

18 September 2025

Lachlan Alvey
Acting Assistant Secretary
Tax and Transfers Branch
The Treasury
Langton Crescent
PARKES ACT 2600
AUSTRALIA
Via email: retirement@treasury.gov.au

Dear Mr Alvey

RE: Consultation on Best Practice Principles – Superannuation Retirement Income Solutions

The FSC welcomes the opportunity to provide feedback on the *Guidance on Best Practice Principles for Superannuation Retirement Income Solutions* consultation paper (**the Consultation Paper**) and its associated Draft Best Practice Principles (**the Principles**).

The best retirement outcomes come from empowered, engaged customers. Customers should be provided with the opportunity at all stages of their working life to learn about and engage with their superannuation, and funds have a role to play in facilitating and encouraging that engagement. When a person approaches retirement, funds also have a role to play in offering well-designed, well-suited products particular to its customer base.

While the FSC is supportive of the creation of the principles, it is important to note that just as retirement is individual, what best practice looks like will be determined by the size and scale of the fund, supported by cost benefit analysis, and the profile of the customers that it serves.

The FSC is generally supportive therefore, of the direction of the Principles, and notes improvements since the first iteration that place greater recognition on the need for flexibility and offerings that facilitate individual choice. We thank Treasury for its constructive and consultative approach to drafting. However, the FSC believes there is more that can be done to more clearly articulate the importance of empowering customers in their retirement to achieve the best individual outcomes.

Below you will find comments both in relation to the Consultation Paper and the Principles.

About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, and financial advice licensees.

The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 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.

Summary of Recommendations

1. The needs and objectives of every customer nearing or in retirement are different. Treasury should include an overarching principle that acknowledges this difference and the importance of empowering customers to achieve their individual outcomes.
2. Where funds are communicating with customers based on a predetermined cohort, funds should be required to caveat those communications with information about the sources of information that were used, especially when exposing customers to potential products.
3. Enshrine in the Principles a foundational principle or pillar acknowledging the importance of encouraging engagement throughout the customer lifecycle.
4. Treasury explicitly acknowledge the potential consequences of trustees transitioning members to a retirement phase product without their consent.
5. Treasury ensure that the final Best Practice Principles be published with an introduction that reflects the discourse in the paper around funds making decisions that are ultimately relevant to its size and scale, supported by cost benefit analysis, and the demographics of the customer base that it serves.
6. That the wording of Principle 4 be changed to be less prescriptive and reflect the overarching principle that best practice is different depending on the size and scale of the fund and the demographics of its customer base.
7. Treasury be clear in its use of the term cohort so as not to confuse industry where that term can be used in other functions, such as marketing and communications.
8. Treasury fully consider the impact on consumer outcomes with respect to the divide between what information a fund actually knows about a customer and what information a fund should realistically know, does not have ready access to, and should not be expected to have ready access to, in order to be able to create a product designed (and recommended) for that customer.
9. Treasury consider that while many funds have the scale and customer demand to offer lifetime income solutions, not all funds will be able to offer lifetime income solutions if it is not supported by the cost and benefit analysis.
10. Funds should be required to ensure that there are caveats that explain how product communications come to be (i.e. what information they are based on) so that consumers benefit from a broader understanding about why a fund might have made that communication and, where a financial advice relationship exists, why the information in that communication may not be the same as paid for advice.
11. Treasury consider the impact of Australia's anti-spam communications with regard to the expected implementation of the best practice principles relating to communications.

Comments on the Consultation Paper

Question 1: Are there any additional areas relevant to the construction and offering of quality retirement income solutions that should be included in the principles?

The FSC is broadly supportive of the Principles and the concepts outlined in the Consultation Paper, however, the FSC still believes that it is important that individual outcomes and choice be explicitly recognised in all retirement policy. People have the best retirement outcomes when they are given the tools and services required to make choices based on their individual financial circumstances and with reference to their individual goals for retirement. Superannuation funds can assist individuals with these enquiries through a spectrum of guidance and advice solutions, with many individuals benefitting from broader financial advice outside the fund.

