



MEDIA RELEASE

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RETIREMENT POLICY KEY TO SUSTAINABLE SUPERANNUATION SYSTEM

New research released today by the Financial Services Council (FSC) shows policy reform focused on improving how Australians spend their superannuation savings would boost retirement incomes by 10 per cent each year, or by \$397 billion by 2050.

NMG Consulting research for the FSC offers a road map for a more efficient superannuation drawdown phase that would raise standards of living in retirement for consumers, reduce bequests, and take long-term pressure off the federal budget.

CEO of the FSC Blake Briggs said: “FSC research has demonstrated how we can optimise the superannuation system to allow Australian retirees to confidently draw down \$397 billion more in retirement income by 2050.

“A retirement system that is designed around the needs of retirees, providing them the products and advice they need at retirement, and encouraging them to enjoy their savings in retirement, will enhance the long-term sustainability of the superannuation system and take pressure off future tax settings.

“The FSC’s research shows that if our road map was implemented, annual benefits paid out by superannuation as retirement income would be 10 per cent higher each year, increasing to \$38 billion more per annum by 2050. The higher income paid to retirees would total \$397 billion by 2050, when compared to current policy settings.

The roadmap draws on global approaches to the retirement system and identifies a full package of reforms centred around action in three areas:

- To help people see and use superannuation as primarily for spending during retirement, including making safe financial advice more affordable and changing consumer disclosure rules to have a more drawdown focus.
- To remove regulatory barriers to innovative, new retirement income products, including facilitating a simple process for moving consumers out of closed legacy products, reviewing the flexibility of prudential capital requirements and introducing a disclosure regime to allow consumers to easily compare retirement product features and fees.
- To help people take control of their superannuation by simplifying how it interacts with other parts of the retirement system like the aged pension, aged care and health care.

“The Retirement Income Covenant should only be the start of policy reform in retirement incomes if the Government is genuinely committed to helping retirees, who as the FSC research shows, are currently drawing down 17 per cent less income from their superannuation than an optimal system could achieve.

“Realising the superannuation system’s potential to maximise living standards in retirement and higher retiree spending would take the load off a Federal Budget with a 2 per cent structural deficit partly due to increasing health and aged care pressures that could be better met from individual savings.”

The research also found:

- Around 100,000 more people would draw down on average an extra \$10,000 in increased retirement incomes per individual every year on average.
- The amount of superannuation benefits left each year as a bequest would be halved by 2060, ensuring superannuation is primarily used up as income for retirement.
- Total system assets would be 12 per cent, or \$1.6 trillion lower by 2060 with retirement phase assets representing 30 per cent, rather than 40 per cent, of total assets.

The research report can be [downloaded here](#).

Note: Treasury estimates from the Federal Budget October 2022-23 Papers forecast continued annual budget deficits of 1.8-2.0 per cent of GDP over 2023-2026 and 1.9 per cent of GDP in 2032-33.

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About the Financial Services Council

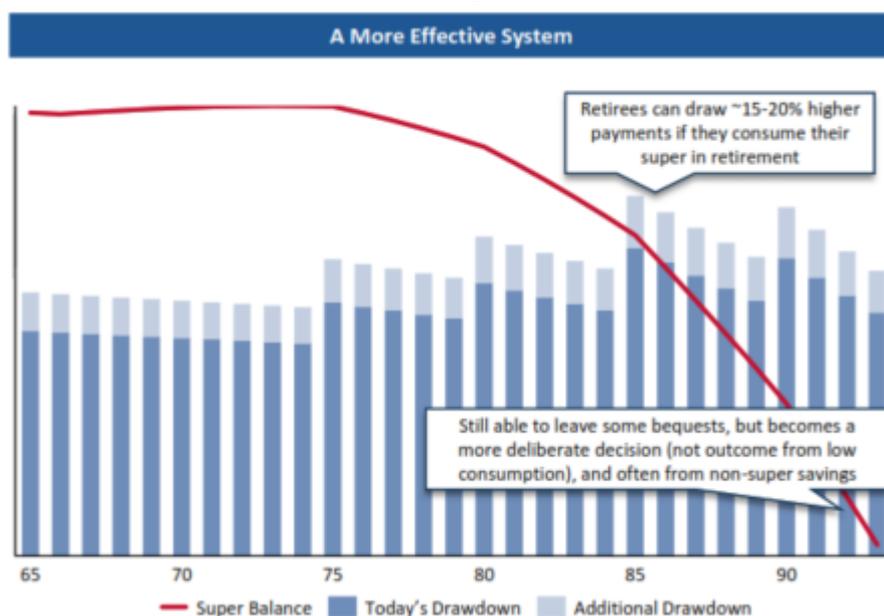
The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia’s largest industry sectors, financial services. Our Full Members represent Australia’s retail and wholesale funds management businesses, superannuation funds, life insurers and financial advice licensees. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.

