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Election 2016: Uncertainty remains for financial services sector

Commentary from IOOF Senior Technical Services Manager, Martin Breckon

According to IOOF, this weekend's Federal Election outcome typifies the challenges that the Australian financial services sector continually faces – a desire for clarity and certainty. However, the reality is that this may be unattainable regardless of which party eventually forms Government.

Martin Breckon, IOOF Senior Technical Services Manager, said the policy direction of superannuation in particular remains unclear.

“Although central to the core purpose of superannuation, we still have not yet addressed major societal issues such as women's economic security and older Australians' workforce participation, which correlate in superannuation terms to adequacy of funding and longevity.”

Mr. Breckon went on to cite the transition to retirement pensions and the non-concessional contribution caps as examples of areas which need to be addressed by Government through consultation.

“The May 2016 Budget announcements outlined that investment earnings on transition to retirement pensions will be taxed. It seems reasonable that we then need to consider the broader issues like the flow-on impacts for anticipated fund reporting requirements; whether this means a new form of benefit payment (and hence tax) within the accumulation division in the fund; and whether there would be any type of grandfathering?”

“The \$500,000 non-concessional contribution cap lifetime limit also presents certain issues concerning their retrospective treatment (looking back to contributions made since 2007). Furthermore, the subsequent exemptions given for certain small funds being partially through the completion of an LRBA^[1] transaction, creates additional complexity. How for instance we might recognise these these exempted amounts on a rollover when a small fund closes?”

“It is critical that whichever party forms Government in the following weeks ahead, consults widely and constructively with the industry to ensure clarity of purpose is achieved, as superannuation funds and financial advisers have serious obligations to fulfil to their members and clients.”