While it may be administratively easy to divide customers into broad-brush cohorts, these cohorts will always only indicate some important attributes of an individual's circumstances and will not necessarily allow funds to properly assess the needs of the individual (which is ultimately the proper domain of personal financial advice). Importantly, these cohort decisions will be made based on very limited information as funds do not have, and do not need to have, oversight of the customer's personal and financial circumstances outside of their interest in the fund.

Based on these limited cohorts, funds may at a high-level match appropriate product features or products, but ultimately, whether a specific retirement income solution is actually appropriate for an individual customer is at best an inference. Other aspects of an individual's circumstances are unknown to the trustee, meaning that it cannot be assumed that everyone within a cohort will have homogenous needs. Thus, the nature of the funds' engagement with members about products must account for the broad, inferential nature of cohorts. The broadness of the cohorts also underlines the importance of access to personal financial advice as an option for members.

As such, the FSC recommends that the importance of individual outcomes be acknowledged in the Principles.

Recommendation 1

The needs and objectives of every customer nearing or in retirement are different. Treasury should include an overarching principle that acknowledges this difference and the importance of empowering customers to achieve their individual outcomes.

Further, where funds are communicating with customers based on a predetermined cohort, funds should be required to caveat those communications with information about the sources of information that were used, especially when exposing customers to potential products. This will create greater transparency and increase the agency of customers in the process.

Recommendation 2

Where funds are communicating with customers based on a predetermined cohort, funds should be required to caveat those communications with information about the sources of information that were used, especially when exposing customers to potential products.

The FSC submits that the best retirement outcomes will come from an orderly transition into retirement. The FSC notes that the Principles have a focus on education and engagement throughout a customer's lifecycle with the fund. The best way to affect an orderly transition is to ensure that funds are encouraging their customers to engage throughout the lifecycle (from the day they join their fund, through to retirement, and even throughout retirement) to help prepare customers throughout their working life.

At a young age, this can be as simple as providing educational tools about the importance of superannuation and how compounding interest works. At later stages this could be providing access to guidance and advice to ensure that a person has the appropriate settings in place and tools to make more informed decisions in relation to their retirement.

While this is partially enshrined in Principle 13, the FSC believes that the Principles could benefit from a foundational principle enshrining the importance of encouraging engagement throughout the customer lifecycle.

Recommendation 3

Enshrine in the Principles a foundational principle or pillar acknowledging the importance of encouraging engagement throughout the customer lifecycle. The engagement type should be appropriate to that specific life stage.

The FSC strongly cautions against any proposals that empower Trustees to transition unadvised and/or disengaged members to a separate retirement phase product without their consent, even if the fund has attempted to contact them. To do so could cause irreparable harm and have perverse outcomes with a person placed in a product that is not right for them.

The better framework to improve outcomes for this cohort of members is through the provision of active trustee guidance on retirement planning and further access to and flexibility in the delivery of comprehensive financial advice. Enhanced member engagement as encouraged by the Principles is intended to support informed decision-making by members, while retirement transitions without engagement and guidance would undermine this objective.

Recommendation 4

Treasury explicitly acknowledge the potential consequences of trustees transitioning members to a retirement phase product without their consent.

Question 3: Are there any changes to the principles that would better support trustees to deliver higher quality outcomes to members?

The FSC notes that the Consultation Paper highlights that Trustees will ultimately need to make decisions about delivering best practice retirement outcomes as it specifically relates to a fund's individual customer base. Specifically, it notes "trustees can adopt and implement the principles in the manner most appropriate to providing their customers with high quality retirement income solutions and satisfying their obligations." The FSC agrees with this principle, that ultimately what best practice looks like will also be determined by the size and scale of the fund and the profile of the customers that it serves.

However, because the Principles will be used not just by regulators, but by customers as well, it is important to consider the legal ramifications associated with the publication of the Principles. If these are not sufficiently scoped and caveated, it may lead to legal issues for funds if they were to have implemented best practice in a way that was not literally or strictly aligned the Principles themselves, but were aligned with the underlying intent of the Principles, and appropriate to the funds' specific commercial and member circumstances.

For this reason, the FSC believes that the final Principles should be published with an introductory statement to make clear that just because a fund is not implementing, say, one specific aspect of the

Best Practice Principles, this is not necessarily a cause for concern or an indication that a fund is not meeting best practice.

