Ben Korman
PERTH

10 March 2005

Treasury Inquiry into superannuation
Canberra
ACT 2600

Dear Sir or Madam

Re: Changes to self managed superannuation funds & pensions in May 2004 Budget

I have previously made a submission (dated 5 August 2004) to the Treasury regarding these changes. Following the release of the Treasury Document *Review of the provision of pensions in small superannuation funds,* I would like to add the following comments.

The Treasury document refers to the use of SMSF's as tools in estate planning and cites this as an unintended use of superannuation. This objection is presumably based on the concessional tax treatment which currently applies to inherited funds. Instead of simply outlawing defined benefit pensions, the Treasury might consider applying a reasonable tax (not a penalty tax) to such inherited funds. A figure of 15 per cent, the same as is currently applied to Eligible Termination Payments would seem fair and reasonable.

The Treasury document also touches on the issue of defined benefit pensions and suggests that because of poor investment strategies, the users may run out of funds before the death of eligible members, which would lead to an increased dependence on Government old-age pensions. However, in promoting Market-linked pensions with a fixed term, Treasury is virtually guaranteeing that SMSF's will run out of money in a significant number of cases and therefore that the members will become dependent on Government old-age pensions.

A fair solution, in my opinion, is for the proposed new regulations to apply to all contributions made after some specified future date e.g. 1st July 2005.

I would like the Treasury to take this information into account along with that contained in my previous submission of 5 August 2004.

Yours faithfully

Ben Korman