

17 September 2025

[retirement@treasury.gov.au](mailto:retirement@treasury.gov.au)

Dear Treasury,

**Best practice principles for superannuation retirement income solutions**

The Financial Advice Association of Australia<sup>1</sup> (FAAA) welcomes the opportunity to provide feedback to Treasury's consultation on the proposed Best practice principles for superannuation retirement income solutions.

The FAAA recognises the fundamental role of superannuation in the retirement income system in supporting Australians during this important stage of life.

The following feedback is intended to be consistent with the FAAA's feedback to the proposed Retirement Reporting Framework, to ensure the Best Practice Principles facilitate trustees' adherence to their reporting obligations and drive improved member outcomes in retirement. The FAAA recommends that Treasury consider our feedback on both these consultations in unison given the complementary nature of the two policies.

We would welcome the opportunity to discuss with Treasury the matters raised in our submission. If you have any questions, please do not hesitate to contact me ([phil.anderson@faaa.au](mailto:phil.anderson@faaa.au)) or our Senior Manager, Policy, Heather McEvoy ([heather.mcevoy@faaa.au](mailto:heather.mcevoy@faaa.au)) on (02) 9220 4500.

Yours sincerely



Phil Anderson  
General Manager Policy, Advocacy & Standards  
Financial Advice Association Australia (FAAA)

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<sup>1</sup> The Financial Advice Association of Australia (FAAA) is the largest association representing the financial advice profession in Australia, with over 10,000 members. FAAA advocates for the interests of financial advisers and their clients across the country.

# **Best practice principles for superannuation retirement income solutions**

Effective date: 17/09/2025



## **The role of super in the retirement income system**

The FAAA appreciates that not all Australians have access to financial advice. We support the intent of the Retirement Income Covenant (RIC) to ensure there is appropriate information available for non-advised Australians and superannuation members who are disengaged from the superannuation system, at the critical life stage of approaching or in retirement, to help them make more informed choices.

However, it is critical that policy development, including the development of the Principles and proposed Reporting Framework, acknowledge the role and limitations of the superannuation system and superannuation funds, within the broader retirement income system and financial system. Most critically that a 'member's interest in the fund' (i.e. the member's account with that fund) provides little insight into the other assets or personal financial circumstances (beyond potential information about age and income) of the member. Government policies that oblige funds to 'nudge' members toward particular retirement income solutions, draw down rates, and other critical decisions, may put members in a worse position in the broader context of their circumstances outside the fund. This issue should be recognised and addressed through the Principles and Framework.

The FAAA recommends the Principles and Framework include obligations for funds to provide clear and consistent warnings about the critical need for members to consider all their financial and personal circumstances, both inside and outside the fund, before making a decision about retirement income matters. The Principles should oblige trustees to provide to members with a clear statement and consistent messaging about the complexity of the system and information about the impact different retirement income solutions may have on eligibility to access the Age Pension and associated benefits and any tax considerations. All members should be encouraged to seek professional financial advice to assist them to make an informed decision based on their own personal circumstances.

## **Best practices principles and DBFO reforms**

We note the intended interaction between the Principles and the draft Framework, with the government's proposal to permit trustees to provide simple retirement advice, that is also personal financial advice, under the Delivering Better Financial Outcomes (DBFO) reforms.

However, we are concerned about the inclusion in best practice guidance for retirement income solutions, principles based on the government's DBFO proposals, to expand trustee collective charging arrangements to retirement advice, and allow trustee 'nudges' and 'prompts' to members on retirement. To our knowledge, the legislation for these proposals under the DBFO reforms has not been finalised and has yet to be scrutinised by the parliamentary process.

