



29 March 2023

Director  
Superannuation Insurance and Governance Unit  
The Treasury  
Langton Circuit  
PARKES ACT 2600

Email: [superannuationobjective@treasury.gov.au](mailto:superannuationobjective@treasury.gov.au)

Dear Director,

**RE: Legislating the objective of superannuation**

The St Vincent de Paul Society National Council of Australia ('the Society') welcomes the opportunity to respond to The Treasury's consultation paper on legislating the objective of superannuation.

The Society offers the following feedback from the perspective of a 45,000-strong membership, with a long-standing history of providing assistance and support to the Australian community. The comments reflect this social policy perspective, with a focus on wealth equality.

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

The Society has advocated for a fairer tax and welfare system since 2001. At the same time, we fully support the need for a strong superannuation system and recognise the pool as an important source of capital in our economy.

In some respects, superannuation could be considered a public-policy success story, with over \$3.3 trillion in the pool of pension assets, making it the fourth largest in the OECD.

However, we find ourselves today having strayed from the policy's original intent. Legislating an objective provides clarity and certainty for members, policy makers and fund managers and minimises the risk of straying too far from policy intent.

Further, if the purpose of encouraging self-funded retirement was to shield the Budget from paying the Age Pension and protect the taxpayer, then it has failed. Tax breaks for superannuation will cost the Federal Budget \$52.5 billion in 2022-23, almost equal to the \$55.3 billion spent on the Age Pension. Even ten years ago, subsidies for superannuation were similar in cost to the total Commonwealth payments to the states to provide health, education and other essential services.<sup>i</sup>

The Society is also concerned about growing wealth inequality in Australia. The Productivity Commission has found that the share of income going to the top one per cent of households has risen over recent decades. People in the bottom two deciles of income distribution are more likely to be stuck there, with less life course mobility than those in the middle deciles of income distribution. In short, wealth distribution has increased and has been greatest for the top income decile and this is largely attributed to housing and superannuation.<sup>ii</sup>

Superannuation taxation concessions were implemented to encourage investment that would eventually provide income in retirement to substitute or supplement the Age Pension. Instead, those who can afford it have capitalised on these generous concessions to minimise taxation and generate wealth.

At the same time, others have been left behind, particularly women, people with disability who might not be able to fully engage in the workforce over the life course and, more recently, young people.

The gender pay gap throughout working lives is followed through to retirement, as demonstrated by the large gap between superannuation savings of Australian men and women. The Human Rights Commission has found that women continue to earn less than men, are more likely to be engaged in

part-time or casual work and more likely to move in and out of paid work to care for family members. In Australia, women working full-time today earn 16 per cent less than men. Currently, the average superannuation payout for women is a third of the payout for men - \$37,000 compared with \$110,000. We believe that reform is needed to reduce the gender gap in retirement savings.

The objectives of superannuation are also watered down when it is used to address other policy failings.

This was demonstrated by the largely unfettered early access to superannuation savings during COVID. The industry considers this was “a mistake that should never be repeated.” It estimates that up to 1 million people wiped out their superannuation savings, with every dollar taken out adding up to \$2.50 to the aged pension. <sup>iii</sup> There’s little doubt that young people will be adversely affected by this policy decision. A 30-year-old who took out \$20,000 is estimated to be \$80,000 worse off at retirement.

The previous Government’s election mandate included a policy proposal for first-home buyers to tap up to 40 per cent of their superannuation (capped at \$50,000) to help buy a home.

We do not want to see a repeat of these mistakes. The superannuation pool needs to be protected.

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

The Society supports the objective of superannuation being defined in law. A common understanding sets the framework for policy development, improves transparency and accountability and provides assurances to the industry, members and regulators. It would help ensure the pool is used to support a higher standard of living than would otherwise be possible on the Age Pension alone. It also helps meet the fiscal and economic challenges of an ageing population, without overburdening the pension system. Finally, it would put an end to Government policies that result in funds being used for other purposes.

## **3. Does the proposed objective meet your understanding 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)**

Yes.

The Society supports the proposed objective as all the important concepts have been covered. These include the principle of reservation and funds not being used for other purposes.

We agree that the purpose must explicitly focus on ‘delivering income for retirement’, not wealth generation or tax minimisation.

We agree with use of the word ‘dignified’ although we note that the Government was committed to adopting a wellbeing approach to social policy. If this is progressed, wellbeing could be incorporated ‘to deliver income for wellbeing in retirement....’

We agree that ‘other government support’ should be referenced as these are important elements of life in retirement.

‘Equitable and sustainable way’ are essential to addressing wealth inequality while taking a fiscally responsible approach to the Budget and taxpayers.

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

Yes. Section 15AA of the *Acts Interpretation Act 1901*,<sup>iv</sup> defines how Commonwealth legislation should be interpreted. It states:

*‘In interpreting a provision of an Act, the interpretation that would best achieve the purpose or object of the Act (whether or not that purpose or object is expressly stated in the Act) is to be preferred to each other interpretation.’*

Defining an object for superannuation would greatly assist the application of all relevant laws, as well as provide guidance for all stakeholders.

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

The Society considers that enshrining an objective for superannuation in legislation is the most appropriate means of defining its purpose. Use of delegated legislation or other instruments would not be as robust and could potentially be eroded over time.

Yours sincerely



Mr Toby oConnor  
**Chief Executive Officer**

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<sup>i</sup> Dennis. R., Richardson, D. 3 February 2023. *Self-funded or State-funded Retirees? The cost of super tax concessions*. The Australia Institute. Accessed at: <https://australiainstitute.org.au/report/self-funded-or-state-funded-retirees/>

<sup>ii</sup> Productivity Commission. May 2019: *Is Australia becoming more unequal?* Accessed at: <https://www.pc.gov.au/media-speeches/articles/pc-news/pc-news-may-2019/unequal#:~:text=Is%20Australia%20becoming%20more%20unequal%3F%20In%20a%20research,disadvantage%20can%20erode%20social%20cohesion%20and%20hinder%20growth.>

<sup>iii</sup> Industry Super Funds. 16 March 2023. *Study shows early release of super causes economic Long COVID*. Accessed at: <https://www.industrysuper.com/media/study-shows-early-release-of-super-causes-economic-long-covid/>

<sup>iv</sup> Acts Interpretation Act 1901. Accessed at <https://www.legislation.gov.au/Details/C2019C00028>