the retirement nest-egg. "These are not fat cats," he said.

"We should be celebrating and encouraging — even at the expense of short-term revenue — people who are prepared to provide for themselves in later years."

Subiaco-based financial planner Julie Matheson said people working in the mining industry had been particularly punished by the cut in concessional caps and been denied an opportunity to set themselves up to be independently retired. "This mining boom won't last forever," she said. People now earning $200,000 might earn only half that when the boom was over and would have missed out on a once-in-a-lifetime opportunity to make themselves independently retired. Their comments reflect the results of a survey of managers of self-managed superannuation funds released last month that there was widespread anger about the cut in concessional caps.

The survey authors from actuarial group Rice Warner warned people could move into unregulated plays or unproductive investments, such as residential real estate, if the Federal Government did not stop changing superannuation laws.

Smith Coffey principal Stephen Jones said one of the best ways that the Government could restore investor confidence was to send a clear signal that it would leave superannuation alone and help a population saving for their retirement. "We have short-term governments looking to balance the budget and that is the dilemma," he said.

Mercer senior adviser Michael Heffernan said further major changes might be tempting but it would "break the trust that people have in superannuation".

Mr Canion said people were being forced to look at other means of generating their wealth and "almost always are more risky or more volatile".

"That is where the next problem is going to be," he said.