

9 February 2024

Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Submitted via online portal at [www.aph.gov.au](http://www.aph.gov.au)

Dear Sir/Madam,

**Inquiry into Superannuation (Objective) Bill 2023 (“the Bill”)**

Chartered Accountants Australia and New Zealand (CA ANZ), the Institute of Financial Professionals Australia and the Institute of Public Accountants welcome the opportunity to comment on the Bill's proposed provisions.

We would make our best endeavours to accept an invitation to appear before the committee and provide evidence.

In our view legislation's primary purpose is to influence behaviour. It does this primarily by imposing penalties for non-compliance with a particular rule. For example, any superannuation fund trustee that breaches a superannuation law risks being reprimanded.

As is well known the Parliamentary legislative agenda is increasingly crowded especially in the Treasury portfolio. As a result we believe that only legislation that will lead to tangible policy outcomes should be progressed.

We do not think that the Bill satisfies this requirement for the following reasons:

- The suggested objective of superannuation is government and superannuation sector focused when it should be individual outcomes focused
- This objective is too narrow and should cover not only superannuation but also other retirement aspects such as the aged pension, aged care and old-age health
- The suggested compliance mechanism is opaque and has no penalty for non-compliance

It seems highly doubtful to us that a government would impose any penalty on itself if it sought to pass laws or put in place regulations that were inconsistent with the provisions proposed in this Bill.

We agree with the Financial System Inquiry – FSI – final report (refer p. 96) which said, “The superannuation system does not have a consistent set of policies that work towards common objectives.”<sup>1</sup>

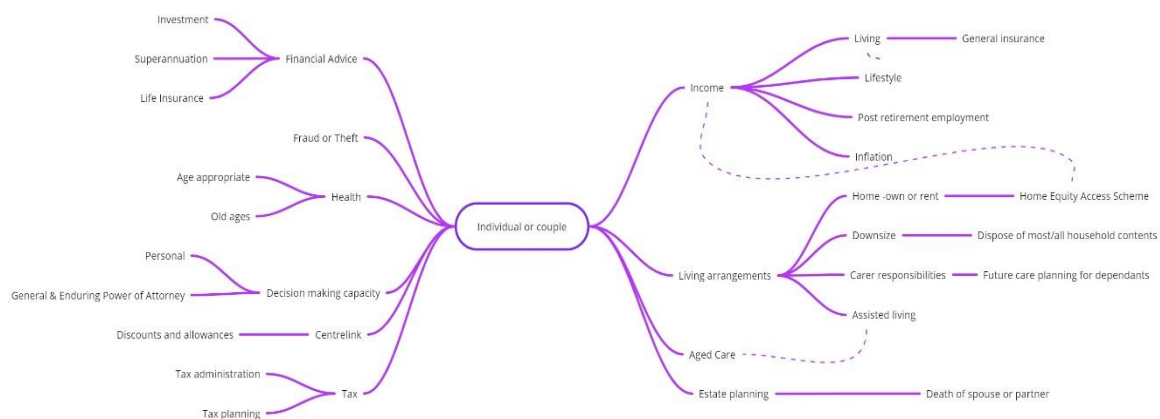
Unfortunately this extends to the whole retirement system not just superannuation. That is, the retirement system does not have a set of consistent set of policies.

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<sup>1</sup> <https://treasury.gov.au/publication/c2014-fsi-final-report>

Nevertheless, individuals view superannuation for what it actually is – a potentially tax preferred investment vehicle for holding savings that also includes permitted structures to allow income to be paid. They also view superannuation as a place to hold assets that are important to them personally or their business. It can also be an important estate planning vehicle.

In any event individuals do not approach retirement focused on one particular issue – they deal with a wide range of matters as shown in this diagram:



The government should not fall into the trap of only considering superannuation when it comes to objectives for the system.

It is our considered view that it would be better to draft an objective for the whole retirement system.

A good place for the government to start is the wording developed by the Retirement Income Review (which we detail below). However, we suggest that the objective should be expanded to include aged care and old-age health care.

