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Legislating the objective of superannuation: Submission

Thank you for the opportunity to offer feedback on the proposed codification of the objective of superannuation.

The proposed objective outlined in clause 5(1) of the Bill:

“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 adequate could be strengthened with the inclusion of a definition of dignified retirement in the Bill itself rather than as part of the explanatory memorandum. Further, the defining characteristics of the expression **dignified retirement** as outlined in paragraph 1.38 of the explanatory memorandum should also include a specific reference to health care in older age with that of financial security and wellbeing.

Access to health care services and supports, particularly in the later years of retirement, is important in living a “dignified” life in older age. For many retirees accessing the current health and care systems requires a co-contribution towards the cost of those services. For older Australians, accessing the health and care systems can be both complex to navigate and costly. This is in part a deliberate design feature of these systems which seeks to ration access to services as a means to manage government expenditure in these areas. As outlined in the recent Intergenerational Report the costs of aged care are projected to increase as a proportion of GDP from 1.1 percent in 2022–23 to around 2.5 percent in 2062–63. As such, governments will be forced to address these increased costs either through further rationing of services, increasing contributions from users or defunding other government services to address the government’s overall budgetary position.

Making an expressed reference to health care within the definition of superannuation would signal to the broader Australian population that superannuation can be the vehicle to assist them to make adequate provision for - or make a greater contribution towards - the costs of their health and aged care needs in retirement. In doing so, it may open up opportunities for policy makers and superannuation funds to develop products which provide older Australians security, or peace of mind, around having access to sufficient funds to meet their health and care needs in retirement, without necessarily having to sell the family home.

To strengthen the Bill and the public's understanding of the objective of superannuation an additional subclause might be included at 5(1)(a) which would read as follows:

5(1)(a) For the purposes of this Act 'dignified' denotes a standard of financial and health care security and wellbeing in retirement which allows the person to participate economically and socially in their community.

Finally, some consideration should be given to a statement being made in the Bill that superannuation is not a vehicle for wealth transfer to non-dependents or tax minimisation. Such a statement would simply provide some guardrails in how future policy changes around superannuation might be considered and would be in keeping with paragraphs 1.17 - 1.19 of the explanatory memorandum.

Yours sincerely

A handwritten signature in black ink that reads "Joe Zabar". The signature is written in a cursive, slightly slanted style.

Joe Zabar

25 September 2023