I am a retiree aged 70 years. I worked continuously for 43 years, 35 years with a major Australian company during which time I contributed to the company operated superannuation fund. I left this company but continued to work and rolled-over my super for investment with a financial adviser for the remaining six years.
Three years ago I was planning retirement. Following receipt of the annual statement for that year I decided to withdraw my super shortly prior to retiring. This decision was taken on the basis of the poor performance of income, growth and high fees. Specifically, my earnings for the year were $29,000 from which management fees accounted for one third ($10,000), leaving a nett income which was slightly more than 3% earnings on my capital, while the capital growth over the six year period of investment was a poor 35%.
Continued earnings at this level would have not have provided anything near a livable income and would have resulted in a significant continuing drawdown of my capital.
I invested almost all of the withdrawn super into term deposits with an immediate increase in my earnings of several thousand dollars for the next year, but this was also subject to payment of income tax. However, the tax amounted to around $5500, so my nett income increased by approximately $9000 after tax above the last year's earnings in superannuation.
Apart from the fact that I increased my income by managing my own money, it also questionned the so-called tax advantages of superannuation. Had I converted my super to draw an allocated pension, I would be paying $10,000 in fees to save a little over $5000 (nearly half the amount) in tax. Clearly, that is hardly an endorsement for superannuation as a tax benefit.
Fortuitously, I have benefitted from investment in bank deposits over the past three years with the rise in interest rates while the present financial crisis and serious decline in the stock market has left many retirees in a very worrying situation with their superannuation.

Because I chose to withdraw from superannuation partly to avoid loss of earnings deducted in high fees and manage my own money, I am now burdened instead with with paying income tax.
Why? I am managing my own capital (and more effectively) through investments no differently from paying expensive fees for a financial manager, and living on the earnings, so why should I be subjected to paying tax instead of having to pay someone just to avoid paying tax. At the very least this becomes a form of discrimination.
I am aware that there is an alternative in creating my personal DIY superannuation fund to obtain tax free benefits, and I did investigate this format. I rejected this firstly as it still involved payment of fairly high costs of at least $3000 annually in accounting and audit charges, but also because I did not wish to spend my retirement trying to deal with the complicated regulations required to be followed to operate the fund. Again, I am managing my investments no differently from if I had been operating my own super fund.

This brings me to my submission for tax reform.

Why should self-funded retirees have to continue to be subject to payment of income tax at all, and not be discriminated against because they wish to manage their own savings instead of having their money is managed through a super fund ?
I suggest that it is time to consider abolishing the payment of tax on a person's retirement ?
This could still be managed with specific restrictions, for example;
* set a minimum age limit at which someone becomes eligible - say 65 years.
* set a minimum level of tax-free income for the year - say up to $50,000 (adjusted for inflation), and make any additional income above this subject to a flat tax rate.

The payment of tax by retirees is regressive. Retiree incomes can reduce quite significantly year by year with lower earnings or interest rates - as in the current adverse economic situation, which can lead to tax having to be paid out of capital. This, of course, then leads to a progressive reduction of capital and correspondingly reduced earnings, which may ultimately lead to loss of independence to self-fund one's income. Surely, this is completely against all the principles compulsary superannuation and the ultimate aim for all retirees to become financially independent and not require government funded pensions.

Therefore, I submit the above proposal to be considered in the tax review.

Lawson Parkes.