

3 February 2020

Mr Robb Preston  
Retirement Income Review Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
By email: [retirementincomereview@treasury.gov.au](mailto:retirementincomereview@treasury.gov.au)

Dear Mr Preston

### **Retirement Income Review: Consultation Paper**

TelstraSuper is a long-standing, award-winning superannuation fund for 86,000 members with over \$23 billion in assets. Our Fund is 30 years old this year and began with the privatisation of Telstra Corporation and the movement of Telstra Corporation staff at the time from Commonwealth super schemes to a new fund as a corporate superannuation arrangement. The Fund contains defined benefit, accumulation and pension styles of benefit.

Our Fund is also open to the staff of Foxtel and Sensis along with other Telstra Corporation group companies. As well, the Fund has many members who are former Telstra group employees and also their family members.

In its capacity as Trustee of TelstraSuper, Telstra Super Pty Ltd also owns and operates Telstra Super Financial Planning Pty Ltd (TSFP). TSFP holds an Australian Financial Service licence and is a registered tax (financial) adviser under the Tax Agents Services Act 2009 (Cth).

Through TSFP, TelstraSuper is one of a small number of profit-for-member funds that has long experience in providing limited and comprehensive personal advice to members. Since 2002, TSFP has helped many thousands of TelstraSuper members plan for a more comfortable financial future and reach their financial goals.

It is within this context that we provide this submission in response to the Consultation Paper for the Retirement Income Review. We believe we have experience to assist the Panel with its considerations, specifically the following questions raised in the Paper:

- Can individuals navigate the system simply or is financial or other advice needed to achieve good outcomes? (under the Panel's *Cohesion considerations*)
- What evidence is there that Australians are able to achieve their desired retirement income outcomes without seeking formal financial advice? (Consultation question 25)

### **Financial advice in the retirement income system**

We believe that financial advice *does* assist retirees in navigating the retirement income system, as suggested in the Consultation Paper (*How individuals engage with the system*, page 26). Because of this, we also believe that financial advice needs to be considered a fundamental component of the retirement income system.

TelstraSuper members who have received advice through TSFP are more satisfied than members who have not received advice through TSFP. And following an annual review meeting, 95% of survey respondents agree or strongly agree that "the meeting will help keep me on track to meet my financial objectives". We believe this is, in part, due to the value and the benefits they derive from receiving advice and interacting with TSFP.

The Consultation Paper raises the provision of financial advice in the retirement income system mostly within the context of *cohesion*. That is, that a complex system which is difficult to understand and navigate can erode trust in the system itself. This reflects our own research, that:

- for the uninitiated, financial planning is a daunting and distant concept
- complex legislative requirements and a history of opaque fee structures have made advice difficult to comprehend and evaluate
- for most members who have not received advice, the benefits are unclear.

The Paper also notes that the complexity of the system affects an individual's ability to understand and feel confident in their financial decisions. This accords with our own research, which indicates that less than 30% of TelstraSuper members are confident to discuss superannuation.

Quite rightly, in our view, the Paper states 'whether the system supports them [individuals] to engage without difficulty will affect its overall *adequacy* and *sustainability*' (our emphasis). We would also argue that access to financial advice also influences the fourth principle being used by the Panel to assess the performance of the system: *equity*. The three-pillared system—a blend of government pension, compulsory super and voluntary savings—lends itself to delivering varied outcomes for individuals, which result from a wide range of factors. These include areas such as work patterns, income, independent savings, as well as individuals' financial literacy and their ability and willingness to access information, help and advice when it is needed to make the best decision they can for their circumstance.

We should also take into consideration that individuals do not only seek advice in relation to voluntary savings (Pillar 3) or at the exclusion of their government funded age pension entitlements (Pillar 1) or compulsory superannuation (Pillar 2). In its 2019 research report *Financial advice: What consumers really think*, ASIC presented "the most common topics that survey participants had either received or were interested in receiving advice on." Retirement income planning is one of the most common topics, particularly for those who had recently received advice. Such planning cannot be done without taking into consideration all three retirement income pillars, as well as their interaction with taxation and other related policies and systems noted by the Panel.

