

WESTERN AUSTRALIA SELF FUNDED RETIREES Inc.



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Director
Superannuation Insurance and Governance Unit Member Outcomes and Governance
Branch Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir,

Objective of Superannuation

This submission is being lodged in response to the invitation from the Federal government, dated 20 February 2023, to offer comments on the proposal to legislate the "Objective of Superannuation".

The Government's proposed wording reads: "*The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.*"

Our first reaction to this proposal is to question why there seems to be a need to, once again, suggest that another "objective" is necessary. Over past years there have been several phrases that were intended to provide the necessary wording. I refer to wording used by the Financial System Inquiry in 2014 that said that the Objective should be "*to provide income in retirement to substitute or supplement the Age pension.*"

There was an attempt in 2016 to legislate for suitable wording (*the Superannuation (Objective) Bill*) - which was to use the wording from the FSI in 2014. That Bill failed to be legislated.

In 2020 the Retirement Income Review recommended the words "*to deliver adequate standards of living in retirement in an equitable, sustainable and cohesive way.*"

At this stage we would like to suggest that the word "*Objective*" be replaced by "*Purpose*". One difference between the two words is that "*Purpose*" relates to the reason for one's existence, while "*Objective*" indicates something that is being aimed at (but may never be achieved). The word "*Purpose*" does seem to have a much stronger application.

A few comments

- purposes are long-term, meaningful goals - objectives are short-term goals.
- the purpose in research is the reason why the work is done - the objective of research is to achieve the goal of the research.

Apart from our preference for the word "*Purpose*" we would like to offer a few short comments on

Preserve savings.

We suggest that this be amended to read "preserve **and grow** savings"

Deliver income.

We suggest that this be amended to "deliver income **and access to their capital** "

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Dignified Retirement.

We disagree with use of the word “dignified” - open to many different interpretations. In its place we recommend the words “during **a person’s retirement from paid work.**”

Alongside government support.

We recommend that the words “alongside Government support” should be removed - not considered appropriate.

Equitable.

We recommend that the word “equitable” should be removed - what is equitable to one person may not be equitable to another. It is open to many different interpretations.

Sustainable way.

We recommend that the word “sustainable” should be removed. Different meanings to differing superannuation schemes. If deemed “unsustainable” would it be necessary to close down a superannuation fund ?

Conclusion:

If the government persists with the desire to use the word “*Objective*” then our preferred wording for this exercise is

The objective of superannuation is to preserve and grow savings, and to deliver income and access to their capital during a person’s retirement from paid work.

It is almost guaranteed that there will be a large number of differing versions of this matter and it will be interesting to see the final outcome that is put to the Parliament - and the version that finally gets approved.

COMMENTS ON THE FOUR CONSULTATION QUESTIONS.**Q1. What do you see as the practical benefits or risks associated with legislating an objective of Australia’s superannuation system?**

We do not see any actual benefit by legislating an objective for superannuation. There is always the risk of adding unnecessary confusion and complexity, and encouraging, in some cases, legal action.

Q2. Does the proposed objective meet your understanding of the objective of the superannuation system in Australia?

In broad terms it can be said that most people will agree with the basic principles of superannuation as outlined in this submission. There are 2 important issues - preserve savings and deliver an income in retirement. Note that access to lump sum withdrawals must remain as another important element.

Q3. Is the proposed approach to enshrining the objective in legislation appropriate? Are there any alternative ways the objective could be enshrined?

As previously explained, we fail to see a pressing need for this matter to be enshrined in legislation.

Note: A feeling exists that the government is pursuing this legislation in order to make some changes to the current situation regarding superannuation.

Q4. What are the practical costs and benefits of any alternate accountability mechanisms to the one proposed?

Unable to provide a qualified response to this wide-ranging question.

(R. de Gruchy)
President

State & Federal Advocates for Fully and Partly Self Funded Retirees