

Primary Objective

With due respect to its origins and government imprimatur, I suggest that the current primary objective is most unsatisfactory. This is because its drafting creates the context that the Age Pension is, and should be, a norm for retirement incomes rather than a safety net. Treating the pension as a norm creates pressure and expectations for more generous levels of provision, and reduces incentives for maximum self-provision. It is more consistent with the aspirations of contemporary society for maximum self-provision for retirement income to be both the aim and the obligation of citizens. From this viewpoint, a better “primary objective” for the superannuation system might then be;

“To provide personally-funded income [and other resources] in retirement to obviate, or minimise to the greatest prudent extent, reliance upon, the Age Pension”

Such an objective could then lay foundations for linking the upper limits of concessional taxation treatment of superannuation to the benchmarks for means testing access to and levels of the age pension, perhaps as a multiple of the relevant asset and income tests.

Please do not “enshrine” any objective in legalisation. Enact it if you must. But those that are “enshrined” tend to putrefy (supposedly barring an alleged case some 2,000 years ago).

Subsidiary Objectives

Mooted Subsidiary objective	Commentary
Facilitate consumption smoothing over the course of an individual's life	It is not only about consumption smoothing. It is also about patterns of investment over a lifetime. A major problem with the credibility of this objective lies in the way that compulsory superannuation interacts with (inhibits) early life-cycle access to home ownership and the uncapped exemption of personal residential housing capital from the age pension assets test. As long as early investment in personal residential housing capital is delayed by inaccessible compulsory superannuation savings, this objective risks being seen as inequitable. That inequity is both intergenerational and across the economic spectrum. Far better that the lifetime creation of housing capital is treated equally in all respects with the lifetime accumulation of other financial assets- including obligations to consume excess housing capital in retirement ahead of access to the age pension safety net.
Help people manage financial risks in retirement	Consistent with the principle of personal responsibility, any such ‘help’ from the system should be limited to guidance and support, rather than compulsion. I fear the “do gooders” and their mantra of mandated

	<p>annuities. A case can be made for mandating maximum drawdown rates from tax-advantaged retirement asset pools in order to avoid premature recourse to the age pension.</p>
Be fully funded from savings	<p>This should embrace both compulsory and voluntary savings, as well as savings represented by residential housing capital accumulation. Rules on the alienation of savings (eg intra-family or via trusts) are required as a safeguard.</p>
Be invested in the best interests of superannuation fund members	<p><i>“This results in auxiliary benefits to the economy by creating a pool of savings to fund long-term investment.”</i> This sentence can be read as a Trojan horse for those who would mandate a role for superannuation savings in their aspirational “nation building” investments. It is, at best, an observation on a possible effect of the objective. It is not itself an objective. Nor should it be. There should be no inference that such investments may be able to be mandated by over-riding institutional (government or interest group) decisions as to what those best interest are.</p>
Alleviate fiscal pressures on Government from the retirement income system	<p>The objective is not to “alleviate” fiscal pressure. There will always be such pressure and continual “alleviation” is a recipe for instability in the system. The objective should be:</p> <p style="text-align: center;"><i>“to enable the Government to fund the age pension system sustainably at a reasonable community standard in the long term while limiting tax expenditures to the minimum level necessary to create and underpin maximum financial self-reliance in retirement”</i></p> <p>(The second prong of this suggested objective validates the capping of concessional tax treatment of superannuation investment and earnings at levels linked (by a prudent multiple) to the asset and means tests applicable to aged pension access)</p>
Be simple and efficient, and provide safeguards	<p style="text-align: center;"><i>“...with only the absolute minimum of regulation necessary, consistent with self-reliance and personal accountability”.</i></p>

Regards
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