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Story by James Eyers

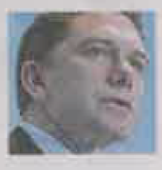
Super time bomb threat to economy

Exclusive

James Eyers

The head of Westpac's wealth management division, Brad Cooper, has warned that Australia's retirement income system is now a burning platform that urgently requires the new Parliament to agree on tightening top-end superannuation tax concessions.

Seismic shifts in demography resulting from an ageing population are a looming time bomb for the Australian economy unless the new parliament can put politics aside, said the chief executive of BT Financial Group, which has $123 billion in funds under administration and more than 1100 financial planners.



Brad Cooper

He believes the government's slim majority in the House of Representatives and the unknowns of the Senate are set to create "ambiguity" and potentially "more harm" in a very volatile time for global financial markets. But demographic change demands "we work together to be able to confront these issues", he told *The Australian Financial Review*.

"We have to stop the politics; we need [parliamentarians] getting on with the job. We need good policy and clarity around decisions being made."

The "first order of business" for the Minister for Revenue and Financial Services Kelly O'Dwyer should be pre-

Continued p6

From page 1

Super time bomb threatens economy

preparing legislation defining the purpose of superannuation, a recommendation of the financial system inquiry, Mr Cooper said. He proposes "creating an income stream to replace or supplement the aged pension". This would guide the policy the government took to the election, including imposing cap of $1.6 million on the total amount of superannuation an individual can transfer into retirement accounts; and a lifetime cap of $500,000 for non-concessional contributions.

Labor's policy to tax income greater than $75,000 is essentially the same policy as the Coalition coming from a different direction, he said. "You can argue the toss about elements of [superannuation policy], but from a policy perspective, it is close. Most Australians would look at that and say that is fair enough, there needs to be some cap on when you should stop expecting a tax concession in order to save."

The longest-serving chief executive of any of the big banks' wealth operations, Mr Cooper said it is crucial to pass the super package so this new Parliament can give more focus on new policies that will boost savings for lower- and middle-income earners, women coming back to the workforce and Indigenous people.

Australia's ageing population makes superannuation policy reform an urgent issue, he said, pointing to figures showing the number of Australians aged 65 and over is projected to more than double between now and 2055.

Today, there are 4.5 people working for every person over 65; this will fall to 2.7 people – putting more pressure on the youth of today to support Australians in retirement. Over the same period, life expectancy will increase to 95.1 years for men and 96.6 for women.

This means today's 30-year-olds have to accumulate enough savings to last them for 30 years after they retire, meaning government policy needs to be focused on getting as many as people off the pension and into self-sufficiency as possible, he said. The government is not going to have the tax base to support a pension system for 23 per cent of the population, and if it could, an economy where 23 per cent of the population can not fully participate due to low income would stagnate.

"That is a burning platform right now," Mr Cooper said. "You need people not only living a dignified life in retirement but one that allows them to participate economically. That requires this Parliament right now to sit down and say what are the policy decisions we have to have?"

Mr Cooper said superannuation policy changes should only be made once every five years around the time the government's Intergenerational Report is released, which would remove super policy from the budget cycle and provide foundations that savers can rely on to put additional amounts into the system.

"You need to stop the tinkering so Australians have trust in the system. Then they can put voluntary contributions in – that is the whole purpose of the cap. But at the moment, with all this ambiguity, why would someone voluntarily put more money in?"

High levels of scrutiny on the superannuation system by the Productivity Commission is welcomed, Mr Cooper said. Earlier this month, the commission released a draft report aimed at developing criteria to assess the efficiency and competitiveness of the system. This was also a response to a recommendation of the financial system inquiry. "That is a critical review, so long as it is independent and looks at the health of the system, standing back from industry funds and banks and asking is it stable and allocating money appropriately, is it working?"

Around 20 per cent of Westpac customers have a wealth product with BT, which owns the Asgard, BankSA, Licensee Select, Securitor and St.George Financial Planning brands.

Mr Cooper said banks are working harder at understanding their customers, investing in technology and developing better products for savers. But Canberra needs to do its bit. "If banks do a great job and the policy settings are not right, it isn't going to work."