Attn AFTS Secretariat.

I understand that there are proposals to vary the Retirement Income System particularly as they apply to self-funded superannuants and I welcome the opportunity to make the following submissions.

I believe that the encouragement given to the Australian taxpayers to provide for and manage their own superannuation and pensions as an alternative to being dependant on the Commonwealth pensions should be encouraged. The self-funded pension schemes have been varied by all governments over many parliaments to provided an incentive for saving and, at the same time, have also provided an inducement for people to remain in gainful, if reduced, employment - particularly beyond the normal age of retirement.

The difficulties encountered during periods of marked economic turmoil such as the world-wide downturn currently being experienced may be a reason for varying the percentage of the pension fund that must, as a minimum, be drawn as a pension as exemplified by the recent decision on pensions is reasonable but there should not be any need to make wholesale changes to deter future participation by taxpayers.

Company Tax. Any proposal to further reduce the rate of company tax would reduce the imputation tax benefits available to all taxpayers and would not be offset by a commensurate increase in dividends payout ratios because there would be a corresponding desire by company management and directors to retain the extra funds for future expansion and acquisition.

Taxable and Non-Taxable Contributions to Superannuation Funds. The retention of the ability for taxpayers to contribute to the Superannuation Fund (third party or SMSF) is an essential part of maximising the taxpayer's retirement benefits without having to draw on Commonwealth pensions and other benefits. Following the end of the current transitional phase there will be a limit that can be contributed. This limit should be retained at a reasonable limit but there should be an indexing component that is free from political and election variation. Employees have a much greater ability to contribute savings to their superannuation fund than do employers who are constantly reinvesting in their business for expansion. Any excess funds available for investment for retirement generally have to be invested outside the superannuation field to ensure that they are available for necessary business costs. These investments do not fit within the generous limits of the "sale of business proceeds" that can be invested in a SMSF or other. They, therefore, incur capital gain costs when they are moved in to the SMSF when no longer required for "business reserves".

I have already made all these transfers some years ago and incurred (and paid) the capital gains costs and, therefore, any change would not be of benefit to me but there would be considerable merit in introducing a reduction or elimination of the CGT when the investments are transferred (say, by specie) to the superannuation fund. Retention for a minimum period could be a required condition for this taxation benefit.

The lifespan of the Australian adult has been gradually increasing and this should be taken into account when setting the age limit up to which contributions may be made. There is also a discrepancy between the abilities of various groups of workers to continue in gainful employment in their chosen occupation. For example - the extreme cost of indemnity insurance is a deterrent for medical practitioners, dentists and many others to work part-time after retiring from full-time employment. Tradesmen, on the other hand, can work for short periods each year to satisfy the 40 hours in 30 days rule and contribute personal savings to their SMSF or other. The work undertaken within this rule must be gainful at commercial rates and there would be benefits to be gained for all parties if this was varied. I do not fit in to either category but, having turned 70, can sometimes find it difficult to meet the requirements within my chosen profession. This necessitates finding alternative employment.

I would respectfully suggest that retirees should be able to work, without financial gain if desired, for not-for-profit organisations to provide, firstly - a meaningful contribution to the organisation concerned, secondly - a meaningful contribution by the retiree and, thirdly - satisfaction of the requirements of the 40 hours in 30 days rule.

On the third aspect above it would be feasible for a retiree to offer to "work" for the organisation concerned and then make a donation back of an equal or greater value. This would be within the taxation rules but I would respectfully suggest that transparency combined with efficiency would be more logical.

Trustee Education. As a trustee of a SMSF who has worked as professional and retail business owner for over 45 years since completing my tertiary education I would consider that I am reasonably well educated

and capable of making decisions in relation to my SMSF and the investments therein. More importantly, I have the ability to choose between professional advisors to administer the fund on my behalf. Where the level of service and advice is less than I believe is satisfactory then I have the right and the ability to change advisors - and have done so since my SMSF was first established.

Any proposal to require me to seek professional training would unnecessarily add to the costs of, and reduce the profits available for my pension. Within my chosen profession, although I am in a semi-retirement phase, I still maintain my continuing education responsibilities. Would Treasury be able to provide continuing education to each trustee every time there is a change to the superannuation and pension areas? Professionals in this area, for whose services I am willing to pay a fee, can satisfy my requirements. (Simplification of the rules governing the management and reporting of SMSFs that reduced the work time required by my advisors and therefore resulted in a reduction of the fees payable would, of course, be a benefit.)

There is a mutual responsibility between trustees and their professional advisors. If my advisor fails to provide the level of service and advice contacted for and/or if the service given results in monetary or other penalties to me as a trustee and/or beneficiary of the SMSF then I should have the right to take action against the advisor. Correspondingly, if I fail to take actions that I have been advised to do as part of my responsibilities then the advisor should be able to take action to ensure that I do comply with my responsibilities. If this requires the imposition of mandatory training courses then this would be a fall-back position.

It should not, however, be a requirement that all trustees should be subject to the costs of ongoing "training" that is superfluous to their requirements.

I am happy to provide explanation of any of the foregoing and would appreciate direct advice, in due course, about the recommendations or decisions made.

Yours truly,

Graeme Hawkins,
[removed for privacy reasons]

cc Senator Sherry, Minister for Superannuation and Corporate Law
Hon Richard Marles MP, Member for Corio