Association of Independent Retirees (A.I.R.) Limited

ACN 102 164 385

Submission to

The House of Representatives Standing Committee on Economics

Inquiry into the implications of removing refundable franking credits

2nd November 2018

Further Information:

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Who is the Association of Independent Retirees (A.I.R.)?

A.I.R. is the national peak body representing fully and partly self-funded retirees. A.I.R. was established in 1990 and works to advance and protect the interests and independent lifestyle of Australians in retirement.

A.I.R. seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs.

A.I.R. welcomes and supports the inquiry.

We totally agree with the remarks of Mr Wilson that 'there has been legitimate community concerns about proposals to remove cash refunds for their full allocation of credits for individuals and superannuation funds, and that it amounts to a tax on the savings of retirees.'

A.I.R. very much supports the work of the committee in 'examining what impacts the removal of refundable franking credits would have, particularly on retirees who have made long term retirement saving decisions based on their ability to claim refunds on their franking credits and whether it will compromise their financial security'

The members of A.I.R. in every state and territory appreciate the opportunity to make a submission on behalf of Australia's self-funded retirees to this inquiry.

Who currently receives refundable franking credits?

Information contained in the fact sheet by the 'Alliance for a Fairer Retirement' (of which A.I.R. is a member) indicates that based on ATO and Treasury data, 1.26 million Australian taxpayers are eligible to receive dividend imputation credits. Therefore, the proposal not to refund franking credits has wide ranging financial implications for a large proportion of Australians, particularly the following groups:

- shareholders with incomes that pay less than 30% tax (approx $65,000)
- self-funded retirees with shareholdings held in their personal names
- self managed super funds (SMSFs),
- small APRA-regulated funds
- large retail APRA-regulated funds
- age pensioners investing through unit trusts and
- retired small business owners with equity in their companies.

Refundable franking credits do support broader tax principals
The issue of franking credits on the dividends paid to shareholders of tax paying companies has been a long standing and bipartisan feature of the Australian tax system. This put an end to double taxation of shareholders in Australian tax paying companies. The refunding of excess franking credits was introduced with bipartisan support in 2000.

The broad tax principal supported by this policy was that a tax payer should only pay tax at the applicable rate for their taxable income. If some of their income is from a source that paid a higher rate of tax, then this overpayment of tax should be refunded to the tax payer.

Another broad tax principal is that tax payers with the same taxable income and circumstances should pay the same tax. ALP's 'pensioner guarantee' introduces two sorts of SMSFs. Those SMSFs with a member in receipt of a government age pension or income support on 28th March 2018 will receive franking credit refunds and those with members who become eligible after that date will not. This is inequitable and unfair.

A further broad principal is that, if tax or superannuation laws are changed, they should be grandfathered so the change only applies from an implementation date after it has passed into law.

The introduction of franking credit refunds has seen retirees incorporate franking credit refunds as part of their retirement income strategy. Changing this treatment of franking credits is another example of unfairly shifting the retirement income goal posts after people have retired and have limited options or capacity to significantly change their strategy. This has severely shaken the confidence of self-funded retirees in the superannuation and retirement savings system generally.

Removing refunds on franking credits is another attack on the income of retirees

This proposed policy by the ALP comes on the back of the recent changes to the government age pension assets tests where changes to the upper limit of assets has resulted in the loss of a Centrelink pension for thousands of retirees. This means that a large percentage of these same retirees who have lost the Centrelionk pension will now also loose further income because of no refund of franking credits.

Who would be impacted by the removal franking credit refunds?

There are now over 2 million Australians aged 65 years and over who are retired and fully or partly self-fund their retirement. The greater majority of these are not "wealthy" individuals and the removal of franking credit refunds will potentially have ongoing financial impacts on their established income streams.

Self-funded retirees who are members of A.I.R and in the broader community use a variety of structures to fund their retirement income as follows:

- Savings and investments held in their own names
- Investments held in retail and industry superannuation funds
- Self-managed superannuation funds
- Defined benefit superannuation funds

Their investments include a significant proportion who own shares in Australian listed companies paying franked dividends.

- **Unfairly targets retirees with personal shareholdings**

  We note that retirees who are personal shareholders are particularly targeted with the removal of franking credits. These personal shareholders accumulated shares with after tax savings over the course of their working lives. This was often before the introduction of compulsory superannuation. They were encouraged to participate in government privatisations and demutualisations.

They purchased shares in large Australian companies with strong growth and income. When retired, these personal shareholders have low income tax liabilities that result in the refund of overpaid tax from their company shareholdings.

- **Unfairly targets members of self-managed super funds**

  When all the members of a superannuation fund are in pension mode, the income of the fund is not taxed. Therefore, imputation credits from share dividend income are refunded to the SSSF. This additional income can then be drawn down by retired members of the fund.

  Larger superannuation funds (including Industry and Retail funds) that have a mix of members in pension and accumulation mode are able to offset imputation credits against the fund's tax liabilities.

  If the refund of imputation credits to SMSFs holding investments in dividend paying shares is removed, the income of these funds will reduce and also the funds available for distribution to retired members.

- **Worse off if with Assets just over the Government age pension test threshold**

  There is a major anomaly with this proposal to stop refunding imputation credits. Retirees who are just above the assets test threshold and do not receive the government age pension or income support will lose their tax refund.

