

Investors “very nervous” about Federal Budget

Australian investors are very nervous about the detail in the Federal Budget to be handed down by Treasurer Wayne Swan on Tuesday.

Australian Investors' Association president Mr Jolyon Forsyth said pre-Budget leaks, particularly about foreshadowed changes to superannuation, meant investors would be listening to the Treasurer's Budget speech with more trepidation than any Budget in the last decade.

“The Federal Government is softening up the community and the media for a bad news Budget. Investors are concerned the Budget will zero in on them and reduce their already shaken confidence,” he said.

“The plan to halve the amount that can be salary sacrificed is being portrayed by ‘Government sources’ who are saying making the so-called rich pay for pension increases. This is spin not based in reality.”

“Many people planning for retirement have just seen their superannuation balances shrink by 30% of more. Worse yet, low interest rates and decreasing company dividends mean that the savings they have left are producing a lower return.

For a couple hoping to retire at age 60, with a modest income of only \$51,376 per annum, they have to amass a superannuation balance of \$560,000.[1] If that couple is currently aged 50, and has the “average” balance for their age group of around \$100,000, then they will have to make up that \$460,000 shortfall over ten years. With their children moving out, they had a chance through aggressively salary sacrificing for their last 10 working years. But if salary sacrifice is halved, they have no chance at all.

“The best way of reducing the pain on the old age pension is to enable people to save for their retirement, not make it harder for self-funded retirees in this Budget,” Mr Forsyth said.

“The Government should be doing everything they can to encourage aggressive superannuation saving. The more superannuation saved, the less people will be on the pension, and the more savings will be available to provide much needed liquidity for the share and property markets.”

“The previous Federal Government discouraged superannuation savings through the ill-conceived Superannuation Surcharge.”

“The Australian Investors' Association calls on the Rudd Government to abandon this cynical tax-grab lunacy before it's too late.”

[1] Assumes a net earning rate of allocated pension of 7% p.a., with no entry or exit fees and no additional lump sums.