



30<sup>th</sup> March 2023

The Director

Superannuation Insurance and Governance Unit

Member Outcomes and Governance Branch

Retirement, Advice and Investment Division

The Treasury

Langton Crescent

PARKES ACT 2600

We are pleased to provide our submission to Treasury on the topic “Legislating the Objective of Superannuation”.

We trust this submission is of use in your considerations, and we would be pleased to expand on our submission if required.

Kind regards

Richard Press

Manager, Professional Services

Fiducian Financial Services Ltd



## Legislating the objective of superannuation - Consultation paper

### Fiducian Financial Services

20 February 2023

#### Proposed objective

This consultation paper is seeking feedback on the following proposed objective:

The objective of superannuation is to **preserve savings** to **deliver income** for a **dignified** retirement, alongside **government support**, in an **equitable and sustainable** way.



#### **Preserve savings**

restricts access to superannuation savings for a person's retirement only.



#### **Government support**

intends to encapsulate and highlight the superannuation system's interaction with the Age Pension pillar, as well as other government support.



#### **Deliver income**

emphasises the principle of superannuation – to provide income in retirement.



#### **Equitable and sustainable**

signifies that the system should provide similar outcomes for people in similar circumstances and government support should be targeted to those in need. Superannuation also needs to fit within the broader fiscal strategy.



#### **Dignified**

denotes the importance of financial security and wellbeing in retirement.



## Consultation questions

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

We agree that legislating an objective for superannuation is a good idea.

This will allow all participants to understand the overall goal of the system, and allow for future standards to be set for how the system will operate.

We feel this will make it more difficult to use Superannuation for ad hoc purposes in the future, and restrict legislators from potentially seeing superannuation as a "silver bullet" for issues not related to its agreed purpose.

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

*The objective of superannuation is to preserve savings to deliver income for a dignified retirement alongside government support, in an equitable and sustainable way.*

While we broadly agree with this purpose we see some issues might arise here.

The objective should also recognise that superannuation supports the effect accumulation of assets (and not just the preservation of savings) and that for many Australians the use of a lump sum at retirement is as important, if not more so, than the provision of income, in having a dignified retirement. This is especially true for many superannuants with either low balances at retirement, or those that retire with personal debt such as mortgages that need management at retirement.

As such we believe the objective needs to be expanded to allow for the taking of lump sum amounts to meet capital requirements at retirement to be an acceptable use of superannuation funds at retirement, or the specific mention of "deliver income" needs to be revised.

Our experience as both a provider of superannuation product and retirement advice to clients, is that the overwhelming number of retirees use their super funds in a responsible manner at retirement to improve their retirement, through either the reduction of personal debt, the provision of a retirement income (overwhelmingly through Account Based Pensions), or usually a combination of both.

Finally on this question, we note that the government has moved to limit the amount of superannuation that will receive the full taxation benefits available in this space. We note that the announced target for this has been set to a cap 3 million dollars. Whilst we feel this could be considered reasonable in the current environment, we believe that any legislation to apply a cap should also include agreed increases in line with the Consumer Price Index to ensure this cap remains appropriate going forward.

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

We feel this is an appropriate mechanism for establishing the purpose of Superannuation.

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

n/a