SUBMISSION 24

Submission to: EFPA (Reps) Inquiry into improving the superannuation savings of people under age 40.

This submission is made in my capacity as a lecturer in superannuation and financial planning at RMIT University and after consultations with members of my current classes. The students, representing both full time and part time students aged between 19 and mid 20s, have raised a number of points that indicate a reluctance to lock more funds into superannuation. The points they make include the following:

1 Many have a HECS debt which will need to be paid off over the next 5-6 years or so and will restrict any surplus savings able to be placed aside for superannuation.
2 Superannuation is seen as a necessary long term objective but many consider that the 9 per cent SG contributions will be sufficient for them to build a base amount and then when they are aged late 40s or early 50s will be the time for them to make greater contributions.
3 Many see that they will require surplus savings to be placed aside for a deposit on a home. Even though interest rates are low, they see that the amount required to purchase a home has escalated to a much higher level requiring both a larger amount saved for a deposit and also a higher commitment from take home pay to service the mortgage.
4 Many consider the trend to having children at a later age will also impinge on their capacity to place more funds in to superannuation as they will need the extra funds to provide support for their children. They see that they will be closer to thirty before having children and then will need the extra funds while they themselves are between the ages of 30 and 48 – the time when their children may start to leave home and become independent.
5 The trend towards private school education and school fees is considered to be another potential drain on their incomes without considering making extra contributions to their superannuation fund.
6 Given that amounts contributed to superannuation are not accessible until age 60 (for this cohort) it is felt that this would inhibit their foreseeable lifestyle. If they were able to access a portion of funds held within their superannuation funds and use such as a deposit for a home, then a more favourable response would be expected.

It would appear that from the above brief comments that there is a level of resistance to a suggestion that those under 40 contribute more to superannuation than at present. It is suggested that research be undertaken on samples of the targeted age groups with a view to using techniques such as ratio analysis which reports on the impact on personal income statements and personal balance sheets of such groups of additional contributions to superannuation, the levels of mortgage repayments and other major expense items.

I would be pleased to expand on the above comments if required.

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