Recommendation 5

Treasury ensure that the final Best Practice Principles be published with an introduction that explicitly reflects the discourse in the paper around funds making decisions that are ultimately relevant to its size and scale, supported by cost benefit analysis, and the demographics of the customer base that it serves.

Question 5. Are trustees able to construct a minimum of three cohorts based on information held?

As noted above, in some instances, funds will have slightly different approaches to the Principles meaning they are still providing best practice, but in a way that is relevant to its particular customer base. The FSC is supportive of the way in which the principles have been drafted to be less prescriptive and principles based. That said, Principle 4 specifically requires that funds create at least three distinct cohorts. It is not clear why three was chosen and on what basis this should be the minimum. It should be noted that while three cohorts may be very achievable for larger established funds, smaller and/or newer funds may struggle to find three distinct cohorts in its customer base.

The FSC recommends that the principles better reflect the importance of individual outcomes as retirement is personal and cannot be approached with a one-size fits all mentality. As it stands, cohort analysis is also a widely used analytical tool to understand the distribution of member characteristics, and to inform the range of products, help, guidance and advice required to offer to the membership of a fund.

Cohorts however, are not always necessarily useful for matching certain products for individuals without meaningful engagement. The use of cohorting in these ways may ignore the members' true financial circumstances (which a fund does not have a complete picture of) such as their total superannuation holdings outside of the fund, their spousal or family circumstances, their assets outside superannuation, and equally importantly ignores the members' preferences and risk tolerances. The FSC recommends amending this Principle to be less prescriptive.

Recommendation 6

That the wording of Principle 4 be changed to be less prescriptive and reflect the FSC's proposed overarching principle that best practice is different depending on the size and scale of the fund and the demographics of its customer base.

The FSC also recommends that Treasury carefully consider the definition of the word cohort as this can become quite confusing when used in different contexts. The FSC understands the purpose of the term cohort as it relates to the creation of distinct groups for which retirement services should be considered. However, a cohort that is being marketed to, might be different to a cohort for retirement purposes. A fund would not always communicate with a whole retirement cohort. This distinction should be made clear to avoid further confusion.

Recommendation 7

Treasury be clear in its use of the term cohort so as not to confuse industry where that term can be used in other functions, such as marketing and communications.

Question 6. What member information are trustees currently using to inform and construct their cohorts?

There are only a few pieces of information that a Trustee knows for certain about its customers; the balance contained in the Trustee’s fund, the person’s gender, and how old the person is. They would also be able to tell if that person was no longer receiving contributions but would not be able to tell for what reason i.e. the person has gone on a career break, the person has stopped working, the person has started sending their contributions to another fund.

This limited information can make it quite difficult to effectively provide tailored guidance and would certainly lead to perverse outcomes if this was the only information that was considered when thinking about retirement decisions.

In research conducted by NMG consulting on behalf of the FSC, it was noted that “if a... (customer were to be) defaulted into the wrong... solution, those with low financial literacy and/or the highly disengaged, are unlikely to correct the error, and therefore be placed into a solution which does not optimise their retirement outcomes”.¹ The research goes on to assert that this could be compounded if part of the solution were to be a lifetime income stream.²

The FSC wishes to note that this is illustrative only of how funds making choices on behalf of members without the benefit of the full knowledge about their financial circumstances can lead to poor outcomes. There are many instances where customers would benefit from being in a longevity solution when they are not currently. The important point to note is that customers should be empowered to make decisions based on their personal circumstances.

Realistically, individuals should consider a wide range of factors to achieve better retirement outcomes. The image below extracts from the NMG research the types of information that should be considered, along with what a fund does or might reasonably be expected to know about its customers.

