

Dear Sir,

I enclose correspondence I have submitted elsewhere regarding the expensive and unnecessary cost of compliance for retirees who obviously have no liability for tax. I think the mails and responses are self explanatory.

Another point I would like to make, is that unlike other countries ie UK, here in Australia people who are responsible and thrifty and save for the future, are penalized by a system that rewards the spendthrift with a full pension and ancillary benefits. Invariably those who get no pension or consideration are the ones who have contributed the most in tax whilst those who gave very little or nothing to the system get full benefits. This is grossly unfair and needs reconsidering, because it offers no incentive for people to help themselves.

Ron Gaunt

Subject: Self Funded Retirees

Comment: Dear Mr Rudd,

I would like to congratulate you on the prompt measures taken to stabilise the economy, particularly the guaranteeing of Bank deposits.

I refer to this mornings answers you gave on TV when you were asked about the concern of Self Funded retirees. Your answer that they had been helped by the stabilisation of the system whilst no doubt true, would not have been very well received by many Self Funded retirees who see themselves disadvantaged by their thrift during their working lives, compared to those who made no effort to save, and possibly paid little or no tax, and now enjoy the benefits of the Government's largesse.

Anyhow there is one way that you can show that you are doing something for the S.F. retiree is to abolish the compliance procedures and associated costs of them managing their own Retirement Fund through an Allocated Pension, when it is obvious to everybody that they do not have any tax liability. Please see the mail I sent to you before you were elected to Government and the reply I received..

The answer to this is very very simple, go back to the method of 'self assessment' where retirees will declare they have no liability for tax. This of course can easily be policed by the Tax Office by random checks.

It really is crazy that we have to pay over \$3,000 per annum to accountants to tell the Tax Office something they already know ie that we have no liability for tax.

PLEASE do something about this ASP

Ron & Bet Gaunt

To: Mr Gaunt
Subject: RE: Superannuation for self managed funds
From: Shane May
Date: Wed, 5 Sep 2007 14:41:32 +1000

Dear Mr Gaunt

Thank you for your email highlighting an important issue in relation to SMSF's.

You have sent this email to Bernie Ripoll and Kevin Rudd and they have contacted Senator Sherry for a response in his capacity as Shadow Minister for Superannuation.

Senator Sherry has asked me to respond on his behalf.

The issue of fees and charges are issues that Labor is well aware off.

In regards to non-SMSF accounts Industry Funds charge around 1% per annum and Retail Funds charge in the order of 2% per annum.

In the case of \$300,000 invested in superannuation the 1% admin fee per annum equates to \$3,000.

As you are well aware this is the approximate cost for accountants fees for maintaining SMSF accounts and regulatory requirements each year.

That is why ASIC and accountants recommend you do not operate a SMSF unless you have at least \$300,000 in savings as this then equates the operating costs of SMSF's to the low admin costs of Industry funds.

The lower your savings in SMSF's the effective higher percentage paid as the ongoing costs are a constant \$3,000.

It is important to strike a balance between regulatory requirements and fee minimisation. In the case of SMSF's, especially in light of many recent property collapses (Westpoint, Fincorp, ACR and Bridgecorp) which has resulted in many SMSF members losing their superannuation savings, it is important that safety and protection remain our top priority.

The issue of fees is also to be looked at in context with returns. As you may be aware all major funds have been enjoying double digit returns now for six years. So 1% admin fees to cover

the cost of investing your money to gain 15% plus returns is considered good value at the moment. It is when returns start to drop (and on occasions go negative) that many question the costs of these fees.

I am not sure what sort of returns you have gained from your SMSF but I hope it has been similar to the larger funds.

Labor if successful at the next Federal election will as a matter of priority hold an inquiry into financial services and many areas of SMSF's need further investigation. Your issue is one that needs raising at this inquiry.

I again thank you for your email and I appreciate you highlighting this issue.

Sincerely yours

Shane May
Advisor to Nick Sherry
Labor Senator for Tasmania
Shadow Minister for Superannuation, Intergenerational Finance,
Banking & Financial Services

> -----Original Message-----

> From: R Gaunt

> Sent: Friday, 31 August 2007 12:36 PM

> To: Rudd, Kevin (MP)

> Cc: Ripoll, Bernie (MP)

> Subject: Better Super

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> Dear Mr Rudd

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> I have been looking at the booklet 'Better Super' put out by the
> Government.

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> The emphasis is on providing better super, and we applaud the Governments elimination of tax for those over age 60. However, I believe that this worthwhile move is seriously flawed

> by the need for compliance. The cost for Self Managed Super

> Funds is prohibitive and even the cheapest compliance works out

> to about \$2,500 per annum.

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> As our own costs are regularly over \$3,000 per annum we have

> been casting around for cheaper CPAs to no avail. In fact

> nearly all of those I spoke to have, or are in the process of

> getting out of Managed Super Fund work because of the

> heavy liabilities and potential problems of such work.

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> There must be thousands of cases like my own where my wife and

> I have our own Self Managed Fund. As we both take an allocated

> pension neither the Fund or ourselves are now liable for tax. We still have to carry out the compliance procedures, and I understand that these will now become even more draconian.>

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> It is ludicrous that people who obviously have not liability to pay tax should have to pay such large sums to a CPA and Auditor

> just to tell someone else (who knows anyhow) that we have no

> liability for tax.

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> There is an urgent need for such cases to have a streamlined

> system of self reporting. The Government could easily do this

> with legislation, if necessary with very heavy penalties for any abuse of the system.

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> Will you please raise this matter with all those concerned and consider doing something about it if elected to Government.

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> Thanks.

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> Ron Gaunt