The Principles consultation paper refers to the aim of the DBFO tranche 2 reforms as providing "*clear rules on what advice topics can be collectively charged for via superannuation and allowing trustees to provide Targeted Superannuation Prompts (nudges) to cohorts*".<sup>2</sup>

We have been consistent with our opposition to giving superannuation trustees the ability to collectively charge for comprehensive retirement advice. The cost of collectively charged retirement advice is likely to be significantly greater than the cost of collectively charged intra-fund advice in the accumulation phase. This

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means members of these funds will be paying much higher amounts for advice they are not actually receiving – including members who have sought, and paid for, their own personal financial advice with their chosen adviser, but must still pay for the collectively charged advice provided to other members of the fund on top of that.

Retirement advice is both complex and high stakes for the consumers involved – because if poor advice is given in this life-stage, it can be extremely difficult for a consumer to recover their financial position when no longer earning income from personal exertion. Comprehensive retirement advice should only be offered by licensed professional financial advisers who have the education, experience and ethical obligations that enable them to provide this advice in an appropriate manner.

As detailed in our submission of 2 May 2025 to Treasury, in response to the consultation on the DBFO Tranche 2A reforms, we are concerned about precisely how the super ‘nudges’ regime would operate in practice and how this may impact existing adviser-client relationships. We expressed concerns about how these nudges could involve recommendations based upon inferences drawn by the trustee about a cohort that the member may belong to purely due to the limited personal information a client has provided to the fund. We are concerned about potential consumer protection issues this may create for members, particularly if ‘nudges’ are utilised for the purposes of providing retirement advice, that is also personal advice, where the decision is so important to the person’s future and often cannot easily be reversed. We are seeking clarification on what consumer protections will exist.

We have taken ‘nudges’ and ‘prompts’ to mean the same things and will treat them as one in this submission. It is our view that the ‘nudge’ should always be based upon the member’s personal circumstances and not be a blunt product sales exercise. The focus of the ‘nudge’ should be the member’s personal circumstance, more than it is with respect to any financial product. ‘Nudges’ for a particular reason should be a once off and not utilised as a ‘series of nudges’ that is designed to encourage a member to take any particular action. ‘Nudges’ should also not be used as a substitute for genuine personal financial advice.

However, it is clear that ‘nudges’ are intended to be a member engagement activity that is proactively undertaken by the trustee, rather than being member driven or in response to a member enquiry. The framing of this member engagement communication is particularly important, and it should be subject to very careful warnings. We would strongly encourage that messages sent to members as ‘nudges’ should always include a recommendation that the member seek personal financial advice. Australians must be able to clearly and simply understand when, and to what extent, their specific personal circumstances have actually been considered in relation to information, guidance, offers, nudges and prompts, and financial advice that is provided to them.

The FAAA makes the following recommendations in regard to all the best practice principles:

- ‘Nudges’ or ‘prompts’ be clearly defined with specific consumer protections around their use. It should be made clear when a message sent from trustees to members is done as a ‘nudge’; and should include clear warnings as to the intent of the engagement - that it is not genuine financial advice, and that the member should seek financial advice.
- The policy settings must make it clear as to the boundary between ‘information and guidance’ provided to a member by a trustee, ‘nudges’ trustees give members, and the provision of financial advice, including general advice and personal advice.

- The final Principles must use accurate terminology, consistently applied.
- Any 'information and guidance' provided to a member by a trustee must include:
  - A clear warning that it is information only and not financial advice.
  - A clear recommendation to the member that they seek personal financial advice to assist them in making a decision about the retirement income options that are appropriate for their circumstances. This should include a clear explanation about the difference between intra-fund advice on their interest in the fund, more comprehensive advice that considers their broader personal circumstances provided by a registered relevant provider (financial adviser) and factual information. In the context of the proposed introduction of a 'new class of adviser' (NCA) under the DBFO reforms, this distinction should also be disclosed. This disclosure should include a statement on the minimum professional standards that apply to a relevant provider versus an NCA. The provision of this information is in line with the purpose of the Framework to 'increase transparency' across the retirement system.

## **Effectively communicating with members**

A clear mandate, requiring all retirement income guidance, information, nudges and prompts to be driven by members' needs and best interest, is critical to driving trustees' effective communication with members.

