MEDIA RELEASE

25 February 2015

Superannuation taxes alone won't build sustainable retirement outcomes

A sustainable national retirement outcomes policy will not be achieved by targeting tax treatment of superannuation in isolation the Financial Services Council said today.

In her maiden speech at the FSC Deloitte Leadership lunch in Sydney, Sally Loane, FSC CEO said: "We cannot afford to have a narrow conversation on tax alone. We need to begin with the outcome which is to have a sustainable fiscal position and the best possible retirement for the majority of people, and work back from there."

"Our system must maintain favourable tax treatment for all members of superannuation funds to ensure people are incentivised to save. If not, they will invest in other low tax or tax-free vehicles, like the family home.

"Superannuation is, and must remain, the structure designed to deliver a sustainable and comfortable retirement for Australians and reduce reliance on the age pension. It is not here to fund personal debt or pay off HECS, nor should it be a vehicle for intergenerational wealth transfer."

"In the context of a full tax debate, which we are looking forward to the Tax White Paper process, the tax treatment of super – both in the accumulation and the retirement phases – should be on the agenda."

"However, we maintain the only sensible and sustainable way to achieve outcomes which benefit the majority of Australians will be to look at all elements as part of a holistic tax reform package – including the GST, the age pension eligibility rules and the preservation age − as well as a raft of inefficient state taxes like the stamp duty on life insurance. "

Ms Loane also said the contribution rate is too low for super to achieve its goals and we need to encourage further private savings.

"Reducing the savings going into super will only further delay our goal of Australians funding their own retirement and achieving budget sustainability."

She said that super must be synchronised with the social security system to achieve this goal.

"While tax concessions are essential to encourage people to save their super, the other side of the coin is that reform is needed to tighten 'double-dipping'. The Government needs to consider whether the correct people are receiving the age pension based on their personal wealth," Ms Loane said.

"A lever that can be pulled in the design of a national retirement outcomes policy is to raise the preservation age of superannuation to 65, so it is better aligned with the pension eligibility age. In current terms it would close the retirement savings gap from seven to five years and would contribute an addition $200 billion to retirement savings each year."

Ms Loane confirmed the FSC's position that the superannuation system must be decoupled from the industrial system to drive superannuation fees lower.

“This means opening up the default superannuation market to retail MySuper products so they can compete with industry funds; and it means removing the Fair Work Commission from the fund selection process,” she said.

“The MySuper default sector already has a quality filter in APRA. By allowing all APRA approved MySuper funds to compete for default superannuation flows in an open market, the requirements of competition can be fulfilled and fees can be driven lower.”

[ENDS]

For further information contact: Robyn Tolhurst, Director of Communication T: 0411 177 773
E: rtolhurst@fsc.org.au

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.