

'Reform' By Brent Fleeton

This word is as overused in politics as 'champion' is in sports. It's one of those words that seemingly applies to any little change government enacts. I don't mind the Prime Minister announcing an eight-month election campaign; it means the date-of-death for a disastrous government can be etched into its proverbial tombstone. It also, and more importantly to this punter, allows us to take a broad look across the country to prioritise areas in desperate need of genuine and worthwhile reform. One particular issue I believe needs attention is the way Australians are forced to 'plan' and 'invest' for their own retirement. While few choose to believe it, superannuation is a tax. The current 'three pillars' approach to retirement income is as follows:

- A safety net consisting of a means-tested Government age pension system (this requires a separate article);
- Private savings generated through compulsory contributions to superannuation; and
- Voluntary savings through superannuation and other investments.

Unfortunately for Australians, too much emphasis is placed by government on the ability for the second method to generate sufficient returns for one's retirement, and too little attention is placed on providing more power, freedom and opportunity to voluntary save through non-superannuation investments.

Every pay-day, like millions of my fellow tax-payers, I have 9% taxed from my salary and sent to a super fund of my choice. This is as good as it gets, because from here it is reduced by entry fees and tax (and then ongoing fees), then what's left is invested into an 'expertly chosen' range of poor performing managed funds. These are the funds which exist to assist in growing a nest egg that can be converted into a pension stream to fund my retirement; however a majority of these funds are struggling to meet or beat the relevant benchmark, regardless of the excess performance fees charged.

Let me begin by stating 'choice' is not the word I associate with this scenario.

Sure we have Self-Managed-Super-Funds but if, for some divine reason, I was entrusted by my government to prepare and invest for my own financial future outside of the superannuation environment, I'd keep the 9% tax (soon enough this will be 12% - apparently this is a good thing) and use the extra income to put in place a financial plan to purchase my first property. Please, don't even ask about the First Home Saver Account-more government intervention in the market. Looking at my

current balance in my super fund, I have enough for a sizeable deposit. Real estate is historically the vehicle of choice for Australians to accumulate wealth. Next time you're speaking with someone who is currently funding their own retirement, inquire about the way they were able to do this. Property and direct shares, outside of super and first bought many years ago will be the answer, not industry super. Giving the power and freedom back to the individual leads to true choice: when to buy and sell; the opportunity to use profits from trades to further accumulate more wealth. By locking away (for decades) the loss of the ability to access equity now means the loss of overall growth is unquantifiable. This opportunity cost is not worth any benefit of the current arrangement.

The current system accomplishes very few notable positive outcomes for Australians. The millions of dollars in compulsory contributions goes towards feathering the bed-lining of super fund managers, cushions the share price of listed super funds, it forces government to legislatively guarantee a minimum income for an industry that was established to build wealth for clients (but is currently failing to meet set performance targets) and the consistent legislative changes result in a very happy accounting/financial planning fraternity.

Should the Coalition win the scheduled election on 14 September, I have faith it will stick with the promise of not touching superannuation. While markets like stability, what I hope for (probably in vain) is to see the prioritising of this issue and for the Coalition to take the tough political hit in its first term of government in order to achieve true and long-lasting reform in this area.

Should an individual choose this path, let them use this 9% to accumulate wealth now. Should they wish to remain in the current system, fine, but the pressure on government to provide that safety-net will be markedly reduced with this plan as Australians will have considerably more wealth by the time they reach their chosen retirement age. As our great country was founded on regulation and government interference, to appease those scared of true free markets, I'm sure we'll have plenty of 'policy wonks' out there able to work up a list of rules associated with this to perpetuate the need for Canberra to exist.

Brent Fleeton is currently studying a Bachelor of Arts in Politics & International Studies and a Diploma of Financial Planning. Brent is Committee Chair of Perth Young Professionals Inc., a not-for-profit association which provides free networking opportunities for under 35s working throughout Perth.