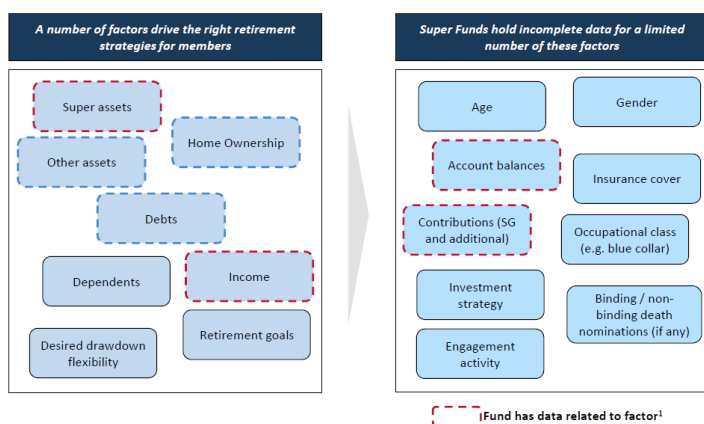


Figure 1: Factors funds know about an individual compared with factors a fund should know to drive retirement strategy choice³

The research concludes “rather than extensive data gathering, funds should focus on engaging

¹ NMG Consulting. (2025). Empowered for Retirement: A Best Practice Framework for Superannuation Funds ([link](#)) p. 27

² Ibid

³ Ibid

members into service channels (advice) to support them in optimising retirement planning”.⁴

Additionally, one of the relevant factors that is not known to the fund is the customer’s health circumstances. This is relevant to expected quality of life and should certainly be factored in when considering the purchase of lifetime income solutions.

While there is some utility in cohorting, the best outcomes will come from customers being engaged with their superannuation as early as possible and making individual decisions that are appropriate for their circumstances.

Recommendation 8

Treasury fully consider the impact on consumer outcomes with respect to the divide between what information a fund actually knows about a customer and what information a fund should realistically know, does not have ready access to, and should not be expected to have ready access to, in order to be able to create a product designed (and recommended) for that customer.

Question 10: Are trustees able to construct products and product settings in a way that supports both the offering of trustee-designed solutions and individually-tailored solutions?

While the FSC agrees that longevity solutions can help maximise the outcomes for many retirees, not all retirees will want or benefit from a longevity solution.

The FSC is broadly supportive of funds being required, under the principles, to provide access to the ‘building blocks’ of good retirement income including solutions that allow for account-based pensions, lifetime income streams, and lump sum withdrawals. However, not all funds will have the customer demand, or scale that it would make it viable to offer a lifetime income solution, even in a white-labelling arrangement. A trustee can legitimately come to a position (based on size and scale or customer need) that it would not be in their customer’s best financial interest to invest in the development of a longevity solution.

Funds should adequately explore appropriate solutions for their membership base using the characteristics of their membership base known to them, as it is true that there are customers who are not in longevity solutions who could benefit from being in one. However, if the fund reaches the conclusion that there is simply no demand within the customer base for a longevity solution, the fund should not be penalised with the perception that it is not meeting best practice.

The FSC believes that the Principles should reflect that funds might have different operational realities that mean it is still operating within best practice.

Recommendation 9

Treasury consider that while many funds have the scale and customer demand to offer lifetime income solutions, not all funds will be able to offer lifetime income solutions if it is not supported by the cost and benefit analysis.

Question 12. What barriers, if any, exist in aligning current fund practices with the principles?

⁴ Ibid

As recent research by NMG noted, it is important for funds to attempt to engage their customers from the day they open their superannuation account. Not only will this help to improve financial literacy, but it will better equip customers as they get closer to retirement, to make more informed decisions about their future.

With regards to best practice in engagement and advice, the research by NMG notes that the most mature practices will involve a suite of multi-channel engagement offerings that suit the breadth of the customer base⁵. This should be coupled with a suitable spectrum of advice solutions from simple education tools, less tailored guidance, self-led guidance, intra-fund advice, and, where appropriate due to financial circumstances, access to full personal advice⁶.

It is hoped that the proposed legislative changes to financial advice laws will make it easier for funds to implement these solutions including in the provision of nudges and offering more options to provide financial advice or guidance. However, this legislation is not yet final and is, as of writing, not yet fully consulted on.

The FSC would also like to acknowledge Treasury's consideration of the specific circumstances of customers who have received financial advice and the way this has been reflected throughout the principles. However, the FSC submits that it would be best for the Principles to accurately reflect and acknowledge that although funds should not do nothing for a customer just because they have a financial adviser, conflicting advice between a fund and an adviser could lead to adverse outcomes such as a person being placed into the wrong product or incurring unnecessary costs to get further financial advice following confusing communications.

