



MEDIA RELEASE

Tuesday 11 February 2020

FSC PUBLISHES PRE-BUDGET SUBMISSION

The Financial Services Council (FSC) has today published its submission on the 2020–21 Budget, which outlines a solution to a long-standing problem: how to modernise legacy products in financial services.

FSC CEO Sally Loane said many Australians are being substantially disadvantaged by being locked into out-of-date legacy financial products that lack the better returns, better features and easier access of more modern products.

“Financial services businesses including superannuation funds and life insurers are unable to move customers into more modern products for a raft of complex reasons, including large tax or social security penalties. Despite widespread recognition of the need for a modernisation scheme, no noticeable progress has been made in more than 15 years,” Ms Loane said.

“To expedite the modernisation of legacy products, the FSC recommends the Government explore an institutional mechanism, such as a tribunal, where independent experts could facilitate the removal of barriers that have long prevented consumers from being rolled into modern products.

“This would help address the concerns of both consumers and industry by providing greater certainty, transparency and timeliness around a process that has historically proved difficult to negotiate.

“The Productivity Commission (PC) in its 2019 report into the superannuation industry found there was \$162 billion invested in legacy superannuation products, which is 10 per cent of the total assets held in large superannuation funds.

“We are talking about significant amounts of money trapped in outdated products, often providing poor results for consumers – we are urging the Government to implement this already existing commitment to fix this, which is now clearly overdue.

“A modernisation scheme would be a win for the community, a win for the economy, and a win for Governments who would have a long-term boost to tax revenue while saving on Age Pension spending.”

Read the submission in full here: <https://fsc.org.au/resources/1928-fsc-submission-budget-2020-21/file>.

ENDS

Contact: Esther Jago on 0421 102 944 or ejago@fsc.org.au