

31 March 2023

Director
Superannuation Insurance and Governance Unit
Member Outcomes and Governance Branch
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
Canberra ACT 2600
By email: superannuationobjective@treasury.gov.au

AUSTRALIAN SHAREHOLDERS' ASSOCIATION – CONSULTATION ON LEGISLATING THE OBJECTIVE OF SUPERANNUATION

Dear Mr Spear

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by and operating in the interests of its members, primarily individual and retail investors, self-managed superannuation fund (SMSF) trustees and investors generally seeking ASA's representation and support.

Thank you for the opportunity to submit comments on the consultation paper *Legislating the objective of superannuation* (the paper).

ASA supports legislating the objective of superannuation, which we consider is to provide income in retirement as a substitute or supplement to the Age Pension. We believe a clear objective will support the development of appropriate policies and strategies around the operation of the Superannuation regime, and will restrict raids on the funds tied up in the superannuation system by emphasising the need for their longevity.

We are conscious that superannuation, taxation, Age Pension means testing and the broader retirement income system needs to interact in such a way that supports Australians to plan for retirement over decades. To ensure sustainability of the funding, most Australians will need to be self-sufficient in generating a retirement income. The costs of supporting the superannuation regime will need to be fair to prior, current and future taxpayers. The importance of access to secure accommodation in retirement and old age means housing ownership will also influence the size of sums required to retire well, and may need to be incorporated into any consideration of adequate size of retirement income.

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

Benefits include protecting the balances from:

- Budget cuts where Governments want to use the funds elsewhere and leave any future shortfall in provisions for retirement for others to deal with;
- Spruikers and scammers who see super as a large target for their product; and
- Individuals who would prefer to use the money now rather than make decisions that are in keeping with creating savings and an income stream for the long term.

Risks are that the money is tied up so tight that people endure decades of hardship which could have been prevented by early access to the funds.

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

The initial proposed wording of the objective "The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way" touches on the needs for the funds to be targeted to retirement, the importance of preservation for the long term (which at times can mean short-term hardship) and also gives retirees permission to spend that money to sustain them in retirement. The inclusion of "with Government support" may address the fear that leads to low spending in efforts to avoid ever going on to the age pension, and give permission for retirees to move to a full or part aged pension where appropriate towards the end of life.

As noted in the paper, 'dignified' is a term denoting financial security and wellbeing in retirement. We believe when discussing what is a dignified retirement, there should be a reference to fairness and equity.

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

The benefit of enshrining the objective in legislation as it takes more engagement and agreement to change.

If you have any questions about these comments or other matters, please do not hesitate to contact me (ceo@asa.asn.au), or Fiona Balzer, Policy & Advocacy Manager (policy@asa.asn.au).

Yours sincerely



Rachel Waterhouse
Chief Executive Officer
Australian Shareholders' Association