

## **MEDIA RELEASE**

15 July 2014

### **FSC Response to Financial System Inquiry Interim Report**

The Financial Services Council today welcomed the interim report of the Financial System inquiry.

#### **Superannuation**

The FSC agrees with Murray's commentary that policy settings in superannuation lack stability.

John Brogden, CEO of the FSC said: "Consumers need certainty and stability in policy settings to have trust and confidence in the system".

"The inquiry has appropriately recognised this as a critical element in superannuation policy."

"The MySuper system, although less than 12 months old, has already seen a reduction in superannuation fees. As the FSI report suggests, MySuper needs more time to demonstrate that it can deliver on its objectives," Mr Brogden said.

"We believe that the Australian superannuation system has returns that are comparable and in most cases better, than equivalent economies."

The inquiry's criticisms of liquidity and choice in superannuation however, fail to recognise the need to give fund members choice within a compulsory system.

"If you force people to save, you must give them the choice on how they save."

We also note that the report has called for a broad debate on retirement income policy.

Mr Brogden said the FSC has advocated for a debate on the policy settings surrounding the critical retirement phase and supports this recommendation.

#### **Insurance**

The report appropriately acknowledges the important role insurance plays for individuals and the economy.

"The report acknowledges that underinsurance ultimately ends up as a cost to government. We look forward to engaging in detail with Inquiry on policy settings to reduce underinsurance, said Mr Brogden.

#### **Advice**

The FSC welcomes the Inquiry's observation that financial advice is critical for Australians, particularly in an environment of compulsory savings.

We look forward to providing a detailed submission supporting the discussion on increased competency and educational standards for financial advisers, the introduction of a register and increased powers for ASIC.

Importantly, the Inquiry acknowledges that there is a significant demand for affordable, low cost scaled advice.

Mr Brogden said: "We support increased quality, accessibility and affordability of financial advice. Millions more Australians need to take advice to grow their wealth and secure their retirement."

### **Financial Services Trade**

The interim report identifies the significant opportunity of Australia being in the right place at the right time.

"The report recognises the importance of integrating Australia's financial services system into the Asian region and the need for the government to take a lead in coordination."

It highlights that Australia's financial regulation is very different to Asian jurisdictions and the need for harmonisation.

Mr Brogden also said: "The inquiry can play a critical role in increasing financial services trade in Australia, particularly in areas such as the Asia Region Funds Passport."

### **Consumer Outcomes**

The report has made important observations with respect to disclosure and technology.

"We commend the inquiry for its focus on how consumers can better access and interact with the financial system. Focusing on the increasing use of technology and more effective disclosure are critical areas for further discussion," Mr Brogden said.

**[ENDS]**

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### **About the Financial Services Council**

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.2 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.