TITLE: **Super rort for wealthy**

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Imagine if you had $30 billion sitting in front of you. And imagine that you had been told to use it to boost the retirement incomes of Australians. Who would you give it to?

Would you use some of it to boost the existing age pension? Would you put some of it into the superannuation accounts of those people, largely women, who have taken time out of the workforce to care for their kids or their parents? Would you put any of it aside for people who are currently unemployed, sick, disabled or on the new paid parental leave payment?

While it is unlikely that most Australians have ever been asked those questions, they are questions that have been asked, and answered, by successive governments in Australia, and the answer is a resounding no.

In fact, according to Treasury, more than $10 billion of taxpayers' money is used to boost the retirement savings of the highest 5per cent of income earners while the poorest Australians literally receive nothing. Those who miss out include many casuals, part-time workers, contractors, small business people, low-paid workers and those on income support. Indeed anyone with an income of less than $37,000 receives little or no benefit from the $30 billion spent on providing tax concessions on superannuation.

While this may seem surprising, it is not an oversight or loophole. It is actually a fundamental design feature of the superannuation system. That is, while ordinary income is taxed progressively, with higher income earners paying higher tax rates than low-income earners, this is not the case for superannuation contributions or fund earnings.

Rather than pay 45 per cent tax on income over $180,000 a year, an executive earning such an income can receive a tax discount through their super contributions, all of which are taxed 15 per cent. A woman earning $25,000 a year, on the other hand, is taxed at the marginal rate of 15 per cent on her income and faces the same 15 per cent tax rate on super contributions. Put simply, low-income earners receive no tax discount.

Not only is it hard to imagine a less equitable way to distribute $30billion of taxpayers' support, but it also encourages high-income earners to use super as a tax avoidance vehicle. The full horror of this flawed system, however, is not its inequity but its fundamental failure to achieve its stated goal of taking pressure off the Commonwealth budget by reducing outlays on the age pension. A dollar spent on tax concessions for super simply does not lead to a dollar's reduction in the cost of providing the age pension, now or in the future. It doesn't even come close.

Rather than building a "universal" superannuation system, successive governments have in fact created a three-tiered retirement income system. In the bottom tier are those people who made it through their working life accumulating little or no super. The brutal reality is that those who spent their lives caring for their kids and then caring for their parents will have to care financially for themselves in their old age. Taxpayers will have provided virtually nothing to these people's superannuation accounts, if they even have one. This group is overwhelmingly female.

The second, and largest, tier of retirees is the people who still receive a full or part pension but who will be able to top their pension up with their personal superannuation. While this group is typically referred to as "self-funded retirees" the fact is that many of them will cost the taxpayer as much as the traditional age pensioners described above. This is because the Howard government made the means and assets tests for the age pension so generous that a retired couple can own a multi-million-dollar house, have nearly a million dollars in other assets and still draw a part pension and receive a health concession card.

When the Howard government significantly increased the pension assets test in 2007, an extra 300,000 retirees became eligible for a full or part pension. Just how this incredible generosity in the death throes of the Howard era was consistent with the alleged concerns with the "costs of ageing" and the need to "take pressure off the age pension system" was left unsaid.

The third, and by far the smallest, tier is the very wealthy, whose multi-million-dollar retirement savings make them ineligible for any age pension. While there are not many people in this situation now, nor will there be in the future, these people actually hold the vast majority of superannuation assets and in turn receive the bulk of the tax concessions.

The fact that the very wealthiest retirees are ineligible for the age pension means that it is impossible for the tax concession we grant them to "reduce the pressure" on the budget. On the contrary, those concessions cost a lot and save us nothing. It gets worse though. In 2007 Howard also decided to make all withdrawals from superannuation tax-free for those aged over 60. While this was of little or no benefit to the vast majority of retirees with little or no super, it was incredibly generous to the wealthiest Australians. Indeed, if like some, you have $10million in super and are over 60 you could draw a "pension" of $1million a year and pay absolutely no income tax. Indeed, with no taxable income you could even be eligible for about $800 a year to help meet the cost of electricity and water bills. Seriously.

Most people find superannuation about as interesting as watching paint dry, and understandably so. But perhaps if they understood that tens of billions of taxpayers' dollars a year were being funnelled towards the wealthiest Australians maybe they would pay a little more attention.

The current system is fundamentally broken. It is bad for women, bad for low-income earners and, bizarrely, bad for the Commonwealth budget. The only reason to keep the current system is to avoid offending powerful and wealthy interests. Surely that won't stop us though?

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