Where a fund is communicating with someone known to have a financial adviser, a caveat should be provided that the communication and information provided is based on less personal information than any financial advice relationship and therefore may be less reliable. It should also be clear that the communication is only providing general information about the Fund's products and encourage the customer to discuss the matter with their personal financial adviser.

Recommendation 10

Funds should be required to ensure that there are caveats that explain how product communications come to be (i.e. what information they are based on) so that consumers benefit from a broader understanding about why a fund might have made that communication and, where a financial advice relationship exists, why the information in that communication may not be the same as paid for advice.

Question 14: Are there other elements of communicating with members that should be considered?

One of the barriers to communicating effectively with customers is Australia's anti-spam legislation. This necessary piece of legislation protects consumers from unwanted marketing materials. If a customer has opted out of marketing communications, it can be difficult for a fund to then continue non-essential communications with that person.

It is expected that email and text message communications to customers about services related to

⁵ Ibid p. 13

⁶ Ibid

super or retirement income streams would probably not be characterised as a designated commercial electronic message (which generally consist only of factual information) under the Spam Act. If a customer unsubscribes from marketing, the fund is significantly restricted in how it can communicate with customers in the lead up to and throughout their retirement journey.

Recommendation 11

Treasury consider the impact of Australia's anti-spam communications with regard to the expected implementation (NMG Consulting, 2025) of the best practice principles relating to communications.

Comments on Individual Best Practice Principles

Proposed Principle	FSC Comment
Understanding members' retirement income needs	
Best practice for understanding members' retirement income needs means a trustee will:	
1. Undertake regular research to ensure an up-to-date understanding of the composition of the membership base and how member characteristics, engagement preferences and retirement income needs are changing over time.	Supportive in principle however recommend 'regularly' be defined.
2. Regularly use data and behavioural research to inform the design of information, engagement strategies and guidance services.	Supportive in principle, however recommend "regularly" be removed or defined as not all funds would have the means to conduct, say, yearly behavioural research, nor would it be appropriate to. Funds should determine what is reasonable with reference to matters such as its customer base and when the research was last completed and this should be reflected in the definition of regular.
3. Improve understanding of the membership base by: <ol style="list-style-type: none"> I. Identifying members who are at or approaching retirement. II. Gathering information on characteristics relevant to its members' retirement income needs, including in 	Supportive however, it would be near impossible for funds to get a complete set of a data for a cohort regarding retirement income needs. Treasury should consider the impact of where customers have indicated that they do not wish to receive marketing information or even product recommendations.

<p>the lead up to retirement.</p> <p>III. Asking members about their engagement preferences, including in the lead up to retirement.</p>	
<p>4. For the purpose of the principles, develop at least three cohorts that reflect the composition of the membership at or approaching retirement.</p> <p>I. Base cohorts on information held and gathered by the trustee.</p> <p>II. Use characteristics relevant to the development of trustee-designed retirement income solutions to develop cohorts, such as account balance and age.</p>	<p>While the FSC is supportive of having cohorts, it does not necessarily think a minimum number is reflective of best practice. Retirement is inherently personal, and customers should be encouraged to engage with their superannuation to make the best decisions for their personal circumstances. While cohorting can be a useful exercise, a minimum number of cohorts seems arbitrary.</p> <p>Cohorts are also not appropriate for making product allocation recommendations. The appropriate use of cohorts includes understanding distribution of membership, to inform the range of products, help, guidance and advice that should be offered to the membership, and to assess aggregated member outcome. Making product recommendations such as product allocation based on cohorts is to make these recommendations based on limited data and ignoring individual's preference, risk tolerance, broader family situation etc.</p>
<p>Designing the elements of a quality retirement income solution</p> <p>Best practice for designing the products and product settings to build quality retirement income solutions means a trustee will:</p>	
<p>5. Provide their members with access to:</p> <p>I. A lifetime income product that is not the Age Pension.</p> <p>II. An account-based pension.</p> <p>III. Lump sums.</p>	<p>While the FSC is supportive of the principle that lifetime income products play an important role in many individuals retirement outcomes, it may not be appropriate for every single fund to provide access to a lifetime income product if its customer base does not want or need those products. The FSC suggests that this be reworded to "provide members with access to a range of retirement products relative to the financial needs and goals of the membership cohort".</p>
<p>6. Design product settings that allow for the construction of retirement income solutions that meet members'</p>	<p>Supportive, however in relation to 6 (iii) 'more efficiently' can be interpreted in different ways. The FSC suggests amending this sub paragraph to be clearer in meaning i.e. converting</p>

