

January 2021

Pre-Budget 2021 Submission to the Treasury on the 2020-2021 Budget

About Us

Super Consumers Australia (Super Consumers), formerly known as the Superannuation Consumers' Centre, is an independent, not-for-profit consumer organisation formed in 2013. Super Consumers was first funded in 2018. We work to advance and protect the interests of low and middle income people in the Australian superannuation system.

During its start up phase Super Consumers has partnered with CHOICE to deliver support services. CHOICE is the leading consumer advocate in Australia.

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The Superannuation Consumers' Centre is a not-for-profit company limited by guarantee. ABN 34 163 636 566 ACN 163 636 566

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Funding an independent consumer advocate

Superannuation belongs to consumers. It is their money. But, the interests of lobby groups have traditionally been much louder than that of consumers in debates about superannuation. An adequately funded Superannuation Consumers Advocate is needed to support governments to hear the authentic voice of consumers in critical debates.

Over the past two years Super Consumers Australia has worked hard to keep the superannuation industry fair and transparent. We have publically pressured super funds to drop discriminatory terms from default insurance policies,¹ and contributed original research to the Retirement Income Review.² We are developing [new retirement savings targets](#) that will help people plan for retirement.³ We have also been running an ongoing project to monitor how super funds communicate with their members.⁴

With our funding due to run out in December 2021, we are urgently seeking ongoing funding so that we can continue our work, and preserve the skills and expertise the organisation has developed over the past 2 years. Our [previous pre-budget submission](#) provides further explanation of our role, proof of concept and ongoing costs.

We understand the Federal Government intends to run a tender process to determine which entity should take on the role of the Superannuation Consumer Advocate. To ensure continuity of service we recommend the proposed funding process should be strengthened in the following ways:

Recommendation 1

That the Federal Government:

- Make provisioning for long term funding of the Superannuation Consumer Advocate in the upcoming Budget,

¹ Super Consumers Australia [media release](#), Friday January 2021 “Junk Insurance Returns in 2021”

² Super Consumers Australia [submission](#) to the Retirement Income Review, January 2020

³ Super Consumers Australia [media release](#), 10 December 2020

⁴ Super Consumers Communications Analysis Project [home page](#) 2020

- Provide interim funding to Super Consumers Australia for at least one financial year (2021-22) at current funding levels to ensure the continuity of the existing consumer advocate until the tender process is finalised,
- Set a hard deadline for the end of the tender process. Currently the tender process is “planned to end in the third quarter of 2021”.⁵ It is not clear when a decision will be made and funding made available. We recommend that it be no later than July 16th, 2021.

Without this certainty Super Consumers Australia will have difficulty in maintaining staffing and expertise, and will struggle to be an effective advocate beyond 2021.

Assisting ‘Your Future, Your Super’ to work as intended

The YourSuper comparator tool will drive better market competition and complement the existing consumer protection regime by giving people comparable, independent information. The ability of consumers to effectively compare products and services has a direct bearing on whether they can act on this information and actually switch providers.

The ATO has been funded to build this tool and deliver it in a short timeframe, by mid-2021. We understand that the ATO is conducting consumer testing to develop this first iteration of the tool. This is a good start, but this resource will need ongoing development, user testing and promotion, which will need to be adequately funded.

There will be a strong incentive, particularly from underperforming funds, to point to alternative measures of performance, such as those provided by ratings agencies. These super funds are likely to spend heavily on promoting these comparison tools ahead of the one developed by the ATO. Left unchecked this will undermine the intent of the Federal Government’s Your Future, Your Super legislation. There are three ways we recommend this issue be addressed.

Recommendation 2

That the Federal Government:

⁵ Treasury, 2020, [‘Consumer Advocacy Body for Superannuation – expression of interest’](#)

1. Invest in ongoing development of the YourSuper comparator tool, including user testing,
2. Invest in promotion of the YourSuper comparison tool so that people can easily find and use it,
3. Require funds to prominently link to the YourSuper comparison tool as part of any member communications mentioning the fees and performance of their fund.

Funds should be provided to the ATO in the upcoming Budget to allow for ongoing development and tool promotion.

Inquiry into insurance in super

Over the last 12 months Australians' health and financial security has been put at risk by the global pandemic. People look to insure against these types of risks by purchasing life insurance, so it is important that they can rely on this type of insurance when it is needed. Unfortunately the life insurance in super industry failed the test, with many consumers finding they were without cover due to fine print exclusions.

