

## **MEDIA RELEASE**

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### **Statement on the Intergenerational Report from the Financial Services Council**

The Intergenerational report released today by the Federal Treasurer, is a clear signal to Australians that the status quo is no longer a viable option, the Financial Services Council said today.

Sally Loane, CEO of the FSC said: "It's time to face the reality that Australians are living longer and will need to work longer to achieve a comfortable retirement."

"By 2055, there will be 2.7 working Australians for every Australian over 65 compared with 4.5 at present. [Seventy](#) per cent of retirees currently receive a [pension](#). This level of social welfare cannot be sustained."

"The expectation should be that super is a replacement for the pension, not a top-up, and the age pension needs to be considered as a safety net for those who cannot provide for their own retirement," Ms Loane said.

#### **Superannuation**

Sally Loane: "Superannuation must be allowed to reduce ageing costs. This will be achieved through properly calibrating the super and age pension systems. Over time, this should reduce the proportion of people receiving an age pension from 70 per cent today."

#### **Age Pension**

Sally Loane: "Good policy decisions now will ensure that future generations are not paying for an overly generous pension system which we can no longer afford."

While the proportion of full and part pensions will change, the IGR states "The (overall) proportion of retirees receiving any pension is not expected to decline. By mid-century, around three quarters of Australians will be receiving a pension in some form."

Sally Loane: "The Government needs to consider whether the correct people are receiving the age pension based on their personal need."

"The income and assets tests for the age pension should be reviewed to ensure it is not too generous for those people who can fund their own retirement, and not miserly for those who cannot."

"We need to significantly shift remaining expectations that the age pension is an entitlement which is available to all."

#### **Preservation Age**

"Raising the super preservation age to 65, which better aligns with the pension eligibility age, closes the retirement savings gap significantly. More retirees will be self-funded, and the number of Australians on the Age Pension will reduce."

## **Workforce Participation**

The IGR predicts that female workplace participation will increase from 66 to 70% by 2055.

In 2013, Australia's participation rate was the fifth highest in the OECD. We rank behind just four countries when it comes to female participation. However there is more to do. Increasing female participation to that of Canada and New Zealand has the ability increase our GDP by \$25 billion.

Sally Loane: "Attitudes towards work and towards older workers, and particularly women, need to be aligned with the 21<sup>st</sup> Century."

"We need to end the concept of full-time retirement. Australians remaining in the workforce for longer periods will prolong retirement incomes by supplementing superannuation through part-time work as well as reduce our nation's skills shortage."

"The retirement savings of Australians would be increased by \$200 billion for every year the Government increases the preservation age to keep people in work."

"At the same time, new work arrangements and the value of a diversified workplace needs to be instilled in our workplace culture."

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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 \$2.5 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 fourth 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.