

MEDIA RELEASE

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Defining the objective of super to stop tax tinkering

The Financial Services Council has today released its proposed definition of ‘objective of super’ in its submission to the Commonwealth Government in advance of the 2016 Budget.

The FSC’s definition of the objective of super is:

To deliver dignity and independence for all Australians in retirement by providing replacement income that is adequate to provide a comfortable standard of living.

Sally Loane, CEO of the Financial Services Council, said the government is to be commended as being the first in 24 years to define the role and purpose of superannuation.

“Defining super and enshrining it in law was an important recommendation of the Financial System Inquiry and will serve as a yardstick against which all future decisions impacting on our retirement system can be measured,” Ms Loane said.

"It is imperative that superannuation is taken out of the short term budget cycle. Defining the objective of superannuation and making it law should orientate the debate towards the long-term goal of ensuring we have a system which will provide adequate and comfortable retirements for all Australians."

“Superannuation is a long term intergenerational policy to support Australians in retirement. It is a compulsory system so it must be allowed to deliver on its goal – to enable more Australians to self-fund their retirement and to decrease pressure on the public purse,” Ms Loane said.

“The age pension system, which costs \$44.7 billion each year and rising by seven per cent annually, will never be able to deliver comfortable retirements for Australians in an aging society.”

The FSC recommends:

1. The Government enshrine a the short and concise objective in legislation; and
2. That enshrinement occurs through a stand-alone bill, rather than through existing superannuation law.

Ms Loane also said: “Taxpayer support for super must be consistent with the objective of more Australians being able to independently fund their retirements. We should focus on middle Australia, the vast bulk of our population, and those with the greatest capacity to reduce their reliance on the age pension.”

“By cushioning future generations against the cost of an aging population, it is more likely the living standards we enjoy today will also be enjoyed by our children.”

"This is why we must take a long term view of any superannuation policy announced in coming months," she said.

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About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 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 third 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.