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## Lost and Unclaimed Superannuation Money

With 200,000 individual fee-paying members aged 50 and older across the country National Seniors Australia is the consumer lobby for older Australians.

Lost and unclaimed superannuation is a concern for National Seniors' members, specifically the outstanding \$887 million in unclaimed superannuation. Any lost or unclaimed superannuation limits the ability of older Australians to attain a dignified standard of living in their retirement.

The complexity of the superannuation system and financial jargon in general is off-putting for many older Australians and provides a disincentive for seniors to actively manage their superannuation accounts and search for lost and unclaimed superannuation. The decision and ability to search for lost and unclaimed superannuation requires a level of financial literacy that some older Australians currently lack.

National Seniors research indicates that older Australians with lower financial literacy who would benefit the most from financial assistance are less likely to seek financial advice.<sup>1</sup> Therefore the Government must make an effort to educate older Australians on the benefits which can be attained by finding lost superannuation and consolidating superannuation accounts.

## Consultation Questions

### **Should the existing suite of strategies to re-unite people with their lost accounts and unclaimed monies be enhanced?**

Yes, the existing suite of strategies to re-unite people with their lost accounts and unclaimed monies must be enhanced.

National Seniors is supportive of the Tax and Superannuation Law Amendment (2013 Measure No. 2) Bill 2013, currently before the Senate, which aims to expand the duties of superannuation funds' trustees to consolidate multiple accounts held by the same member within their fund accounts on an annual basis when it is in the member's best interests.

National Seniors anticipates that if proven effective this consolidation approach should be offered across different funds, with fund members presented with an option to

<sup>1</sup> National Seniors Australia Productive Ageing Centre (2013), *The Role of Financial Literacy and Financial Adviser Anxiety in Older Australians' Advice Seeking*, National Seniors Australia.

combined all their super accounts into one account that is in their best interest. National Seniors emphasises that fund members must be allowed to retain their current separate funds if they wish and that no automatic cross fund consolidation should occur.

National Seniors is concerned by the current practices of some unclaimed money recovery agents which target individuals with high lost and unclaimed superannuation balances and charge "finder's" and/or "membership" fees for their services. The government should consider restricting the ability of private companies and agents to search for lost and unclaimed superannuation with the intention of profiting from this service.

Automatic and manual consolidation of superannuation accounts is an important opportunity to reunite people with their lost superannuation funds. However other current strategies to re-unite individuals with lost and unclaimed superannuation, including SuperSeeker and the New Employee Enrolment Process, do not effectively target all the affected and at-risk segments of the community.

SuperSeeker is predominately an online tool. Older Australians are still the least likely age group to access and use the internet, predominantly due to financial constraints and lack of ability to use online resources.<sup>2</sup> Therefore, the effectiveness of this initiative is significantly reduced for the older segment of the community.

The New Employee Enrolment Process initiative aims to ensure that when an individual starts a new job they consider superannuation account consolidation and/or using the existing superannuation account for their new employment. Starting a new job is a key decision point which is a useful time period to encourage individuals to consider their superannuation, however many older Australians are unlikely to change jobs before retirement. It is increasingly difficult for people to find new employment as they age. Job seekers aged 55 years and older currently languish in unemployment for an average 71 weeks compared to 41 weeks for job seekers aged 25-44 years.<sup>3</sup> Therefore, seniors are again more likely to miss out on this initiative.

**Are there other initiatives that could help reduce the number of lost and unnecessary accounts in the Australian superannuation system and reunite more of these accounts with their owners?**

New initiatives are required to target older Australians (both within and out of the workforce) including those aged 65 and over with unclaimed superannuation. An opportune time to encourage older Australians to consider their superannuation is when individuals apply for State and territory based senior cards, usually at the age of 60.<sup>4</sup>

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<sup>2</sup> National Seniors Australia Productive Ageing Centre (2011), *Older Australians and the Internet: Bridging the Digital Divide*, National Seniors Australia.

<sup>3</sup> National Seniors Australia, *Barriers to Mature Age Employment: Final Report Of The Consultative Forum On Mature Age Participation*, Productive Ageing Centre

<sup>4</sup> Seniors Card (2013) *Welcome to Seniors Cards* <http://www.seniorscard.com.au/>.

When individuals are granted a senior card they are usually informed of other useful information and support available to assist them as they age. The Australian Tax Office should work with each jurisdiction to encourage and provide assistance to senior card applicants to search for lost and unclaimed superannuation and consider consolidation of superannuation accounts.

A second opportunity to engage older Australians to reduce the amount of lost and unclaimed superannuation is to utilise the contact older Australians have with Centrelink, specifically the application process for the pension. Again, this is a time when individuals are entering into a new life stage and are more likely to be willing to review their financial arrangements regardless of their level of financial or computer literacy. A SuperSeeker search could be conducted as a component of the pension application process. Centrelink should be obligated (and allowed) to perform this search on the individual's behalf if the applicant is unsure of their ability to use the SuperSeeker tool.

The above initiatives proposed by National Seniors would capitalise on the tailored communication approach utilised by organisations with experience communicating with seniors and does not require individuals to change jobs or login to an online tool which would be considered complex by some older Australians.

**Is there a need for strategies, such as the new employee enrolment process that aim to prevent the proliferation of lost and unnecessary accounts?**

Yes, as detailed previously, specific, targeted and tailored strategies and initiatives are required to reduce the high levels of lost and unclaimed superannuation and the prevalence of individuals having numerous superannuation accounts. The current strategies do not adequately target all the affected segments of the community.

**Are the existing strategies adequately integrated and do they work in harmony to achieve the Government's policy goal of ensuring that all Australians have adequate and secure retirement income?**

No, the current \$887 million in outstanding unclaimed superannuation is evidence that the existing strategies are not fully achieving the Government's policy goal. The return of the lost and unclaimed superannuation balance to its owners would significantly increase the financial security and contribute to the retirement income of those individuals to whom it belongs.

**The current superannuation reform program is significant and impacts superannuation funds, employers and individuals. How can re-uniting and account consolidation strategies be best phased into the broad reform agenda?**

Older Australians have indicated that uncertainty over retirement income rules affects their retirement plans and reduces their confidence in the retirement income system. A recent survey of individuals aged 50 and older has revealed that 70 per cent have little confidence that the rules won't change by the time they retire.<sup>5</sup>

As far as practical the government should implement any new strategies to recover lost and unclaimed superannuation as a component of the MySuper reforms. Once implemented the government should commit to making no further ad hoc policy changes and provide much need stability to the superannuation system.

Yours sincerely



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**Chief Executive Officer**

