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Manager
Retirement Benefits Unit
Retirement Income Policy Division
The Treasury
Langton Crescent
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Dear Manager, The Treasury

SUBMISSION: Treasury Laws Amendment (Innovative Superannuation Income Streams) Regulations 2017

Julie Matheson for Western Australia Party makes the following submission:

- 1) We agree that companies registered under the **Australia Prudential Regulation Authority** (APRA) will be able to receive an income tax exemption on income (and capital gains) from assets held to support superannuation income streams paid to eligible individuals (APRA, 1998).
 - a) Eligible individuals should include **Mature Age Australian Residents aged 55** and over and have been **unemployed** for more than two years.
 - i) REASON: More than **200,000 Australians** over the age of 50 are on the dole (Woodley, 2014). **State payroll tax** is a significant hindrance to employers (Adonis, 2015), and the employment of more employees despite the Federal Government's \$640 million wage subsidies to encourage more employers to take on long-term unemployed (Woodley, 2014). **High youth unemployment** is also a burden on Mature Age Australians. Without employment, the youth are relying on resources of Mature Age adults who are in the same **unemployment cycle**. In 2010, **Mature Age volunteers** represented more than 40% (Volunteering Australia, 2015). Superannuation income streams could help support volunteers in communities. Without volunteers, Government would foot the bill on much needed community services. An option to purchase a lifetime superannuation income from **age 55** is essential due to a reduction in employment opportunities from technology and efficiencies, lack of **re-skilling** and training services which result in meaningful **full-time employment**, and **home mortgages** which still have years to be paid out.
- 2) **We agree with the following:**
 - a) that the benefit would be paid at least annually over the lifetime of the recipient;

- b) restricted lump sum commutations as long as the remaining value is sufficient to pay a lifetime income stream over the life expectancy of the recipient;
- c) A choice of guaranteed or market linked lifetime income streams;
- d) First income payment should be paid no later than 30 June in the year of satisfying a condition of release, and at least annually thereafter.
- e) The capital value cannot be used as security for a borrowing.
- f) The ability to purchase a deferred superannuation income stream while the member is still in accumulation phase and hasn't satisfied a condition of release.

3) We disagree or have concerns with the following:

- a) The commutation examples in the Exposure Draft should only apply to guaranteed annuities, not **market linked annuities** (Treasury, 2017). In the 1980s **market linked annuities** were popular because the capital was paid over the life expectancy plus a return if markets were doing well. Commutation value for **market-linked annuities** should include remaining capital value plus accumulated profits if available.
- b) **Small superannuation funds** should be defined (ie, not regulated by APRA) if they are excluded from offering these retirement incomes.
- c) The commutation value of retirement incomes should be included in **Centrelink Assets Test** otherwise taxpayers are paying twice. Once to provide tax free status to these products but also to pay a pension which has other tax benefits and rebates, including tax refunds for franking credits from Australian shares owned by the product.
- d) Providers of these new income stream products should be regulated by **APRA** and provide a "**warranty**" against defective, faulty and flawed management of such products.
 - i) REASON: Providers currently hide behind the **flawed Australian Financial Services Licensing system** by abrogating their responsibility for product failure to **Authorised Representatives** of an AFSL, ie, blame the adviser! The warranty should cover product failure caused by investing in "**tricked up**" mortgage investments such as CDO's, property developments **riddled** with debt, hedge funds which purchase bits of paper only to fail because they are last in line to collect their returns from a "**ponzi scheme**". Providers have also lost retirement funds from shares in collapsed companies like ABC, Allco Finance Group, Babcock and Brown, MFS, Westpoint, Timbercorp, Bridgecorp, Great Southern Plantations, ADR, Bill Express, Commander Communications, Opes Prime, Lift Capital, Fincorp, and Australian Capital Reserve (Schwab, 2009). A warranty would make providers think twice about their investment choices.
- e) Condition of commencement should include **unemployment** for more than two years at **age 55** and over, and the ability to stop payments if employment has been secured.

Generally, we support this initiative by the Minister, the Hon Kelly O'Dwyer MP, to give the Australian public a choice of superannuation lifetime income streams. However, the providers of these new products must be held accountable for poor management and

investment choices which can ruin the lives of retirees when they are most in need of financial protection.

Providers must not be able to **weasel** out of their responsibility using the flawed Australian Financial Services Licensing system to blame Authorised Representatives (financial planners) for losses and mismanagement of these important retirement products.

Please contact Julie Matheson via email at jcmatheson@bigpond.com or by phone on 0409 294 495 for further information.

We look forward to receiving a confirmation receipt for our submission.

Yours faithfully



Julie Matheson

Julie Matheson for Western Australia Party

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