'Information and guidance' should be clear, factual information about key considerations members should take into account before making a decision about retirement income solutions. This should include:

- 'generic' information the member could apply to all retirement income solutions available, both inside and outside the fund, and not just in relation to the trustee's offerings for that cohort. This would improve member understanding of how to compare retirement income solutions available in the market to facilitate an informed decision.
- the benefits and limitations of different types of retirement income products.
- how the different product types may impact eligibility for the Age Pension and its associated benefits.
- Any personal circumstances outside their specific superannuation account that the member should take into account and how certain types of retirement income products may be more suitable for different personal scenarios.

Care should be taken to ensure members do not feel hounded by information and engagement from the trustee. As proposed in the DBFO Tranche 2A draft legislation, trustees should not be permitted to 'cold call' members and the anti-hawking provisions must apply.

## **Engaging advised members**

The consultation paper states: *...the principles suggest trustees have scope to support advised members to achieve positive outcomes by including advised members in member engagement efforts with members approaching retirement, including information on the trustee-designed retirement income solutions and products available through the fund (principle 16)."*

Such members commonly become frustrated by trustee information and engagement activity. This is because this member cohort have an individually-tailored retirement income solution developed as part of a detailed financial plan, based on their own specific circumstances, that considers detailed knowledge about the person's financial matters, both inside and outside that specific fund. In contrast, trustee information, guidance and engagement is restricted to the offerings of that particular fund. These factors, and member irritation to trustee engagement activity, must not be overlooked in the development of the Principles.

The FAAA is very concerned about the inclusion of 'advised members' in the Principles and recommends strong controls must be adopted to ensure 'advised members' are not unnecessarily alarmed, or encouraged to act counter to their financial plan, by any engagement from the trustee about the fund's offerings. This should include engagement material from the fund that must:

- be clearly framed as information and education, not recommendations.
- specifically acknowledge that the fund is aware that the member has previously received personal financial advice and that they should see their chosen financial adviser to discuss the information.
- not promote or offer intra-fund advice to an advised member who has an ongoing relationship with a financial adviser.

## **Draft guidance on best practice principles for superannuation retirement income solutions**

### **Voluntary**

We note the following policy intent for the best practice principles

- They will be voluntary
- There will be no compliance action associated with meeting the principles
- Where a trustee chooses to not implement a principle, they should be able to justify this decision to their members.

We question why this would be voluntary and suggest, for the benefit of members, it may be more appropriate for the Principles to be implemented as a standard obligation.

However, should the Principles be implemented as a voluntary obligation, the FAAA recommends trustees be obliged to publish on their website (in a manner that is clearly accessible for consumers) the reasons they have chosen not to implement the principles, in part or in full.

### **Principles 1-11**

The FAAA is supportive of the Principles 1 – 11 and suggest these would assist in ensuring appropriate retirement income products were available that meet members' needs.

## Principles 12 -19

- **Principle 12** – we support Principle 12 and suggest budgeting tools and calculators should be freely available to all members. The Principles should include an obligation for trustees to make it clear to members that forecasts or projections of income are based on the member's account information related to that fund only and does not consider the member's broader personal circumstances outside the fund.
- **Principles 13 and 14** – We support the intent of Principles 13 and 14.
- **Principle 14(IV)** – implies trustees should encourage members to access the fund's financial advice offering.
- **Principle 15** – see our comments about regarding the DBFO reforms.
- **Principle 16** – Refer to our discussion and recommendations above regarding 'engaging advised members'.
- **Principle 17** – We support this Principle however notifications regarding draw down rates should include all considerations, benefits, risks, tax consequences and impact on Age Pension eligibility that the member should take into account to determine whether to increase their draw down rate.

See our recommendations above regarding prompts and nudges, and the need for advice warnings. These should be included in Principles 12 to 17 to provide trustees with a complete understanding of considerations they should take into account when determining how they can assist members under the Retirement Income Covenant.

**Principles 18 and 19** – we support the inclusion of Principles 18 and 19 and their intended purpose to facilitate continuous review and improvement in the retirement