

Morrison Government to Retirees: Your Super is safe with us

- The Morrison Government values the contribution **self-funded retirees make** to Australia's economy and recognises the steps they have taken during their working lives to provide for their retirement.
- **As part of our plan for a stronger future, the Government is extending the 50% reduction in minimum drawdown requirements until 30 June 2023.**
- This will continue to make life easier for our retirees by giving them **more flexibility and choice about their income in retirement.**
- **The Government is again guaranteeing there will be no increased taxes on superannuation if re-elected.**
 - Our plans are in stark contrast to Labor, who to date still haven't ruled out tax increases.
 - At the last election they promised \$387 billion in higher taxes including taxes on superannuation and retirees.
 - Labor derided self-funded retirees as the **"top end of town" who'd be complaining while "sitting on the back deck of their yachts."**
 - At the same time, the Prime Minister in 2019 made clear **"Today I'm saying under my government there will be no higher taxes or new taxes on superannuation....not now, not ever."** (Drysdale Seniors Forum, April 16, 2019)
- Tax certainty means self-funded retirees can **plan their financial affairs with confidence.**
- Only the Coalition can be trusted to support self-funded retirees.

What is the Government doing?

- The Morrison Government is extending the temporary 50% minimum superannuation drawdown requirement for a further 12 months and **affirming our commitment to no increased taxes on superannuation** if re-elected

Extension of Temporary Minimum Drawdown Reduction

- The Government will extend the temporary 50% reduction in superannuation minimum drawdown rates for account based pensions and similar products for a further year to 30 June 2023.

- For a self-funded retiree aged between 80 and 84, this will halve the minimum drawdown of fund assets from 7% to 3.5%
 - For example, an 80 year self-funded retiree with \$250,000 in their superannuation account on 1 July 2022 would be required to draw down 7% (\$17,500) of the account balance over the 22/23 year - irrespective of what position the assets supporting that balance are in (i.e. irrespective of whether market volatility means they'd have to be sold at a loss to support the withdrawal of 7%).
 - Reducing the minimum drawdown rates by 50% until 30 June 2023 means the self-funded retiree in this scenario would only need to draw down 3.5 per cent (or \$8750) to meet these requirements.

- **There are around 1.8 million accounts subject to the minimum drawdown rule**

- This measure extends the Government's earlier support for self-funded retirees throughout the COVID-19 pandemic and the ensuing recovery by reducing the minimum drawdown rates by 50% for the 2019-20, 2020-21 and 2021-22 years.
- While Australia has entered a period of economic recovery, there remains significant volatility in financial markets, including from the ongoing impact of COVID and the war in Ukraine.
 - For example, the VIX volatility index, a measure of market expectation of future volatility in the S&P 500, has been elevated in recent months.
 - The VIX index peaked at 36 on 7 March. It has since returned to around 23. VIX values above 30 are associated with high market volatility.
- This latest support builds on the Morrison Government's strong commitment to retirees, including:
 - Repealing the work test for voluntary non-concessional and salary sacrifice contributions to superannuation for individuals aged 67 to 75
[Legislated Feb 2022, takes effect 1 July 2022]
 - Reducing the eligibility age to make downsizer contributions to superannuation from 65 to 60
[Legislated Feb 2022, takes effect 1 July 2022]
 - Increasing the maximum number of members allowed in an SMSF from 4 to 6 people
[Legislated June 2021, took effect 1 July 2021]

