

MEDIA RELEASE

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FSC CEO urges government to adopt a long term retirement policy

Financial Services Council CEO, Sally Loane has urged the government to take a long term view of superannuation and to develop a robust retirement policy for Australians.

In her address to Women in Super today (Monday) Ms Loane said: “The government has a chance to be the first in 24 years since the advent of the compulsory superannuation system to devise a sound, long-term savings policy for this country.”

“The superannuation system was designed to reflect traditional patterns of work, continuous full-time employment and therefore its design inherently discriminates against women.”

“Women are not paid the same rate as men. They are more commonly employed in part-time or casual jobs, take time out of the workforce to raise children and care for elderly parents. Women live longer and retire with significantly less savings than men,” Ms Loane said.

“The FSC urges caution that some tax proposals, including a lower concessional contributions cap, would particularly penalise women who have taken career breaks and are trying hard to save more in their last decade or so of work.”

“There is a staggering gap between the retirement savings of men and women.”

Research by ANZ has found that every generation of women, from baby boomers to Millennials, is facing a significant shortfall in retirement savings. On average, full-time working women earn \$295 per week less than full-time working men. Over a woman’s career this results in lower retirement savings for approximately \$700 000.

Ms Loane said: “We urge the government to look at the bigger picture of retirement savings, to avoid the temptation to tinker with super taxes and to take a long term view of any superannuation policy announced in coming months.”

In a submission to the *Senate’s Economic Security for Women in Retirement Inquiry*, the FSC recommended the following policy options to address lower retirement outcomes for women:

1. Pay superannuation contributions on the existing Commonwealth Paid Parental Leave Scheme which is 18 weeks pay at the minimum wage, and extend contributions over time to the superannuation contributions a carer would have received had they continued in their employment.
2. Remove barriers in the Sex Discrimination Act 1984 which prevent or make it hard for employers to address gender gaps in retirement savings by offering women higher superannuation contributions.
3. Examine options to allow employers to pay contributions to employees who earn below the threshold of \$450 per month – many of whom are women.

Last week the FSC announced a six point plan for superannuation which 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.

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.

The FSC's six point plan was developed to deliver higher retirement incomes for the majority of Australians.

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.

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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.