

'Unrepresentative swill' has your nest egg in their hands

Ben Harvey

And you thought the politics of superannuation was confusing before the election . . . Australian retirees face months of uncertainty as their nest eggs are used as political footballs by a rag tag Senate which comprises a bunch of MPs whose views on superannuation are largely unknown.

As it becomes clearer that cross-benchers will again hold the balance of power in the Upper House, the competing superannuation policies of the coalition and ALP will likely be subject to more tinkering.

If, like *Your Money*, you find the whole thing a bit overwhelming, remind yourself about what's currently on the table by scanning the ready-reckoner which Subiaco-based financial planning firm Smith Coffey recently sent out.

We won't know the make up of the Senate until next month, which means regardless of whether Prime Minister Malcolm Turnbull manages to scrape together a majority in the House of Representatives, the retirement plans of millions will be in limbo.

And what a limbo it will be. To begin with, even if Mr Turnbull does form government, he has an uphill battle convincing his own backbench about his changes to super. Liberal voters, who have delighted in taking advantage of the generous taxation breaks afforded by the current rules, have made their concerns very clear to their local members.

Can't have \$5 million in a self-managed super fund which is taxed at 30 percentage points less than our salaries? Preposterous!

One faces financial ruin if things change and might be forced to drive last year's 5 Series BMW!

Assuming some form of butchered policy does make its way through the Lower House, what happens when the "unrepresenta-

tive swill" in the Senate get their hands on it?

Do you have any idea what Pauline Hanson thinks about the retrospectivity of the Liberal-National cap on super contributions?

Does the One Nation leader even know what retrospectivity means? Even Kevin "programmatic specificity" Rudd has to check himself when talking about that one.

Please explain . . . Don't fret, dear senior voter, because you can sleep well at night knowing Ms Hanson can always seek advice from fellow Mensa alumnus Jacqui "I want a well-hung guy" Lambie.

Muslim retirees should cash in their nest eggs and put their money under their beds lest these titans of diplomacy decide to unilaterally confiscate the assets of anyone who has a copy of the Koran.

And then there's Derryn Hinch. Can the Human Headline negotiate the complexities of lifetime non-concessional caps? Or will he throw his hands up in the air, say "that's life", and flip a coin ahead of crucial votes.

Finally, we have Nick Xenophon's band of anti-gaming crusaders. Who knows what they will do, but pity any pensioner who enjoys the occasional flutter on the pokies.

Your Money readers who are either retired or about to should rightly be worried by the election result. As if Brexit's impact on investment returns wasn't enough to have on your plates.

The only thing that is a certain in coming weeks and months is that the self-preservation instincts of politicians will win the day.

As former NSW premier Jack Lang famously said: "Always back self-interest — at least you know it's trying." Here's hoping the interests of the MPs in Australia's 45th Parliament align with yours.

Not that they have anything to worry about. Have you seen what politicians get as superannuation?

SHIFTING SANDS: WHAT NEXT FOR YOUR SUPERANNUATION?

ITEM	BEFORE 2016 BUDGET	AFTER JULY 1, 2017 (LABOR)	AFTER JULY 1, 2017 (COALITION)
Concessional contributions	<ul style="list-style-type: none"> Under age 50: \$30,000 Over age 50: \$35,000 	<ul style="list-style-type: none"> No policy 	<ul style="list-style-type: none"> All ages to 74: \$25,000
Non-concessional contributions	<ul style="list-style-type: none"> \$180,000 a year or \$540,000 by pre-paying 3 years 	<ul style="list-style-type: none"> No policy 	<ul style="list-style-type: none"> \$500,000 lifetime cap effective for contributions from July 1, 2007 to May 3, 2016
DIV293	<ul style="list-style-type: none"> If adjusted taxable income is above \$300,000 member pays extra 15% contributions tax 	<ul style="list-style-type: none"> If adjusted income is above \$250,000 member pays extra 15% contributions tax 	<ul style="list-style-type: none"> If adjusted income is above \$250,000 member pays extra 15% contributions tax
Contributions by age	<ul style="list-style-type: none"> Work test if aged over 65 	<ul style="list-style-type: none"> No policy 	<ul style="list-style-type: none"> No work test People can contribute until age 74
Eligibility to deduct personal contributions	<ul style="list-style-type: none"> No concessional contributions in certain cases (10% rule) 	<ul style="list-style-type: none"> No policy 	<ul style="list-style-type: none"> 10% rule abolished
Taxation of income in pension phase	<ul style="list-style-type: none"> No tax No limit on tax-free income 	<ul style="list-style-type: none"> Earnings over \$75,000 per person taxed at 15% 	<ul style="list-style-type: none"> Tax-free pension assets capped at \$1.6 million Earnings on assets above cap taxed at 15%
Growth in tax-free income	<ul style="list-style-type: none"> No tax No limit on tax-free income 	<ul style="list-style-type: none"> Earnings over \$75,000 per person taxed at 15% 	<ul style="list-style-type: none"> \$1.6 million cap indexed to CPI (estimated growth of \$100,000 every 3 years) Growth over \$1.6 million to be tax-free but must start pension with up to \$1.6 million
Flexibility of contributions	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Earnings above \$75,000 per person taxed at 15% 	<ul style="list-style-type: none"> If unable to contribute (eg maternity leave) can catch up by contributing \$25,000 per year for up to 5 years (if balance less than \$500,000)
Transition to retirement	<ul style="list-style-type: none"> Earnings in super are tax-free Accessing lump sum satisfies minimum pension payment threshold 	<ul style="list-style-type: none"> No policy No policy 	<ul style="list-style-type: none"> Earnings taxed at 15% Lump sum doesn't satisfy minimum pension payment threshold
Low-income super contribution or low income super tax offset	<ul style="list-style-type: none"> People earning up to \$36,000 refunded tax paid on concessional contributions (up to \$500) 	<ul style="list-style-type: none"> No policy 	<ul style="list-style-type: none"> People earning up to \$36,000 lose refund but get tax offset up to \$500
GESB West State Funds	<ul style="list-style-type: none"> No annual contribution limit 	<ul style="list-style-type: none"> No policy 	<ul style="list-style-type: none"> Annual concessional contributions cap of \$25,000 on all contributions

SOURCE: SMITH COFFEY

