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*TITLE:* **Target super tax concessions, not pensioners**

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You only get one chance to make a first impression and, if you are treasurer, you only get one chance to deliver your first budget. Joe Hockey has been talking up his determination to make savage cuts and "end the age of entitlement" for months but, with public support for the Abbott government continuing to slide, there is less and less appetite in the prime minister's office to do so.

So how do you deliver a tough first budget that avoids political pain? Easy. Simply announce cuts that don't kick in for decades. Hockey's solution to our "budget crisis" seems to revolve around increasing the age at which we become eligible for the age pension. The ALP kicked off eligibility changes with an increase from 65 to 67 years by 2023, but Hockey wants to push that up to 70.

But if we are in the middle of a budgetary crisis – and that is a big if – then increasing the age at which Generation X-ers can access the age pension will do nothing to help now.

Similarly, if Hockey really believes our current level of debt is too high, a belief which ignores historical and international comparison, then slightly decreasing the number of age pensioners in 15 years will do nothing to help today.

If the cost of the age pension really is ballooning, then the enormous and rapidly growing cost of tax concessions granted to superannuation contributions and earnings must surely be the Hindenburg.

According to Treasury, the annual cost to taxpayers of so-called "self-funded retirement" is $35 billion. Treasury also estimates that about 30 per cent of the benefit of those tax concessions goes to the top 5 per cent of income earners.

Indeed, the top 1 per cent of income earners gets three times as much benefit in the form of their superannuation tax concessions than they would have ever received from the age pension.

It gets worse. Low-income earners who are forced to put 9 per cent of their meagre incomes into superannuation will, under legislation introduced by the Abbott government, pay 15 per cent tax on their compulsory superannuation contributions despite the fact that ordinary incomes of up to $18,000 per year are tax free.

Although the phrase is overused, the Abbott government's retirement income policy really will tax the poor to subsidise the wealthy.

Tax concessions for superannuation are not just the most inequitable form of entitlement, they are the fastest-growing source of pressure on the budget bottom line. While in the last few weeks we have heard about the unsustainability of the age pension, its rate of growth is 10 per cent, compared to growth in the cost of tax concessions of about 12 per cent per year.

The mantra of governments past and present is that the more we spend on tax concessions for super, the less we have to spend on the age pension.

But the mathematics reveal what the mantra conceals. Every $1 billion extra we spend on tax concessions for super saves less than $200 million off the age pension budget. It's a massive net loss and the combined cost of the age pension and tax concessions for super is forecast to rise rapidly. If tax concessions really took pressure off the age pension then the combined cost should be flatlining.

The superannuation industry clips about $20 billion per year in fees from Australian workers and retirees, much of which funds the trailing commissions that the banks feel entitled to or is wasted on advertisements that drive up the cost of financial products while claiming to offer low fees.

If Hockey was serious about rapidly restoring the budget bottom line, there is no better place to look for savings than growth of $5 billion per year in the cost of superannuation tax concessions. In doing so, he would achieve the deficit cuts he so desperately wants and simultaneously slash the corporate and middle-class welfare he claims to loathe.

But such tough action would inevitably upset some powerful groups which, for a government that was behind in the polls less than six months after winning office, may well be a bridge too far.

It might not raise any money for decades but it's much safer to wage war on the pensioners of the future.

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