We believe that the superannuation objectives should be made prominently and publicly available on relevant Government websites. For example:

- [pm.gov.au](http://pm.gov.au)
- [treasurer.gov.au](http://treasurer.gov.au)
- [treasury.gov.au](http://treasury.gov.au)
- [asic.gov.au](http://asic.gov.au)
- [apra.gov.au](http://apra.gov.au)
- [ato.gov.au](http://ato.gov.au)
- [moneysmart.gov.au](http://moneysmart.gov.au)

As detailed by the FSI final report the objective should have broad political agreement (see p.97)<sup>2</sup>. It would be our preference that **nothing should be done without such agreement** even though reaching

<sup>2</sup> ibid

widespread endorsement would be difficult to initially reach and harder to maintain over an extended period.

The FSI final report says at p. 99 that, “enshrining the primary and subsidiary objectives in legislation would provide a framework against which Government and the broader community could assess superannuation policy proposals. Parliamentary approval would be required to amend the objectives over time”.

We have more to say about the FSI final report in the Appendix to this submission.

We believe there is a real risk a legislated objective for the superannuation as currently proposed would clash with existing trustee common law and statutory obligations. For example, we believe the Sole Purpose Test (SPT) is a useful tool. If the government believes the objectives of the superannuation should be altered then a better approach may be to amend SPT which influences trustee behaviour, and therefore the overall superannuation system, at all times.

It is our assessment that most of the changes made to the superannuation system over the last two decades could be justified under the currently proposed Objective of Superannuation wording. Some of these changes made over the last twenty years have not been consistent with other changes that have been made during that period of time.

On balance we do not see how legislating an objective for superannuation together with a formal compatibility statement will lead to greater confidence in the system. As a result we do not support the government’s proposed objective or the need to legislate it.

Above we have noted a number of different objectives that individuals use superannuation including:

- tax preferred retirement savings vehicle
- vehicle to hold important personal or business assets which used for retirement or estate planning purposes
- vehicle for effective and efficient estate planning.

We again suggest that the government should create an objective for the whole retirement system.

The Retirement Income Review found that those who own their own home have a higher standard of living in retirement than those who rent<sup>3</sup>. There are a number of reasons for this including the tax concessions that attach to home ownership including for many bequests, the exclusion of the family home from age and service pension assets tests and aged care assessment tests and also the lower ongoing housing costs homeowners often incur compared to retiree renters. These concessions apply to all Australians regardless of their circumstances.

Superannuation is taxed differently for different individuals. The Bill’s Explanatory Memorandum says, at par 1.46, that, “[superannuation] tax concessions ... come at a significant and growing cost to the revenue required to fund services. Policy-makers will need to weigh up these types of factors when assessing future superannuation policies against the objective of superannuation”.

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<sup>3</sup> Retirement Income Review, Treasury, July 2020, p. 31

Given one important retirement element (homeownership) is treated in the same way for all individuals, regardless of their circumstances, why must different rules apply to superannuation so that its tax concessions must be “targeted at where they are needed most”?

Tax concessions attached to homeowners can be in many cases significantly higher than their superannuation concessions. This occurs because Australian Bureau of Statistics data shows that between June 2002 and June 2023, Sydney median house prices increased by just over 6% per annum compound<sup>4</sup> whereas median employee earnings for Sydney increased by just over 3.3% per annum<sup>5</sup>.

These disparities are important especially when considering the importance of home ownership and savings are to retirement outcomes and the tax concessions that attach to each. The objective of superannuation as proposed in the Bill does not consider these important issues.

This oversight is at odds with above stated policy justifications for legislating the objective of superannuation.

We would be happy to discuss any aspect of this submission. Please contact Tony Negline, Superannuation and Financial Advice Leader at CAANZ via email– [tony.negline@charteredaccountantsanz.com](mailto:tony.negline@charteredaccountantsanz.com) or +612 8078 5404.

