

26 September 2025

Director
Retirement Income and Adequacy Unit
Retirement Income and Superannuation Division
The Treasury
Langton Crescent
PARKES ACT 2600

By e-mail: retirement@treasury.gov.au

Dear Sir/Madam

Guidance on best practice principles for superannuation retirement income solutions ("Consultation Paper")

Chartered Accountants Australia & New Zealand (CA ANZ), CPA Australia, the Institute of Public Accountants, and the SMSF Association welcome the opportunity to make a submission to the Consultation Paper.

Together, the Joint Bodies represent over 350,000 professionals in Australia, New Zealand and around the world. This includes over 50,000 members in public practice, with many of them licensed or authorised to provide financial product advice. We make this submission on behalf of our members and in the broader public interest.

Shifting the focus of Australia's retirement system from accumulating superannuation to that of drawing income in retirement is a large cultural shift. We acknowledge the government's attempts to encourage this.

However, we do not believe the introduction of the proposed voluntary best practice principles will help to achieve this. The main reason we hold this view is that the proposed principles, along with the objective of superannuation and retirement income covenant, have a very narrow focus with regards to retirement savings and income.

That is, they do not take into account an individual's non-superannuation assets, particularly the family home, other sources of income, or that they may have multiple superannuation interests in multiple funds, when considering their retirement needs.

Retirement is a complex multi-faceted matter where the provision of retirement income is often the last piece of this puzzle: it is our view the acknowledgement of these complexities in the consultation paper is superficial at best.

We disagree with the comment in the Consultation Paper that "low drawdown behaviour conflicts with the legislated objective of superannuation ... and leads to poorer retirement outcomes". There is nothing in the legislated objective of superannuation that specifies how

retirees are to use their retirement savings or the level of income they need for a dignified retirement.

Consideration must also be given to the fact that retirees must be cautious with what they do with their finite retirement resources. There is no proof that retirees seeking to deal with a multitude of issues have poorer retirement outcomes if they elect to take the minimum permitted pension income amount and should not be forced by government, government agencies and others to do so.

It is therefore also incorrect to assume that retirees having superannuation investments when they die is an indication of poorer retirement outcomes, particularly if retirees predecease their life expectancy.

In relation to the adoption of the best practice principles, we believe clarification is required that the principles are only intended for RSEs. We note that the proposed principles are not binding on an RSE and will not be subject to regulatory oversight. It is our view that development of guidance documents such as these should be undertaken collaboratively by industry and regulators and not by the policy makers.

We believe RSEs will question the value and effectiveness of adopting these principles now when they have already implemented policies and procedures over the last 3 years to comply with the retirement income covenant after having been criticised by the regulators for not implementing them quickly or effectively enough.

When combined with our concern that the principles will not be effective in changing retirement behaviour, we question the cost of implementing and adhering to the principles compared to the value provided to members.

Please find our responses to the consultation questions in the attached appendix.

For any questions in relation to this submission, please contact Michael Davison, General Manager Advocacy & Emerging Policy, IPA at michael.davison@publicaccountants.org.au or on 0498 645 610.

Yours Sincerely,

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Appendix: responses to consultation questions

The principles

1. *Are there any additional areas relevant to the construction and offering of quality retirement income solutions that should be included in the principles?*

It is not possible to effectively understand members' retirement needs without first taking into account members' non-superannuation assets, particularly the family home, other sources of income, current and forecast expenditure requirements in retirement or that they may have multiple superannuation interests in multiple funds.

While there is considerable mention in the consultation paper of trustees providing guidance and advice, i.e., intra-fund advice, there is only a passing mention of meeting the needs of members receiving personal financial advice.

The needs of these members cannot be underestimated. Their financial advisers will take into account their retirement assets and income outside of the superannuation fund when advising on their retirement plan. This will include how this particular fund will fit into a member's overall retirement plan and compliment their other assets and sources of income.

The cost of developing retirement income solutions and the ongoing costs of maintaining them is also an area of concern. The more diverse a fund's membership, the more member cohorts will be required. This may require a more diverse range of product solutions to be offered. In turn, this will create difficulties for trustees to achieve economies of scale and make individual solutions financially viable.

2. *Are there any areas covered by the principles that are not relevant to the construction and offering of retirement income solutions?*

No.

3. *Are there any changes to the principles that would better support trustees to deliver higher quality outcomes to members?*

See our response to question 1. However, this is also contingent on the objective of superannuation and the retirement income covenant acknowledging that an individual's retirement assets and income are likely to extend beyond any one particular superannuation fund.

4. *Are there any impediments to trustees implementing the principles?*

We note that the proposed principles are not binding on an RSE and will not be subject to regulatory oversight.

We believe RSEs will question the value and effectiveness of adopting these principles now when they have already implemented policies and procedures over the last 3 years to comply with the retirement income covenant after having been criticised by the regulators for not implementing them quickly or effectively enough.

