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Superannuation (Objective) Bill 2023

National Seniors Australia welcomes the opportunity to comment on the Superannuation (Objective) Bill 2023 – Exposure draft.

As the peak consumer body representing the interests of older people, National Seniors Australia is committed to ensuring superannuation operates effectively for current and future generations.

While we support the intent of defining an objective for superannuation, we believe the proposed objective is flawed. It unfortunately provides a very narrow and restrictive definition of the purpose of superannuation. It's one we believe is at odds with the general public.

By using the phrase 'preserve savings', the proposed objective neglects accumulation as a fundamental part of the superannuation system. There are no savings without accumulation.

In this regard, it appears the objective is preoccupied with the end use of superannuation. While it is likely this focus is a reaction to the significant withdrawals made during the COVID-19 pandemic, we believe this focus is misguided.

Many people draw on super earlier due to life circumstances. A superannuation objective should be flexible enough to accommodate diversity of life course and circumstance. For example, in some cases, people need to access their superannuation before they reach preservation age in situations of ill health.

Similarly, we also concerned with use of the word 'retirement' in the proposed objective. This emphasizes a linear life course and reinforces the view a person's adult life can be split into work and retirement.

People withdrawing superannuation over the preservation age of 60 (whether eligible for the Age Pension or not) may still be engaged in the workforce (or providing informal care to others).

Many people continue to work while receiving a portion of their superannuation via a transition to retirement to boost their overall income and standard of living.

The inclusion of the word retirement in the proposed objective is at odds with the need to retain workers and boost workforce participation because it reinforces the view older people should not continue in the workforce (reinforced by our punitive pension rules).

National Seniors Australia also has reservations about the term 'income' in the proposed objective. This represents a narrowing of the interpretation of superannuation.

Many would support retaining the flexibility to use their super to either provide a regular income stream or lump sum payments. This gives people greater choice when managing their affairs in later life.

For example, we know of cases where both partners have lost their jobs due to retrenchment and/or ill health and have needed to withdraw lump sums from their super to pay out a mortgage and reduce their living costs.

While governments may wish superannuation solely provide people with a regular pension income, it is important they recognize people also use lump sums to deliver positive lifestyle outcomes in later life.

They also deliver positive impacts for the economy because they enable older people to purchase a wide variety of consumer goods and services, they might otherwise not be able to.

The purchase of large consumer items, such as a vehicle, caravan, home modifications, solar panels, holidays, or expensive white goods, can be more readily accommodated through access to lump sum payments via superannuation.

Without lump sum access, older people would struggle to purchase high value goods and services because strict rules around the provision of credit mean they cannot access loans or credit cards. National Seniors hears regularly from retirees, frustrated they cannot take out loans or access credit cards.

It would also not be rational for a person with limited life expectancy, chronic illness, or disability to be focused solely on income. They may benefit from using the means available to them via their superannuation to live a more comfortable life.

While income is undoubtedly an important function of superannuation for most people, the wording of the objective should not preclude or discourage the use of capital as an alternative means of addressing consumption needs.

Alternative wording

Our original submission argued for an alternative superannuation objective:

The objective of superannuation is to encourage people to accumulate adequate savings, which helps them achieve a comfortable standard of living in later life.

We believe this alternative wording is more accurate and flexible because it acknowledges the importance of the accumulation phase as part of superannuation, whereas the objective proposed in the draft legislation does not.

The alternative wording proposed by National Seniors Australia uses the phrasing 'comfortable standard of living' as a replacement for 'income' and 'dignified retirement'. This wording ensures greater flexibility and reflects more accurately the way everyday people view and use superannuation.

Including phrasing that encourages people to accumulate 'adequate savings' for a 'comfortable standard of living' sets an aspirational goal for superannuation. But it also reinforces the idea that superannuation is not designed to support accumulation beyond what is adequate. This leaves the door open for reasonable limitations on superannuation concessions and balances.

This is a more appropriate wording than 'sustainable'. Sustainable is a system wide concept, whereas our alternative framing is person centric and is therefore more intelligible to the people who the system is trying to serve.

While terms like 'adequate' and 'comfortable' are subjective, they are more likely to be commonly understood and will lead to greater acceptance of restraint to avoid superannuation becoming fiscally unsustainable.

The inclusion of the wording 'later life' is less problematic than 'retirement' because it encompasses a broader and more flexible interpretation of a person's life course as being variable in trajectory.

We thank you for the opportunity to make this submission. Should you require any further information please contact Dr Brendon Radford, Director of Policy and Research b.radford@nationalseniors.com.au.

Your Sincerely



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