Yours Sincerely,

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<sup>4</sup> <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/total-value-dwellings/sep-quarter-2023/643202.xlsx>

<sup>5</sup> [https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/aug-2023/63370\\_Table01.xlsx](https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/aug-2023/63370_Table01.xlsx)

# Appendix

Superannuation has a lengthy history in Australia – the first retirement scheme was established not long after Europeans first settled here.

From the early days of superannuation until now the purposes of superannuation have included at least one of the following:

- Provide retirement benefits to fund member
- Provide death benefits to fund member's beneficiaries
- Provide temporary or permanent disability benefits to fund members

In the vast majority of cases, superannuation has been provided via the use of trusts. As with all trusts, trustees have a range of common-law obligations such as acting in the best interests of members and acting equitably between beneficiaries.

Superannuation fund trustees also have a number of statutory obligations found in State/Territory and Commonwealth laws.

We believe these purposes of superannuation are well understood by the community.

## The sole purpose test

For more than 40 years, income tax concessions have only been available to superannuation funds that have satisfied permitted purposes. Initially those purposes were outlined by the Australian Taxation Office in various Taxation Rulings. In the late 1980s the then government decided to codify the “sole purpose test” (SPT) in legislation.

With effect from December 1993 this test was moved to the *Superannuation Industry (Supervision) Act 1993*<sup>6</sup> (SIS Act). The main substance of the SPT has remained unchanged for the last 30 years.

Even after this time it is common for this test to be misunderstood.

As already explained the SPT is a key compliance mechanism used to determine if a superannuation fund should be permitted to access the superannuation tax concessions. In effect it details the government's policy objective for superannuation.

**A failure to satisfy the SPT – and therefore be deemed not to have met the public policy objectives for the superannuation system – has seen a number of superannuation fund trustees lose access to the superannuation tax concessions.**

The SPT directly influences trustee conduct.

There are two distinct parts to the SPT – core purposes and ancillary purposes.

*Core purposes* can be summarised as follows:

- provide retirement benefits for members upon retirement or after age 65; and

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<sup>6</sup> See Sec 62.

- provide death benefits, if death occurs before retirement, to a member's legal personal representative or dependants.

*Ancillary purposes* can be summarised as follows:

- provide benefits on termination of employment where a member's employer (or associate) has contributed to the fund;
- provide benefits where a member ceases gainful employment due to physical or mental ill health;
- provide death benefits to a member's legal personal representative or dependants if death occurs after retirement; and
- any other purpose that the Regulator (APRA or ATO) approves in writing.

Super funds must satisfy at least one core purpose for every member of the fund. Ancillary purposes are optional; however, funds can satisfy as many of these as they wish for each member.

A trustee does not have to provide the same types of core or ancillary purposes for, or in respect of, all members of the fund.

## Security in Retirement – June 1992

On 30 June 1992 the then Treasurer John Dawkins published *Security in Retirement*. This document made the following points about the objective of the superannuation system:

...we need now to start saving more for our future retirement ... saving for retirement will have to be compulsory. It means that these savings will increasingly have to be 'preserved' for retirement purposes. Lastly, the rate of saving will have to ensure retirement incomes which are higher than that provided today through the age pension system ... by requiring those who can do so to save for their retirement, better retirement incomes can be provided for those who cannot save.

Future Australians will benefit from this requirement. Increased financial flexibility will enable future governments to increase the age pension rate to meet contemporary community expectations.

This Government sees the age pension not just as a security net for future retirees but as the key-stone (sic) of its superannuation policies. It expects that most future retirees will continue to be eligible for the age pension (for example, through a part pension) which, with self-provided and tax-assisted superannuation, will allow a higher retirement income than is now generally available.

... implementation of the SGC implies that a privately provided retirement income of about 40 per cent of final income is a level to which the community might wish to aspire for the time being.

Mr Dawkins said that this document set out "the operation, rationale and economic impacts" of the Superannuation Guarantee system.

