

22 December 2016

Senate Standing Committees on Economics  
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**RE: Superannuation (Objective) Bill 2016**

CHOICE is supportive of setting an objective for superannuation and enshrining this in legislation. A clear objective has the potential to better align policy settings, industry initiatives and community expectations.

As the largest consumer organisation in Australia, CHOICE is particularly interested to see that the superannuation system is fair and works for all Australians. Our research indicates that constant changes to superannuation have left many consumers uncertain and losing trust in the system.<sup>1</sup> Setting a clear objective in legislation will require future decision makers to articulate how a policy meets that purpose has the potential to allay this uncertainty when future reform is inevitably introduced.

The stated objective is that “*the superannuation system is to provide income in retirement to substitute or supplement the age pension*”.

This objective, especially when combined with changes to contribution limits and taxation changes, provides a useful starting point in creating a fairer superannuation system for all Australians. Compared to some of the alternatives, confining the objective in this way sets a precedent that the taxpayer subsidised superannuation system is not designed to be a tax minimisation vehicle or an estate planning tool.

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<sup>1</sup> Pollinate, 2016, 'Project Superpower – informing a strategy to engage people with their superannuation', Research commissioned by CHOICE, p.16, available at: <https://www.choice.com.au/money/financial-planning-and-investing/superannuation/articles/why-consumers-avoid-thinking-about-super-20161024>

It has been suggested that the objective should include reference to concepts such as “a comfortable standard of living”, “dignity”, or “an adequate retirement income”.<sup>2</sup> Ultimately these concepts are subjective and could create greater complexity and confusion in superannuation policy design. They could also be used to justify policies which greatly expand the ability to make tax effective voluntary contributions to superannuation, which would in turn erode the tax base and further skew inequality in retirement incomes. This would damage the fairness of the taxation system and could threaten the sustainability of retirement income policies, such as the Age Pension.

However, these concepts of adequacy are important in assessing policies in relation to the broader retirement income system, of which superannuation is just one pillar. This is particularly important given Australia has one of the highest rates of income poverty for older people in the OECD.<sup>3</sup> We share the view expressed by other stakeholders, including Anglicare, the Human Rights Commission, the Productivity Commission, ACOSS and CoTA, that a more holistic approach is required to address the adequacy of retirement incomes.

In conclusion, CHOICE is supportive of setting a clear objective for superannuation so that consumers can have confidence in the policy setting surrounding their retirement planning. This needs to be complemented by a more universal approach to assessing the adequacy of retirement incomes. In particular greater attention needs to be focussed on how each component of the system can be better targeted at ending high rates of income poverty among older Australians.

For further information please contact CHOICE on [xohalloran@choice.com.au](mailto:xohalloran@choice.com.au)

Yours sincerely,



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<sup>2</sup> AFR, 2016, 'Defining super's purpose could spark new crackdown on tax perks', available at: <http://www.afr.com/personal-finance/superannuation-and-smsfs/defining-supers-purpose-could-spark-new-crackdown-on-tax-perks-20160919-grjb2#ixzz4LQXgWOD3>

<sup>3</sup> OECD, 2015, 'Pensions at a glance 2015: OECD and G20 indicators', p.171