Submission in relation to HOUSING-RELATED SUPERANNUATION MEASURES

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First Home Super Saver Scheme

1.       Measures to assist first home buyers enter the property market are to be encouraged, given home ownership is the cornerstone of a stable life and secure retirement, and the cost of homes, relative to average annual wages, is now probably 2-3 times  what it was 30 years ago.

2.       For families, the high cost of buying a home makes it almost imperative that two wages be required to service the loan.  This inevitably has detrimental effects on marriage-stability and the development of children, thereby creating further downstream social and medical problems as a result.

3.       More should be done to further restricting access to the residential property market to overseas (foreign) buyers through tax, residency and other targeted legislation.

4.       Property price rises due largely to the free inflow of foreign capital, coupled with minimal legislative restrictions, (on foreign buyers) has fuelled property demand over the past 15-20 years, giving rise to the conditions that sees the need for initiatives such as the First Home Super Saver Scheme.

5.       Whilst the proposed scheme only appears to allow extra contributions, plus interest on such money, to be drawn out to assist with the purchase of a home, it sends the wrong message in relation to the “Sole Purpose” for which superannuation operates; ie to provide retirement benefits.

6.       An alternative option could be for all Public Offer super funds to be required to invest a portion of their assets, (eg 5%) into a Government pooled “First Home Buyer Mortgage Fund” from which concessional (second mortgage) loans might be issued to members of super funds who meet the first home buyer criteria and who have also demonstrated the required (extra) super contribution requirements.    (Note:  It’s not that long ago that all super funds were required to invest a portion of their assets in Government bonds!)   The super fund would receive a commercial rate of interest, with the Government paying an interest subsidy specifically for first home buyers.

7.       Creating extra demand through easier access to finance (ie by accessing superannuation funds) – albeit to a small demographic such as the first home buyers – might simply push house prices up further, thereby defeating the purpose of the measure, unless other legislative strategies to reduce demand are also implemented (eg restrictions on foreign ownership, and negatively gear investment properties)

Downsizer contributions

1.       I am generally in support of this measure as a way of providing for the effective management of capital released through home downsizing, to deliver ongoing regular income

2.       On equitable grounds, the measure may also give access to superannuation benefits to those who did not have full access to the “super system” during their working life (eg older women)

3.       However, for those who need to release capital from their home – due to longevity, minimal savings, unexpected costs etc – but where the sale of the home is impractical, or detrimental, it would be advantageous  to have a Government “Home Capital Release” scheme, much like HECS-HELP program, but secured against the home.     
  
Such a scheme would provide  liquidity to those, say over 75 or 80 years of age, whose remaining asset is their home; the classic “asset rich but income poor”.   This “Home Capital Release” program might also be coupled with a “Centrelink Excess Residence-Value Threshold”; linked to the Asset Test in determining eligibility for Age and other pension benefits.      
  
*For example*:  A Centrelink Excess Residence-Value Threshold of, say $1.5 mil, would therefore include the value of the home over this value in the Asset Test, (ideally with a pension Taper Rate half that of other assessable assets) possibly resulting in a reduced Age Pension being payable.  Any reduction would then be replaced by a similar (or greater, if requested) income payment under the proposed Home Capital Release scheme.   On eventual sale of the home, the amount advanced under the scheme would be repayable to the Scheme, in addition to interest (presumably at a rate similar to the Deeming Rate).     
  
In summary, for retirees and pensioners with a Principal residence of less than $1.5 mil there would be no change to their Asset Test assessment and pension entitlement.  If their Home was valued at $2.0 mil then $500,000 would be counted under the Asset Test, (reduced by 50%) resulting in a pension reduction of (possibly) $15,000pa combined for a couple.  This amount of $15,000pa would then be advanced to the Pensioner under the Scheme

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