

To: superannuation@treasury.gov.au  
4th August 2021

Dear Director,

# Retirement Income Covenant

Consultation/position paper response from [Smart](#).

## Summary and RIC objectives

[REDACTED]

[REDACTED] This isn't confined to Australia but as the Treasury states there is an acute problem to solve as, 'retirees are not supported to effectively manage their super when they retire'. It is not acceptable that people, having saved for years, have to become retirement experts overnight which can have the negative effect of making it difficult to spend down their savings. The Retirement Income Covenant (RIC) takes a huge stride forward to helping Australians retire with the dignity they deserve. However, **we strongly believe that only through human-centred technology will the RIC have its greatest impact.**

Retirement is a broader experience. The RIC rightly discusses the needs to help Australians with future expenditure, capital needs which have implications for the family/household view, exploiting CDR and taking account of the first pillar/Age Pension. Delivering the RIC and this broader retirement experience requires technology and the design and delivery of truly digital services. If you take the three pillars of a pension and savings system, an individual, who can be rightly termed the modern retiree, is faced with a mountain to climb. But a **truly digital, member first service can assist in this complex navigation, making the retirement experience more relevant, personal and akin to a banking app or an ecommerce experience removing the need to spend endless hours on the phone and the web joining the dots.**

**Retire your way**

Everyone's financial needs will be different in retirement. And those needs can change as they move through their retirement journey. That's why we're developing Smart Retire.

Smart Retire lets members blend different options to provide flexibility throughout their retirement. Helping solve Australia's retirement income problem.

Initial lump sum: \$100,000.00

Flexible Income	Later years	Buffer
\$50,000.00	\$25,000.00	\$25,000.00
Move money in	Move money in	Move money in

Each financial phase of your retirement is laid out below. You can adjust them the way you want using the controls on each phase.

Age 65

Events	
You take a lump sum of	\$100,000.00
Income (per fortnight)	\$1,810.00
Flexible income (stream down)	\$480.00
For annuities (per year)	\$1,130.00

Numbers are for illustrative purposes only

Fintech can help deliver the RIC. API integrations into other services, e.g. CDR to show assets and spending habits, coupled with a user-centric experience that hides processes from the user creates a totally new retirement experience. An API integration into Centrelink, regarding the Age Pension (or indeed other benefit income), to help display a member's entitlement would be a very useful addition to create a mass-customised digital retirement experience. Such an integration would be a world-leading development.

The RIC is about spending down assets to ensure a higher standard of living in retirement against the three objectives of: maximising retirement income; managing risks to stability and sustainability of income; and, having some flexible access to savings in retirement. Through technology, it is possible, as we are doing with [Smart Retire](#), to make it easier for retirees to manage their income flexibility and sustainability across self-selected retirement income objectives.

**Members blend options to meet their goals**

Smart Retire is a flexible, cost-effective way to combine different options to provide an income in retirement.

**Flexible income**

Members can ease into retirement by taking a flexible regular income that they can adjust to meet their personal income needs.

**A guaranteed income later in retirement**

Members can keep some money invested to grow for later in retirement. For example, buying an annuity that provides a guaranteed income.

**Easy withdrawals when members need it**

Members can withdraw cash lump sums whenever they need to pay for planned expenses, like home improvements or a holiday.

## Why do we need the RIC?

The paper rightly identified that, 'retirement involves multiple decisions and difficult trade-offs, such as:

- when to retire
- whether to keep their money in superannuation
- how to invest their savings, both in and outside of superannuation
- how to draw down their savings, both in and outside of superannuation; and
- their future expenditure and capital needs'.

We agree that retirees struggle to develop effective retirement income strategies on their own and there is a need to assist members provide a retirement income therefore spend down their assets rather than, 'become part of the person's bequest when they die'. This is true for DC systems across the world where retirement is delegated to the citizen.

**Technology must be used and encouraged to help members with the flexibility and relevance for their individual situations.** It is a given that the investment or retirement products they use or purchase deliver in their best interest. It is less of a given that retirement can be made easier for members so they can spend down their capital and enjoy a deeply personalised retirement experience.

Human centred design is a modern approach which is counter to a traditional supply side view of what the members need in retirement. Technology, through Smart Retire, must do the heavy lifting so members are able to account for all decisions and trade-offs that they face. Human centred design experience delivers an intuitive platform to take action/spend. Coupled with behavioural nudges.

## Future direction of retirement income

Products and their development shouldn't constrain or confuse people. Digital experience can work with a range of products and there should be an expectation that financial products deliver in members' best interest. [REDACTED]

[REDACTED] **We believe retirement processes and bureaucracy should be hidden from the members and this should form a component part of trustees' retirement income strategies.**

## Scope

We do not agree with the statement that it is not expected that a trustee's retirement income strategy will encompass each of the wide variety of individual circumstances in which their members may retire. Mass customisation is possible through technology which accounts for the range of factors suggested to identify a cohort of members, e.g. balance size,

Age Pension income, partnered or single, homeowner or not or the age a member retires or starts to draw down their superannuation. Smart Retire solves for this complexity and provides the basis for mass customisation deserved by members. CDR and API integrations into key information sources can ensure Australia has the best DC retirement system in the world. An API integration into Centrelink would be a game-changer for members.



## **Broader considerations**

**We agree on the importance of the Age Pension as well as other income support payments.** Age, assets and other income, a household view and home ownership status are all relevant. **Future policy should look at opening up these data sources, via API integration, to create a seamless and cohesive retirement experience for Australians.**

Yours sincerely,

Dan McLaughlin  
Director of International