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Director
Superannuation Insurance and Governance Unit
Member Outcomes and Governance Branch
Retirement Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Director,

Consultation on legislating the objective of superannuation

The Housing Industry Association (HIA) welcomes the opportunity to respond to the consultation on legislating the objective for superannuation.

About the Housing Industry Association

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. HIA members are involved in land development, detached home building, home renovations, low & medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diverse mix of companies including residential volume builders, small to medium builders and renovators, residential developers, trade contractors, building product manufacturers and suppliers and allied building professionals that support the industry.

HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

Contributing over \$100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry.

Superannuation and home ownership work hand in hand in retirement

Many Australians aspire to accumulate enough savings throughout their working careers to maintain their lifestyle in retirement. People accumulate savings within the superannuation system and savings outside of this system. For many households, purchasing a home in which to live is the primary form of saving. The Retirement Income Review (2020) noted that:

“The home is the most important component of voluntary savings and is an important factor influencing retirement outcomes and how people feel about retirement. Home owners have lower housing costs and an asset that can be drawn on in retirement.”

And also that:

“About one-quarter of retirees who rent privately are in financial stress, primarily because of high housing costs.”

Saving within superannuation and owning your own home are both important factors influencing the living standards that people enjoy in retirement. While an objective of superannuation is to provide a source of income in retirement, the purpose of an income stream in retirement is to enable people to maintain their standard of living. Owning your own home in retirement makes a positive contribution to living standards in retirement. Considering imputed rent, owner-occupied housing is an important source of income.

Policies that aim to improve living standards in retirement should operate in a coordinated manner. Policies such as the First Home Super Saver demonstrate that the superannuation system can support home ownership.

Superannuation as a driver of national savings

The superannuation system is intended to incentivise household saving and there are several reasons why policy settings support this. Firstly, household savings is an important component of national savings and the level of national saving has important implications for the economy. National saving provides a source of funds available for domestic investment, which in turn is a key driver of labour productivity and higher future living standards. Secondly, it creates a framework that compels individuals to save for their own retirement and encourages smoothing of consumption over a lifetime to reduce the risk that people experience a drop in living standards in retirement. Thirdly, encouraging the accumulation of private savings should reduce demand for the aged pension and thereby slow growth in welfare expenditure.

The consultation paper notes that both the Financial System Inquiry (2014), and the Retirement Income Review (2020) noted that it may be beneficial to have a defined objective for superannuation which focused on the provision of retirement incomes. In considering these recommendations it is important to note that these two reviews were undertaken within defined terms of reference. The Financial System Inquiry considered the superannuation system in context of the large role that the financial services industry plays within the superannuation system, while the Retirement Income Review considered the superannuation system in context of its role of providing income in retirement. Neither of these reviews considered the superannuation system's macroeconomic role in contributing to national savings.

The proposed objective omits recognition of the important role that the superannuation system has in contributing to national saving. National saving has an important factor that influences the extent to which the economy serves the community and lifts living standards. Legislation that enshrines an objective for superannuation should acknowledge the role of superannuation savings in Australia's economy.

Is legislation necessary?

As noted in the consultation paper, the pool of superannuation assets now exceeds \$3.3 trillion, a value equivalent to 139.6 percent of Australia's annual gross domestic product, and is one of the largest pools of retirement savings in the world. These facts suggest that the system has been operating successfully for over 30 years, all the while without a legislated objective for the system.

The assertion that a legislated objective for superannuation will improve living standards for retirees does not appear to be strong. Aside from the points raised above, the elements of the proposed objective are generally sound and likely consistent with views on most of the Australian community. However, a simplified objective such as the one proposed would leave many issues open to interpretation with extensive scope for debate. Such

debate would already occur in the absence of a legislated objective. This leads us to question why legislation is required to anchor such debate.

Governments are already held to account with respect to their policy decisions in each electoral cycle. Given the salience of superannuation savings in the minds of voters, mismanagement of superannuation policy is likely to be judged harshly by the electorate.

If you would like to discuss these comments further, please contact Geordan Murray by [email](#) or on 02 6245 1379.

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED

A handwritten signature in black ink, appearing to read 'Jocelyn Martin', with a stylized flourish at the end.

Jocelyn Martin
Deputy Managing Director – Industry and Policy