Selected Charts from Research

Chart 1: Typical draw down behaviour from superannuation of a retiree today



Chart 2: Potential draw down strategy from superannuation to boost retirement income



Notes for Chart 1 and Chart 2: This is a conceptual, hypothetical example of real drawdown levels, based on home-owning couple starting retirement at age 65 with combined \$400K in account-based pensions, on full age pension, drawing down & consuming full drawdown levels today (and consuming 17% higher in a more effective system).

Graphs continue on the following page.

Chart 3: Access to advice under a more effective retirement income system

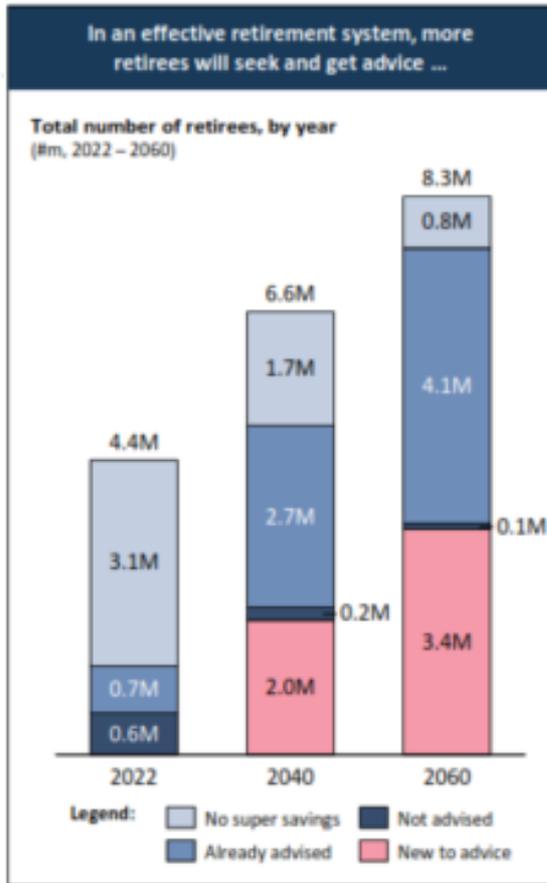


Chart 4: Higher drawdown of superannuation under a more effective retirement income system

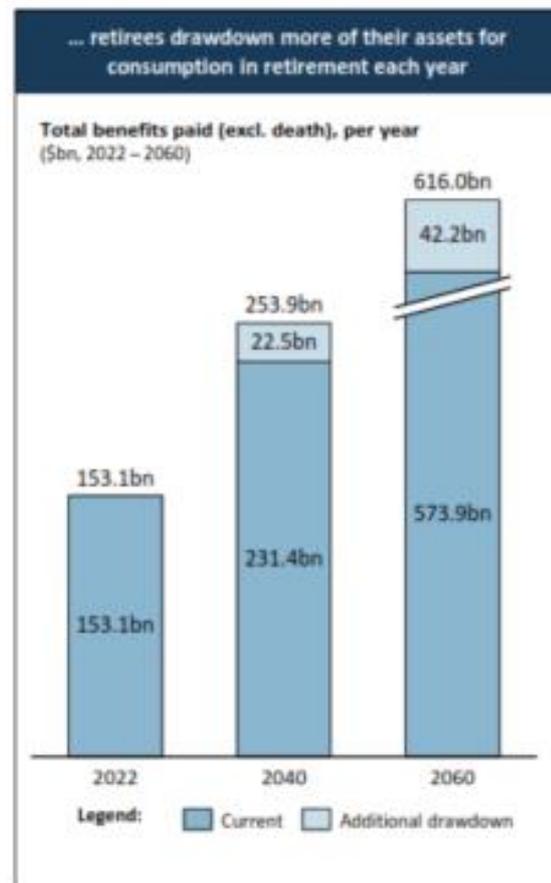


Chart 5: Level of superannuation bequests under a more effective retirement income system

