Superannuation really just a ‘tax structure’ – FPA/AFA

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Mike Taylor, Managing Editor/Publisher, Financial Newswire

The Government needs to consumer test its proposed objective of superannuation to ensure Australians understand its meaning, according to a submission filed by the Financial Planning Association (FPA) and the Association of Financial Advisers (AFA) (now the Financial Advice Association of Australia).

In a submission filed as part of the Treasury consultation around the objective of superannuation the two planning organisations counselled steering clear of superannuation industry jargon such as the use of the word “members”.

What is more, the submission has argued that it needs to be made clear that superannuation money is not “government money”.

In a wrap up of their approach the two organisations itemised what they wanted to see:

- Clearly establishing Australians as the owners of the funds held within thesuperannuation system (it is not government’s money), to encourage Australians totake ownership of their super and aim to be self-supporting in retirement;
- Consumer test the proposed objective to ensure Australians understand its meaning and to limit the use of industry jargon and legally defined terms;
- That Australians’ priorities and choices in how and when they access and use their superannuation savings are important and should be supported by a flexible and non-restrictive objective of superannuation; and
- It must be future-proof and protect consumers’ savings from misuse in the immediate,short and long term.

Elsewhere the submission asserts that superannuation is, in fact, a tax structure.

“While many consumers think of superannuation as an investment, superannuation is in fact a tax structure,” the submission said.

“It is, broadly, a legislated savings mechanism that legally compels working Australians to contribute a portion of their earnings each year into a personal account that receives favourable tax treatment, to be looked after by a trustee, beholden to regulatory obligations and oversight, and returned to the individual along with any investment earnings upon or during their retirement. (We note that there are limited circumstances where consumers may be permitted to access funds prior to reaching preservation age.)”

“Superannuation is a vital pillar in the retirement income system as it provides a tax-advantaged long term investment vehicle in return for preserving benefits until retirement.”

“The roles of the key participants in the superannuation system include:

- Consumers – it is Australians who are compelled by law to contribute what is effectively their own money into the system. (Note: ‘members’ is a term used by industry and government in relation to users of the super system.)
- Government – are the gatekeepers of the system (rather than its beneficiary).
- Trustees / superannuation funds – industry funds, private and public businesses, and self-managed superannuation funds are tasked with protecting and growing consumers’ funds and making them available for use in retirement (special circumstances apply for access to funds pre-retirement, including insurance benefits). They are the custodians of the superannuation system on behalf of the government (gate keepers) and Australians (its users).

“The proposed objective does not appear to reflect these roles or clarify the ownership of Australians’ earnings in the super system. Government appears to be at the core of the proposed objective. However, Australians view superannuation as their money, their superannuation account, deducted from their income, which they were required to defer receiving from when they were working until their retirement.”

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