Understanding members' retirement income needs

5. *Are trustees able to construct a minimum of three cohorts based on information held?*

This will be dependent on the diversity of the membership base and the amount, and accuracy, of information held. To accurately segment members based on their retirement needs, the following information for each member, in addition to that held in relation to the superannuation interest in the fund, will be required:

- non-superannuation assets
- other sources of income
- superannuation interests in other funds
- do they have a financial adviser
- age pension eligibility
- beneficiaries dependent on the member's support beyond that provided by the fund.

6. *What member information are trustees currently using to inform and construct their cohorts?*

The Joint Bodies do not have visibility of this.

7. *How are trustees currently using cohort information to inform retirement income strategy design and determine their suite of products?*

The Joint Bodies do not have visibility of this.

8. *Are there other important factors to segmenting and cohorting members that should be considered best practice?*

To fully understand a member's retirement needs, trustees will need the information mentioned in our response to question 5. However, the more personal information a trustee takes into consideration, the more likely they will be providing personal financial advice and be required to comply with that regulatory regime as well.

Making a suite of retirement products and features more accessible to members

9. *Do the principles adequately cover the relevant issues related to constructing products and product settings to manage each of the objectives under the Covenant?*

No. Consideration also needs to be given to how retirement income solutions offered by a superannuation fund will interact with and compliment members' other superannuation interests, and non-superannuation assets and sources of income.

In relation to mitigating sequencing and market value risks, ideally income stream products should not be based around a total investment return as this approach is the major reason sequencing risk is a problem for retirees. Ideally from a practical perspective the net

income investments receive should be held in such a way that it is used to pay income to members with capital only accessed if investment income is insufficient to pay the required pension income to a specific member. Using a total return approach does not allow for this.

10. *Are trustees able to construct products and product settings in a way that supports both the offering of trustee-designed solutions and individually-tailored solutions?*

We believe it would be difficult to offer individually-tailored solutions, particularly for members receiving personal financial advice.

For these members, their financial adviser will take into account their retirement assets and income outside of the superannuation fund when developing their retirement plan. If offering individually-tailored solutions trustees will need to consider how their solution would complement and interact with the member's other assets and sources of income.

11. *Should the principles consider other risks in the design and delivery of retirement income solutions?*

a. The cost of developing retirement income solutions and the ongoing costs of maintaining them is also an area of concern. The more diverse a fund's membership, the more member cohorts will be required. This may require a more diverse range of product solutions to be offered. In turn, this will create difficulties for trustees to achieve economies of scale and make individual solutions financially viable.

It may not be economically viable for funds to develop and offer complex products. Funds should be free to provide or not to provide certain types of products.

b. In relation to charging of financial advice fees from a superannuation fund, there are a number of major considerations from the Delivering Better Financial Outcomes (DBFO) reforms to be resolved

Firstly, what steps should trustees take to identify that personal advice provided to a member is related to a superannuation interest in the fund to allow for advice fees to be charged to the member's account and for ongoing fees arrangements to be put in place.

The second relates to collective charging for financial planning advice. There was little to no discussion in previous consultations¹ to determine what is 'simple' advice versus 'complex' financial advice, other than lists of allowed and disallowed topics, as well as allowed circumstances. In particular, there has been no consideration of what the cost thresholds are for simple versus complex financial advice that the superannuation fund trustee must consider when deciding if they should collectively charge for the advice.

¹ [Improving access to affordable and quality financial advice](#), Treasury 2025

Notably, given the complexity of the superannuation and taxation legislative frameworks, coupled with the general cost of providing financial planning advice, even 'simple' advice is arguably costly to provide to a superannuation member.

This lack of consideration means that some superannuation members may be forced to pay for collectively 'simple' financial advice, which other superannuation funds may not collectively charge for as they deem the same advice to be 'complex'. This leads to inequitable outcomes for consumers, noting that these costs are deducted from their retirement savings.

We are also concerned that much of the detail that will frame and regulate this measure will be in regulations, that are yet to be drafted.

Effectively communicating with members

Consultation Questions

1. *What barriers, if any, exist in aligning current fund practices with the principles?*

Further to our responses to question 1 and 4, the lack of visibility of members' non-superannuation assets, other sources of income, or superannuation interests in other funds makes it difficult for trustees to group members into cohorts to identify the level of guidance or advice members require for them to understand their retirement needs.

2. Do trustees have the capability in place to support members across different stages of life, including ahead of retirement? If yes, provide a brief overview of current practice. If not, why not?

The Joint Bodies do not have visibility of this.

3. *Are there other elements of communicating with members that should be considered?*

- a. Members receiving personal financial advice will need to be identified and acknowledged. There will need to be mechanisms in place to ensure any nudges or prompts used by trustees are not directed at advised members. Conversely, there must be clear communication to advised members that nudges and prompts do not apply to them.

Similarly, where intra-fund advice is available to and/or sought by advised members, warnings should be provided to check that any advice provided by the fund does not conflict with or duplicate the advice provided by their financial adviser.

- b. The principles should provide guidance regarding how the charging of advice fees within the fund is communicated to members. This should include details of how one-off or ongoing fees are charged to members' interests in the fund along with details of any collective charging.