

AFT System Tax Review DIVIDEND IMPUTATION

I am a self funded retiree and have managed our SMSF successfully since 2007.

It appears that the elimination of Dividend Imputation is being actively considered. In evaluating this, the following factors need to be taken into account if unintended but highly damaging consequences are to be avoided.

1. Dividend Imputation has been actively promoted by Governments of both parties as a means of encouraging savings through investments in Australian companies.
2. This benefits Australian Companies through increasing share prices; increasing ability to raise capital, and thereby strengthening Australian jobs.
A net benefit is provided to the Australian domestic economy rather than to the economy of another country.
3. This has been very successful, and has led to investment in Companies that pay Franked Dividends being widely recommended by financial advisers, and being accepted by retail and institutional investors.
4. Retirement plan calculations include Dividend Imputation as a significant, even critical, assumption in plan structure.
5. Given these demonstrable facts, elimination of Dividend Imputation at any time will lead to an immediate reduction in retiree income of up to 30%.
Under the present and impending economic circumstances, capital losses of perhaps 50% can be expected. If ordinary dividends follow this path, and Dividend Imputation is also eliminated, **retirees can face income reductions of the order of 65%**.
This would be devastating to the planned retirement living standard of many retirees.

Note that the government has already recognised this capital loss potential by reducing the compulsory super pension annual withdrawal by 50%.

6. This affects a wide spectrum of the Australian saving population, and in particular retirees who rely on these dividends to fund their retirement through to death.
7. Reductions of this magnitude will force some retirees on to the government pension, others who are better placed must drastically reduce their expenditures and living standards, and many will outlive their reduced superannuation assets.
8. Retirees are particularly vulnerable as, unlike those of working age, they have no way of compensating for losses other than as outlined in the preceding paragraph.
9. As the consequences of such devastation become apparent, a massive loss of faith in the government's integrity and the credibility of the superannuation system can be expected.

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