



12 July 2005

House of representatives Standing Committee on  
Economics, Finance and Public Administration

Submission No: ..... 7 .....

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Secretary: ..... JWS .....

Committee Secretary  
Standing Committee on Economics,  
Finance and Public Administration  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Secretary

**INQUIRY SUBMISSION –  
IMPROVING THE SUPERANNUATION SAVINGS OF PEOPLE UNDER 40**

I am writing to your enquiry to comment on the current incentives that are in place to encourage voluntary superannuation savings.

**Government Co-Contribution for Low Income Earners**

I believe that the Government co-contribution should be extended further to include stay-at-home parents, many of whom are not eligible for the co-contribution whilst they are temporarily out of the workforce looking after young children. This is due to section 6(1)(b) of the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003* (“the Act”) that requires that “10% or more of the person’s total income” be attributable to employment in order to qualify for the co-contribution.

As a result of this requirement, a person who has elected to be a full-time parent and is not earning any employment income is not eligible to receive the co-contribution. I believe it is very important for these people to maintain their superannuation contributions while they are temporarily out of the workforce, and should have the co-contribution available to them.

In June 2004, amendments were passed to the Act which effectively extended eligibility for the co-contribution to those earning less than \$450 per month by removing the requirement that a person must have employer superannuation support. Whilst the new requirement was a step in the right direction, I believe it can be extended even further.

I lodged a submission with the Senate Economics Legislation Committee in June 2004 when it held it’s inquiry into the extension to the co-contribution recommending that eligibility be extended further to include stay-at-home parents. This suggestion was not taken any further.

I understand that many people who are not earning any employment income may not be able to afford to contribute \$1,000 to superannuation. However, there is no requirement to contribute this amount ... any lesser amount will still attract the co-contribution. Smaller contributions are better than none at all. It is important for as many people as possible to have access to the co-contribution, even if circumstances might not allow everyone to take full advantage of it.

I also understand that the non-working parents who would benefit most from any extension to the co-contribution would be those with working spouses who could make contributions on their behalf. Even if this were to occur, their contributions to superannuation would be two-and-a-half times the amount than they otherwise would have been for each year out of the workforce. These additional amounts, plus accumulated investment earnings, would result in higher superannuation benefits upon retirement.

I hope you find this suggestion helpful, and I look forward to hearing the outcome of your inquiry.

Yours sincerely

**BRETT ARANDALL**