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2 April 2016

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This submission from Martin Hickling, Founder and Director of Wealth & Income 4U relates to the Discussion Paper 'Objective of Superannuation' released 9 March 2016.

In particular, our submission will comment on the primary objective of superannuation. We consider the FSI's recommendation for the primary objective of superannuation of '*To provide income in retirement to substitute or supplement the Age Pension*' to be too narrow. It fails to mention that superannuation is a tax advantaged structure. It also fails to mention that superannuation is a structure in which people accumulate wealth whilst working.

In our opinion, the primary objective of superannuation should be: '*To provide a tax protected environment to encourage the exchange of income to wealth during a person's productive years, so that they can then exchange that wealth to income when retired, and not rely upon the Age Pension*'. This definition acknowledges both the accumulation and deaccumulation phases of saving.

It should be acknowledged in the objective that superannuation is a tax advantaged legal structure in which a person can accumulate wealth when working and then deaccumulate wealth in retirement. It is the tax advantaged status that publicly allows many of its features, including compulsory contributions and withdrawal restrictions.

It should also be acknowledged that the Age Pension is an unfunded scheme. The government has not put aside accumulated wealth from prior year tax collections to pay for its Age Pension liabilities. Instead it relies on general revenues, including taxation revenues, and government borrowings to pay the Age Pension. The ageing demographic is exposing this fraudulent approach. The populous believes it can rely upon the Age Pension in old age, but the Age Pension has no backing other than the ability of the State to tax (younger) others - and the taxation of (younger) others diminishes their own ability to save for retirement. Improved longevity has greatly increased the savings demands of the populous. A working life is typically at most 35-40 years (say age 23 to age 63) to be followed by 25-35 years (say age 63 to ages 87-97) in retirement. It will not be possible for younger generations to pay for the Age Pension of others and then also save for their own retirement. It is also grossly unfair.

Given the problems facing the Age Pension arising from its unfunded status, the populous should be made aware that access to the Age Pension will become more restricted over time and that in all likelihood the real purchasing power of the Age Pension will decline. This is already starting to happen with the recent changes to eligibility including the pension age and assets test. Financial planners too regularly assume that the current rules of the Age Pension will apply in future periods. That is highly unlikely. The State should publish its Age Pension liability so that younger people can better understand how much, in addition to their own savings, they will be required to pay for the retirement of others. As such, in the wording of the objective for superannuation it should be made clear that superannuation is designed so people will not need to rely upon the Age Pension.

If the State didn't provide the Age Pension, there would be no need for superannuation. Without the Age Pension, people wouldn't need any external encouragement to save for the old age. It would be obvious that you needed to save wealth for your old age. The Age Pension discourages savings and has encouraged the early conversion of wealth to income. As such, we agree it is important to include the relationship between superannuation and the Age Pension in the objective of superannuation.

To best 'map' the Age Pension with individual savings it will be important that mutual longevity products, such as tontines, can be provided within the superannuation structure.

Under both our and the FSI's definition of the primary objective of superannuation, it makes no sense for life insurance and TPD benefits to be provided within superannuation. These products make no contribution towards substituting for the Age Pension.

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