AIR Darwin Newsletter – April 2018

For the over 50's who are or who are planning to be fully or part self-funded in retirement

Issue 1 – April 2018
WELCOME to the first edition of the AIR Darwin Newsletter.
AIR Darwin was formed in late 2015, launched at Parliament House by the Hon Peter Styles MLA and Rob Grover representing AIR National.
We now have over 70 members and run two meetings each month, February to November. Our main meeting is held on the second Monday of the month at Spillett House, Darwin CBD from 5.30-7.30pm and our second meeting on the fourth Monday at the Trailer Boat Club, Fannie Bay from 5.30-7.00pm.
We also hold a major Forum each year, with the objective of informing and engaging the Seniors of the Territory in a topic of significance. In June 2017 we held a highly successful Euthanasia Forum with over 150 attendees and six presenters, including Terry Mills MLA and Shayne Higson from Dying with Dignity NSW. In June 2018, the theme of our Forum is "Keeping Seniors in the Territory" and will again be held at Parliament House, with keynote speaker Dr Andrew Taylor from CDU.

Self-funded retirees under attack, both Federally and in the NT – Time to Act

The class warfare being waged against self-funded retirees by the Labor Party federally and in the NT is disgraceful and must be rejected.
Plans to disallow cash refunds for share imputation credits federally and plans to significantly limit concessions for NT seniors, except for those who qualify for the aged pension, is a blatant attempt at wealth redistribution.
If you have saved for your own retirement, YOU MUST SPEAK UP AGAINST THESE DRACONIAN PLANS.
AIR Darwin is here to help. Join us.
Follow us. www.airdarwin.com

16 March 2018
MEDIA RELEASE – AIR National

Labor's Dividend Tax Hits SMSF's Hard

A brutal tax grab targeting part and fully self-funded retirees.

Since Labor's policy was announced, A.I.R. representatives have spoken to the Assistant Finance Minister, staff in the Prime Minister's office and media outlets across Australia raising concerns. This policy will have very serious, profound implications and long term impacts on the income needed to sustain retirees' independent living over a possible 25 to 35 years in retirement.
This policy fails to recognise that tax has already been paid by the companies owned by their shareholders. By not returning imputation credits on dividends, the ATO would be retaining a share of company profits earned by the company owners on lower taxable incomes. The impact of this, should it begin in July 2019, will be felt by most of the 1.9 million Australians who are currently fully or partly self-funding their own retirement income.
This number will grow significantly over the next 20 years. There are real concerns that it will push more retirees onto the aged pension much earlier than would currently be the case. This would effectively negate the short term revenue gains anticipated from this Labor party policy.
The impact of this policy is shown by a couple who have just retired and are self-funding their retirement from assets of $1 million supporting a pension income stream. Depending on their portfolio they could suddenly lose approximately $7,000 / annum each and every year from their income. This very significant loss will be compounded even more if this couple need to draw down more from their capital to maintain their retirement income. This capital reduction would then result in less income returns and a cycle of further capital reduction and further reduced income.
When considering this example and how this couple is not far above the asset threshold for the aged pension, it is amazing that it has be claimed that this policy will only impact on a very small number of very wealthy retirees.
This policy is another example on the failure of successive governments and opposition parties to understand and support the principle of fairness and equity for those who through their careful and diligent management can partly or fully self-fund their retirement needs.
Rather than increasing net tax revenue from retirees, A.I.R. recommends that members of Federal parliament stop the ongoing changes to superannuation and retirement savings policy and adopt a broader approach to tax reform by addressing issues such as the cash economy, income tax deductions and the use of international tax havens.
Call to action:
Ensure you have a good understanding of the financial issues and risks you face as a fully or partly self-funded retiree. You need to engage with your Federal member of parliament and senators and bring to their attention the concerns that affect you in relation to the above Labor announced policy on dividend imputation credits.

Don't wait – Write to your Member

NT Federal Labor representatives
Mr Luke Gosling OAM MP, Labor member for Solomon 08 8928 0180
luke.gosling.mp@aph.gov.au
Hon Warren Snowden MP, Labour member for Lingiari 08 8952 9696
warren.snowdon.mp@aph.gov.au
Senator Malarndirri McCarthy, Labor
Senator.McCarthy@aph.gov.au

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Divisive Labor attack on SMSF's

By Ken Moffitt 29 Mar 18

Australia's Three-pillar Retirement Income System has had bi-partisan support for decades. It encourages people to save for their retirement through compulsory and voluntary contributions. That initiative is now under threat.

