



MEDIA RELEASE

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Superannuation access age and pension eligibility need urgent reform

John Brogden, CEO of the Financial Services Council said today that the Age Pension and access age for superannuation should be linked to life expectancy and eligibility for the Age Pension should be tightened.

“Australia’s retirement system is not sustainable. Reform is critical to ensure the Age Pension and superannuation system meets the needs and expectations of Australians in retirement,” Mr Brogden said.

The FSC is recommending the following changes to retirement policy:

- Increasing the superannuation access age to 65;
- Tightening eligibility to the Age Pension;
- Reforming early access arrangements for superannuation for those unable to work to a higher preservation age; and
- Linking the age of retirement to life expectancy through a formal process guided by the Government Actuary.

“Many Australians starting work today will live for more than one century. Accessing superannuation at 60 is no longer viable,” Mr Brogden said.

The FSC is recommending that the preservation age at which Australians can access their superannuation is increased to at least 65.

“A sustainable superannuation system goes hand in hand with a sustainable Age Pension system.”

“Accessing superannuation at 60 when the pension is available at 67 encourages the wrong type of behaviour. Superannuation and the age pension should work together to provide an adequate retirement for Australians.”

“The Age Pension system cannot be sustained in its current form,” Mr Brogden said.

“When a couple who own their family home, have one million dollars in assets and an annual income of \$60,000 are eligible to receive a part pension, it’s appropriate to question whether or not this the right way to spend taxpayers’ money.”

Mr Brogden also said the Age Pension must be linked to life expectancy.

“The appropriate age for when the Age Pension can be accessed needs to be determined by the Australian Government Actuary and evidenced-based research such as the Intergenerational Report.

“How and when the Age Pension can be accessed is the debate Australia can no longer afford to ignore.”

“It is critical that the increased life expectancy of Australians is the driver for Age Pension and superannuation policy, so future generations of taxpayers are not burdened with the cost of our retirement.”

“Policy settings for Australia’s retirement system must be updated to account for the long term costs of retirement to the public purse and the practicalities of how long Australians can work and be productive.”

“The retirement savings of Australians are increased by \$200 billion for every year the preservation age is increased,” Mr Brogden said.

“Lifting the superannuation preservation age to at least 65 would improve public finances – more retirees will be self-funded, and the number of Australians on the Age Pension will reduce.”

“Having Australians self- fund their retirement was a key objective of the superannuation system when it was introduced in 1992.”

Research for the FSC by the National Centre for Economic Modelling (NATSEM) shows in 2013-14 Australia’s superannuation system saved the government \$5.7 billion in age pension costs. These savings will increase to \$11.1 billion by 2030.

“Superannuation is beginning to reduce the cost to government of an ageing population,” Mr Brogden said.

“This will only increase as the system matures over the next forty years.”

The FSC has also recommended the government considers reforming early access arrangements for superannuation for those unable to work to a higher preservation age.

“We recognise that some older Australians may not be able to work until 65 due to the nature of their work or due to lower life expectancy or poorer health than the wider general public,” Mr Brogden said.

"For these people there should be a reasonable early access provision to superannuation."

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.3 trillion on behalf of 11 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.