## National Savings – June 1993

Almost one year later (in June 1993), Vince Fitzgerald prepared a report for Treasurer Dawkins titled, *National Savings*. In that document Fitzgerald said,

The ultimate aims of that policy [that is, the Superannuation Guarantee] should be clarified. (Is one goal to make most Australians independent of the age pension...?)” – forward page xv

... a very long transition period lies ahead before it [that is, compulsory superannuation] is fully in place, pointing to the importance of clarifying its ultimate goals and improving the interaction between superannuation and the age pension – page 49.

We agree with Fitzgerald’s view that the ultimate aim of the Superannuation Guarantee has never been explained. Both publications, *Security in Retirement* and *National Savings*, emphasise the importance over the medium to longer term of improving national savings and reducing reliance on the aged pension.

The impact of the Superannuation Guarantee seems to be that it is pushing more and more people into receiving a part age pension (see the Retirement Income Review) and there is an expectation that this will continue.

There is no doubt that total superannuation savings are very large and are expected to continue to grow for many years however, to the best of our knowledge, it has never been estimated what national savings would be if the Superannuation Guarantee had never been implemented. Nevertheless this has not stopped many politicians, super fund executives, super fund industry organisations and others from speaking glowingly over many years about the achievements of the SG system and the increasing ‘average’ retiree superannuation balance.

## Financial System Inquiry – December 2014

The Financial System Inquiry (FSI) which reported in December 2014 (the Murray Inquiry) stated that setting objectives for the superannuation system “is necessary to target policy settings better and make them more stable. Clearly articulated objectives that have broad community support would help to align policy settings, industry initiatives and community expectations.” – page 90.

The FSI recommendation<sup>7</sup> in relation to setting objectives for superannuation states:

Seek broad political agreement for, and enshrine in legislation, the objectives of the superannuation system and report publicly on how policy proposals are consistent with achieving these objectives over the long term.

In our view this recommendation can be broken down into three parts:

1. Seek broad political agreement
2. Enshrine the objectives into legislation
3. Report publicly how policy proposals are consistent with achieving these objectives over the long term

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<sup>7</sup> See recommendation 9

Below we discuss each of these in turn:

### **Broad political agreement**

We accept that it would be difficult for all political parties to reach consensus about the objectives of the superannuation system. And equally difficult to agree on what the objectives of the retirement system should be.

The danger of reaching broad political consensus about setting objectives for the superannuation system is that by the time consensus is reached we might only be left with platitudes that serve little or no practical purpose.

However, without this consensus there is the risk the objectives will simply become a malleable tool to be adjusted based on the ability to pass legislation through the Commonwealth Parliament.

We believe that broad political agreement for a retirement income system objective and its longevity without amendment are very much related.

The FSI said that one way of reaching agreement may be via a joint parliamentary inquiry which could consider the proposed objectives and to make recommendations to Parliament. We note that unfortunately neither the current nor former governments acted on this suggestion. This is a missed opportunity.

### **Enshrine the objectives into legislation**

As we have noted elsewhere in this submission, until broad political consensus is reached, we do not think the objective of the retirement system should be legislated.

### **Report on how policy proposals are consistent with achieving superannuation objectives over the long term**

The FSI final report at p. 99 also says that the “Government could periodically assess the extent to which the superannuation system is meeting its objectives. This could be done in a stand-alone report or as part of the Intergenerational Report, which is prepared every five years”.

We believe a regular stand-alone report for the whole retirement system would be valuable including to suggest amendments to retirement systems objectives. Legislative provisions to ensure such reports are published should be enacted in the *Charter of Budget Honesty Act 1998*.

### **FSI Objective of Superannuation**

The FSI recommended that the objective of superannuation should be “to provide income in retirement to substitute or supplement the age pension”.

The previous government sought to legislate this objective however the current government, in Opposition, did not to support it. The proposed amending legislation lapsed when the Parliament was prorogued for the 2019 Federal election.

As we have detailed elsewhere in this submission, we believe this objective is too narrow.

