

MEDIA RELEASE

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FSC CEO releases a six point plan for superannuation

Sally Loane, CEO of the Financial Services Council, has called on the Government to adopt a six point plan for superannuation to deliver higher retirement incomes for the majority of Australians.

The FSC has developed a plan which was outlined today in Ms Loane's annual State of the Industry speech.

Ms Loane said the plan would allow the superannuation system to achieve its objective of enabling more Australians to self-fund their retirement and to decrease pressure on the public purse.

New modelling by Rice Warner Actuaries shows that if the FSC's six point plan is implemented, current age pension liabilities for middle Australia will be reduced by 60 per cent by 2050.

Ms Loane also urged the Government not to tinker with super, which only added to confusion, uncertainty and lack of confidence in the system.

"Superannuation should not be raided to fill Budget holes or fund pet projects. Options which have been floated in the public arena all involve taxing super harder," Ms Loane said.

"Options being debated, including a lower concessional contributions cap, would particularly penalise older workers who are trying hard to save more in their last decade or so of work.

"If the Government is intent on making changes its focus must be on how to encourage Australians to save more for their retirement, particularly people on middle and lower incomes, who are 80 per cent of wage earners.

"Superannuation is our only truly intergenerational public policy, the purpose of which is to provide adequate self-funded retirement incomes for all of us, and equally importantly, to reduce pressure on the age pension system, which at \$44.7 billion a year and rising at a rate of seven per cent each year, already consumes 10 per cent of the Federal Budget.

"Australians need to increase their saving rates – both compulsory and voluntary – with a view to getting pension reliance down. We urge the Government to adopt our six point plan for superannuation to achieve this goal," she said.

The FSC's Six Point Plan for Superannuation

1. Give every Australian saver cast-iron confidence in the system. Take it out of the Budget cycle, stop the tinkering
2. Define its purpose and make it law
3. Increase the superannuation guarantee rate to 12 per cent by 2022
4. Encourage people to save voluntarily beyond the 12 per cent guarantee – by maintaining contribution caps that are high enough to allow women and carers in particular to catch up on

their savings after breaks from the workforce. We recognise that an additional three per cent would get the majority of people to self-sufficiency

5. Provide tax concessions which give all Australians, most particularly low and middle income earners, an incentive to save, and
6. Increase the preservation age in line with increases in the age pension and life expectancy.

Ms Loane also said: “For a policy that is only 24 years old, there is a lot of amnesia about what superannuation is for. I want to build a strong case for cool heads to prevail in the at-times febrile debate on tax and superannuation.”

“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, 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.”

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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.