

Thursday 16th June, 2011

Call for Parliamentary support for low income super measure

The Australian Institute of Superannuation Trustees (AIST) today described the Government's move to boost the superannuation contributions of lower income workers as a much-needed measure to close the retirement savings gaps in Australia's \$1.4 trillion retirement incomes system.

AIST CEO Fiona Reynolds said the proposal – announced last year as part of the Government's super reform package that includes increasing the Super Guarantee to 12 per cent – was a welcome adequacy measure that would also address inequities in the super system without penalising those on higher incomes.

“This measure is all about giving low-income earners a fair deal. Currently, 3.5 million Australians get no tax benefit from contributing to superannuation due to the 15 per cent super contribution tax being at or below their income tax rate,” said Ms Reynolds.

Under the new changes – contained in a Government discussion paper released today - Australians earning \$37,000 or less will effectively not pay the 15 per cent contribution tax through a low-income rebate paid to their superannuation fund. The measure could be worth more than \$35,000 extra in retirement savings for millions of workers.

Ms Reynolds predicted the measure would particularly benefit women, many of whom work part – time.

“While the co-contribution system has worked well for low-income earners, a lot of people can't afford to make the most of this system because it requires a voluntary contribution on their behalf. By contrast, the low-income rebate is a direct boost to the retirement savings of low income earners and should provide many thousands of dollars extra at retirement”.

Ms Reynolds called on the Opposition, Greens and the Independents to get behind the measure as well as the Government's proposal to lift the Superannuation Guarantee to 12 per cent, adding that AIST would be responding to the Government's discussion paper.

“Both these measures are about delivering all Australians a better deal in retirement and tackling the challenges of our ageing population. They deserve Parliamentary support,” said Ms Reynolds.

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AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.