### **Retirement Income Review (RIR) – November 2020**

The RIR stated that an agreed objective of the retirement income system “is needed to anchor the direction of policy settings, help ensure the purpose of the system is understood, and provide a framework for assessing the performance of the system”.



The RIR had a much larger objective in mind than just for the superannuation system on its own.

The RIR suggested that this retirement income system objective should be:

“to deliver adequate standards of living in retirement in an equitable, sustainable and cohesive way”

It defined adequate to mean, “the [retirement income] system should ensure a minimum standard of living for retirees with limited financial means that is consistent with prevailing community standards” and that system “should facilitate people to reasonably maintain their standard of living in retirement”.

Equitable was defined to mean, the retirement income system “should target Government support to those in need” and the system “should provide similar outcomes for people in similar circumstances”.

Sustainable was defined to mean, the retirement income system “should be cost-effective for taxpayers in achieving adequate outcomes” and the system “should be sustainable and robust to demographic, economic and social change”.

Finally cohesive was defined to mean, the retirement income system “should have effective incentives to smooth consumption and support people in taking personal responsibility for their retirement outcomes” and “the retirement income system should interact effectively with other systems” and the system “should not be unnecessarily complex for consumers”.

### **Retirement System is not coherent, cohesive or simple**

It is our view that unfortunately the retirement system is unnecessarily complex and cannot be described as cohesive. For example, it has been claimed that more than 30 per cent of individuals delayed applying for the age pension for at least 12 months after those individuals had become eligible to receive it<sup>8</sup> with other research indicating that “most seniors (regardless of socio-economic background) opt to seek a helping hand when applying for their Age Pension rather than attempting it independently. The Age Pension application process is felt to be too complicated for most seniors to attempt on their own”.<sup>9</sup>

## **The Bills Provisions**

What question are we told this legislation is seeking to answer or problem is it seeking to solve? The explanatory memorandum – EM – states (refer p. 1) that legislating an objective of the superannuation system will “codify a shared purpose of superannuation” by “requiring policy makers to assess future changes to superannuation legislation for compatibility with this objective” and to then, once the Bill commences, publish a “statement of compatibility” (SoC) in the explanatory materials accompanying all prospective Commonwealth bills and regulations related to superannuation unless a specific exemption applies.

The SoC must “include an assessment of whether the Bill is compatible with the objective of superannuation” – refer proposed Sec 6(3) of the Bill. We have more to say about this requirement below.

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<sup>8</sup> [https://insights.linkgroup.com/FormBuilder/\\_Resource/\\_module/sEwV08wDIE-hXLh5dNDWWQ/article/0839\\_0722\\_Link\\_Advice\\_Whitepaper\\_vF.pdf](https://insights.linkgroup.com/FormBuilder/_Resource/_module/sEwV08wDIE-hXLh5dNDWWQ/article/0839_0722_Link_Advice_Whitepaper_vF.pdf)

<sup>9</sup> <https://nationalseniors.com.au/research/retirement/the-evolution-of-retirement-income-a-2022-snapshot> – refer to p. 4 of the report

The objective is proposed in Sec 5(1) of the Bill to be “to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way”.

The Treasurer’s Second Reading Speech on 16 November 2023 when the Bill was first introduced into the House of Representatives says that this “simple and straightforward objective will serve as a guide for future governments, regulators, industry, and the wider community – instilling greater confidence in the system”.

But the work of the superannuation objective is weakened because the Bill’s EM (refer to paragraph 1.14) says, “...the objective is not intended to change the operation or interpretation of existing superannuation law, prudential standards or governing rules of superannuation entities. For example, it will not change or prevent how members can currently access their superannuation such as the payment of a lump sum on retirement or early access to their superannuation in exceptional circumstances.”

The EM continues at 1.15 to say that “...further, the objective does not impact regulatory supervision activities. While aligned with, it is separate from trustees’ fiduciary duties and is not intended to guide the regulation of trustees’ conduct or change existing trustee obligations. The objective can however serve as a reminder to trustees of superannuation entities (which includes all APRA-regulated superannuation funds, approved deposit funds and pooled superannuation trusts and self-managed superannuation funds) of their role in the superannuation system, including to support members holistically during their working life and through retirement.”