  While those retirees just below the assets test cut off who get a small Centrelink pension will keep their tax refund of imputation credits. Depending on the investment asset allocation, this could mean $5,000 p.a. less income or more, even though there may only be a few thousand dollars differences in assets. Most retirees in this situation see this as an incentive to reduce their assets to qualify for a small government pension.

- **Worse off if you have less than $1.6m in Super**

  This policy also creates another strange anomaly where retirees above the government pension assets test but below the $1.6 million pension cap in super will lose up to 30% of their annual retirement income.

  However, those above the $1.6 million super cap with the remaining super in accumulation will lose no more than 15% of their income. In addition, they may be able to rearrange their portfolio to effectively lose nothing.

How will the removal of franking credit refunds impact their recipients?

The Association of Independent Retirees contends that this policy will have serious and profound implications and long term impact on the income needed to sustain retirees' independent living over a possible 25 to 35 years in retirement.

The policy if implemented will push more retirees onto the government aged pension earlier than would currently be the case potentially negating the revenue gains anticipated from this ALP policy.

In preparing this submission, members of the Association of Independent Retirees that are receiving refunds of franking credits were surveyed, to determine how they were impacted.

Member case studies are provided in Appendix 1. The actual member's names have been withheld from publication.

- **Expected income losses from the A.I.R member case studies**

1. The minimum expected loss of income by a member would be $3,500.
2. The maximum expected loss of income by a member would be about $42,000.
3. The average expected loss of income by a member would be $10,950.

This average aligns very closely to treasury estimates of $11,000 per person receiving a refund of imputation credits.

- **Proposed expenditure cuts by our impacted members**

Most members reported that they will **NOT** be able to make up the lost annual income they receive from franking credit refunds.

Many members plan to reduce expenditure by cutting back on 'non-essential' spending and lifestyle choices including the following:

1. Reduction in electricity and gas usage
2. Private health insurance
3. Elimination of eating out
4. Minimise expenditure on alcohol/coffee
5. Less spending on clothing
6. Less charitable donations
7. Membership of community groups/clubs
8. Replacement of major household appliances
9. Less house maintenance
10. Car upgrades
11. Use of a financial advisor
12. Interstate travel to visit family
13. Financial assistance to children and grand children including funding education expenses

- **Physiological impact on our members**

Many members have reported increased stress and anxiety from the proposed removal of franking credits refunds. This anxiety mainly relates to:

1. how they cut back on living expenses due to the loss of income
2. how they might somehow minimise the loss of income
3. how they might cover the shortfall of income to meet expenses
4. moving from self-reliance to government dependence in retirement

In addition, most members feel frustrated and angry that after a lifetime of saving for retirement and then starting their retirement with a clear financial plan that the following issues:

1. constant changes to the superannuation rules
2. changes to taxation arrangements
3. age pension eligibility changes
4. volatility in investment returns
5. poor (and illegal) behaviour by financial advisors and
6. serious issues with the quality of retirement accommodation and aged care

have severely impacted their quality of life and enjoyment of a hard earned self funded retirement.

Implications from behavioural changes by investors

- **Retirees will be forced to drawdown more capital to meet living expenses**

  The majority of members who reported that they would **NOT** be able to make up the lost annual income from franking credit refunds have indicated they will drawdown additional capital from their retirement savings.

  These members reported that they intend to sell investment assets to fund the annual shortfall in meeting living expenses.

  Our members realise that this increased drawdown of capital would reduce their annual investment returns and more rapidly make them eligible for the government age pension and health card benefits. They are disillusioned that after planning to be self-reliant in retirement, they will be ‘forced’ onto a government age pension.

- **Some members will make significant changes in investment strategy**

  Those members who are able to make changes to investment strategies with the removal of refundable franking credits have reported they would reduce their investment in shares of dividend paying Australian companies by taking some of the following steps:

  1. Changing share investments to hold companies paying non-franked dividends
  2. Increased international investments
  3. Move capital from shares to fixed interest investments with lower returns
  4. Sell shares and buy property
  5. Closure of self managed super funds and hold investments privately
  6. Gifting of funds to children and grand children
  7. Upgrading of principal place of residence
  8. Spend funds intended for future aged care and rely more on the support of their children when they need aged care

- **Are the anticipated savings from the proposed policy achievable?**

  Given the range of planned changes to capital draw downs, investment strategies and increased government pension expenses, we question whether the savings of about $5 billion per annum from proposed policy are achievable.

  Some research has indicated that SMSFs in retirement phase would sell direct share investments and move their super to APRA regulated superannuation funds. We did not see this intent from our member responses, but if this did occur it would make the savings from this proposed policy more unachievable.

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Appendix 1

Inquiry into the implications of removing refundable franking credits

Association of Independent Retirees (A.I.R.) Submission

Member Case Studies

Mr C1

1. Approximate value of your shareholdings: $597,000

2. Approximate Dividend income: $56,995

3. Approximate value of franking credits lost if refunds are removed: $17,040

4. Implications of this loss of income e.g. what will need to be foregone, and/or further required capital draw-downs.

Yield (income will drop by 30%) so the minimum drawdown rate will now require the increased use of capital drawdown radically shortening the life of the pension.

