

Super is for Retirement

AustralianSuper Chief Executive Paul Schroder

Over the past 30 years, Australia's superannuation system has grown to be one of the nation's most successful and proudest public policies. It was established on the very simple, yet powerful premise that all Australians should be able to live better in retirement than on the Government Aged Pension alone.

The objective of superannuation should be that simple, to help Australians save for and then spend their savings, in retirement.

As Australia's largest fund, we are committed to helping members invest like they are billionaires, with a clear focus on delivering strong, risk adjusted long-term returns - which is even more important as Australians are living longer and healthier lives.

The key premise for AustralianSuper is that it is always members' money.

The purpose should reinforce that "It is always members' money" at every turn.

At an individual level, an AustralianSuper member with a \$50,000 balance in 1992 would have seen this grow 10 times to more than \$500,000 over the past 30 years. Once only for the very wealthy, that type of financial asset is now within the realms of millions of Australians in the decades to come.

Both political parties have played a key role in building and improving the system over the past 30 years. And while a legislated objective of super would not bind any future Parliament; the absence of an objective is detrimental to confidence and could undermine outcomes for super savers.

Absent a clear purpose and guardrails, there is a risk that politicians, lobby groups and other activists might seek to harness private capital for uses other than funding a member's retirement. This would undermine Australians confidence in the system; a system that is the envy of many in the world.

The Objective announced by the Treasurer Jim Chalmers last month is broadly consistent with previously suggested objectives and is entirely acceptable to AustralianSuper. Now is the time to settle it, and to avoid the ongoing word bingo.

The clear statement that the super system should 'preserve savings' is significant and underlines the fundamental nature of superannuation as a concessionally taxed, compulsory long-term savings vehicle for retirement, with the tax concessions provided to compensate members for delayed spending as part of a mandated system.

At AustralianSuper we have always favoured a simple, member centric ambition for super. It's time to stop complicating the system and get back to the basics which are to:

1. Help people save more for their retirement,
2. Help members earn more, risk-adjusted post tax and fees, for the longest duration.
3. Protect members' assets through good risk management including diversification, guarding against threat actors, and by providing great insurance.
4. And then supporting members to feel more confident to spend their money in retirement.

However, at the end of the day we need to respect the choices that members make. It's their money to save and then spend, as they choose, in retirement.

When compulsory superannuation was introduced in 1992, many Australians faced a retirement funded only by the Aged Pension and possibly some personal savings. Now many Australians can look forward to having a significant financial asset when they come to retire.

This represents a major leap forward for those individuals and for the country.

Despite this, there remains much to do, for the less advantaged. More than 30 years on, we have not solved for key issues like closing the super gender gap, supporting members with lower balances, delivering for vulnerable workers, and especially addressing the needs of First Nations members who face a range of challenges when it comes to super.

Resolving these is going to require sustained focus and additional government support.

A good start would be to pay superannuation on paid parental leave and to increase the Low-Income Superannuation Tax Offset (LISTO). Each of these proposals would give low-income earners a more equitable share of superannuation tax concessions and improve their balances at retirement.

While superannuation has helped grow the wealth of Australian households, delivered higher standards of living for many in retirement and taken pressure off the Federal Budget by reducing the number of people on the full Aged Pension it has also created a capital pool that is to the benefit of the whole country.

At AustralianSuper that pool is now more than \$280 billion of member assets with more than \$150 billion invested across the nation's economy, including over \$60 billion in Australian listed equities and more than \$20 billion in domestic infrastructure assets such as Sydney Airport, Queensland Motorways, Indara Digital Infrastructure, and WestConnex.

This is members' money, invested for retirement, that grows and supports local jobs and provides much needed infrastructure to help the Australia of today become the nation of tomorrow.

But superannuation is not the answer to all of society's difficult questions. Superannuation is however the answer to *the* question - how will most Australians have a better life in their retirement?

Each member has their own individual story and ambitions for their retirement. Every member deserves the very best providers, investment expertise, guidance, help and advice to help them achieve the kind of retirement they deserve.

The objective of superannuation should begin and end with the retirement needs of members and their families. Sorting out a clean, clear purpose will help.

About AustralianSuper

AustralianSuper manages more than \$280 billion in members' retirement savings on behalf of more than 3 million members from more than 441,000 businesses. One in 8 working Australians is a member of AustralianSuper, the nation's largest superannuation fund.