



Association of Independent Retirees (A.I.R.) Limited
Working for Australians in Retirement

Objective of Superannuation

Discussion Paper

[Issued on 9 March 2016]

April 2016

The Association of Independent Retirees (A.I.R.) Limited is the national peak body representing partly and fully self-funded retirees. A.I.R. works to advance and protect the interests and independent lifestyle of Australians in retirement. A.I.R. seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs

Our members have a clear understanding of the need for changes to allow for better management of the financial risks they face in retirement, and other issues of concern that impact on their capacity to have an independent and fulfilling retirement.

It is on this basis that A.I.R. submits the following views and considerations of our members who are self-funding their retirement to the Australian Government's Discussion Paper of 9 March 2016 on the Objective of Superannuation.

A.I.R. fully supports the Government in seeking a broad political and community agreement to enshrine in legislation the Objective of Superannuation. It is, however, most important that this Objective reflects the position for those who now and in the future will self-fund their retirement and that it clearly reflects the need for improved and increased self-sufficiency in retirement.

In light of this, A.I.R. members are seeking a reassurance that the views of those who will be most impacted by any change to the operation of the superannuation system (ie. those who now self-fund their retirement or have planned to do so on the basis of current understandings) are specifically considered and consulted by the Government in the determining of this important Objective.

Following careful consideration with our members, A.I.R. recommends to the Government that the Objective of Superannuation should be:

“To enable Australians to have a sustainable and self-managed income stream in retirement that will adequately support a comfortable and active retirement lifestyle.”

The key words in the recommended Objective are about self-sufficiency and the need for self-managing assets and investment strategies to generate the retirement income stream. This may be done via self-managed superannuation or by using an industry or retail superannuation fund but with no Government involvement in specifying the detailed management of an individual's assets and investments. Government does, however, need to strongly manage on behalf of consumers the activities, risks and fees charged by industry or retail superannuation funds.

Use of the *words income stream for an adequate, comfortable and active retirement* reflects a widely used definition for the regular drawn down income stream pension; however there should also be an ability to draw on the superannuation fund assets on an as-needs basis during the time in retirement to meet the costs of:

- necessary home maintenance;
- replacement of major household equipment (refrigerator, washing machine, etc.);
- replacement of the family motor vehicle;
- specific aged care and medical procedures, rehabilitation and equipment;
- special support for family members.

A.I.R. supports and accepts the need for the Government to have in place the strong and fair retirement safety net of the Age Pension for those who, through circumstance, cannot achieve the necessary level of self-sufficiency to sustain themselves in retirement. However, we do not believe this or the need for the Government to reduce the burden of the Age Pension on the social security system, should be included in the Objective of Superannuation.

On the three specific questions contained in the Discussion Paper, A.I.R. comments as follows:

Q. *Do you agree with the objective recommended by the FSI?*

A. No we do not agree with the wording of the objective recommended by the FSI, but we do agree with the principle for the reasons detailed above.

Q. *If you do not agree with the FSI recommendation, what do you think the objective should be? Why? What are the implications of this objective?*

A. Our views are detailed above.

Q. *In which piece of legislation should this objective be legislated and why?*

A. A.I.R. is unable to make a constructive comment or suggestion on this question.

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