If franking credits are not refunded then the MINIMUM DRAWDOWN RATES MUST BE REVISED DOWN BY 30%.

5. Any changes to your Investment strategy being contemplated to recover/replace your lost income.

Options to change investment strategy are NIL as far as I can tell.

Industry super funds are useless to guarantee a minimum predictable income rate.

6. Any other lifestyle changes that would be necessary if the proposed policy is implemented.

Lifestyle changes required. Learn to live on a pension when the super balance runs out.

Mr & Mrs M1

1. **Approximate value of shareholding (outside super)**: $450,000

2. **Approximate Dividend income**: $28,000

3. **Approximate value of franking credit refund lost if removed**: $7,000 per annum.

4. Implications of this loss of income e.g. what will need to be foregone, and/or further required capital draw-downs.

Loss of income during estimated life expectancy will be approximately $80,000:

If expenditure is maintained we may need to draw additional funds from our modest super and this will affect funds available for future possible aged care.

5. Any changes to your Investment strategy being contemplated to recover/replace your lost income:

Our portfolio has been built over 50 years of working. Our retirement strategy was decided in 2006. This strategy cannot be altered nor can we revisit the past.

6. Any other lifestyle changes that would be necessary if the proposed policy is implemented.

General level of day to day spending will be reduced because of the need to retain as much superannuation as possible for future needs.

Mr & Mrs N1

Personal details:

I am 80 & my wife will turn 75 in December.

We have been retired for 20 years & have been self funded retirees since then.

20 years ago we could have gone on the Pension with all the benefits by purchasing annuities but chose to support ourselves rather than be a burden on the public purse.

We have sold & downsized our houses twice to enable us to have sufficient assets to support ourselves.

Our current joint Super Fund assets total about $1,330,000 all of which is invested in Australian & Global Shares

Our total S/F income in the last financial year was approximately $50000 plus franking credits of about $19600

As we have 6 children some of whom we provide financial assistance & have 20 grandchildren we have for some years needed to sell assets each year to provide sufficient funds.

Consequently we expect to receive less income in the current financial year.

If the proposed unfair & discriminatory policy comes into effect in its current form we will be forced to more rapidly sell assets particularly as I have recently been diagnosed with an incurable muscular degeneration disease likely to in the future involve potential considerable aged care expense.

Whilst having always felt an obligation in the past to support ourselves, it seems the current Labour political class to not respect such virtue & lean more to assisting those who make no effort to pay tax or support themselves.

On this basis we may well need to adopt the policy of “if you can’t beat them join them” & seek to go on the government pension which may well be needed to assist with paying for future health care.

Mr & Mrs A

I have been retired for many years, and I manage my own Self Managed Super Fund (**SMSF**) to handle the retirement income for both me and my wife. I was a State Public Servant for over 30 years and on retirement, took my super entitlement and placed it into a SMSF.

I have around $1M in the Fund and we both live off the income from the Fund. There are shares in the Fund and I have shown a preference for holding shares which offer Franking Credits.

These credits are eventually returned via the Tax Return lodged annually. The Credit received amounts to around $5,000 each annually, on an income stream of approximately $30,000 each.

You will see this Credit equates to about 17% of the Income.

There has been "talk" in recent months by some, who have suggested that this return of franking credits to us as retirees be stopped, --- as we are 'fat cats' and live in the 'big end of town'. This is far from the truth.

We are in our mid seventies. We live in a simple weatherboard house. My wife and I are just over the pension limit and therefore do not draw "government pensions", <u>but we do effectively draw a pension,</u> ---which is from our self-managed fund. We are therefore "pensioners".

<u>Impacts</u>
Were these unfair proposals to take place we would face the following:

1. Our Capital Component of our SMSF would be eaten away much more quickly as we would need to rely on Capital Diminishment to provide a living pension, as our Fund Income would be cut by 17%.

2. This diminishment would quickly move us to a position of being "*under the pension cut off limits*" and we would then become a Commonwealth Pensioner much, much sooner. ----- This surely is NOT what SMSF's are about?

3. I would need to re-assess HOW I structure the SMSF Pension Assets to try and reflect what I think will, in the future, be the best income stream for us. This would create unnecessary stress for us both, when those who are in retirement should not have to constantly have such matters thrust upon them.

4. Increased worry will now take place as both my wife and I will now have to assess what we spend as our income would drop by 17%. That worry is still there and while yes we can reduce the Capital of the Fund, one wonders whether with all Australians living longer, how we will manage such circumstances?

<u>Other Commentary</u>

5. I note that after this suggested “policy” was announced, there have been a range of back stepping in the newspapers, with the authors trying to cover themselves, with a range of “exemptions” to the proposal. I note one suggestion is that ‘not for profits’ be still able to get the Credits. Well that will keep the Unions Happy, as I understand they have quite large franked share holdings and no doubt squealed loudly at the time.

6. I also note announcements that those ‘in the pension phase’, (and that would include my wife and I), would still get the Credits. That might be fine for me, but what about someone who is about to retire? How UNFAIR. The proposal is clearly faulty.

7. Franking Credits are merely offered because “TAX” has already been paid on those company earnings. That being the case, were the credit to be removed, this effectively would result in taxation twice on the same income.

   The fact that some recipients, (due to a recognition years ago), might pay nil tax because they are low income pensioners may have been forgotten.