Super Consumers Australia analysis of 32 policies from the major superannuation funds found 30 had exclusions which would have seen people in the following categories paying for insurance they would find it extremely difficult to claim on:⁶

- Unemployed,
- Working casual or part time (typically less than 15 hours per week),
- People who are older (typically over 65).

Independently we have been calling on super funds to remove these restrictive terms. Thus far five funds have either removed, or committed to remove these terms. However most have left them in place. This is symptomatic of broader problems identified in the insurance in super market. Similar discoveries led the Productivity Commission to recommend an independent review of insurance in super in 2018. It is now time to act on this recommendation and launch a review into whether insurance in superannuation is the most efficient and equitable way to provide for people suffering financial harm due to illness, injury or death.

⁶ Super Consumers Australia, 2020, '[Restrictive definitions in default TPD insurance policies](#)'

Recommendation 3

That the upcoming Budget provide resources to establish an independent public inquiry into insurance in superannuation.

Helping people efficiently draw down on their retirement savings

One of the major findings of the Retirement Income Review was that the majority of Australians could reach an adequate standard of living in retirement, so long as they efficiently drew down on their retirement savings. It also identified that due to a range of reasons, such as a lack of engagement and poor access to affordable quality advice, many Australians were not making the most of their savings and risked lower living standards in retirement.

The 'Your Future, Your Super' reforms provide an important template for how the retirement phase planning and product offering could be improved. For example, the proposed superannuation comparison tool could be extended to compare retirement income products for those in or nearing the retirement phase. Lack of take-up and understanding of these products has been a constant barrier for consumers, despite the assistance these products can provide in the efficient drawdown of retirement savings.

Similarly, consumers would have greater trust in these products if they were subject to the same performance benchmarking scrutiny that the accumulation phase will be subject to.

Recommendation 4

That the Budget provide funding to the ATO to extend the YourSuper portal to compare retirement phase products.

Improving trust in financial advice

Consumers continue to distrust financial advice due to ongoing conflicts. ASIC's 2019 study of consumer attitudes found almost half of all participants (49%) agreed that financial advisers

were more interested in making themselves rich than in helping their customers, and more than one-third (37%) agreed that financial advisers did not generally have the customer's best interests at heart.⁷ As discussed above a greater role for the government in assisting consumers with product comparisons would help overcome this problem. In addition there are further steps that could be taken to help the financial advice market to move away from a reliance on conflicts and improve its trust in the community.

Commissioner Hayne recommended a broader review should be completed by mid-2022 into the quality of financial advice. We endorse this recommendation and maintain that the review should focus on removing persistent inherent conflicts in financial advice business models and regulatory steps to encourage new, conflict free, affordable business models.

Recommendation 5

That the Budget provides funds to allow the Federal Government to commission an independent review, to take place in 2021/22, of measures to improve the quality of financial advice, as recommended by the Financial Services Royal Commission.

Adequately fund ASIC and Treasury's expanded roles

The government recently announced that FASEA will be wound up and its functions transferred to ASIC and the Treasury. We understand that there will be no changes to the existing professional requirements for advisers, or the timeframes for compliance. This is reassuring. However, it is essential that ASIC's Financial Services and Credit Panel, which will take on key tasks previously executed by FASEA (including administering industry exams) is appropriately resourced to fulfil its expanded role.

We expect to see equivalent funding made available to ASIC and Treasury so that these bodies can undertake these new functions. Maintaining equivalent funding will increase consumer trust that professional standards in the financial advice sector are being upheld.

⁷ ASIC, REP 627 Financial advice: What consumers really think, August 2019, pp7-8

Recommendation 6

That the Federal Government provides additional funding to ASIC and Treasury so that these bodies can adequately fulfil their expanded roles following the transfer of functions from FASEA.

Summary of recommendations

Recommendation 1

That the Federal Government:

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- Provide interim funding to Super Consumers Australia for at least one financial year (2021-22) at current funding levels to ensure the continuity of the existing consumer advocate until the tender process is finalised,
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Recommendation 2

That the Federal Government:

4. Invest in ongoing development of the YourSuper comparator tool, including user testing,
5. Invest in promotion of the YourSuper comparison tool so that people can easily find and use it,
6. Require funds to prominently link to the YourSuper comparison tool as part of any member communications mentioning the fees and performance of their fund.

⁸ Treasury, 2020, [‘Consumer Advocacy Body for Superannuation – expression of interest’](#)

Recommendation 3

That the upcoming Budget provide resources to establish an independent public inquiry into insurance in superannuation.

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Recommendation 5

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