Media release

3 February 2020

SISFA submission to the Retirement Income Review

SISFA today made a 34 page submission to Treasury's Retirement Income Review. The submission addresses the 26 questions identified in the Consultation paper and offers comments and recommendations on each.

Key aspects of the submission

- We strongly support the key objective of the Review to establish a fact base of the current retirement system that will improve understanding of its operation and the outcome it is delivering for Australians.
- We submit that the Panel should be careful, however, not to present the Government with data and "facts" relating to the current performance and position of the retirement sector as this might misdirect their policy formulation to focus on "fixing" perceived anomalies with the current situation to the detriment of the long-term sustainability, fairness and adequacy of the system.

The main points are as follows:

- An effective retirement incomes strategy should aim to help most Australians to be financially independent in retirement. Instead of two thirds being dependent to some degree on the Age Pension, the aim should be to have two thirds of Australians reliant on their own savings.
- There needs to be tax incentives to counter the bias in the income tax system and encourage people to save for retirement
- The super system for people to save their own money with tax incentives has been around for over 100 years . The incentives only form a small percentage of pension funding and so is vastly better than the Age Pension which is paid 100% by Government
- The Age Pension should be considered a safety net for the disadvantaged
- The super system should provide a pension equal to 60-70% of a person's salary whilst working, as per the OECD recommendations, and this objective should be legislated
- The current super system is, and will continue to fail for several reasons, the main ones being:
    - the government deciding to accelerate the taxation of super back in 1988 to bring forward its tax receipts (before it made contributions compulsory)
    - costs of managing funds too high as confirmed in the Productivity Commission
    - the constant fiddling by Governments has made the system too (unnecessarily) complicated for people to understand and adds uncertainty risk
    - the annual $25,000 cap is too low for a large number of Australians to achieve a reasonable pension
- This failure will cost Government more in Age Pensions costs than if the system was made to work

To access the full submission, members will need to sign into the secure zone of the web site. If you would like to receive a copy of the submission, and are not a member please email jane@sisfa.com.au.

To access the full document, please click here

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