

## POINTS TO CONSIDER FOR DISCUSSION

A single primary objective cannot possibly encompass all aspects of the purpose and attributes of the superannuation system.

The subsidiary objectives recommended by the FSI raise a number of useful points for considering the legislated objective of the superannuation system. For example, the purpose of superannuation is not to allow for unlimited wealth accumulation and estate planning – a notion that is not explicit in the primary objective.

Issue	Points to consider
Retirement income or standard of living in retirement	While retirement income will provide resources to help a person meet their costs of living in retirement, standard of living is broader as it includes the use of both income and assets. Both also clarify that superannuation is meant to help fund a person's retirement, it is not for unlimited wealth accumulation or bequests.
Adequacy	While adequacy provides a sense of targeting superannuation and is consistent with fiscal sustainability, there is no consensus of what adequacy means. While the OECD defines it through the use of replacement rates, implying people have different levels of adequate retirement incomes according to their wages, others may conceive of a single level of income applicable to all.
Fiscal sustainability	The superannuation system should also be fiscally sustainable - through reducing reliance on the Age Pension and providing tax concessions that are targeted. While the objective of the system is to improve retirement incomes, balancing the need for fiscal sustainability may mean there is a limit to the support that can be given.
Increasing national saving	While this was an important motivation for establishment of the superannuation system, as perceptions and the economy have evolved the need for prominence in the objective may have reduced.

### Random Thoughts/Comments on the above:

#### Retirement Income or standard of living in retirement et al.

From a personal viewpoint I have maximised putting funds aside into superannuation for the following reasons:

- a) I am a person who **works to live** as distinct from one who **lives to work**. My emphasis has always been on having as much time as possible away from work with my family and pursuing my other non-work interests.
- b) To achieve this I foresaw the need to have an adequate asset base to generate an income level that would allow me to continue enjoying my leisure time “unabated”. That is not to say that I have become a complete hedonist. I have provided voluntary service for the past 7 years to a not-for-profit charitable organisation as its CFO and Board Member.
- c) This asset base must provide me not only an adequate income for the next year but also have safeguards built into it so that inflation does not depreciate its capability to service my ongoing needs.

- d) I note that, as I am now over 75 and no longer permitted to add to the asset base (my SMSF), I am asked to draw down more than I really need each year. This somewhat negates the buffer that exists in my fund to cater for ongoing inflation.
- e) I understand that the minimum amount of drawdown is based on statistical life expectancies. However, it seems to me that this weighting is too general. I intend to receive a telegram from the Queen/King in due course and hope that I can still afford to have a pair of spectacles with which to read it. Will I have any SMSF left at that time?
- f) My other main reason for opting to build a SMSF that will make me financially independent is that I see it as my responsibility as a citizen to minimise financial reliance on the Government. Pensions and other concessions are for those who truly need them for a wide variety of genuine and worthwhile reasons. They are not for those who have lived their lives for the moment without giving any regard to the future, who have extravagantly spent up to and beyond their means with the “comfort” of knowing that if things get tough then the Government will bail them out.

I was brought up by parents who lived their formative years through the “Great Depression” of the early 1930s and was given those frugal, thrifty and by today’s reckoning, conservative standards of financial management. My generation had WW2, Korea and Vietnam as its major international influences.

I believe that the current superannuation system works. People such as me do not place a burden on our fellow Australians. What should be changed are the financial management attitudes of those living their lives for the moment who will inevitably become burdens on the national economy, whereas they could be more conservative and become assets instead

I am also not sure what compulsory superannuation is going to achieve. The 9.5% additional labour cost certainly increases business costs and has a longer negative impact on our international competitiveness in the short and long term. Witness the dramatic decline of Australia’s manufacturing industry over the past decade. This has also resulted in more people being unemployed and greater pressure on the Government to provide associated benefits.

However, my experience is that those things given to you are not appreciated, so I am therefore concerned that on retirement or reaching the requisite age, most lump sums will be taken and squandered. The discontinuation of indexed pensions in most quarters of business (not all Government however) means that it is more likely for retirees to go for the lump sum rather than see the value of their pensions depreciate in fairly quick time (halving within a decade with inflation).

Government will be left to pick up the pieces.

In summary, it is not the superannuation industry that is the problem, rather it is the laissez faire and hedonistic mindset of too many of our younger citizens.

If it isn’t broke, don’t fix it, rather concentrate your efforts on changing mindsets and fixing the plethora of other dysfunctional matters in your bailiwick.

Stephen Crawford  
18 March, 2016