

31 March 2023

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

Response in relation to ‘Legislating the objective of superannuation’

Dear Sir or Madam,

I welcome the opportunity to provide a response to the consultation paper on Legislating the objective of superannuation.

I am making this submission as an individual and not on behalf of any other group, party or entity. My response comes from 25 years of experience in the superannuation industry and have no conflicts of interest through my employment or otherwise in making this submission as I am no longer employed in the superannuation or associated industries. I am committed to working with the Government to ensure the objective of superannuation is made fair for all Australians factoring in their individual circumstance so they may have their best retirement possible.

To begin with we must acknowledge that every individual is responsible for their actions during their working life and if they were prudent to save for their retirement more than others in the same position they should not be punished for their actions. On the other hand those who did not save for retirement and spent their earnings in other ways should not rely on the tax payer to support these decisions that were made. No objective will change this position.

Superannuation should not be seen as the solution to fix the overall taxation system instead an overall review of the tax system will need to be conducted to ensure the system is more efficient and fairer. The level of Government spending will need to be reduced in the interest of sustainability and as mentioned in Josh Frydenberg’s budget a few years ago and we cannot continue having 20% of the Australian workforce employed by taxpayers. We must always remember the Government is more reliant on tax payers than tax payers are reliant on Government as Government itself has no money. Calling things ‘Free’ by the Government is also misleading and if this was done in the corporate world ASIC will be called in. The word ‘Free’ as used by the Government is truly defined as taxpayer funded in all circumstances.

My responses to the consultation questions are below and I am willing to expand on these if there are further details required:

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

Legislating an objective adds minimal benefit, if any to the current system which is overly complex and bureaucratic. All this will do is add a further layer of legislation to contend with for superannuation funds and members, which will mean additional costs.

The practical benefits of an objective should offer real tangible benefits that can be understood by most Australians. Instead, once again there will need to be ongoing legal interpretations.

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

Unfortunately the proposed objective does not meet my understanding of the objective of the superannuation system in 4 key areas of the stated draft objective being:

Deliver income: The system does not force members to have an income stream upon retirement from their superannuation savings and many cash out their savings to use it in many ways but not to deliver income even though there are many benefits of doing so. The complexity of the superannuation system confuses members and they seek to do things that they understand such as pay debt, invest in bank deposits, go on holidays and even get a new car.

Dignified: Dignified has a wide variety of meanings but many are now retiring with a mortgage and other debts based on personal choices that have been made. Also many retire with such low balances that it does not make any impact on their lifestyle and they end up being totally reliant on the age pension.

Government support: Superannuation was intended to replace the Age Pension and not work along side it to reduce the burden on tax payers. The ongoing rules and complexity allow for different interpretations and strategies to maximise obtaining the Age Pension. The Age Pension when initially introduced as Federal Legislation in 1908 was set at the age of 65 which was substantially beyond average life expectancy at the time, however lack of moving this up with improved life expectancies has meant a larger burden on taxpayers that has continued to grow.

Equitable and sustainable: The current system is not equitable or sustainable by punishing those who save for their retirement vs that don't who earn the same but based on the choices made the outcomes will totally be different. The outcome will always depend on how much is put into the system by members and no other real variable except returns and costs including insurance premiums.

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

Enshrining the objective of superannuation in legislation adds no additional value. Superannuation has enough layers of legislation and requires simplification and not further complexity. Superannuation is members' money not governments and members should be free to operate it as they seek fit. What is currently in place is more than enough. What should be respected are peoples' assets that they have purchased outside of superannuation like real estate, shares another assets for their retirement.

Superannuation is not the only asset members' have for retirement, but it is part of what held and those who have prepared for retirement no matter in which tax structure should benefit from the fruits of their labour. This is largely the case for those who are self-employed where superannuation is not compulsory. Their main aim is to survive and grow without focusing on legislative complexity.

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

Accountability mechanisms are already in place with the current legislative frameworks along with the many Government departments which are focused on superannuation. The aim should be to reduce the current frameworks and reduce complexity and costs to members. At the end of the day superannuation was put in place of increases in pay at the time with trade union negotiations and is the money of members not the money of superannuation funds or the government.

Costs that are burdensome to members include:

- Administration fees due to the staff required in many organisations to support the current framework, this could easily be reduced by at least 75% with a simplification of the system
- Statement requirements which are all outdated once received and can be obtained electronically.
- Required legislative reporting that are meant for members, but no members actually look at these.
- APRA and ASIC fees, along with association fees

These are just some examples, but I can provide much more detail on this.

To summarise, I believe that legislating an objective for superannuation provides no added value for members and is another layer over and above the current complex structure built over time for superannuation. The aim should be to simplify superannuation and make it easier for members to engage and focus for a dignified retirement.

I welcome the opportunity to make this submission as these important changes are being developed. Please do not hesitate to contact me directly on [REDACTED] or via email on [REDACTED] should you require any further information about this submission.

Yours sincerely,

Anthony Zeitoun