Attention: Superannuation Objective Consultation Team

Consultation questions

1. What do you see as the practical benefits or risks associated with legislating an objective of Australia's superannuation system?

Benefits:

If the legislative objective supports an individual's understanding of 'what they signed up to' in regard to superannuation at the beginning of their working life, then this would safe-guard individuals from core changes to their superannuation plans that undermine how an individual has planned, saved and sacrificed over the course of (potentially) a 40-year working life.

Risks:

If the legislative objective is altered from an individual's understanding of 'what they signed up to' at the beginning of their working life, it undermines all the planning, saving and sacrificing an individual has made to prepare for their retirement (over their entire working life). Changes will be able to be made that impact negatively on an individual's lifestyle in retirement - ie, a life-style that was built by an individual – not given to them by a government (or via any another means).

2. Does the proposed objective meet your understanding of the objective of the superannuation system in Australia?

No. I began my full-time working life in 1992/93. I was in the first generation of people that entered into paid employer superannuation (& the first generation of people to have to pay a HECS debt). As such, I was in the first generation of taxpayers that would have to fund their own education and their own retirement.

My understanding was as per the 2014 Financial System Enquiry *to provide income in retirement to substitute or supplement the Age Pension.*

- facilitate consumption smoothing over the course of an individual's life;
- help people manage financial risks in retirement;
- be fully funded from savings;
- be invested in the best interests of superannuation fund members;
- alleviate fiscal pressures on Government from the retirement income system; and
- be simple and efficient, and provide safeguards.

As a result, I made a decision (in 1994) that I was not going to rely on the pension, rather I would support myself in retirement (which, in any case, should have been more than sustainable under a well-managed government). Truthfully, I did not believe the Age Pension would even exist when it came my turn to retire. Essentially, I was going to pay for my own retirement, and I strongly disagree with the proposed objective of superannuation for the following reasons:

- it is simply not fair to change the rules/definitions/objectives after people have already started making plans for their retirement
- the words 'dignified, equitable & sustainable' are ambiguous and have no place in legislation. These terms are offensive to someone who has planned for their own retirement (under the old definition)

Case Study: Person 1 & 2 have the same job, same pay and work in that job for the same number of years. Person 1 has saved, sacrificed, budgeted, bought their own house & contributed any little excess income into their superannuation fund. Person 2 has spent everything earnt, every week throughout their working life, unconcerned about their lifestyle in retirement. Is it 'equitable' that these 2 people be considered to be in similar situations and therefore have similar outcomes in retirement? I do not believe this to be fair or equitable in any way.

Looking at Person 1 & 2 in more detail. Person 1 is self-supporting in retirement. Person 2 is supplemented by government support. Person 1 is contributing to the 'sustainability' of the system, simply by virtue of supporting themselves in retirement. Person 2 is supplemented by government support, thereby not effectively contributing to the sustainability of the system. While I agree the system has to be sustainable, if it unfairly targets taxpayers who are already contributing to the system it will have a detrimental impact in the longer term. Future and current generations of taxpayers will begin making different decisions (as there will be no more incentives for savers, planners and budgeters) to result in future generations being supported by government pensions as in Person 2 in the case study above. As such, I believe the sustainability of the system be targeted elsewhere (see below for question 3 response).

3. Is the proposed approach to enshrining the objective in legislation appropriate? Are there any alternative ways the objective could be enshrined?

No.

As the proposal stands, it is not appropriate, as it has the potential to 'change the goal posts' on hard working Australians with no notice given. Put simply, it is not fair. Regardless of whether a person has $100 000 or $100 000 000 in superannuation, it is their money that only belongs to them.

The only way this legislation can be enshrined fairly is to implement it start at the start of a taxpayer's working life. It is highly unethical to implement this type of legislation for taxpayers that are in the middle-end of their working life.

In 2014, the objective was clear and correct. Unfortunately, the government did not plan, save and budget as I (& many other Australians) did. To that end, many of our retirees are now sustainable in retirement, but the government is not. This is not our fault, and nor should self-funded retirees have to fund this problem.

Note: It is not the Superannuation System that is unsustainable. It is the government's spending that is unsustainable. This should be an important consideration in the consultation process for this legislation.

Alternative Solution:

1) Government saves more & spends less (utilise pension savings provided by self-funded retirees to pay down debts); and

2) Staggered implementation of legislation so no changes are made for current retirees or taxpayers approaching retirement age in the next 15yrs

3) Introduce some other form of incentives for taxpayers that are +15yrs from retirement

4. What are the practical costs and benefits of any alternative accountability mechanisms to the one proposed?

Costs and benefits to implementing the 'above alternative solution', as follows:

Costs:

- Time. It will take extended time for the government to become sustainable
- Taxpayers effected by the change (+15yrs from retirement) may change the way they plan and save, which could potentially have more people on government-funded pensions (introduction of other incentives may mitigate this risk)

Benefits:

- Taxpayer trust
- Taxpayers will continue to plan for their retirement, albeit perhaps a little differently