Of the more than 4500 TelstraSuper members who receive personal advice from TSFP each year, over 40% receive comprehensive advice and about 75% of these through an ongoing, annual review service. These members receiving comprehensive advice are predominantly in or nearing retirement and, while superannuation is at the core of the advice they seek, other savings, taxation and interaction with government entitlements are common topics of advice.

It is for these reasons that we believe that financial advice needs to be considered a fundamental component of the retirement income system, across all three pillars (*government funded age pension, compulsory superannuation and voluntary saving*) and all four assessment principles (*adequacy, equity, sustainability and cohesion*).

We encourage the Panel to consider the role of financial advice both within the context of the retirement incomes systems and also how that system interacts with other policy areas noted on page 6 and Figure 3 of the Consultation Paper: aged care, health and taxation.

### **The role of superannuation funds in providing financial advice**

We agree with the Panel that superannuation funds are an important source of information and advice. Policy makers and regulators have also recognised this by constructing a licencing regime that provides flexibility for funds to deliver general and personal (limited and comprehensive) advice.

As well, the ability of funds to deliver intra-fund advice—scaled limited personal advice on specific topics, with costs charged either directly to a member or recovered from administration fees—has made advice more accessible to members.

Our experience through TSFP is that about 30% of TelstraSuper members have some interactions with TSFP each year, be it general or personal intra-fund or comprehensive advice, and nearly 4% of TelstraSuper members will have a personal intra-fund advice interaction this year.

We believe that TSFP's experience compared to other funds is influenced by TelstraSuper's members being, on average and compared to a median fund, older, with a higher account balance and a more complex benefit structure. As the average balance of other funds' members increases, our experience suggests more of those members will want to access advice.

We understand that the number of members accessing intra-fund advice has been increasing from a very low base in 2016. This is likely to be a continued focus of funds in what is considered to be a rapidly changing advice landscape. In its 2019 Benchmark Report, <sup>1</sup> SuperRatings stated:

*From our reviews of providers, the internal advice offerings of funds generally deliver competitive value and strong member alignment. However, we expect to see providers reviewing and refining their approach to ensure it is fit for purpose, in a dramatically altered landscape. Given the cost of comprehensive advice offerings, coupled with the challenges of scalability and need to avoid cross-subsidisation, we may see more funds focusing on product solutions, general advice and intra-fund/scaled advice, but looking for alternative mechanisms to address the comprehensive advice challenge.*

In a complex system not easily navigated by individuals, where there is significant distrust of the financial advice industry<sup>2</sup> and cost is the number one barrier to receiving advice,<sup>3</sup> we believe profit-for-member super funds are well placed to deliver more low-cost advice interactions to members.

And from our own research, we know this is what our members want: 38% of TelstraSuper members surveyed nominated areas of financial advice as the best way TelstraSuper can help them.

We would ask the Panel to consider whether there is scope to further expand (or remove uncertainty around) the topics on which super funds can deliver intra-fund advice, so that even more members can receive intra-fund advice on specific issues that cut across all three retirement incomes pillars. In particular, the interaction between Pillars 1 and 2, and the application of social security rules and regulations to retiring and retired members are currently excluded from the scope of intra-fund advice.

We also note that, in a 2019 survey<sup>4</sup> of superannuation funds that provide advice, ASIC found that the most popular topics for accessing advice were member investment choice, contributions and retirement planning. Retirement planning is one those topics that TSPL cannot provide on an intra-fund basis. In particular, the interaction of income and assets tests for pension entitlement and superannuation balances could be effectively advised on for the benefit of members through an intra-fund approach to advice.

\* \* \*

We thank the Panel for taking financial advice into consideration as part of its review of the retirement income system and for the opportunity to share our insights and experiences as part of the consultation process. We would be pleased to provide more background or respond to any questions arising at any time.

Regards,

Chris Davies



CEO

TelstraSuper

---

<sup>1</sup> SuperRatings 2019, *Benchmark Report 2019*, August

<sup>2</sup> ASIC 2019, *Financial advice: What consumers really think (report 627)*, "49% of online survey participants agreed that financial advisers were more interested in making themselves rich than in helping their customers"

<sup>3</sup> ASIC 2019, *Financial advice: What consumers really think (report 627)*, "The most commonly selected reasons for not getting financial advice were: Financial advice is too expensive (35%)"

<sup>4</sup> ASIC 2019, *Financial advice by superannuation funds (report 639)*, December