8. My wife and I consider ourselves fortunate that we are able to fund our own retirement, as do all government employees.

   We put money aside from my earnings during those 30 years in government employ, and were happy to do so as it gave us a degree of independence. How come we are picked on now when some with misconceived notions think of us as ‘fat cats’.

9. Finally the continued fiddling with retirement income arrangements (including SMSF structures), is most unsettling to those in retirement or about to enter retirement.

   I am aware of some who have structured their retirements which will take place in the coming months, with them only to be thrown into confusion by these ‘suggestions’ .

Please do what you can to stop the endless changes to self managed superannuants funds.

These proposals are so unfair on the older citizens of Australia.

Mr & Mrs N2

1. **Approximate value of shareholding** = $900,000

2. **Approximate Dividend income** = $52,000

3. **Approximate value of franking credit refund lost if removed**: $14000

4. **Implications of this loss of income e.g. what will need to be foregone, and/or further required capital draw-downs:** Extra capital drawdown each year, if Franking is removed, will be $14,000

5. **Any changes to your Investment strategy being contemplated to recover/replace your lost income**:

   Planned changes (I have no idea at this stage, I need to keep it simple like shares?)
   I guess we will just draw down till we get the pension.

6. **Any other lifestyle changes that would be necessary if the proposed policy is implemented:**

   Result of Franking payment removal for us, will probably mean we will have to quit being (Grey Nomads) earlier due to lack of funds, I expected to be able to go another 15 Yrs. (Health permitting)

   But this could feasibly remove around $400,000/ $500,000 from our capital by then, especially as we intended to sell a property & invest that also into shares.

Mr & Mrs D

1. **Approximate value of shareholding:** $750,000.00

2. **Approximate Dividend income:** $33,000.00

3. **Approximate value of franking credit refund lost if removed**: $14000

4. **Implications of this loss of income e.g. what will need to be foregone, and/or further required capital draw-downs:**

   I may need to draw down approximately $15,000.00 to offset expenditure which would obviously substantially reduce my share investment resulting in losing self funded status and earlier necessity to apply for a pension.

5. **Any changes to your Investment strategy being contemplated to recover/replace your lost income**:

   Selling all shares that have a franked dividend and reinvesting a similar sum in shares to un-taxed shares.

6. **Any other lifestyle changes that would be necessary if the proposed policy is implemented:**

   Possible drawing down all shares within the fund and investing in property or the like.

Mr & Mrs O1

We are 76 and 80 years old respectively and have been retired for just under 21 years. We have never received any payment or benefit from the Government.

We own a modest home which we have lived in since our marriage 57 years ago, as well as another modest holiday house which we have owned for 48 years. We divide our time between these two properties, the holiday home being situated on a beach. We drive two ancient vehicles, 18 and 25 years old respectively and probably 'eat out' about four times a year. We could not be considered wealthy.

We have saved diligently over our working lives and have derived income entirely from our share portfolio dividends since retirement. Consequently we are in a position of being recipients of franking credits. We do not have a SMSF as such nor are we in receipt of any government pension or benefits.

Therefore we are totally in the line of fire of the Shorten Labor Party "easy money" grabbing policy if the Labor Party is elected. Unfortunately it is looking ominously like this could occur.

Below please find our information in relation to refunds of franking credits.

1. Approximate value of your shareholdings: $998,000.00

2. Approximate Dividend income (combined): $65,360.00

3. Approximate value of franking credits lost if refunds are removed: $19,462.00

4. Implications of this loss of income e.g. what will need to be foregone, and/or further required capital draw-downs.

Should this proposal become law we would be unable to continue our lifestyle as we have planned and worked long and hard for basically all our lives. We considered we had followed the moral and ethical path by not wanting to be dependent upon the Government and country for a hand-out pension.

If we were forced to sell one of our properties to survive, apart from the personal heart-ache of parting with a much loved home (severely against our will) we would then have to reconsider our options as to what we should do to turn the proceeds over into an income.

We are far too old to have the unhappiness and stress associated with this scenario at this stage of our lives especially as we would be, basically, being forced into it.

5. Any changes to your Investment strategy being contemplated to recover/replace your lost income.

We do not want to be forced into a new investment strategy at this stage of our lives on the whim of an unfair political move by a money-grabbing would be Prime Minister who evidently considers self funded persons to be "wealthy" because they are not sponging on the country.

6. Any other lifestyle changes that would be necessary if the proposed policy is implemented.

We cannot begin to contemplate how we could change our lifestyle at this stage of our lives, and nor should we have to just to see a Labor Government crucify hard working elderly Australians who are only guilty of trying to be self-sufficient by avoiding being a burden on our country.

In conclusion, it would be considered humane if people like us could continue as we have planned, and if the Labor Government still wants to fleece the elderly, they should give those persons planning to fund their own retirement a few years notice in order that they may prepare their financial strategy and investments in accordance with their newly introduced revenue grabbing policies.

Mr & Mrs K
The reason I joined A.I.R. is because of the threat of the unjust impost proposed by Bill Shorten by removing franking credits.

My wife and I have a Self Managed Fund we retired with initially valued at about $900,000.00 nine years ago. Since then it has built up to about 1.3 million dollars. This fund is adequate for us to live comfortably on. It may reduce by thousands of dollars, or increase depending on the share market.