Tax Certainty

- The Morrison Government guarantees that if re-elected, there will be no new taxes on superannuation.
- This is a direct contrast with the Labor Party.
- **Just this week**, Labor still refused to clearly rule out imposing higher taxes on superannuation if elected, using weasel words like “*priorities*” and their plan “at” (but not after) the election:
 - Jim Chalmers, “*we’re not taking the same sorts of policies to this election that we took to the last election*” (3AW, 24/03/22)
 - Jim Chalmers, “*we took to the last election a bunch of savings out of superannuation, which we won’t be taking to the next election...our priorities are elsewhere*” (<https://www.afr.com/policy/tax-and-super/labor-not-interested-in-capping-super-balances-at-5m-chalmers-20220309-p5a303>)
- At the same time, key figures in and around the Labor party are calling for higher taxes:
 - The union movement, which dominates the Labor Party National Executive and donates tens of millions of dollars a year to the Party, calls the current superannuation tax regime “*deeply inequitable*” [*A Fair Share of Tax & Revenue*’ ACTU Policy Doc, <https://www.actu.org.au/our-work/actu-congress/actu-congress-2021/actu-policies>”]
 - A labor / union aligned superannuation stakeholder, Australian Institute of Superannuation Trustees, is calling for a cap on superannuation balances of \$5 million. [*AIST 2022-23 Pre-budget submission*, <https://treasury.gov.au/consultation/2022-23-pre-budget-submissions>]
- Labor’s track record is clear:
 - At the last election, they proposed \$387 billion in tax hikes, including a \$57 billion retiree tax and more than \$30 billion in superannuation taxes.
 - Anthony Albanese supported these tax hikes and voted in favour of them at the last election.

- The Labor Party also repeatedly criticised and belittled self-funded retirees during the 2019 election campaign.
 - **Bill Shorten:** *“Are you worried about someone who's got their sixth investment property or complains about franking credits sitting on the back deck of their yacht?”*
(Doorstop, 14/5/2019)
 - **Chris Bowen:** *“I say to your listener: if they feel very strongly about this, if they feel that this is something which should impact on their vote they are of course perfectly entitled to vote against us.”*
(ABC RN, 30/1/2019)
- **Jim Chalmers** did likewise, suggesting their tax hikes were *“closing down tax loopholes”* which apply to *“the top end of town”* (Doorstop, 17/4/2019) and saying *“We are pleased with our policy and proud of our policy and we intend to implement it.”* (Doorstop, 29/1/2019)

Quotes attributable to the Treasurer:

“The Morrison Government has a clear message for older Australians - your super is safe with us.”

“We recognise the valuable contribution self-funded retirees make to the Australian economy and the sacrifices they made to provide for their retirement.”

“That’s why, as part of our plan for a stronger future, the Government is extending the 50 per cent reduction in minimum drawdown requirements until 30 June 2023.”

“This will provide retirees with greater flexibility and certainty over their savings.”

“At the last election, we promised there would be no new taxes on superannuation. Over the last three years we have honoured that commitment.”

“At this election, we are again saying to retirees - under a Morrison Government there will be no increased superannuation taxes.”

“It’s not a guarantee Labor can be trusted to match.”

“Labor sees success as something to be taxed, not celebrated.”

“At the last election, Labor promised \$387 billion in higher taxes including on retirees and their superannuation. That’s why they can’t be trusted by retirees to not increase taxes on their hard earned savings.”

Background

Extension of Minimum Drawdown

- The minimum drawdown requirements dictate the minimum amount that a retiree has to draw from their superannuation in order to qualify for tax concessions (namely, tax-free superannuation in retirement).
 - If the minimum withdrawal is not met, superannuation payments will be subject to tax.

Work Test

- Under the superannuation work test, an individual must have worked at least 40 hours within 30 consecutive days in a financial year before their super fund can accept any voluntary contributions on their behalf
- The Government has removed the work test for voluntary non-concessional and salary sacrifice contributions for those aged 67 to 74, effective 1 July 2022.

SMSF membership

- Self-Managed Superannuation Funds (SMSFs) were formally subject to a membership limit of 4 members.
- From 1 July 2021, the Government expanded the SMSF membership limit to 6.

Downsizer Measure

- The Downsizer measure allows eligible Australians to make contributions of up to \$300,000 from the proceeds of the sale (or part sale) of their home into their superannuation fund, without counting toward any contribution caps.
- From 1 July 2022 the eligible age to make a downsizer contribution is 60 years old or older. Prior to this, it is for those 65 years old or older.
- Between 1 July 2018 (the start of the scheme) and 28 February 2022, around 38,600 individuals have made downsizer contributions to their superannuation, to the value of around \$9.4 billion.
- Of those who made the downsizer contributions to date, around 55 per cent were women, and 77% of all individuals contributing had superannuation balances of less than \$600,000.