The superannuation fund trustee’s task is to run their fund as best as they possibly can in accordance with their statutory, common law and governing rule obligations. We doubt any superannuation trustee would spend their fund’s scarce resources considering this objective when determining how best to run their fund given there are no tangible or intangible benefits for taking it into account and no tangible or intangible penalties for ignoring it.

The EM is at best partially correct when it states, “while the obligations of trustees and rules governing each type of fund differ, **all** superannuation funds serve the same purpose in preserving contributions made by or on behalf of the member during their working life (accumulation phase) and then distribute the member’s contributions and earnings back to them in retirement (retirement phase)” (our emphasis). The reality is superannuation funds exist for many reasons. However in order to attract and retain the superannuation tax concessions they must satisfy the sole purpose test which we mention above. Some superannuation funds exist solely to meet the core purpose of “provide death benefits, if death occurs before retirement, to a member’s legal personal representative or dependants”. The word “all” highlighted above should be replaced with “many”.

### **Not all early access to superannuation are “last resort” and the importance of life insurance policies held in superannuation**

We are concerned about comments in the EM that question the validity of some early access rules in superannuation.

Paragraph 1.24 of the EM states that certain types of benefits are accessed as a “last resort” for “acute and rare incidents”. Included in this list are permanent and temporary incapacity (including insurance payments) and terminal medical conditions.

We have a number of concerns with these statements:

- Such benefits are not rare – APRA’s annual superannuation bulletin says that just over \$3 billion was paid for these three conditions of release from APRA regulated superannuation funds in the 21/22 financial year
- Insurance for these types of benefits – including terminal illness benefits – are permitted by the superannuation sole purpose test and important tax concessions attach to them. Many superannuants prefer to hold these insurance in their superannuation fund than personally. The suitability of these insurances are acknowledged in paragraphs 1.20 and 1.21 of the EM.

In any event we believe paragraph 1.24 should be re-worded to improve accuracy.

Paragraph 1.21 as it says “group insurance is an important benefit of the superannuation system and its provision is generally consistent with the objective”. Does this imply that personal life insurance policies held by a superannuation fund are not consistent with the government’s preferred objective of superannuation? If this is not the intention then this paragraph should also be re-written to increase clarity.

### **Statement of Compatibility**

As noted above, the SoC must “include an assessment of whether the Bill is compatible with the objective of superannuation”.

The EM states that the SoC “should include consideration of the proposed policy against the key concepts within the objective and a determination on compatibility with the objective as a whole, based on these assessments”.

Further the EM notes that, the Bill “does not prescribe what information must be included in the statement of compatibility and it may take whichever format and structure is most conducive to the nature, size, and complexity of the bill or regulation to which it applies”.

There are some occasions when a SoC would not be required including provisions which are minor or technical in nature.

Most importantly a SoC will not be required for bills and regulations dealing with “superannuation arrangements (schemes and governance) for Australian Government civilian employees, members of parliament and members of the Australian Defence Force and retirement benefits for Federal Judges and Governors-General”. The EM states that a SoC will not be required for these arrangements because “legislation dealing with these superannuation arrangements perform a similar role to trust deeds in the broader superannuation industry and do not have industry-wide application nor represent substantive changes in superannuation policy”.

We do not agree with this total exemption as there will be changes made to these funds which are required because of policy changes that are being applied to the superannuation system. We therefore think that this exemption should be narrowed to only those changes that are being made to these funds and to no other superannuation funds.

### **What changes in the last two decades are incompatible with proposed objective?**

It is our assessment that nearly all of the changes made to the superannuation system over the last two decades could be justified under the proposed Objective of Superannuation wording. Some of these

changes made over the last twenty years have been inconsistent with other changes that have been made during that twenty year period.