If Mr. Shortens policy was to happen it would cost us around $30,000.00 in lost income per year, a direct tax we would have to carry.

I hear the labour PR systems telling people it will only affect the rich. We are not rich, and I worry they are getting away with winning the argument. The Coalition is doing what it can but I believe we must help provide facts to get the media to understand what this policy would do to ordinary people. The only thing the media seem to listen to is the mass social media and demonstrations. Nothing about carefully analysing the subject; To stop this we need to come up with how this affects people and hammer it home.

A.I.R. is probably fully engaged in talking to politicians and I would really ask that it continues as hard as possible.

I would point to two articles written by Robert Gottliebsen in The Weekend Australian one on page 28 on the 21-22 April titled "Why Labor has got it all wrong on franking credits" and the next week titled "An accidental revolution lies ahead for SMSF growth".

To me these articles pinpoint the unfairness and folly of this policy.

I would like this organisation to make all Coalition members aware of what these articles are saying. We should be asking them to get together a plan to beat Labor over the head with this mistake, the same as they created the fear about Medicare at the last election.

The only difference is this situation is the truth and not a lie.

Lastly if this organisation needs it we are happy to put some funds into a properly detailed and organised programme to show the policy is completely wrong. As Gottliebsen says it is an ideal vehicle to show how poor Labor is on getting policy right.

Mr & Mrs G

1. **Approximate value of your shareholdings:** $1,580,000

2. **Approximate Dividend income (combined)**: $75,000

3. **Approximate value of franking credits lost if refunds are removed**: $26,000

4. **Implications of this loss of income e.g. what will need to be foregone, and/or further required capital draw-downs.**

We will probably have to cut back on "non-necessary" spending (such as : overseas travel /eating out / gifts to children & grandchildren / etc). Items such as expenditure on major home maintenance, purchase of new car, etc, will not be able to be met from income .

Due to our age (77), we are currently having to draw down annual pensions from the fund in excess of fund earnings each year – this factor will only worsen in future years. Capital requirements for such items as major home maintenance or purchase of new car, or gifts to children and grandchildren can be met from pensions withdrawn that are in excess of our everyday living needs.

If the franking credits proposal is legislated, then this drawdown of pensions above fund income will be greatly accelerated, with the consequential risk of living longer than our smsf funds!

5. Any changes to your Investment strategy being contemplated to recover/replace your lost income.

Clearly, we will need to change our investment strategy. Currently virtually all our investments are held in the smsf. Directions not yet determined, but it is likely that we would hold less Australian company shares, and more property based assets, and more fixed interest securities. Whichever directions we take, it is inevitable we will be worse off financially.

An aspect that we will be looking at (as I am sure many others will be doing), will be how to make full use of the current tax free threshold for individual taxpayers. By shifting investments from smsf's to individual holdings, it may well be many can substantially negate the Labor proposal?

6. Any other lifestyle changes that would be necessary if the proposed policy is implemented.

Apart from the points raised in 4 and 5 above, nothing to add here.

Mr B1

1. Share portfolio as at 30th September 2018: $513,515.00

2. Share & Trust dividends to 30th June 2018: $104,365.51

3. Franked dividend credits to 30th June 2018: $ 41,962.46

4. Loss of Franked credits leaves a shortage of capital for re-investments and to maintain my level of lifestyle.

5. Any changes to your Investment strategy being contemplated to recover/replace your lost income: No change of strategy available.

6. Any other lifestyle changes that would be necessary if the proposed policy is implemented: Spend less on “Non Essentials”

Mr & Mrs W

Summary of the combined financial equities that would be adversely affected by the removal of refundable franking credits:

1. Value of listed financial equities $ 2.8m

2. Dividend income (including franked credits) $ 184.1k

3. Value of franking credits lost (after tax paid) $ 47.3k or 25.7% of dividend income

4. The implications of the loss of income from a life style perspective would not be major considering our ages of 70+ years except additional thought being given to any capital expenditure such as new motor vehicles etc. Uncertain investment market conditions would exacerbate this.

5. If the proposed Labor party policy ("cash grab") was implemented our investing strategy, particularly in respect to our SMSF would be thoroughly reviewed. The following would be some of our considerations:

    a. Changing the equities we hold to companies paying non franked dividends to maintain dividend income.

    b. Increased international exposure (albeit unlikely at our age)

    c. Changing investments to fixed interest investments and accept a lower return for lower risk; due to our advancing ages.

    d. Closure of our SMSF with all equities then being held personally. Whilst this would substantially increase personal taxation payable the franking credits generated would fully cover.

    e. Closure of our SMSF would see our CSHC lost but the benefits from the CSHC would be substantially or fully offset by not paying annual administration, accounting and audit fees for our SMSF.

    f. Closure of our SMSF would remove our exposure to never ending superannuation changes. All persuasions of government clearly seeing self-funded (aging) retirees as their cash cow; it is very concerning for aging retirees.

    g. The possible gifting of funds to our children/grand-children. We see any risk to us as low with no split family situations etc and our children & their families all being financially sound. Franking credits would assist with their taxation liabilities with minimal if any benefit to government from the proposed changes.

    h. If funds were gifted, Centrelink gifting rules would be extinguished after 5 years; perhaps benefiting us in time.

i. Using surplus assets to upgrade to a higher valued primary residence to take advantage of CGT exemption in due course.

