



25 July 2019

The Hon Josh Frydenberg MP
The Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Email: josh.frydenberg.mp@aph.gov.au

CC: Senator the Hon Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology

Email: senator.hume@aph.gov.au

Dear Treasurer,

SMSF ASSOCIATION SUBMISSION ON TERMS OF REFERENCE OF THE RETIREMENT INCOME REVIEW

The SMSF Association understands that the Government intends to establish a Retirement Income Review and would like to provide recommendations on key aspects that we believe should be considered in the terms of reference for the review. We believe it is important that the review is not too broad and aims to provide insight and recommendations on key areas of the retirement income system that have not been subject to concentrated review previously.

We believe that a key focus of the review should be the integration of the different elements of the retirement income system. Ensuring that all parts of the retirement income system are working together is essential to the system delivering a secure and dignified retirement to as many Australians as possible.

We support the fundamental principle that the retirement income system is built on three pillars being the means-tested Age Pension and associated social security arrangements, compulsory employer superannuation contributions through the Superannuation Guarantee, and voluntary private savings including through superannuation. Retention of these three pillars should be a foundation assumption of the review.

The review should consider and develop appropriate recommendations for relevant issues, including:

- What overarching objective or set of guiding principles for Australia's retirement income system would foster greater certainty and stability across the retirement income system?
- What does an efficient drawdown of retirement savings look like and how should preservation and utilisation of capital interact with this concept?
- What is an adequate level of retirement income to ensure individuals are able to reasonably maintain their pre-retirement standard of living throughout their retirement?



- What optimal level of Superannuation Guarantee should be included in an efficient and effective retirement income system?
- What type and level of incentives to encourage individuals to save for their retirement should be included in the retirement income system without producing an excessive impact on public finances?
- What is the role and interaction of each part of the superannuation system in the retirement income system? This should include recognition that SMSFs comprise almost one third of the entire superannuation system's assets and are an appropriate structure for many Australians.

We believe the review should be undertaken by an independent panel with secretariat support from the public service (similar to the Financial System Inquiry model). A suitable independent review panel could include:

- Senior business, superannuation industry and retirement experts.
- An academic from a relevant field of research.
- A consumer focussed expert.

The Review should not be rushed and should be given enough time to conduct extensive consultation and research into relevant matters. We believe a timeframe of around 18 months is appropriate.

Building a successful retirement income system requires public confidence in the efficiency and fairness of the system. The Retirement Income Review provides an opportunity to improve public confidence by addressing the above issues in the retirement income system.

If you have any questions about our submission, please do not hesitate in contacting us.

Yours sincerely,

A handwritten signature in black ink that reads 'John L. Maroney'.

John Maroney
CEO
SMSF Association

ABOUT THE SMSF ASSOCIATION

The SMSF Association is the peak body representing the SMSF sector which is comprised of over 1.1 million SMSF members who have over \$750 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.