



17 January 2020

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

Submitted via Australian Parliamentary House website portal

Dear Sir/Madam

Submission – Inquiry into Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019

Chartered Accountants Australia and New Zealand welcomes the invitation to make a submission on the above inquiry.

We would be pleased to discuss any aspect of our submission.

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

Our submission includes the following key recommendations:

1. Overall we support superannuants right to choose their preferred retirement vehicle both before and after retirement. It is unfair that all retirees and some employees have complete freedom to choose their own super investment whilst others are denied this independence
2. In our view choice of super fund makes addressing widespread “information asymmetry” between consumers and super funds an urgently priority that must be addressed by government and by the superannuation industry
3. Access to quality and timely financial advice has always been difficult but the recently enacted financial advice reforms will make this task even more difficult. An urgent solution to this problem needs to be identified and put in place.

Choice in superannuation should apply to all Australians

In the main, superannuants are free to choose any retirement income product(s) they wish to use including removing all the money from the superannuation system and investing it in a related entity (such as a discretionary family trust) or their personal name.



Similarly, many individuals before retirement are free to choose their own preferred superannuation product.

It is unreasonable that some Australians are allowed the freedom to choose their retirement savings products whilst others are denied this choice.

Therefore on equity and fairness grounds either everyone should be allowed the right to choose their preferred retirement income vehicle or no one should have this flexibility.

However we believe the government and superannuation industry need to provide access to further information and better guidance before this policy has any real chance of success.

Urgently take action to tackle ubiquitous 'information asymmetry'

The Productivity Commission (PC) in its inquiry into assessing the efficiency and competitiveness of the superannuation sector said "...[Super fund] members at all stages find the super system too hard to navigate, and do not know where to turn for help. While there is no shortage of information, many members find it complex, overwhelming and inconsistent with their needs. Product disclosure statements seem more focused on protecting the fund than helping the member. Members get excessive choice at the expense of less comparability, and even highly engaged and financially literate members struggle. Many would like more relevant and simpler information to help them find and compare products and, if necessary, switch."¹

Further the PC said that a frustrating aspect of the superannuation system is that there is inadequate access to information for members and suggested that, "ASIC should make [fund dashboards] available on a single website. They should also be accessible via the new centralised online service for the best in show shortlist [which was also a recommendation from this PC inquiry]. Members should be prompted to compare their current product with those on the shortlist to see how their product is performing and, if desired, to easily switch."²

Similar thoughts about consumers accessing fund comparison data from a single source was expressed by Mr Darren McShane when he reviewed the disclosure of fees and costs in Product Disclosure Statements and Periodic Statements said that ASIC should "undertake a feasibility study into whether it, or another government agency could provide, or sponsor, the development of a publicly accessible, consumer facing facility providing fee and cost information extracted from PDSs that can be searched and compared on a range of criteria."³

¹ Productivity Commission 2018, *Superannuation: Assessing Efficiency and Competitiveness*, Report no. 91, Canberra, p. 18

² *Ibid*, p. 39

³ McShane, Darren, *Review of ASIC Regulatory Guide 97: Disclosing fees and costs in PDSs and periodic statements*, Report to the Australian Securities and Investments Commission, July 2018, p. 89

Given compulsory employer superannuation is now more than 25 years old, we believe it is unacceptable that the superannuation industry and successive governments have not already dealt with these issues. Until and unless these above points are thoroughly dealt with choice of super fund will remain a policy in name only with limited actual impact in the broader community.

Accessing financial advice

It is widely accepted that in Australia consumers typically have low levels of financial literacy.

In our view choice of super fund would only be effective if superannuants had access to quality and timely financial advice.

However in 2019 ASIC research revealed that only 27% of the Australian population had received personal financial advice. The barriers to accessing advice included the cost of that advice, lack of trust and confidence in the sector and many consumers believing their financial circumstances and assets may not warrant seeking advice.

Many potential financial advice providers are dissuaded from offering advice because of complex costly inefficient regulatory frameworks. In addition multiple regulatory regimes together with regulator behavior has been forcing many professional advisers (accountants and financial advisers) to question whether they should continue to provide advisory services.

It is sometimes thought that two strategies might potentially help solve the inability of consumers to obtain financial advice – general information provided via digital platforms and robo-advice.

In a forthcoming publication on the future of advice to consumers about their finances, our market research found that only 10% of consumers make use of digital platforms including ASIC's MoneySmart website.

Further our upcoming report will show that only 12% of consumers had heard of robo advice (that is, using computing programs to create customised financial advice based on information about an individual's financial situation by utilizing algorithms and technology in place of a human financial adviser or as a part of the financial advice process). The main attraction of this option is that it may reduce the cost of providing advice and allow widespread access. But it would appear only a minority of people would consider using this service – only 24% of our market research consumer responses said that they would use this option.

The majority of consumers are saying they want to receive financial advice from another human being. This means reform of this area is essential and urgent. Together with other industry associations we have been working on a new regulatory regime.

Summary

On balance we support this legislation and encourage its passage through Parliament.

But we also believe it should not be enacted without firm commitments by government to implement other important reforms which we has outlined in this submission as quickly as possible.

Should you wish to discuss the contents of this submission, please contact me on [REDACTED] or [REDACTED]

Yours faithfully,

[REDACTED]

Tony Negline CA
Senior Consultant – Superannuation and Retirement Income
Advocacy, Professional Standing and International

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 125,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

