Developing a framework for the retirement phase of superannuation

The Government has released a discussion paper that explores the key issues in developing a framework for the retirement phase of the superannuation system, by facilitating trustees offering Comprehensive Income Products for Retirement to their members. The Government proposes to call these products ‘MyRetirement products’. This reform is critical to lifting the living standards and choices of Australians, and ensuring that the policy settings are right for a mature superannuation system of the future.

The discussion paper is available on the Treasury website. Submissions are due by 28 April 2017.

The issue

Australia’s population is ageing and Australians are enjoying among the longest life expectancies in the world – a trend which is expected to continue. By 2054-2055, the number of Australians aged 65 and over will more than double, and one in every 1,000 people will be aged over 100. Now is the time to get the settings right in the retirement phase of our superannuation system.

Currently, individuals face complex decisions at retirement. There is also limited availability and take-up of products that can assist individuals to efficiently manage the risks they face in retirement, in particular the risk of outliving their savings. The MyRetirement framework seeks to address these problems, as outlined below.

The details

A MyRetirement product will:

• provide a balance of income, risk management (e.g. longevity risk management), and flexibility (e.g. to access a lump sum);

• be a high standard, mass-customised product, designed by superannuation fund trustees to be in the best interests of the majority of members; and

• provide an ‘anchor’ to guide the retirement income decision.

The impact

Individuals will not be forced to take up a MyRetirement product, but will have a broader range of choices in how to support themselves in retirement.

If an individual chooses to take up a MyRetirement product, they will receive an efficient retirement income stream product that provides:

• peace of mind, through security of income for life; and

• higher income (compared to investing fully in an account-based pension drawn down at minimum rates) and/or a guaranteed level of income.