The superannuation tax debate is infested with the politics of envy

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Superannuation has again been targeted as a quick-fix in balancing the federal budget. This is perhaps not surprising – revenue raising measures that target future savings are more electorally palatable than those targeting current income.

Yet the seemingly endless cycle of adjustments and changes to superannuation policy implemented as part of the annual budget process, has to stop. Regardless of the intent, it is damaging investor confidence and undermining people's efforts to plan for their long-term financial future.

By way of example, consider the challenge to long-term strategic planning posed by successive budget changes to concessional and non-concessional contributions caps. Several annual adjustments have seen the concessional contributions cap fall from $100,000 to $25,000 for people aged over 50 years.

Even more profound have been the changes to the non-concessional contributions cap. Between 10 May 2006 and 30 June 2007, an individual could contribute up to $1 million of non-concessional contributions to their super fund. For the financial years from 2007-08 to 2013-14, this cap was reduced to $150,000. In 2014-15, it was raised to $180,000. However, from 2016-17, a lifetime cap of $500,000 will apply.

Is it any wonder that people have become disengaged with superannuation when change is made on an almost annual basis, and the strategic horizon stretches no further than one year?

Government is urging individuals to take progressively greater personal responsibility for ensuring they have the means to fund themselves in retirement. This is entirely justified, as it is clear the cost to the public purse of the age pension is increasingly unsustainable with an ageing population.

The Treasury's 2015 Intergenerational Report shows that by mid-century, spending per person on age and service pensions is projected to rise by more than a third from current levels. Despite this, the government continues to make sweeping changes to superannuation that hamper individuals' ability to make long-term plans.

The $500,000 lifetime cap on non-concessional contributions announced in this year's budget is the latest example. Whether such a change is justifiable is a matter for debate, but it should be recognised that, at the very least, it affects the social contract between the government and its citizens.

Another factor that has unfortunately emerged in the public conversation about superannuation is that of envy. Those who have diligently accumulated savings are perceived in certain quarters as anti-social, and are somehow avoiding contributing their 'fair share' to society. That may be true of the few who aim to use superannuation solely as a tax minimisation vehicle. However, for the vast majority of superannuation contributors, the opposite is true.

People who build the ability to self-fund themselves in retirement will typically consume minimal public resources in their later years despite having progressively made tax contributions to fund these resources during their younger years. These people should be applauded by society. Indeed, every dollar raised in the private system should be celebrated as a dollar not being drained from the public system.

Superannuation policy needs to foster and entrench a culture in which the goal of achieving a self-funded retirement is encouraged and celebrated such that it becomes universally aspirational.

Removing superannuation policy from the annual federal budget cycle would be a significant first step towards engendering greater public confidence in the system. In common with monetary policy, superannuation policy should be removed from the sphere of day-to-day politics and be assigned to a specially resourced independent statutory body. Moreover, it should be enshrined in the charter of such a body. Fine tuning of policy measures should be similarly implemented with a longer-term view that would see adjustments made, say, once every five years.

That would provide Australians with the confidence to increasingly commit to investing for the long-term, with a view to achieving an outcome that is both personally rewarding and socially desirable.

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