<p>retirement income needs, including:</p> <ol style="list-style-type: none"> I. Lifetime income product settings that have regard to member preferences around expected risk and return, for example managing longevity or investment risk. II. Account-based pension product settings that help to manage expected risks, for example sequencing, market and inflation risks. III. Trustee-designed drawdown pathways for account-based pensions that more efficiently convert superannuation balances into income than the legislated minimum drawdown rates. 	<p>superannuation balances into income at a faster pace than the legislated minimum drawdown rates.</p> <p>It should be noted that there is nothing inherently wrong with drawing down the minimum if it is right for a person's individual circumstances and this should be acknowledged in the principles.</p>
<p>7. Allow all members that meet a relevant condition of release access to a retirement income solution that includes an account-based pension component, irrespective of account balance.</p>	<p>In cases where a person has a very low balance (i.e. a few thousand dollars), it is not appropriate or viable to offer an account-based pension. FSC recommends Treasury consider what is an appropriate lowest possible balance to offer an account-based pension to.</p>
<p>8. Ensure these products and product settings can be used to construct both trustee--designed retirement income solutions and allow members to tailor their own retirement income solution.</p>	<p>Supportive</p>
<p>Constructing retirement income solutions that meet members needs</p> <p>Best practice for constructing retirement income solutions that meet members retirement income needs means a trustee will:</p>	
<p>9. Construct a separate trustee-designed retirement income solution for each identified cohort, that balance members' need to maximise expected retirement income, manage expected risks, and maintain flexible access to</p>	<p>Rather than pre-creating product mixes, customers should be encouraged to engage with their superannuation and make decisions that are right for their individual circumstances. This is best reflected in Principle 8.</p> <p>Cohorts are likely to be based on very limited</p>

<p>capital. These should include:</p> <ol style="list-style-type: none"> I. A lifetime income product component in at least one retirement income solution, that has regard to likely Age Pension eligibility. II. For most solutions, a drawdown pathway that is higher than the legislated minimum drawdown rate. III. Where a solution includes a lifetime income product, include trustee-designed drawdown pathways for the account-based pension component that reflect the stability of income delivered through the lifetime income product. 	<p>information and therefore products constructed for individual cohorts are not necessarily going to be in the best interest of everyone in the cohort.</p> <p>Drawdown pathways, for example, really should be tailored for individual needs rather than recommended based on limited information. Alternative drawdown pathways could be provided as another option for members to choose from. It should also be acknowledged that for some people, withdrawing the minimum might be the best financial decision for them.</p> <p>Further, among customers, even those with relatively high financial literacy, annuities and other lifetime income products often have negative connotations, arising from a lack of understanding of the trade-offs between capital access and lifetime income. Educating customers on this complex topic is challenging for funds to achieve at scale. The FSC suggests that Treasury consider how government led financial literacy education can support the public's understanding of the benefits and trade-offs of lifetime income streams.</p>
<p>10. Ensure each trustee-designed retirement income solution is broadly calibrated to the financial characteristics of a retiree cohort.</p>	<p>As noted above, the financial characteristics of a retiree cohort may not be as cohesive as this suggests. The information trustees hold about their customers is limited, generally to age and account balance. The trustee will generally not be aware of other financial characteristics of its customers. For example, risk preferences, household structure (homeowner, partner status), expenditure needs and health will vary from person to person.</p>
<p>11. Design guidance services that assist members to understand and select the components of their retirement income solution, for example through personas or assisted choice tools.</p>	<p>Supportive.</p>

