



ASIC

Australian Securities & Investments Commission

ASIC and Australia's ageing population

*A speech by Greg Medcraft, Chairman,
Australian Securities and Investments Commission*

*Stakeholder Event (Adelaide, Australia)
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CHECK AGAINST DELIVERY

Introduction

Good evening everyone and welcome.

It is great to be in Adelaide, particularly in the lead up to the AFL Grand Final this weekend. I am a Richmond fan, and so I feel like I am in enemy territory today!

I would like to extend a special welcome to:

- Sean Edwards, former Senator for South Australia;
- John Chapman, South Australian Small Business Commissioner;
- Dini Soulio, Commissioner at Consumer and Business Services SA; and
- Nick Begakis, Chairman of Bellis Fruit Bars.

We are also joined tonight by ASIC's new Senior Executive Leader of the Insolvency Practitioner Team, Thea Eszenyi.

Thea is a registered liquidator and brings over 30 years' experience in insolvency and restructuring to ASIC.

Thea will be spending some of her time here in the Adelaide office and I am sure she will make a valued contribution to ASIC and the Insolvency Practitioners team.

Tonight I want to do something a little different.

I want to talk about something that is that is critically important – the issues that face us as we get older.

It is a demographic reality for Australia that we have an increasing number of retirees and an ageing of our population.

The [2015 Intergenerational Report](#) showed that by 2055, the number of Australians aged 65 and over is projected to more than double.

One in every 1,000 people will be 100 years or older.

At ASIC, we recognise that this raises issues of fundamental and strategic importance to the financial services sector, the community and the economy.

In financial services, there are big issues for older Australians. Let me focus on four of them:

1. Retirement planning is **complex**, requires people to consider the long term, and to think conceptually about uncertain and difficult concepts, including your own long-term health and mortality.
2. As people age they may be faced with their own **cognitive decline** and lack the ability to make sound decisions for themselves. Even recognising their own cognitive decline can be an issue.
3. Older Australians may also be more vulnerable to some types of **scams or elder abuse**.
4. And some older Australians may lack **familiarity with the technology** used to deliver financial products and services.

ASIC, together with other regulators at the State and Commonwealth level, have a keen interest in the retirement space and with the provision of financial services to seniors in an appropriate and effective way.

Tonight I would like to talk about what ASIC is doing to help in this area, focusing particularly on five areas:

1. building financial capability of seniors;
2. financial advice, for seniors;
3. retirement income products for seniors;

4. real estate ownership and investment; and
5. international cooperation.

Let me elaborate a little more on each of these areas.

1. Building financial capability

It is a priority for ASIC that older Australians have the capability to engage confidently with financial products and services.

ASIC's [MoneySmart website](#) provides a range of information and tools, such as our retirement planner, financial advisers register and financial advice toolkit, that support seniors to make informed financial decisions.

Given the financial challenges faced by seniors, we are currently looking at what additional resources would help them, and their family, friends and carers make important financial decisions about, and in, retirement – for example, in relation to the use of powers of attorney or moving into aged care facilities.

To inform this work ASIC commissioned market research to help us better understand Australian seniors' attitudes and behaviours related to financial decision making.

In mid-August we released the key findings report – '[Building Seniors' Financial Capability](#)'.

The report, which you can find on the ASIC website, identifies a number of key segments of, and provides some valuable insights into the, seniors' population in Australia.

This research, and ongoing engagement with stakeholders, will be vital in ensuring the effectiveness of ASIC's work in this area, including providing policy advice and developing new resources, that are relevant and useful.

2. Financial advice

Turning to financial advice – ageing and retirement planning can present seniors with complex decisions with significant consequences over long timeframes.

Issues to name a few are:

1. taxation, superannuation and social security issues, and how they interact with each other;
2. real property, estate planning and aged care issues;
3. sequencing risk and longevity risk, on top of inflation and interest rate risks; and
4. powers of attorney – checks and balances.

