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Taxation, Incentives and a Radical approach to Personal Retirement Plans Part 2 Supplementary Proposals.

Vesting.

In the first submission I alluded to the return of Government Contributions should a juvenile Lifestyle Funding accountholder die or there be a change of citizenship.
I propose an extension of vesting in the following manner:

1. All government contributions and earnings are vested until an appropriate preservation age or the Retirement Benefit begins. Government contributions and earnings cannot be accessed as a Lump Sum but are activated only for the purpose of paying a Retirement Benefit in the form of a periodic payment e.g. weekly, monthly etc. The Government sponsored capital and accumulated earnings balance must be retained in the fund until the death of the Account holder when they are returned to the Government Fund.
2. This process means that while the account holder has the Retirement benefit from the Government sponsored Birth payment during their lifetime the balance of these particular monies remain in the superannuation system in perpetuity.
3. Any personal contributions and earnings are the property of the Account holder and may be accessed at any time after Preservation Age has been reached. However the account must maintain the minimum balance to support, 50% Average Weekly Earnings, Retirement Payments.
4. Personal contributions balances are not taxed on death. Nor taxed as a lump sum withdrawal.

Optional Additions to the Lifestyle Fund Personal Account system.
Other than Retirement this Government sponsored fund could accommodate the funding needs for Education, Health, Housing, Funeral benefit.

In separate sub accounts from the Retirement Account combinations of HECs style loans, grants and co-contribution would assist families to build the financial base, to meet specific needs at appropriate times in the child's life.
A HECs style supplement could be paid to a Lifestyle sub account to fund educational costs at differing stages of education.
Whereas the Health insurance levy provides general funding for Medicare and public Health initiatives, further private insurance has been a major factor in individualizing the provision of funding for personal health needs. The Government rebate for Private Health Insurance could be an additional payment for individual Lifestyle Accounts.

Similar pre-payments for Housing Grants could be made at lower levels at depending on the commencement age for such a savings and HECs style loans could be used to breach the Housing Deposit gap as the account holder reaches financial capacity to purchase their own home.

Funeral Benefits could be supplemented from Lifestyle accounts should the retiree wish to make this an additional part of their retirement plan.

Hardship and Need Payments.

Payments such as family Tax Benefit, Baby Bonus, Education Allowance have an important roll in supplementing family costs at a financially stressful time for many families. While some forms of non-means tested Small Payments might be justifiable, without appropriate testing such payments are not well targeted and can degenerate into a convenient Political Handout.

Needs testing should not simply be based on Income, as this may lead to income manipulation to qualify for the Benefit. Centrelink should also use socio-metric measures and personal data to assess the family needs.

Such payments are not part of a Retirement incomes system and probably should not be, otherwise the specific purpose of the Retirement Fund degenerates into a confusing and unmanageable conglomerate.

Thankyou
S.J.McIntosh