



Media Release

27 March 2018

Labor's policy backdown is welcome but problems remain

SISFA welcomes the announcement by the Federal Opposition as reported in today's media that more than 300,000 low-income retirees will be spared from its plan to scrap cash payments for excess franking credits.

Based on the reported announcement, we understand that this will include 13,000 SMSFs that have at least one age pensioner or other allowance recipient before March 28 2018.

While SISFA welcomes Labor's backdown and the recognition of the unintended impact that the original policy would have on retirees, these carve-outs serve to highlight the flaw with the approach to this issue more broadly.

Exemptions and carve-outs by definition will add further complexity, tracking and data problems and inevitably, confusion for retirees. And to draw a line in the sand of March 28 will only lead to inequity and uncertainty in future for SMSFs who have a member become eligible for the age pension after this date.

SISFA also questions whether the reported potential savings from the measure are likely to be realised in any case and what modelling was used to assess the real impact in retirement.

Mr Lorimer, SISFA's Managing Director said that *"once you start carving out people from the changes, you introduce anomalies and distort planning decisions to maximise a person's retirement position. You have to seriously question whether this policy initiative is worth the effort here"*.

SISFA believes that such significant tax changes should only be considered as part of a total analysis and informed discussion about the broader tax and welfare framework – not one-off policy grabs for some easy cash.

Ad hoc policy development that undermines sound, long-term retirement planning is never going to produce sound outcomes for retirees. Long term planning needs to be fostered by all political parties if Australia is to maintain and improve its world class retirement system.

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