We are concerned about seniors having access to quality financial advice that meets their shifting needs over the course of their retirement.

Our **surveillance work** in financial advice involves a number of aspects. Let me consider three of them:

1. We consider the **appropriateness of advice** to address a retiree's long term objectives.
2. **Self-managed superannuation funds** are one particular ASIC focus. We look at how financial advice deals with the issue of the ongoing suitability of an SMSF as ageing progresses. That is, advice should not only be about the establishment of a SMSF, but also about appropriate exit strategies if a person has an issue with cognitive decline and diminished capacity to manage an SMSF.
3. **Scams, frauds and financial abuse** – Decent retirement nest eggs can be tempting to those who don't have senior's best interests at heart. Financial advice aside, we also know that seniors, perhaps being perceived as vulnerable, can be the target of scams and frauds, and financial abuse. We continue to focus on this area and take action where needed.

3. Retirement income products

The market for superannuation and retirement income products marketed to retirees and seniors may now see significant growth due to recent Government action in relation to retirement income products.

Recently, new regulations have opened up the potential for new types of pooled lifetime pension products such as group self-annuitisation schemes and collective defined contributions schemes.

In addition, there are now Government proposals for superannuation trustees to offer **comprehensive income products in retirement**, or CIPRs.

Though it is early days, these developments are aimed to help address concerns about longevity risk.

ASIC is involved in a cross-agency working group, led by the ATO and also involving APRA and the DSS, established to facilitate the introduction of these new retirement income products. This joint streamlined 'one stop shop' supports product providers who are developing new income stream products with a longevity component.

Of course, we will also be focused on monitoring these products as they come to market.

At ASIC we have a strong behavioural economics focus, and our behavioural research and insights tell us that retirement is a rich environment for poor consumer outcomes.

4. Real estate ownership and investment

The home can also be a source of income in retirement and an important financial resource in relation to funding entry into and ongoing costs of aged care.

A general fall in housing property prices could have significant impacts on retirement incomes of senior Australians.

We continue our focus on **responsible lending and borrower financial hardship practices** of home loan providers, including making sure lenders are making reasonable inquiries into borrowers' financial positions and repayment capacity.

We have also commenced a new surveillance into **reverse mortgages** this year, which will:

1. test compliance with responsible lending obligations;
2. measure consumer understanding of the products; and
3. look at loan characteristics, borrower experiences and outcomes.

Through our surveillance, if we do find serious non-compliance, we will take enforcement action.

We will be issuing a report early in 2018 on our findings.

5. International co-operation

The ageing population is an international phenomenon. ASIC contributes to the work of Committee 8 (Retail Investors) – which was initiated by ASIC – of the International Organization of Securities Commissions (IOSCO) on the vulnerability of senior investors, and what this means for regulators.

This Committee is working to produce a report with conclusions and possible recommendations about how to better meet the challenges of an ageing population.

We are also closely following international developments in peer countries.

For example, the UK's Financial Conduct Authority (FCA) recently released an occasional paper on [ageing and financial services](#).

The paper found that there is more that financial services firms can do to ensure they are treating older customers fairly, and outlines ideas, in areas such as product design and distribution, for firms to consider adopting.

Conclusion

In terms of our next steps, ASIC will certainly continue its work in relation to the ageing population.

Internally, ASIC has established a Coordination Group chaired by myself, to reflect ASIC's focus on ageing and financial services.

In progressing this work, we will recognise different and ever-changing cohorts within this broad group and seek to understand and address concerns that arise in each major stage in the retirement and ageing process.

We intend to make public statements about the work we are doing, some of which I have touched on today.

We will also produce a report for discussion later this year, on the actions we plan to take within our perimeter, to confirm our commitment to helping older Australians and to help address concerns faced by an ageing population.

I hope that gives you a good sense of the work we are doing across ASIC in this critical area.

I'd be very happy to take any questions.

Thank you.