Comment:

For 20+ years our SMSF has been subject to government regulation regarding its investment strategy; including formal audit and reporting as to compliance. For any government to implement a policy that causes substantial investment changes to well established investment portfolios virtually overnight clearly shows ignorance and contempt for its citizens. At the very least grandfathering should be a consideration either permanently or with phase out over several years to allow for orderly investment changes.

6. Any other lifestyle changes that would be necessary if the proposed policy is implemented:

Our objection to this proposed policy is contained in the belief that governments of all persuasions are prepared to constantly and adversely affect the true objectives of superannuation by their own short sighted policies. The whole purpose of superannuation since its introduction many years ago is to take the growing burden off the public welfare system and give hard working and frugal citizens the incentive to make themselves self-funded and proud to be such. Government interference is having the reverse affect.

In closing, it is our intention to see that Labor's proposed changes do not benefit them from our hard work over many years.

We are not in any way part of the "super rich" category both Shorten and Bowen seem to want to include us in. Such inference is insulting to say the least.

We will being doing whatever we can to make sure our electorate is aware of the unjust implications of Labor's proposed changes and hopefully with the full and vocal support of the Liberal candidate and other non Labor candidates.

Mr M2

1. Approximate value of shareholding: $1,280,000.

2. Approximate dividend income: $84,000.

3. Approximate value of franking credits: $32,000.

4. Current lifestyle must change to account for the significant (approx 28%) loss of income. Likely progressive sale of stock (as required) to fund lifestyle and/or unforeseen illness (as happened recently) or major capital expenditure - e.g. replacement of appliances or motor vehicle expenses.

5. Any changes to your Investment strategy being contemplated to recover/replace your lost income:

Sell large portion of stock, reduce / eliminate debt, look for alternate means of earning income (part time work) or drawing down on capital as and when required.

6. Any other lifestyle changes that would be necessary if the proposed policy is implemented:
Conservation of use electricity & gas, particularly in the winter months, turn off heating at an earlier hour each night, eliminate where possible the eating of meals at pubs / clubs / cafes with friends & relatives & reduce to a minimum the purchase of alcohol and the occasional morning coffee.

Ms FA
Personal Details:
Sex: Female; Marriage Status: Widowed; Age: 80; Homeowner: Yes

Total Centrelink Assessable Assets: Approximately $600,000
($580,000 investments in her personal name, $10,000 car and $10,000 contents).
Eligibility for Age Pension: Nil -Exceeds Asset Test Threshold of $561,250

Current Income: Grossed up income $31,135, which is made up from $24,454 plus $6,681 franking credits refund.

Accordingly, she will lose the franking credit rebate of $6,681 which equates to 21.5% of her annual income.

Ms FB
Personal Details:
Sex: Female; Marriage Status: Widowed; Age: 69; Homeowner: Yes

Total Centrelink Assessable Assets: Approximately $695,000 ($660,000 in a SMSF, $15,000 cash in her own name, $10,000 car and $10,000 contents).
Eligibility for Age Pension: Nil -Exceeds Asset Test Threshold of $561,250

Current Income: Grossed up $33,365, which is made up from $27,315 plus $6,050 franking credit refund.

Accordingly, she will lose the franking credit rebate of $6,050 that is currently paid to the SMSF which equates to 18.13% of her annual income.

Mr C2
Personal Details:
Sex: Male; Marriage Status: Single; Age: 78; Homeowner: Yes

Total Centrelink Assessable Assets: Approximately $620,000 ($480,000 in a SMSF, $120,000 cash and shares in his own name, $10,000 car and $10,000 contents).
Eligibility for Age Pension: Nil -Exceeds Asset Test Threshold of $561,250

Current Income: Grossed up $33,386, which is made up from $24,024 plus $9,362 franking credits refund.

Accordingly, he will lose the franking credit rebate of $9,362 that is currently paid to the SMSF/personally which equates to 28% of his annual income.

Changes to strategy/lifestyle:
Less money to spend. May be required to forego Private Health Insurance.
Further capital draw-downs could be required. Change in lifestyle to adapt to less income.

Unfair, unjust changes which affect those who have planned for their retirement based on their current financial situation at that time. Yet those who receive a Government pension are exempt and will still receive their franking credit refunds.

Mr & Mrs B2

1. Value of shareholding: $850K (Mr), $740 (Mrs)

2. Dividend Income: $57K (Mr), $45K (Mrs)

3. Franking Credits: $24K (Mr) $20K (Mrs)

4. Implications: 30% reduction in living standard. Seems very unfair since SMSFs being targeted.

5. Change in strategy: Probably withdraw substantial shareholding and hold more cash thus eating into capital quicker

6. Other Lifestyle changes: Increased anxiety and stress caused through very unfair policy which will mean planned comfortable lifestyle eg holidays and new car on hold.

Whole idea was to not be dependent on Govt for a pension so what was the reward for saving hard over the years to fund own retirement?

Mr & Mrs R

Firstly thank you for your very good work in this most worrying of circumstances. Hopefully the following will be of some assistance to you with your submission.

