

## **Statement by PJ Keating**

### **Treasurer Hockey's proposals for early access to superannuation**

Proposals floated by the Treasurer, Joe Hockey, to breach the principle of 'preservation' of superannuation accumulations for purposes such as housing deposits would destroy universal retirement savings at its core.

The key to wealth accumulation in retirement savings is compound earnings. It is the earnings on the earnings plus new weekly capital commitments that allow superannuation accumulations to roughly double every seven to eight years.

Such growth in the asset base could not happen if people were permitted to take funds for convenience, thereby diminishing the asset pool and its capacity to compound.

This would especially be the case for younger home buyers who would typically have a relatively modest pool of superannuation savings from which to draw. In fact, any meaningful housing deposit taken from the accumulated savings of younger savers would effectively eliminate or near eliminate the base from which the important compounding would otherwise occur.

Breaking what is now a national consensus on the principle of preservation, where savings cannot be drawn down till age 55, would amount to the wilful destruction of one of the best retirement systems in the world.

This idea is certainly not an innovation and is not responsible enough even to be considered a thought bubble.

The Liberals have always hated national superannuation for the broad workforce. And mandatory superannuation gets right up their nose. Their objection to superannuation is ideological. They would prefer to see broad increments to national wealth in such places as stock markets accumulate only to their top end wealthy constituency. In other words, superannuation, limited as it used to be before 1985 – for the top end of industry and the public service only.

This is why the Liberals have jammed the shift in superannuation at 9.5% of wages, from the 9% to 12% legislated by the last Labor government. The very same reason John Howard and Peter Costello destroyed the scheme announced by Ralph Willis in the 1995 Budget, taking superannuation contributions to 15% of wages by 2001.

I have never expected the Liberals to believe in much but as a conservative party you would expect them to believe in thrift. But the Liberal Party of Australia does not even believe in thrift. It is always trying to pull the plug out of the bath of Australia's universal superannuation pool.

And Treasurer Hockey's proposal to let people access their superannuation savings before age 55 is just that – an attempt to pull the plug from the bath to lower the level of compulsory savings.

Whenever you hear the Liberals talk about 'choice', you hear the code word for destroying mandatory savings. Never having had the wit to put such a retirement scheme together in the first instance, they periodically attempt to do all they can to either jam it or damage it. And when they do touch it, it is invariably to do the wrong thing – like Peter Costello changing the taxing arrangements to let wealthy people take large lump sums tax free.

Superannuation for them is fundamentally an ideological matter. Just like Medicare. The Liberals object to the universality of Medicare and they keep having a go at it, like the recent attempt to require a co-payment to doctors. They have now dropped off that because the going got too rough for them. So that having failed, they are back again at super – the other great universal scheme. But instead of saying they oppose it ideologically, and arguing their case intellectually, the Treasurer will try to reach the same outcome by masking his real intentions as a professed concern for home buyers. Again, it's a case of anything that pulls the plug from the bath.

The Treasurer is always speaking of the Australian budgetary balance and the need for remedial medium term policies to deal with the growing level of deficit. And well he might. But where would the country be with the Commonwealth budget in growing deficit, without the \$1.9trillion pool of investable superannuation savings?

What would the aged care budget with the baby boom bulge look like without the supplementary income available from superannuation savings? It would be a horror story.

And where are the Business Council and the employer bodies in this debate? The vast pool of superannuation savings has dramatically lowered the cost of capital in Australia. Before 1992, the cost of capital to Australian business was well above the OECD average; today it is well below it.

Superannuation and the associated dividend imputation system has revolutionised capital formation in Australia. You would think, even if only out of self-interest, these employer and business bodies would speak in favour of the Superannuation Guarantee Charge and savings adequacy. But you hear little from them. They are happy to enjoy the largesse but because many still have a Liberal Party ticket burning in their pocket, they remain mute or next to mute, in defence of what is now a world class system and one central to their own prosperity.

Sydney  
9 March 2015