Supporting member engagement with retirement income solutions

Best practice for supporting members to choose a retirement income solution means a trustee

will:	
<p>12. Support all members to understand their retirement income needs by providing forecasts or projections of income in both annual and pay-cycle terms, including through:</p> <ol style="list-style-type: none"> I. Annual member statements. II. Budgeting tools or expenditure calculators. 	<p>Supportive however, this may require uplift from some superannuation funds and will take time to implement.</p> <p>It should also be noted that funds do not necessarily know what a person's pay cycle is. FSC suggests Treasury qualify this to be a specific frequency such as fortnightly or monthly.</p>
<p>13. Foster member engagement during the accumulation phase by providing information and tools that can help members prepare for and understand their retirement income needs, including on:</p> <ol style="list-style-type: none"> I. Moving into the retirement phase of superannuation. II. Classes of retirement products and drawdown pathways. III. Guidance services offered by the trustee. IV. Government resources on retirement related topics, including information on non--superannuation sources of income in retirement such as the Age Pension and access to home equity. 	<p>Supportive, however, the FSC believes this should be amplified as an underlying principle or pillar of the Principles to encourage funds to ensure they are engaging with customers throughout the lifecycle and smoothing the transition to retirement.</p> <p>Further, the FSC suggests other topics include reinforcing the need for superannuation, and why compounding returns are important.</p>
<p>14. Engage with members approaching retirement, to:</p> <ol style="list-style-type: none"> I. Provide them information that is relevant to their cohort. II. Provide information on trustee-designed retirement income solutions and a description of the financial characteristics used to 	<p>The FSC holds concerns about requiring pre-determined product mixes being offered to customers based on limited information. While it may be appropriate to provide information about how a person might design a product, even with reference to others with similar circumstances (as far as the fund knows), it will ultimately lead to poor outcomes if customers are placed in products based on the recommendation made guidance provided by a fund which has been crafted with only limited information. Treasury</p>

<p>inform each solution.</p> <p>III. Inform them of how to access information on all retirement products offered by the fund.</p> <p>IV. Encourage further engagement with information and guidance services to help inform members' choice of retirement income solution and better facilitate individual tailoring of retirement income solutions.</p>	<p>should consider inserting into the principles that funds should make clear that products for which the information is being provided have been crafted using basic and non-specific information and customers should seek further advice and guidance, including personal financial advice if appropriate, to ensure they are maximising their outcomes.</p>
<p>15. Provide access to financial advice services that reflect the composition and preferences of its membership.</p>	<p>Supportive however advice is a spectrum with non-specific, non-tailored information at one end and full personal advice offered outside of the superannuation fund at the other. This should be more specific as to what kind of financial advice is referenced here.</p>
<p>16. Include members that receive personal financial advice in its engagement with members approaching retirement, including information on trustee-designed solutions and retirement products.</p>	<p>There is potential for confusion and harm to customers if communications and recommendations from their fund conflict with the ongoing personal financial advice they are receiving. The FSC recommends that this principle be made clearer regarding the type of information that trustees are expected to provide to customers who receive personal financial advice, and that this information should be only general information on trustee-designed solutions and retirement products (such that would otherwise be available to the customer through accessing the fund's website, for example) without specific product or solution recommendations, and with the clear recommendation to the customer that they should discuss their retirement plans with their financial adviser.</p>
<p>17. Notify members who have withdrawn the minimum drawdown rate amount for three consecutive years about their ability to draw down at a higher rate.</p>	<p>Supportive in principle however, it should be noted that there is nothing inherently wrong with withdrawing the minimum if it is in the customer's individual interest.</p>

	Further, if customers make an informed decision to drawdown at the minimum level, it would be inappropriate to continue “notifying” them as members may come to see these fund communications as “spam” and further disengage.
Review and improve Best practice for review of its retiree cohorts and trustee-designed retirement income solutions means that a trustee will:	
18. Assess the effectiveness of its trustee-designed retirement income solutions in meeting the needs of its cohorts and consider relevant data on measurable outcomes, usage, engagement and member behaviour to improve the quality of its retirement income solution offerings.	Supportive.
19. Have regard to the changing needs of members approaching retirement (over the short and medium term) when assessing the ongoing settings of trustee-designed retirement income solutions.	Supportive.

The FSC welcomes the opportunity to further discuss the matters outlined in this submission. To arrange a meeting, please contact me on 0435 779 868 or email ksamuels@fsc.org.au.

Yours sincerely,

Kirsten Samuels
 Policy Director, Superannuation and Funds Management