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### **Response to the Superannuation (Objective) Bill 2016**

Anglicare Australia welcomes the Government's commitment to legislate the objective of superannuation. A clear objective that requires any new policies to be compatible with its purpose will help to guide future reform. The lack of a formal objective has allowed superannuation to be used as a vehicle for various objectives, including tax avoidance, wealth accumulation and estate planning. It is important, then, for the objective to be considered in the context of creating a sustainable and fair retirement income system that will support people for decades to come. This will strengthen the likelihood that any changes to superannuation will support a holistic, well-functioning and balanced retirement income system that provides adequate retirement incomes for all.

The proposal to legislate the objective of superannuation was a foundational part of the superannuation reforms announced in the 2016-17 Federal Budget. Anglicare Australia described these changes to superannuation as "a step in the right direction"; removing some government subsidies for people on very high incomes, as well as introducing some measures to help people at the other end.<sup>1</sup> The proposed objective of superannuation, "to provide income in retirement to substitute or supplement the Age Pension", provided a helpful indication that super should no longer be used as a tool for wealthy people to get tax breaks on savings and build fortified financial estates. On their own, however, neither the objective nor the adjustments to superannuation concessions will do enough to change the circumstances of those who are not adequately supported by the retirement income system.

Anglicare Australia has made a number of submissions on the need to reform the retirement income system to make it more sustainable, efficient and fair.<sup>234</sup> In these

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<sup>1</sup> Anglicare Australia, *A lightweight and meaningless Budget*, 2016.

<sup>2</sup> Anglicare Australia, *Pre-Budget Submission 2016-17*, 2016.



submissions, we discussed the need to reform superannuation arrangements that unfairly advantage people on high incomes, with substantial existing wealth, and the capacity to organise their finances in order to minimise their tax. These arrangements came at the cost of government revenue which could be used to support the most disadvantaged older Australians who don't have superannuation, private savings or property. In these submissions, we shared the view of many stakeholders, including the Human Rights Commission, the Productivity Commission, ACOSS and COTA, who argued that a comprehensive and holistic review of retirement incomes was needed. While we agreed that there were many sensible changes to superannuation that could be made at the margins, we could not see substantial progress being made unless the system was considered as a whole.

In this light, Anglicare Australia believes the objective of superannuation needs to include a reference to its connection to the rest of the retirement income system. We agree with ACOSS's suggestion that it would be "better to start with the underlying policy goal – adequacy of retirement incomes – and then turn to the contribution of each element of the retirement income system towards that goal."<sup>5</sup> By looking at the effect of changes on the system as a whole, changes which will promote dignity in retirement will be more readily identified and achieved. This is in line with the findings of the Senate Economics References Committee's report on women's economic security in retirement. The Committee recommended that the legislated objective of superannuation should "acknowledge its interdependency with the other pillars, including the age pension."<sup>6</sup>

Adopting the recommendation of the Committee would be a positive signal from government that it is committed to undertaking the substantial and comprehensive reform that is needed to ensure the retirement income system is working the best it can to ensure adequacy of retirement incomes. Savings made through further restrictions on concessional contributions, for example, could be used to increase the Age Pension, which currently leaves many older people with no other source of income living under the poverty line.

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<sup>3</sup> Anglicare Australia, *Common Wealth* Submission in response to 'Re:Think Better tax, better Australia Discussion Paper', 2015

<sup>4</sup> Anglicare Australia, '*Persistent insecurity*' Submission to Senate Economics References Committee: '*Inquiry into Economic Security for Women in Retirement*' 2015.

<sup>5</sup> ACOSS, *The purpose of superannuation: Response to the Government's discussion paper*, 2016.

<sup>6</sup> Senate Economics References Committee, '*A husband is not a retirement plan*' *Achieving economic security for women in retirement*, 2016, p.70



Anglicare Australia also supports calls from ACOSS and Uniting Care, among others, that “adequacy of income in retirement” be included in the objective. Anglicare Australia has consistently argued that pensions and allowances are simply too low. A Per Capita report this year found that almost a third of the 1.5 million Australians who rely on the Age Pension are living in poverty. It described how some pensioners are taking drastic measures to make ends meet: “they are turning off hot water in summer, blending food because they can’t afford a dentist and choosing between food and medication.” It found that, in particular, single Age Pensioners who are renting are the worst off, and many of these are women with no superannuation.<sup>7</sup>

We note that the arguments against including a reference to adequate income have rested on the issue that “adequate” is a subjective measure and therefore open to political interference. Anglicare Australia is of the view that this issue could be easily overcome by establishing an arms-length commission or tribunal – much like the Fair Pay or Remuneration commissions – that could independently assess the cost of living and determine or advise on an adequate income accordingly.

Finally, Anglicare Australia supports the second recommendation on the superannuation objective made by Senate Economics References Committee, to include a specific reference to women’s retirement incomes.<sup>8</sup> The Committee argued that including a reference to women’s retirement incomes would ensure an ongoing policy focus on closing the gender gap in retirement income. It would also make policy changes to superannuation more responsive to the wide range of factors that impact on people’s retirement incomes, such as insecure work, time taken out of the workforce to care for dependents, and time on government allowances.

## Conclusion

There is a strong argument being put by advocates for those on, or at risk of, inadequate retirement incomes, that the superannuation objective needs to formally consider income adequacy, and that the superannuation system in Australia is one pillar, along with pensions, private savings, the health system and housing, which shape the wellbeing of older Australians. The Australian government has an important opportunity to ensure the high value of Australia superannuation assets play a constructive role in growing that wellbeing.

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<sup>7</sup> Smith, W., Hetherington, D., *The Adequacy of the Age Pension in Australia: An assessment of pensioner living standards*. 2016, p. 5.

<sup>8</sup> Senate Economics References Committee, 2016, p. 70.



## References

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