1 Shareholding $440,000 Managed Funds $274,000 Total $714,000

2 Dividend income $35,000

3 Franking Credits $9,000

4. Implications of this loss of income e.g. what will need to be foregone, and/or further required capital draw-downs A loss of 25.7% of income will cause me great concern and is already worrying me. As I do not qualify for the government age pension I will just have to make do the best I can.

5. **Any changes to your Investment strategy being contemplated to recover/replace your lost income:** I have spoken to my Investment advisor about what can be done but in order to survive it is going to be very difficult finding alternative investments that will produce sufficient income.

6 **Any other lifestyle changes that would be necessary if the proposed policy is implemented:** In spite of my age I will have to do all house and grounds maintenance myself rather than pay a handyman. Interstate holidays to see my family members will have to either be eliminated or take place rarely.

I will not be able to ever replace my car or major household items. I will have to part company with my financial advisor and go it alone with who knows what consequences.

I will have to seriously consider my memberships in the various organisations including AIR which are necessary for social contact and keeping the brain matter in good shape when you live alone.

Finally if Labor go to the election with this policy they will never again secure my vote, I fully realise that I am only one but I think Mr Shorten might find that they all count.

Mr & Mrs T

1. Approx value of shareholding $1,000,000.00

2. Approx Dividend Income $50,000

3. Approx dividend imputation: $20,000

Loss of div imputation means a very large reduction in our income from our share investments.

An income of $50,000 only from the share portfolio would affect our current lifestyle and we would therefore to increase capital draw downs from the SMSF.

This could possibly mean that eventually we would qualify for a part pension!
Where is the logic that ?

Mr & Mrs C3

1. Combined value of our share holding ……………………………$830,000

2. Approx joint dividend income …………………………………… $34,000

3. Approx joint value of Franking Credits ……………………….. $11,100

Loss of this income at 3 would really hurt our living expenses budget.

We would be tempted to sell off our assets, do a World holiday tour, arrange to claim the Government age pension.

We would drop our private health insurance of maximum hospital and extras cover and join the queue for public health services.

Mr & Mrs M3

We are writing to inform of the impact the proposed Labor policy of removing refundable franking credits of self funded retirees would have, as we would fit perfectly the criteria for SMSF's being strongly impacted.

Our small SMSF, for a couple in pension stage only, has a shareholding value of $486,000.00, with an approximate dividend income of $23,000.00.

The value of franking credits lost if funds are removed would be approx. $9,500.00 p.a.

The two SMSF members are aged 68 and are not in receipt of government aged pensions or income support.

The implications of the loss of this income would require additional draw downs of the capital to meet our modest requirements of a pension. This would only be compounded as we age and are required to take a larger percentage as a pension.

Of course advice will be taken to minimize the loss of our hard earned and saved funds.

Investment changes to consider would be to buy more overseas shares (thereby depriving Australian companies of funds) or investing in cash options only.

Both of these options would determine that our need to avail of the Government pension, healthcare and other concessions offered to government age pensioners would be a necessity much earlier in our retirement.

A major lifestyle change that would become necessary is that private health cover that we have maintained all our lives would become a luxury we could not afford. So we would become an increasing load on the public health system just when the costs would probably be increasing with age.

Future implications could be that our children and grandchildren may eventually have to support us into aged care.

This prospect would definitely impact on their voting intentions at this stage.

The final indignity would be that through-out all our lives we have not accessed any Government benefits, have contributed tax while working, provided employment for others and have prided ourselves on being self-sufficient.

The proposed change would put paid to this goal of self-sufficiency and inevitably cost the social welfare budget dearly, another burden for our children and grandchildren to bear through-out their working lives.

Mr & Mrs C4

1. Approx. value of shareholding: $1,160,000

2. Approx. dividend income: $113,000

3. Approx. value of franking credits: $26,000

Implications of loss of income:
Reduce assistance to family
Reduced spending od discretionary items
Consideration of withdrawing from private health insurance
Increased difficulty in coping with utility charges

Changes to investment strategy:
We are locked into having to invest in high risk/high dividend yield stocks to try to maintain income. Bank interest and term deposits to not provide sufficient income.

Lifestyle changes:
Less eating out
Less frequent car upgrades
Less international/Intrastate travel
Reduced charitable donations
Less house maintenance
Reduced discretionary spending

Mr & Mrs L1

Total share investments in smsf and other super	$980,000
Total dividends	$60,500
Total dividend imputation	$25,800

Implications regarding loss of income.

1. Immediate withdrawal from private health insurance
2. Reduction in non-essential but expected spending on local and overseas travel
3. Cessation of monthly charitable donations
4. Extension of vehicle replacement times
5. Greatly reduced monthly spending on entertainment, clothing and dining options
6. Drawing down capital from assets to maintain lifestyle resulting in reliance on aged pension sooner than later.

Being a Labor voter for the last 20 years and my wife her entire lifetime, we will no longer support Labor.

We see this policy as unfair and causing instability for those people who have worked in private enterprise and wanting to support themselves in retirement.

Mr & Mrs C5

Approximate value of my share holdings $420,000 Plus others Term Deposits etc with a total of approximately $1,100.000

Approximate Income: Shares, Term Deposits and including franked dividends of ($12,900.00) Total Gross Income $52,000.00

Approximate value franking credits lost if refunds are removed. $7,200.00.

