



8 April 2016

Ms Jenny Wilkinson  
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Retirement Income Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

By email: [superannuationobjective@treasury.gov.au](mailto:superannuationobjective@treasury.gov.au)

Dear Ms Wilkinson

### **Objective of Superannuation**

AMP appreciates the opportunity to provide a brief submission in response to the Government's discussion paper 'Objective of Superannuation'.

We agree that legislating an objective of the superannuation system will be useful as a guide to future policy changes to a system that has been the subject of a large number of legislative changes over the last 20 years. These changes have arguably created uncertainty and undermined confidence in the retirement savings system.

After much discussion and reflection, AMP has some concerns with the wording of the FSI recommendation for the primary objective of superannuation, ie: *To provide income in retirement to substitute or supplement the Age Pension.*

This could be interpreted as limiting the superannuation system to outcomes where Australians always rely partly on the age pension (supplement) or placing a maximum limit on superannuation savings to the full age pension (substitute).

AMP considers that the aspirational objective of superannuation should be to lift Australians out of the welfare safety net of the age pension. That is, we should aspire for as many Australians as possible to have dignified self-funded retirements. Of course this is an aspirational target so we must continue to ensure that there is an adequate safety net for individuals who cannot save enough to meet this objective (as we are all aware, most Australians will not have adequate retirement savings until the system fully matures).

We understand that 'dignified' or 'adequate' can be difficult to define and that there is much debate surrounding this at the moment. However, we agree that the superannuation system should not be used as a vehicle for undue wealth creation.

We therefore suggest the objective should reflect the need to provide an income to support a dignified retirement for all Australians, including encouraging the self-provision of retirement income, while maintaining a sound welfare system which provides a full or part pension to achieve an adequate retirement income.

AMP also has two particular concerns that should be considered when framing the objective of superannuation:

- The current superannuation system has a significant benefit in terms of minimum insurance attached to most superannuation offerings. Consumers receive significant discounts through group life insurance .
- Fees for financial advice may be deducted from superannuation balances. We consider that financial advice is a major advantage in planning for retirement and should continue to be allowed to be deducted from the current balance.

Our response to some of the subsidiary objectives recommended by the FSI:

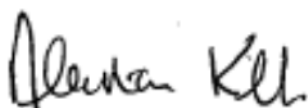
- Facilitate consumption smoothing over the course of an individual's life and help manage financial risks in retirement. We support the work that has been undertaken in the Retirement Incomes Streams Review that would assist on some of these issues.
- Alleviate fiscal pressures on Government – we agree, hence our support for an objective that encourages savings that assist more self-funded retirees to have adequate retirement incomes.

In response to some of the specific points raised in the discussion paper:

- Adequacy – as noted above we are all aware of the debate surrounding how to define adequacy.
  - We suggest that a target of replacement rates, such as those used by the OECD and industry bodies, is the preferred approach as people do have different levels of adequate retirement income needs depending on where they live, their lifestyles which they have accumulated over their working life and expectations.
  - We do not agree with any concept that 'a single level of income [should be] applicable to all.' This is unrealistic in an economy that encourages people to get ahead, be self-sufficient and aspire to increase their living standards.
- Increasing national saving – the discussion paper suggests that this objective, which was one that underpinned the establishment of the superannuation system, may not be as relevant today due to perceptions and the evolution of the economy.
  - AMP considers that superannuation continues to perform a vital function in the economy and it has not lessened over time.
  - The role that the superannuation assets played in Australia's response during the GFC is well documented and accepted.
- At this stage we do not have a preference for where the objective of superannuation should be located.

If you would like to discuss please do not hesitate to contact me on 0412 437 315 and we look forward to further engagement on the issue.

Yours sincerely



Alastair Kinloch  
Director Government Affairs