

From: davanne
Sent: Sunday, 6 March 2005 5:43 PM
To: DB Pension Review
Subject: submission - DIY defined benefit pensions review
DIY defined benefit pensions - some simple steps to a win-win situation

Provide that DIY funds buy compulsory insurance on commencement of exempt lifetime income streams to protect Centrelink from future fund failure. Any directly related increased payments will be reimbursed directly by the insurance company - similar to current mortgage protection insurance.

Encourage optional insurance by the DIY fund to cover the possibility of a person living longer than the life tables - this would be the opposite risk of current life policies which pay only on death.

For the many who will not on principle deal with financial advisors or life companies, provide a good, capital secure State government market for infrastructure bonds - for simple cost efficient DIY funds. Any slightly lower real rate of return will be mostly offset by a saving in the lifetime inflationary (and nationally non-productive) costs of financial marketing, management and commissions by third parties.

There is also a need not currently being met for a very simple account based pension product for those who would otherwise not use super or lifetime income streams at all - those who are not interested in managing their own funds - or who fear losing control with illness or dementia later in life and do not wish to depend on public trustees, or similar.

Simple deposits could be made directly through a government agency - eg Centrelink? - so that people will be encouraged to invest even relatively small amounts such as retirement payments or house sale proceeds, into lifetime pensions - payments could even be made using the existing Centrelink payment systems. An easy way to invest these would, again, be to have them invested in bonds. This money would otherwise never go into the lifetime pensions system, but be used up in misguided and misunderstood attempts to obtain higher centerlink benefits.

These steps will protect Centrelink, the Tax Office, and the taxpayers, provide new products for the life companies to sell and assist with smoothing out State infrastructure funding. More importantly, they will bring more people into lifetime income streams.

Finally, obviously, the review will attempt to fix the current unintended overly generous provisions. Governments role is to evaluate and finetune its policy and legislation - why dont they do it more often? People are not rorting the system - they are just doing what the legislation allows them to to.

from:

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