### **National economic priorities**

The EM says that “there is significant opportunity for Australia to leverage greater superannuation investment in areas where there is alignment between the best financial interests of members and national economic priorities, particularly given the long-term investment horizon of superannuation funds”.

Until the early 1980s life assurance companies and certain types of superannuation funds had to satisfy the “30/20 rule”. This rule said that these entities would not qualify for special income tax concessions unless they held at least 30% of their assets in public securities, including at least 20% in Commonwealth securities.

This rule was removed in September 1984.

At law trustees have the responsibility to act in their beneficiaries best interests. Under the SIS Act trustees have an obligation to act in their beneficiaries best financial interests. We believe trustees should be left to do these tasks without direct or indirect political or bureaucratic influence on their specific investment decisions other than existing SIS Act restrictions.

We would be concerned if any Objective of Superannuation was used by government to begin effectively reintroducing a version of the old 30/20 rule.

### **Exceptional circumstances**

We note the wording used to explain some of the terms of the Objective of Superannuation state that superannuation savings are for retirement and should only be accessed before retirement in exceptional circumstances. We note that compassionate and financial hardship are noted as being exceptional circumstances permitting early release of superannuation benefits for genuine or exceptional hardship.

We believe these sentiments potentially conflict with a range of current policy settings. For example:

- Transition to retirement income streams<sup>10</sup> – such pensions are permitted to be paid before a person is fully retired; we believe this policy helps many people move from being in full-time work to being fully retired; the government would need to explain why such a policy setting was not considered to be an exceptional circumstance to the proposed objective.
- Making superannuation contributions after retirement – the government would need to explain how the current policy settings permitting new superannuation contributions after retirement align with its preferred objective wording and explanatory wording.

If the current wording of the Objective of Superannuation is adopted then the government will need to announce which current policy settings will be adjusted including how and the timeframes for these modifications.

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<sup>10</sup> For example, refer to Regulation 6.01 of the *Superannuation Industry Supervision Regulations* for a relevant definition

## **Superannuation is not for minimising tax on wealth accumulation or enabling retirees to leave tax-effective bequests.**

A person joining the workforce who has an average life expectancy can expect to be involved in the superannuation system for 70 to 80 years and in some cases a longer period of time.

The tax concessions are vital to ensure superannuants are able to build sufficient wealth for their retirement. These concessions also act as an important incentive for individuals to choose to defer immediate consumption so as to save for their long-term retirement needs.

The current superannuation laws do not demand that accumulated wealth must be taken as one or more pensions and/or one or more lump sums at any point in time. In other words, benefits can remain in the accumulation phase of superannuation system after a person retires and until that person dies, at which point their account balance must be paid as lumps sums or pensions to dependants or lump sums to non-dependants.

On death, all benefits are paid tax-free when received by a fund member's dependants such as their surviving spouse and children under 18 – that is, a tax-effective bequest. If paid to non-dependants, such as adult children, they must be paid as a lump sum and the Taxable Component is taxed at 15% plus the Medicare Levy (Unfunded Components are taxed at higher rates). These policy settings ensure that the tax-effective nature of any bequests to non-dependants are removed. The government will need to indicate if it intends to change any of these important policy settings based on the proposed wording.

In any event a core and an ancillary purpose of the superannuation SPT allow for death benefits.

If the current wording of the Objective of Superannuation is adopted then the government will need to announce which current policy settings in this area will be adjusted including how and the timeframes for these modifications.

## **Superannuation is an asset to be drawn down on**

The EM contains the sentiment that “an objective can support a greater focus for funds on how income is provided in retirement and encourage individuals to think about their superannuation as an asset to be drawn down on”.

However elsewhere in the EM it is said that a legislated objective is “not intended to guide the regulation of trustee's conduct, it would not change trustee obligations”.

Encouraging members to think about drawing down their superannuation accounts during retirement is a key requirement of trustees via the Retirement Income Covenant contained in the SIS Act.

We are concerned about potential inconsistencies with these concepts.