Initially proposing to rescind all cash refunds on dividend imputation credits, Labor recently capitulated and exempted pensioners and certain welfare recipients in a bid to stem the flow of public outrage to their proposal. The savings that Labor is quoting ($55.7 billion over 10 years after the pensioner back down) are also completely unrealistic, given the number of people and organisations that will be able to offset tax against the imputation credits. Let's look at some of them:

- People still working and paying tax
- SMSF's in accumulation either pre-retirement or above the $1.6M cap
- Industry and Retail superannuation funds as they have tax liabilities with contributions and income in accumulation mode

Added to this you have those exempted who are on a pension or government allowance.

So why then is this a push to penalise self-funded retirees who own SMSF's? Could this be because the Unions control the Labor agenda and they also control the Super Industry Funds?

Cynical push by Union led Industry Funds to squash SMSF's

The Industry Funds have made no secret of their dislike for the growing number of SMSF's and their relative proportion in the total super fund balances. At the end of 2017, there were over $2.6 trillion assets inside superannuation, the largest sector being SMSF's with $721 billion or 28%, Retail Funds with $613 billion and Industry Funds with $590 billion. Industry and Retail Funds stand to be the big winners if people move away from SMSF's.

The average SMSF will lose $11,500 in franking credit income each year.

What is the impact?

An example: A couple between 65-70 who are fully self-funded and own an SMSF, receive income of approximately $12,000 in franking credits, which represents about 15% of their fund income. They planned diligently during the 15 years before retirement and projected a lifestyle and pension income that would primarily keep them off government benefits and support them until they were 90, not an unreasonable projection based on current life expectancy. The gross yield and growth required to achieve the above was 7.5%, again reasonable. **These proposed changes will cut more than 5 years from their independence of the aged pension**. Worse, there is no capacity for them to adjust their assets or income to compensate for the loss.

Unintended consequences

Based on our documented retirement incomes policy, the Government and Opposition want (NO-NEED) to encourage self-reliance in retirement. The next 10 years will also see a significant increase in the number of people retiring, with the rest of the Baby Boomer generation passing 65. **Will this "crazy idea" push more people into reducing their assets to go on the pension?**

There are already published articles that document that a part pensioner with $400,000 in assets receives more income than a self-funded retiree with $1,000,000 in assets, based on the recent changes to the asset test taper rate.

Going the extra mile for AIR Darwin!

On Tuesday 2 April, taking a break from their holidays, Graeme (President) and Ken (Vice President) met in London to discuss upcoming advocacy and Forum issues. As you can see it was a little colder than Darwin!!

Labor stretching the truth

Labor claim that SMSF's are claiming up to $2.5 million in imputation credits:

- That equates to fully franked income of $5.8 million.
- A portfolio of about $165 million.
- With a maximum of four members in an SMSF, each member would have over $41 million in fully franked investments.
- Each member would be claiming 54 times the average franking refund.

This Labor myth is supposed to make us believe that all SMSF's are rich.

Labor also claims there will be a saving of $55.7 billion to the Federal Budget over 10 years which is also a myth.

How is it that a Labor Opposition can claim to make laws? – They can't. Labor claims their changes to refunds on imputation credits will take effect on 1 July 19. However, the next Federal election does not have to occur until November 2019.

NT Concession Scheme update

At the November 2017 MAC-ST meeting, all the participating bodies passed a motion, calling on the NT Government to include ALL seniors in the New Concession Scheme. The Minister will need to respond to this motion at the next meeting on 11 April.

AIR National update

We have recently been advised that the NT has been invited to have representation on the National Board, which was withdrawn just prior to the AGM. With one of the fastest growing Branches in AIR, Darwin and the NT will be putting forward Ken Moffitt as their representative, with plans to help expand the membership base throughout AIR.

AIR Darwin Upcoming Events

13Jun – 5.30pm Parliament House – **Forum on "Keeping Seniors in the Territory"** (registration required)

9Jul Spillett House, 23Jul Trailer Boat Club and 13Aug Spillett House-5.30pm **3 Part Seminar series on "Planning for Retirement"** by Ken Moffitt

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