Suite 25 100 Walker St
North Sydney, NSW 2060

28 January, 2022
Ms Nicole Chew
Senior Lawyer, Superannuation
Australian Securities and Investment Commission

Submission on CP 351 Superannuation Forecasts: Update to relief and guidance
Dear Ms Chew
Thank you for the opportunity to comment on Consultation Paper 351 on updating superannuation relief and guidance.

At SuperEd, we believe retirement income forecasts are very important tools for super members to understand and prepare for the future and current retirements.
We have previously been frustrated by the prescriptive nature of relief for superannuation retirement calculators.

Our subsidiary, Retirement Essentials, helps consumers with understanding their eligibility for the Age Pension and helping them apply. We have helped tens of thousands of older Australians and have a deep appreciation for the importance of getting the Age Pension estimates correct in retirement forecasts.

Our submission is short since we mostly support the recommendations. Rather than answer every question, we have concentrated on those where we have a strong or different view.

In this introductory letter, I would just call out three things:

- First, we strongly believe there should be relief for superannuation calculators used for retirees and people over 67. These people need help as much as anyone, if not more, and the forecast is essential to their estimating how much they can afford to spend. The Retirement Income Review brought out the importance of this issue.
- Second, as the Retirement Income Covenant puts so much emphasis on the development of a Retirement Strategy – and it's likely that retirement products will be a common element of a Retirement Strategy – we think the notion that calculators should not be linked to product or used to explain product is too strong, leaving a big gap in making "advice" or good information accessible and affordable.
- Third, the Age Pension is the first pillar of our retirement system and is critical to the majority of Australians. Retirement forecasts without the Age Pension included are of little value. ASIC has been cognisant of that issue in the development of the Consultation paper. The emphasis on including the Age Pension in interactive retirement calculators is appropriate.

We are happy to answer any questions you may have.

Sincerely,
Jeremy Duffield
Chair, SuperEd Pty Ltd

ASIC Question	SuperEd Response
B5Q1 Do you agree with the proposed restrictions on who may be provided with a retirement estimate? Why or why not?	We believe retirement forecasts for retirees is a critical current issue. So, we do not support the limitation on retirement estimates being given only to those below age 67 and those who are not retired. The Retirement Income Covenant work makes it very clear that Trustees should be developing a Retirement Income Strategy as a matter of priority. A useful retirement income estimate should be a foundational element in this Strategy to help members understand how much they can spend in retirement. The rules as recommended in the Consultation paper run counter to the intent of the Retirement Income Covenant. Retirees would ideally get an update at least annually of the income they may expect by drawing down their assets over a selected lifespan. We understand the challenges in drafting appropriate rules about forecasting income in retirement but our interpretation is that the Consultation paper has just avoided the issues and ignored the importance of forecasts to retirees.
	An additional related point is that the prohibition on using the calculators for “marketing” or “describing” how a retirement income product works is also out of step with the Retirement Income Covenant’s emphasis on Retirement Income Strategy, which will encourage many funds to create specialty retirement products with longevity features. We appreciate why this Consultation avoided that issue, given that the Retirement Income Covenant consultation itself ducked the issue of providing advice on retirement products and that the Treasury Quality of Advice review is pending. However, super funds will need calculators, and should have appropriate relief for providing calculators, which help retirees work out which products to use to form their retirement income plan.
B9Q1 Do you agree that a transition period of six months is appropriate for providers to comply with the proposed relief (i.e. by 1 October 2022, assuming the new instrument is made on 1 April 2022)? If not, do you consider a longer or shorter period is required?	A six month transition period seems unnecessarily short. A year would be more reasonable.

C2Q1 Do you support trustees and other providers having flexibility to set their own reasonable assumptions for investment earnings, fees and costs, including on the basis of the product a member is invested in? Why or why not? **C2Q2 What are the risks to members and to industry of trustees setting their own reasonable assumptions for investment earnings, fees and costs relating to the product in which a member is invested in, or a product which the trustee offers? How can these risks be mitigated?**	Yes, we do. Clearly the investment product the client is invested in should be taken into account. For instance, many members(surprisingly) are all in cash and should not be given the forecast for a "growth" portfolio. The flexibility however will open up the risk of "assumption creep" or using more attractive assumptions to appeal to members. One potential solution to this would be to offer Govt Actuary based assumptions for High, Medium, and Low Return capital market assumptions for standard diversified portfolios and require the calculators and estimates to make those available as well. That way, a fund's personalised assumptions could be compared to a standard forecast. Using High, Medium and Low Return scenarios would also encourage Trustees to reveal the uncertainty of the forecasts and lead members to expect a range of outcomes.
C11Q1 What are the advantages and disadvantages of allowing trustees to include age pension amounts in a retirement estimate only if it is an interactive retirement estimate that allow the member to make changes to the assumptions? **(a) What evidence is there for how numerical forecasts of age pension eligibility influence member behaviour? Does this vary depending on the magnitude or accuracy of the forecast?** **(b) Would factual information alongside a static retirement estimate be more or less effective in raising member awareness of their potential age pension eligibility compared to a numerical forecast? Why or why not?**	Disadvantage: a retirement estimate without the Age Pension included is pretty useless for most Australians. According to the Retirement Income Review, 80% of Australians will be on at least the part Age Pension by the time they are 80. Given the Age Pension and the Super fund balances interact to create a retirement income, it does not help much to get a forecast of what income the super fund alone will provide. Advantage: A useful retirement forecast including the Age Pension relies on having information about the household which most funds do not know and can only attract via an interactive calculator. It's true that the previous rules had assumptions about the member's circumstances which were unrepresentative for many people.

	(a) At Retirement Essentials we help tens of thousands of people annually work out eligibility for the Age Pension. The important impacts are to help people understand how the (complex) Age Pension works and to get people to apply in a timely manner. Delaying application for the Age Pension may be the most expensive mistake someone makes. (b) Yes, anything that helps people understand the Age Pension is important. Remember, the Age Pension is more important to most people in retirement than super. Over 50% of people over 65 find the Age Pension provides the majority of their retirement income.
C11Q2 **Should age pension amounts be required by default in interactive retirement estimates or in superannuation calculators? Why or why not?**	I don’t know about “required,” but the value of a retirement forecast without the Age Pension is of low value for most Australian retirees.