

My Longevity Pty Limited

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Submission to the Treasury On the Objective of Superannuation

The goal of My Longevity is to improve longevity awareness, which is understanding the implications of increasing longevity and able to plan for it.

Our clients include individuals, financial advisers and corporations. A major activity is a free and sponsor-free website at www.mylongevity.com.au which has provided longevity information through over 110,000 individual contacts. My Longevity also publishes articles, provides group presentations and interviews on radio and television. Our knowledge bank is based on extensive validated research.

This presentation has been prepared by David Williams, Founder and CEO of My Longevity.

I hold a Bachelor of Science degree and Diploma of Financial Planning. I am a member of the Australian Association of Gerontologists, FINSIA and the Financial Planning Association of Australia. I am a Fellow of the Australian Institute of Company Directors.

Associated with retirement planning since 1985, I founded My Longevity in 2007.

Context

Older Australians are concerned to know more about the impact of increasing community longevity on their lives. This change is illustrated in the following table¹ showing the average further life expectancy of a baby born in Australia:

Date (approx.)	Baby Life Expectancy (Years)
1800	35
1900	57
2000	80
2010	82

These ongoing changes are driving major demographic shifts which increasingly create complex social dislocation as older people struggle to understand and adapt to the impacts on their own lives and on those around them.

¹ Australian Bureau of Statistics and My Longevity sources

Longevity induced social disruption is exacerbated by the complex financial and health support environment for older people in Australia.

Individuals become more different from each other as they age. Yet many of the support structures are age based. One example is the eligibility age for the Age Pension. Changing this criteria affects many aspects of support for older people. In the absence of a holistic view of their own longevity, change creates uncertainty and fosters poor or no decision making.

Older people will benefit if Governments provide greater clarity about the possible benefits and risks from increasing longevity.

The FSI Recommendation

The FSI followed a financial priority in developing its primary objective. This resulted in a definition which links to two moving targets – retirement and the Age Pension.

What constitutes retirement is changing. Gender differences, ageism, availability and ability to contribute via paid employment, health issues and support, intergenerational equity and many other factors are involved.

The Age Pension itself is changing. Levels of entitlement and eligibility are constantly on the move as Governments seek to contain the budgetary challenges of an older population.

In the absence of clarification of these two elements, the objective is itself unclear. This highlights a major problem.

Longevity Strategy

An over-arching longevity strategy is required to frame not only superannuation but also many other of the responses dealing with increasing longevity. These include aged care, housing, intergenerational equity, support for other forms of saving, incentives for better personal health management, support for continuing longer in paid work, contribution to community welfare so on.

These all impact not only financial issues. They influence individual and community responses to the opportunities and challenges of increasing longevity.

The most important element of such a strategy is **longevity awareness education** at all levels.

A plan relies on a time frame. This is as important to understand at the personal level as it is at the corporate and wider community level. The key time frame is personal longevity. A formal longevity strategy is necessary to underpin the many responses to the ongoing increase in longevity.

One product of such a strategy would be to clarify the two shifting elements in the current primary objective for superannuation.

Response to FSI subsidiary objectives

A formal longevity strategy would clarify the subsidiary objectives, which focus on a number of issues which do not only involve superannuation. To choose a few:

- **Consumption smoothing** relies on many factors, not just superannuation. Access to superannuation needs to be more flexible, both for access to capital and savings, in order to achieve the most appropriate outcomes available for each person.
- **Managing financial risks** is itself a risk (to flexibility) and may restrict opportunities. While pooling has some upsides, there are downsides including the loss of individual power over important longevity decisions.
- **Best interests** of superannuation funds do not necessarily reflect the changing and possibly wider best interests of members.
- **Government fiscal pressures** are a legitimate interest but do not necessarily reflect the best interests of members in the absence of an over-arching longevity strategy.

Response to Points for Discussion

The points are all valid.

As stated in the consultation paper, 'a single primary objective cannot possibly encompass all aspects of the purpose and attributes of the superannuation system'.

An over-arching longevity strategy would enable these discussion points to be fully encompassed within it and dealt with. For example:

- **Retirement income or standard of living** involves more than just income or financial assets, so an adequate response needs to be broader.
- **Adequacy** must include a reflection of personal goals not just financial ones.
- **Fiscal sustainability** needs to include other potential longevity responses including more informed personal health management, the implications on intergeneration equity of family versus institutional aged care and the right to terminate one's life in the face of irreversible decline and potentially painful and expensive palliative care.
- **Increasing national saving** is a more justifiable objective in the wider context of the need to specifically fund increasing longevity through more innovative medical and social advances, along with a broadly based longevity awareness education program.

Location of Objective

'The point of the objective is to guide the policy making process'.

This outcome would be achieved more usefully within a complete longevity strategy. It would be more useful to defer formalisation until the wider requirements of a longevity strategy are fully documented.

Questions for Consultation

While I broadly agree with the need for the definition of the objectives outlined by the FSI, I believe they should be considered in the broader context of increasing longevity.

The objective of superannuation is to assist with funding individuals within a community longevity strategy.

I have no opinion re a legislative response at this stage.

I am available to discuss these ideas further and contribute as required.

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