

Director
Superannuation, Insurance and Governance Unit
Retirement Advice and Investment Division
Treasury
Langton Cres
Parkes ACT 2600

Via Email: SuperannuationObjective@treasury.gov.au

29 September 2023

Dear Treasury,

Legislating the Objective of Superannuation - August 2023

The Financial Advice Association of Australia¹ (FAAA) would like to provide feedback on the draft legislation to define the objective of superannuation.

The FAAA supports the proposed legislation for the establishment of an objective of superannuation. The FAAA, in the form of a joint submission from the two entities that merged to create the FAAA in April 2023, provided a submission on 31 March 2023 in response to the previous proposal paper. In that submission, we raised a number of concerns. We note the following statements in the Explanatory Memorandum have helped to address these concerns.

1. **Unreasonable restrictions on accessing super.** Paragraph 1.32 specifically refers to accessing insurance payments and financial hardship provisions, and confirms that the Bill

¹ The Financial Advice Association of Australia (FAAA) was formed in April 2023, out of a merger of the Financial Planning Association of Australia Limited (FPA) and the Association of Financial Advisers Limited (AFA), two of Australia's largest and longest-standing associations of financial planners and advisers.

The FPA was a professional association formed in 1992 as a merger between The Australian Society of Investment and Financial Advisers and the International Association of Financial Planning. In 1999 the CFP Professional Education Program was launched. As Australia's largest professional association for financial planners, the FPA represented the interests of the public and (leading into the merger) over 10,000 members. Since its formation, the FPA worked towards changing the face of financial planning, from an industry to a profession that earned consumer confidence and trust, and advocated that better financial advice would positively influence the financial wellbeing of all Australians.

The AFA was a professional association for financial advisers that dated back to 1946 (existing in various forms and under various names). The AFA was a national membership entity that operated in each state of Australia and across the full spectrum of advice types. The AFA had a long history of advocating for the best interests of financial advisers and their clients, through working with the government, regulators and other stakeholders. The AFA had a long legacy of operating in the life insurance sector, however substantially broadened its member base over a number of decades. The AFA had a strong focus on promoting the value of advice and recognising award winning advisers over many years. The AFA had strong foundations in believing in advocacy for members and creating events and other opportunities to enable members to grow and share best practice.

will not impact the existing legal framework that supports consumers' access to their superannuation in unforeseen and exceptional circumstances.

2. **Clarity on who superannuation belongs to.** Paragraph 1.35 specifically states that superannuation savings belong to the member (and not to the Trustee, or the Government). This is a central and important element of the entire regime and critical to supporting ongoing consumer confidence in the system, and we are pleased to see this clearly and specifically acknowledged.
3. **Potential limitations on accessing superannuation in retirement.** Paragraph 1.34 specifically states that some people may choose to receive their superannuation as a lump sum from which they can draw income. Paragraph 1.35 then states that there are no restrictions on the type of spending a consumer may choose to use their superannuation to support.
4. **Defining “dignified”.** Paragraph 1.40 makes it clear that ‘dignified’ is a subjective concept, allowing individuals to apply their own values and judgements about what it means. This addresses our concern that some additional arbitrary or fixed limit could be applied to superannuation in the future.

Other feedback

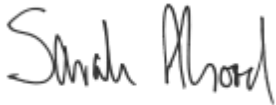
We would like to reinforce a point that we made in our earlier submission, that the super system should be managed with a long-term perspective and not be subject to short term changes (such as those that might be designed to help the Government overcome immediate funding challenges). It is essential that the superannuation system is sustainable over the long term, and any changes require evolution, rather than surprise short-term changes that undermine confidence in the system as a whole. The confidence of Australians in the superannuation system is critical to its success. Any changes to the system should be well-signalled, comprehensively consulted on and consider the impact on all segments of the population, with time allowed in implementation for individuals to adapt their plans in need.

Conclusion

The FAAA supports the defined objective of superannuation. Our members play a critical role in ensuring Australians understand, trust and effectively make use of our world-leading retirement system that ensures our citizens can retire and age with dignity and confidence.

We would welcome the opportunity to discuss the issues raised in our submission in more detail.
Please contact me on 02 9220 4500 should you have any questions.

Yours sincerely,



Sarah Abood
Chief Executive Officer
Financial Advice Association of Australia