With the loss of income an increase in future drawings from capital will be needed and some time in the future we will need to go on the end of the pension.

It is too late to make any changes to our investments at the age of 75. Sale of shares would bring capital gains and we are too old to add to Superannuation.

Lifestyle would definitely change with the loss of over $7000.00.

Cut backs to this refund would impact on all levels of spending.

Mrs S1

I am a widow.
APPROXIMATE VALUE OF SHAREHOLDINGS: My completely self-managed superfund portfolio is currently valued at approximately $900,000.

I am therefore ineligible for any pension benefits, and have never wished to claim such benefits, as I have been self-employed all my life.

My portfolio consists of 100% Australian shares, with no other investments.

APPROXIMATE DIVIDEND INCOME:
My dividend Income is currently approximately $49,500.

APPROXIMATE VALUE OF FRANKING CREDITS LOST IF REFUNDS ARE REMOVED: I usually get a Franking Credit refund of approximately $14,850.

IMPLICATION OF THE LOSS OF INCOME:
I would have to change my current Private Health Insurance Cover. Indeed, I would have to reconsider whether I could afford to have appropriate Private Health Insurance.

I have a health condition that will require surgery in the next five years.

I would be seriously worried about the cost of power, petrol and the constant pressure of increasing costs of living. All insurance premiums increase each year

ANY CHANGES TO MY INVESTMENT STRATEGY BEING CONTEMPLATED TO RECOVER/REPLACE LOST INCOME:
The money that I currently have invested is all my own money, from a lifetime of savings by me, and my now deceased husband.

The plan to retire when we did was because the current structure exists, and to change this current situation would be a breach of trust by any government.

I may be forced to invest in riskier investments, thus jeopardizing my capital.

OTHER LIFESTYLE CHANGES THAT WOULD BE NECESSARY IF THE PROPOSED POLICY IS IMPLEMENTED:
I would certainly not be able to be generous with any donations to charities that I currently support. I like to be able to assist my 3 sons and their young families by buying clothes for their children and other essentials – but if my income is reduced by a third, I would find this very difficult.
My social life currently consists of visits to cafes and the cinema to meet friends. These outings cost money, and I would have to curtail events like these.
I would certainly not be able to afford a lengthy holiday of any sort. The uncertainty of more risky investments would worry me intensely, and make me extremely cautious of spending in any unnecessary way.

Mr & Mrs O2

- My wife and I are fully self funded retirees, totally dependent on earnings from investments within our SMSF which we established in 2007 prior to retirement.
- We are in our late 60's and expect to live for 20 plus years, during which it is our intention existing investments will provide adequate annual returns to avoid needing to burden the federal government
- We receive no government assistance, nor are we entitled.
- All health expenses inclusive of dental and audiologist plus resultant pharmacy and hearing aid purchases are self funded at normal across the counter purchase prices, with private medical insurance and ambulance cover.
- We are not wealthy but enjoy our lifestyle as a result of strong commitment and planning over the past 35 years to be self sufficient in our golden years, not a burden on the country.
- We dispute Mr Shortens comment that we pay no tax as every day, through normal transactions, we pay GST
- I actively manage our SMSF on a daily basis to protect investments and be alert to possible swings

1. **Approximate value of your shareholdings:** ASX - AU$400,000; NYSE - U$600,000
2. **Approximate Dividend income:** ASX - AU$20,000 excluding Franking credits
   - NYSE - AU$7,000
3. **Approximate value of franking credits lost if refunds are removed:** AU$5,000
4. **Implications of this loss of income eg. what will need to be foregone, and/or further required capital draw-downs:**

   A mix of additional draw downs, change of investment strategy, lifestyle changes

5. **Any changes to your Investment strategy being contemplated to recover/replace your lost income:**

   - Potential to increase additional funds off shore in international shares for greater capital growth and possible benefit from exchange rate swings
   - All foreign investments are unhedged

Any other lifestyle changes that would be necessary if the proposed policy is implemented:

- Subject to review based on local investment returns and foreign exchange impact on international shares
- Planned education expense funding for our grandson may need to be cancelled
- Rather than continue to manage our SMSF, it may be wiser to spend up over the next few years on travel, new car, gifts to family to reduce funds to qualify an aged pension and attached benefits
  - It may suit us to be a burden on the community letting the younger generations pick up the cost

Mrs L2

Approximate value of shareholdings	$581,000
Approximate Dividend Income	$27,491
Approximate Franking Credit	$10,800

Removal of franking credits would result in a significant reduction to annual income as majority of shareholdings are fully franked.

This would result in a drawdown on capital at a level similar to franking credits in order to meet my current living expenses.

It would be necessary to **increase** exposure to share markets in order to lift income if franking credit was lost due to the low rate of return available from cash investments

I feel this would be detrimental to the amount of capital available to me should I need to fund a move into an aged care facility in future.

D2

I will be impacted by this decision - my super fund will be approx $17,000 lost and my personal refund would be about $3,000

I worked for 51 years and saved hard for my retirement (as one had to in those days of 1951)

I don’t feel the Labour proposal is fair to those of us who don’t receive a pension.

Why should the pensioners be excluded - the government is supporting them already.

I think it is a bad idea and all these changes to superannuation don’t help.