The $1 million question

The government is giving people a one-off chance to pour up to $1 million into their super fund before July 1, 2007, when new contribution restrictions will apply. We told the experts they'd won $1 million and asked whether they'd put it all in super, or spend it on champagne and caviar. We also asked what changes they'd make to super if they could be prime minister for a day.

AGE DEPENDENT

ALEX DENHAM

HEAD OF TECHNICAL SERVICES
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$1 MILLION QUESTION

The answer is very age dependent. There is no doubt that the tax concessions available to investments in a fund, and to benefits received from a fund after 60, make super very attractive. But as the money can't be accessed until at least age 55 (older for some), younger investors may wish to use their winnings for other things, such as buying a home. As a 30-something, I'd probably keep the $1 million outside super for a while.

PM FOR A DAY

The new super rules are certainly a good start; I don't think anyone is going to miss reasonable benefit limits or tax on benefits. But I'd like to see adult children considered dependants under super rules just like a spouse is – even if they are independent of their parents. As the new rules stand, adult kids will pay tax on inherited super benefits, even though they can be withdrawn tax-free while the parent is alive. That sounds suspiciously like a death tax to me.

TAX EFFECTIVE

CANNA CAMPBELL

FINANCIAL PLANNER
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$1 MILLION QUESTION

I would definitely put part of it into my superannuation fund, because of the instant tax savings from my marginal tax rate going down to 15 per cent for income and 10 per cent for capital gains. However, I would not put all of it in, due to the fact that I would not be able to access it until age 55 (which is 29 years away). The remainder of the money I would invest in a tax-effective manner where I could access the capital should I need to.

PM FOR A DAY

You'd have to be crazy not to consider using superannuation as a major part of building and protecting your financial wealth. I just wish they'd increase the capping of undeducted contributions and reduce the age of accessibility. What would be even nicer is if they reduced the eligible age for the tax-free income stream. However, considering how attractive and generous superannuation is now, I think I might be pushing the envelope.

IN PROPORTION

PAUL MORAN

FINANCIAL PLANNER
CAMERON WALSHE

$1 MILLION QUESTION

The one thing that hasn't changed about super is when you can get your money. If I were 30 years old, I would put $200,000 into super as this should grow to almost $1 million in today's dollars (averaging 10 per cent gross return) by the time I could access it. At 45, this amount would be $450,000. For anyone over 55, access isn't much of a problem and it's not hard to see the benefits of putting it all in super.

PM FOR A DAY

I'd like two changes. First, there should be no cap on employer and salary sacrifice contributions. You should be able to contribute as much as you need to ensure your retirement lifestyle. The second isn't going to be so popular – there should be some limit to the amount that you can withdraw from super tax-free. From July, you can withdraw all your super at retirement and age 60 with no penalty. This might leave retirees open to exploitation of their savings.

MORTGAGE FIRST

LOUISE BITI

HEAD OF TECHNICAL SERVICES
ASTERON

$1 MILLION QUESTION

Getting money into super will be more difficult, so it is worth taking advantage of the fact that you can put in $1 million until June 30. But given that I have quite a few years left to retirement, I would first pay off my mortgage and then put the rest in super. This gives me flexibility now and also sets up a tax-effective savings plan for retirement. Then it's fingers crossed that the super tax rules don't change again before I retire.

PM FOR A DAY

Super looks pretty good, especially if you are close to retirement. However, preservation and its long-term nature means the tax incentives are often not enough to encourage younger people to save actively for their retirement. The government still needs to consider tax concessions for medium-term savings that allow some flexibility but create incentives to leave money for retirement where possible. There is also some scope to make the contribution rules simpler.

EARLY RETIREMENT

ANDREW LOWE

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$1 MILLION QUESTION

Super is a very attractive tax structure for accumulating retirement savings. With just 15 per cent tax on deductible contributions and tax-free earnings in a pension, there are few more attractive structures. That said, my financial objectives are broader and include debt elimination and early-retirement savings. While a substantial portion of a $1 million win would be contributed to super, part would also go to satisfying other objectives.

PM FOR A DAY

There are other enhancements to further improve the attractiveness of super. Allowing tax deductions for personal super contributions for people with more than 10 per cent of their income from employment would allow those people whose employers do not allow salary sacrifice to benefit from pre-tax contributions. Also, I would remove the 15 per cent tax on death benefits paid to non-dependants from the super accounts of the over-60s.