



The Coalition's Plan for Real Action on
Superannuation

**Stand up for Australia.
Stand up for real action.**

EXECUTIVE SUMMARY

The Coalition supports Australia's three-pillar retirement system comprising an aged pension, a compulsory system of retirement saving through superannuation and incentives for voluntary saving.

The introduction of compulsory superannuation in Australia was a ground-breaking reform. It provided a system for Australians to build wealth towards a comfortable and self sufficient retirement.

Superannuation reduces Australians' long-term dependence on government support, which helps underpin the sustainability of government finances. The Coalition wants to encourage as many Australians as possible to plan and save for their retirement, and to take full advantage of the benefits the superannuation system offers.

We are proud of our record on superannuation. When last in government the Coalition introduced reforms to enable Australians to choose their own superannuation fund. We oversaw payments and incentives that encouraged Australians, especially Australians on lower to middle incomes, to make additional contributions to their retirement nest egg.

The Labor Government has seriously reduced the ability of individuals to contribute to their retirement savings. In the 2009-10 Budget, Labor halved the concessional contribution caps and temporarily cut back Government payments under the co-contribution scheme by a third. There are many inefficiencies in the system which the Labor Government has failed to address.

This ineptitude is typical of the poor standard of economic management of the Labor Government. This government has overseen a calamitous deterioration in Australia's fiscal position. It has squandered billions on poorly conceived and poorly administered programs. It has overseen the fastest build up of debt in Australia's peace time history. It has left a heavy burden on taxpayers to service and repay the debt.

The Coalition knows that the interests of superannuants and the industry are better served by opposing Labor's mining tax and carbon tax and by implementing the Coalition's plan to lower the company tax rate from 30% to 28.5%. Australia cannot afford another three years of backward steps and policy paralysis on superannuation.

The next Coalition Government will take Real Action to make Australia's superannuation system work better.

The Coalition will:

- 1. Abolish the Superannuation Guarantee age limit¹**
- 2. Request the Australian Office of Financial Management to examine issuing bonds for terms of up to 30 years**
- 3. Consider and respond to the Cooper review² recommendations before the end of our first term of government**
- 4. Release Treasury modelling of the impact of the Henry review's recommendations³ for superannuation, to contribute to a fully informed community discussion**

1. Undertakings 1 and 2 have already been announced as part of the Support Seniors plan.

2. <http://www.supersystemreview.gov.au/content/content.aspx?doc=html/papers.htm>

3. <http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/home.htm>

HOW LABOR HAS FAILED

Government must set a good example if it wants to foster a culture of saving among citizens.

The Labor party talks about the importance of saving, but its profligate borrowing and spending in government has set an appalling example for Australians, who already save relatively little by international standards.

Last year Labor oversaw the biggest budget deficit since the Second World War. This year the government proposes to borrow another \$41 billion, yet the need for stimulus has long since passed.

Labor has broken a promise from late 2007 to change superannuation *“not one jot, not one tittle”*.

It did so several times. For example, Labor has:

- halved the concessional contribution caps, penalising thousands of Australians who inadvertently exceeded them and undermining Australians' incentive to save for retirement;
- cut back government co-contribution payments, discouraging low-income earners from saving;
- mandated that industry funds be the default superannuation fund for the bulk of Modern Awards, curtailing competition among funds;⁴
- promised to tender the role of superannuation clearing house to the private sector, but instead gave the contract to Medicare; and
- Labor's tampering has undermined certainty and discouraged Australians from saving.

4. Industry funds are default funds for 84 per cent of modern awards: Institute of Public Affairs, *Keeping Super Safe*. <http://www.ipa.org.au/publications/1794/keeping-super-safe/pg/3>

THE COALITION'S PLAN FOR REAL ACTION ON SUPERANNUATION

The Coalition wants to reform the superannuation system for the long-term.

We want to get the balance right between compulsion and efficiency on the one hand and competition and transparency on the other.

The Henry and Cooper reviews offer sound templates for reform and are worthy of careful scrutiny.

The Coalition's plan for real action on superannuation includes the following key elements:

1. Abolish the Superannuation Guarantee Age Limit

The Coalition has already announced that it will abolish the Superannuation Guarantee age limit from 1 July 2013. The current age limit on the Superannuation Guarantee unfairly discriminates against older workers and effectively reduces their income.

The Superannuation Guarantee currently only applies to workers up to the age of 70. Under the Coalition's plan, the Superannuation Guarantee charge will apply to any employed worker, no matter his or her age.

2. Request the Australian Office of Financial Management to examine issuing bonds for terms of up to 30 years

As part of its Support Seniors policy, the Coalition has announced it will direct the Australian Office of Financial Management to examine issuing bonds for terms of up to 30 years.

This policy will have two beneficial results. First, it will increase the range of retirement products available to retired Australians. At the moment, the maximum term for government bonds in Australia is 15 years, which limits the period for which retirees can make a highly secure investment in government bonds.

Second, the issuance of longer-dated government bonds will provide the financial services industry with greater scope to develop insurance and retirement products that suit the needs of Australians in retirement.

3. Consider and respond to Cooper review recommendations before the end of our first term of government

The Coalition recognises the merit of many recommendations in the recently published Cooper Review.

We will consider and respond to the Review's 177 recommendations in government, when we have the ability to discuss the likely financial and economic impact of individual recommendations with ASIC, APRA and the Treasury.

The SuperStream proposal and any other measures which deliver greater efficiency in the sector are worthy of further consideration. An increase in the efficiency of the “back office” functions of superannuation funds will lower costs. It will also make it easier for fund members to transfer between funds.

The details and implementation must be worked through by consulting directly with industry and consumer groups.

On 1 August Labor announced that if re-elected they would facilitate new low cost, simple superannuation products called MySuper. Superannuation funds would be able to offer a low-cost option to fund members who do not select a retirement fund. The Coalition believes there should be full discussion with the industry about the MySuper proposal.

4. Release Treasury modelling of the Henry review’s recommendations for superannuation

The Henry review of Australia's tax system contains a set of recommendations for superannuation.

The Review proposed significant changes to the taxation of superannuation to make the system fairer, simpler and more effective. For example, the Review states “*the recommended changes to the taxation of superannuation would increase private savings more than would an increase in the superannuation guarantee rate to 12 per cent under the current tax arrangements*”.⁵

In government the Coalition will release Treasury modelling of the individual recommendations and issue a response, with a view to making changes.

Authorised and printed by Brian Loughnane for the Liberal Party of Australia, Cnr Blackall and Macquarie Sts, BARTON ACT 2600.

5. ⁽¹⁾ Henry Review, page 114