MEDIA RELEASE

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FSC warns proposed IRIS changes risk undermining retirement income innovation

The Financial Services Council (FSC) notes Treasury's consultation on Innovative Retirement Income Streams (IRIS) released today. While the FSC recognises a legitimate policy discussion to be had around the calibration of asset test settings in line with fiscal sustainability goals and consumer equity, it holds concerns about the stability of policy settings regarding longevity products.

IRISs allow members to use part of their superannuation savings to secure an income stream for life, helping manage the risk of outliving their savings and providing confidence to spend. They can complement an account-based pension and the Age Pension, providing a mix of flexibility and greater income certainty throughout retirement.

CEO of the FSC Blake Briggs said, "The Government and regulators have repeatedly urged the superannuation industry to do more to meet its obligations under the Retirement Income Covenant and the new Best Practice Principles, including encouraging greater uptake of longevity products. In response, superannuation funds have committed significant resources to designing and developing innovative retirement income products that address this challenge and give more Australians confidence to spend their savings without the concern of outliving them.

"The Government's consultation proposals now risk undermining that investment and creating uncertainty for consumers who have made retirement plans based on the existing rules. It would also unfairly disadvantage funds that have responded to policy expectations by investing in new and innovative retirement income solutions.

"IRISs are an important part of the broader retirement income framework. By providing certainty and security around future income, they give retirees the confidence to make informed decisions about how they use and spend their superannuation savings."

"The Federal Government is under pressure to find savings in the budget, but Australians planning for their retirement and seeking peace of mind should not be the Government's target," Mr Briggs said.

The FSC will work constructively with the Government on sensible regulatory refinements that preserve incentives for innovation and prioritise long-term retirement outcomes over short-sighted budgetary considerations. This includes ensuring that any changes are grandfathered appropriately if adjustments to regulatory framework prove necessary. The FSC also welcomes the Government's willingness to consider industry feedback on other ways to improve and maintain the attractiveness of IRIS, including portability, extending the 14-day cooling-off period and better facilitating successor fund transfers (SFTs).

Any changes made to policy settings around longevity products should come with a commitment that settings will remain stable, so that funds have the confidence to invest in innovation and Australians have the confidence to plan for their retirement.

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About the Financial Services Council

The Financial Services Council is a peak industry body which sets mandatory Standards for its Full Members and develops policy in one of Australia's largest industry sectors, financial services. Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, platforms and financial advice licensees. Supporters represent professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The Associate category provides access to industry tools. The financial services industry is responsible for investing more than $4.5 trillion on behalf of over 17.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.