



6 April 2016

Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Sir/Madam

Objective of Superannuation

Taxpayers Australia Limited is pleased to respond to the discussion paper on the *Objective of Superannuation* released by the Federal Government on March 9, 2016.

The Tax Research Foundation Limited (TRFL), a controlled entity of Taxpayers Australia, is also providing a submission to this inquiry. Its submission presents a series of commissioned papers on retirement incomes policy with the aim of encouraging further debate on the topic.

Our member survey

Members of Taxpayers Australia were surveyed as a part of the preparation of this response. Our membership includes tax practitioners, superannuation advisers and trustees of self-managed superannuation funds. The submission below is based on their feedback to a series of questions drawn from the discussion paper.

A majority of respondents were in the 60+ age bracket (56%) and 40.5% of total respondents are already drawing down on their superannuation funds or looking to do so within two years.

Answers from our member survey relevant to the consultation questions proposed in the discussion paper are detailed below.

1. Objective of superannuation as defined by the Murray Inquiry

The Financial Services Inquiry or Murray Inquiry definition of the objective of superannuation, which defines the purpose of superannuation as being *'to provide income in retirement to substitute or supplement the Age Pension'*, was strongly supported by respondents with 91.7% of respondents agreeing with the report recommendation.

Taxpayers Australia selectively surveyed members on other factors that support the primary objective as outlined in the Murray Inquiry. A brief analysis of the responses, which were rated using a Likert scale to measure degrees of agreement, follows:

Facilitate consumption smoothing over the course of an individual's life

Respondents to this question overwhelmingly agreed that this objective was important with strong agreement coming from 45.7% of respondents and 47.6% of respondents agreeing to the objective.

Help people manage financial risks in retirement

Strong agreement with this supporting factor was expressed by 31.9% and 42.5% indicated they agreed with this particular factor.

Be invested in the best interests of the superannuation fund members

Strong positive responses were received from the survey participants in relation to this factor with strong agreement being expressed by 40.8% of respondents and 46.8% of respondents said they agreed with the statement.

Alleviate fiscal pressures on Government on the retirement income system

There was a total of 48.5% of respondents that strongly agreed with the notion that superannuation should assist with alleviation of fiscal pressures on government arising from the welfare system while 41.2% of respondents just indicated agreement with the objective. Taken together they represent an overwhelming majority.

2. The views of respondents on two further discussion points

Respondents were asked to reflect on two questions that have been known to be contentious points in the area of superannuation. These also appear in the discussion paper.

The purpose of superannuation is not to allow for unlimited wealth accumulation

Taxpayers Australia asked members for their view on whether they agreed with the notion that superannuation is not meant to allow for unlimited wealth accumulation. The trend in responses was somewhat different and indicated a greater variance in attitudes amongst respondents to this question. While 62% agreed with the proposition, a total of 13.9% of respondents were neutral on the topic while 16.8% disagreed with the statement.

The purpose of superannuation is not for estate planning

This statement also produced a divergence of opinion from respondents but while a majority agreed with the proposal there was a greater number that was either neutral or in disagreement with the proposition. There were 24.5% of respondents in strong agreement, 29.3% of respondents in agreement, 18.7% of respondents were neutral and 19.7% of respondents disagreed with the statements.

3. General comments on superannuation policy

Respondents were asked to provide some general comments on superannuation policy and the objectives of superannuation. The following remarks provide an overview of member attitudes to the objectives of superannuation system:

The superannuation system should enable people to have a similar lifestyle to that of their pre-retirement if they are able to achieve that.

It should exist to enable the low and middle income earners in our society to save and plan for retirement.

People must be able to trust the superannuation system and rely on consistent rules. Tinkering with the system constantly makes people lose confidence and look elsewhere for security in retirement.

The super system needs to be set and then left alone so that people can plan for their retirement effectively.

Superannuation is to provide for retirement. Some people have higher expectations in retirement than others.

4. The location of the objective in law

As discussed with our representatives during your recent consultation meeting Taxpayers Australia would like to see the objective placed in an existing piece of legislation. The greatest complaint we receive from practitioners is they dislike having to consult multiple source of law when providing advice to their clients. The most logical place for this would be in the *Superannuation Industry (Supervision) Act 1993*.

Contact our business services manager, Lisa Greig, should you require any further information on our survey results or the member commentary. Lisa can be reached on 03 8851 4505.

Yours Sincerely



Moti Kshirsagar
Chief Executive Officer
Taxpayers Australia Limited