



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

10 February 2017

Manager
Superannuation Tax Reform
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuation@treasury.gov.au

Re. **Superannuation reform package - regulations**

Dear Sir/Madam,

The Financial Planning Association of Australia (FPA) welcomes the opportunity to comment on exposure drafts of *Superannuation (Objective) Regulation 2016* and *Treasury Laws Amendment (Fair and Sustainable Superannuation) Regulations 2017*. We are concerned with some aspects of the measures, especially provisions in relation to: providing superannuation benefits upon death; and building trust in the superannuation system.

If you have any queries or comments, please do not hesitate to contact me at policy@fpa.com.au or on 02 9220 4500.

Yours sincerely

Dimitri Diamantes
Policy Manager
Financial Planning Association of Australia¹

¹ The Financial Planning Association (FPA) has more than 12,000 members and affiliates of whom 10,000 are practising financial planners and 5,600 CFP professionals. The FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first "policy pillar" is to act in the public interest at all times.
 - In 2009 we announced a remuneration policy banning all commissions and conflicted remuneration on investments and superannuation for our members – years ahead of FOFA.
 - We have an independent conduct review panel, Chaired by Mark Vincent, dealing with investigations and complaints against our members for breaches of our professional rules.
 - The first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices. This is being exported to 24 member countries and the 150,000 CFP practitioners that make up the FPSB globally.
 - We have built a curriculum with 17 Australian Universities for degrees in financial planning. As at the 1st July 2013 all new members of the FPA will be required to hold, as a minimum, an approved undergraduate degree.
 - CFP certification is the pre-eminent certification in financial planning globally. The educational requirements and standards to attain CFP standing are equal to other professional bodies, eg CPA Australia.
 - We are recognised as a professional body by the Tax Practitioners Board
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SUPERANNUATION REFORM PACKAGE - REGULATIONS

FPA submission to:
Treasury

10 February 2017

INTRODUCTION

Generally, we support the draft regulations. However, we would add the following subsidiary objectives:

- to provide superannuation benefits on the death of the member
- to build trust and confidence in the superannuation system

And we would remove:

- to alleviate fiscal pressures on the Australian Government from the retirement income system

Superannuation (Objective) Regulation 2016

Overview

Generally, we support the proposed subsidiary objectives, which are:

- to facilitate consumption smoothing over the course of an individual's life
- to manage risks in retirement
- to be invested in the best interests of superannuation fund members
- to alleviate fiscal pressures on the Australian Government from the retirement income system
- to be simple and efficient, and to provide safeguards

However, we would add:

- to provide superannuation benefits on the death of the member
- to build trust and confidence in the superannuation system

And we would remove:

- to alleviate fiscal pressures on the Australian Government from the retirement income system

Provide death benefits

Retirement funding should be understood in a broad sense. Typically, a comfortable retirement includes providing for benefits to others.

Further, from a practical perspective, there is no transfer of wealth between parties such as spouses when one dies, as their wealth was already regarded as shared. Also, it is likely - based on life expectancy statistics - that many retirees who save enough for a comfortable retirement will have savings left in the superannuation system on their death. Any leftover savings at death might not represent excessive wealth, but simply the product of good risk management or the member not meeting their estimated life expectancy.

For these reasons, superannuation benefits remaining at the member's death should generally be treated as a form of normal retirement benefit (rather than an excessive benefit).

Alleviate fiscal pressures

Setting an objective of alleviating fiscal pressures on government potentially means the system is still exposed to constant change. This may be counter-productive to the policy objective of ensuring people achieve a comfortable standard of living in retirement, as some members who do have savings capacity may be less inclined to save than if the superannuation system were expected to be stable.

A more strategic approach would be to build trust and confidence in the system (including by committing to policies for the medium to long term), which would encourage those that have savings capacity to actually save. This doesn't preclude policy change, but does require a bias towards existing policies.

The FPA recommends that the proposed subsidiary objective of superannuation,

- to alleviate fiscal pressures on the Australian Government from the retirement income system

be replaced with the following:

- to build trust and confidence in the superannuation system.

Treasury Laws Amendment (Fair and Sustainable Superannuation) Regulations 2017

We have no concerns with the exposure draft.