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Director

RE: Treasury Consultation – Objective of superannuation

BT Financial Group (BTFG) welcomes the opportunity to provide feedback on the objective of superannuation discussion paper, which proposes to introduce a defined objective of superannuation into legislation. It is intended that this objective will serve as a guide to policy makers, regulators, industry, and the community regarding superannuation's fundamental purpose.

BTFG supports enshrining the objective of superannuation into the legislation. A clear objective will ensure superannuation policy settings are stabilised and subject to fewer changes, irrespective of the Government of the day. Greater stability will improve the long-term confidence in the superannuation system for all Australians.

BTFG broadly support the proposed objective in the discussion paper which is to *"preserve savings to deliver income for dignified retirement, alongside government support, in an equitable and sustainable way."* While we believe it is an important step in ensuring future stability in the system, there are opportunities to consider improvements with this proposed accountability mechanism.

The regular assessment of the superannuation system should sit in the Intergenerational Report

First and foremost, the Intergenerational Report (IGR) should be the place where the long-term costs and benefits of superannuation are published, rather than in the annual Tax Expenditures and Insights Statement (TEIS). Focusing on an annual "cost" of tax concessions creates a distracting debate and perpetuates a flawed conversation about tax concessions. It's much more suited to the long-term horizon of the IGR, that has the capacity to look at not only the costs but also the deferred benefits.

Unlike the annual TEIS, the IGR is published every five years and has a much longer time horizon of forty years compared to four. It also contains the important demographic, actuarial and financial information that would help policymakers set superannuation policy against long-term adequacy and longevity benchmarks.

Critically the IGR also has the capacity to evaluate the long-term benefits to the Australian economy of having an ongoing stream of well-funded retirees who can maintain their lifestyles into retirement



and in doing so make an important ongoing economic contribution to the Australian economy of the future.

BTFG Recommendation

The regular assessment of the superannuation system (against the new objective) should be conducted as part of the Intergenerational Report and should no longer form part of the annual Tax Expenditures and Insights Statement.

A dignified retirement needs to be linked to pre-retirement income.

While the consultation paper recognises that “dignified” is a qualitative measure that doesn’t necessarily equate to the same level of income in retirement for all Australians, BTFG believe the measure of delivering income that will support a dignified retirement for Australian retirees is one that is linked to their pre-retirement salary. The report of the Senate Select Committee on Superannuation into Superannuation and standards of living in retirement (December 2002) recommended 60-65% of pre-retirement income as an appropriate target. Further, the Retirement Income Review (2020), suggested a replacement rate benchmark of 65-75% of working-life income allows most retirees to maintain their standards of living in retirement, and would was used a measure of adequacy of retirement incomes.

We believe that 65-75% of pre-retirement income is an appropriate objective benchmark as it provides a link between pre and post-retirement income, recognising that the Superannuation Guarantee is based on an individual’s employment income.

After taking into consideration that some households rely predominantly on one salary to fund their pre and post-retirement income, this benchmark should be used by Government when assessing the superannuation system against the “dignified” component of the objective.

BTFG Recommendation

The Intergenerational Report should be required to use an objective measure of pre-retirement income replacement when making assessments of whether the superannuation system is delivering a dignified retirement for Australians.

Achieving the objective of superannuation is dependent on a vibrant Advice industry.

The Quality of Advice Review (QAR) noted the following regarding financial advice and superannuation that is important in the context of superannuation and achieving a dignified retirement¹:

¹ Quality of Financial Advice – executive summary page 1



- the existing regulatory framework for financial advice is complex, difficult to understand and difficult to comply with and is an impediment to consumers being able to access high quality, affordable financial advice.
- many consumers need incidental, simple and limited advice, sometimes frequently. It is in the interests of consumers to be able to get financial advice as and when they need it. This will often be when they are dealing with their bank, superannuation fund or insurer, and these will often be the first places they turn to when they need financial advice.
- Superannuation plays an important role in most people's lives. It is a financial product that might be held for many decades and the relationship between a member and their superannuation fund might be one of the longest relationships of their lives. Superannuation is complex and people will have better retirement incomes if they make good decisions in their own interests throughout their working lives and then into retirement.

As such, facilitating access to affordable, high quality financial advice is an important step that will allow individuals to actively plan for their retirement outcomes, where for most people, superannuation will be the largest contributing factor.

BTFG Recommendation

The Quality of Advice Review recommendations should be implemented in their entirety to ensure Australians have access to the support they need to realise a dignified retirement.

We would be pleased to meet with you to discuss any element of our submission.

Yours sincerely



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