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3rd July 2006

General Manager,
Superannuation, Retirement and Savings Division,
The Treasury,
Langton Crescent,
PARKES ACT 2600

Dear Sir,

The Government is to be congratulated on introducing proposed changes to Superannuation from 1/7/07.

Comments have been requested from the public and I am pleased to offer these on attached Schedule "A" .

As you will realize there are many different circumstances that will apply to the overall population.

My situation is that I am 65 years of age , am retired and have a Self Managed Allocated Pension.

I have therefore concentrated only on what will affect me and others over 60 with an Allocated Pension .

My recommendation is set out below, and is supported by comments on Schedule "A"

RECOMMENDATION

Bearing in mind the government's desire for a less complex system I recommend that where an Allocated Pension is in place at 1/7/07 and the pensioner is over 60 years that

. Existing Allocated Pension conditions be changed so that:-

(a) There is no MAXIMUM amount

(b)MINIMUM amounts be amended to the same as that proposed for New Type pension

(c) The accrued "Undrawn tax free component on lump sum" and Unused Deductible Amounts be available for use in 2006 onwards towards income tax payable from Allocated Pension draws and other income . This to be available until exhausted or, alternatively be grandfathered within the Allocated Pension.

Yours Sincerely,

Peter Roberts

SCHEDULE "A'

SUBMISSION BY PETER ROBERTS
WHAT TO DO WITH A
SELF MANAGED ALLOCATED PENSION
FOR PERSONS AGED 60 AND OVER AT 1/1/2007

EXISTING ARRANGEMENT

The components of an Allocated Pension are
. Undeducted Contributions
.Post Component
A Self Managed Superannuation Fund pays no tax on earnings.

The pension it pays must be between a Minimum and a Maximum amount, and for taxation purposes the Taxable Income is reduced by Deductible Amount , calculated at establishment on Undeducted Contributions.
Additionally a 15% tax offset is available based on the net Taxable Income.

A "tax free lump sum component on lump sums" currently $129,751 , and increasing within a set formula each year, applies to give tax free status to Post component up to the limit available.
Once drawn the annual increase becomes available to be used for future withdrawals of Post component , when Maximum amount is exceeded.

PROPOSED FROM 1/7/07 (as far as I can ascertain)

. Transfer of Allocated Pension to a NEW TYPE Pension where:-

- No tax on earnings of fund or on withdrawal of funds
- MINIMUM withdrawal amount with no MAXIMUM
- MINIMUM rate of withdrawal ranges from 5% at age 65to74 Increasing to 6% from 75 to 84

OR

. Retention of Allocated Pension on existing terms and conditions
This would result in Deductible amounts and accrued "undrawn tax free component on lump sum" being in place but not required under tax free pensions from 1/7/07

VARIANCE BETWEEN
NEW TYPE PENSION and EXISTING ALLOCATED PENSION

ITEM	NEW TYPE PENSION	ALLOCATED PENSION
TAX EARNINGS OF FUND	NIL	NIL
TAX ON DRAWINGS	NIL	NIL
MINIMUM DRAWINGS	See Schedule "B"	See Schedule "B"
MAXIMUM DRAWINGS	No Limit	Applies at various rates

SUMMARY OF VARIANCE BETWEEN EXISTING AND PROPOSED WHERE AN ALLOCATED PENSION IS IN EXISTENCE 1/7/07 FOR A PERSON AGED OVER 60

Tax does not come into consideration in either , so is not a concern.
Whilst there is no MAXIMUM limit on New Type pension there is still A MAXIMUM on Allocated Pensions
Minimum Drawing on New Type pension is lower than that applying on Allocated Pension –see Schedule "B" attached.
Adoption of new MINIMUM withdrawal rate would overcome existing Allocated Pension rates, which creates drawings in excess of normal living requirements.

COMMENTS ON VARIANCE

With no tax payable on earnings or on withdrawal by either fund , and no MAXIMUM limit on the New Type Pension it appears pointless to have a MAXIMUM amount continue on Allocated Pensions.
This leaves the MINIMUM draw as the only major variance with the New Type pension having the lower and more realistic figure.

OTHER CONSIDERATIONS

As set out above Allocated Pensions have a Deductible Amount and may have an accrued "undrawn tax free component on lump sum", which would become redundant under new proposed tax concessions .

COMMENTS ON OTHER CONSIDERATIONS

Most Allocated Pensions already in place have a Deductible amount which was obtained from tax paid contributions.
There will also be accrued "undrawn tax free component on lump sums" which to date increase each year , to offset tax on part of lump sums.
Recommendation (c) below will see that these are not lost to existing allocated Pension holders.

RECOMMENDATION

Bearing in mind the government's desire for a less complex system I recommend that where an Allocated Pension is in place at 1/7/07 and the pensioner is over 60 years that

. Existing Allocated Pension conditions be changed so that:-

(a) There is no MAXIMUM amount

(b) That MINIMUM amounts be amended to the same as that proposed for New Type pension

(c The accrued "Undrawn tax free component on lump sum" and Unused Deductible Amounts be available for use in 2006 onwards towards income tax payable from Allocated Pension draws and other income . This to be available until exhausted or, alternatively be grandfathered within the Allocated Pension.

BENEFITS/COMPENSATION IF RECOMMENDATION ADOPTED

(a & b)The benefit of these minor changes would mean there would be no difference between a Self Managed Allocated Pension or the proposed New Type Pension . However,the Deductible Amount and accrued "Undrawn tax free component on lump sum" from existing Allocated Pensions would be preserved in case tax was introduced at a later date.

Adoption of new MINIMUM withdrawal rate would overcome existing Allocated Pension rates, which creates drawings in excess of normal living requirements.

(c) Tax already paid on initial contributions, which resulted in Deductible Amount for the life of an Allocated Pension will be lost ,unless the unused amounts are available for other tax commitments immediately, or in the future. Adoption of recommendation (c) would provide a form of compensation for past tax paid.

Peter Roberts

SCHEDULE "B"

FOR PERSONS AGED 60 AND OVER AT 1/7/2007

ATTACHMENT WITH SUBMISSION FROM PETER ROBERTS

COMPARISON OF MINIMUM DRAW REQUIREMENTS

AGE	NEW	EXISTING A.P.
65	6.37%	5%
66	6.54%	5%
67	6.71%	5%
68	6.90%	5%
69	7.14%	5%
70	7.41%	5%
71	7.63%	5%
72	7.81%	5%
73	8.13%	5%
74	8.33%	5%
75	8.55%	6%
76	8.85%	6%
77	9.09%	6%
78	10.00%	6%
79	10.53%	6%
80	10.99%	6%
81	11.49%	6%
82	12.05%	6%
83	12.66%	6%
84	13.33%	6%
85	14.08%	10%

Peter Roberts