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9 February 2024

Director
Retirement Advice and Investment Division
The Treasury
Langton Cres
Parkes ACT 2600
Via email: retirement@treasury.gov.au

Dear Director,

Re: Superannuation in retirement

Anglicare Australia welcomes the opportunity to make this submission on superannuation in retirement. As a Network that supports Australians with housing, emergency relief, and aged care, we understand the importance of a stable income in retirement.

When Australia's retirement savings system was designed, it was built upon a principal goal to ensure that every Australian would have a safe and secure retirement. In shifting the responsibility from the welfare system and aged pension to individuals, it has given Australians more choice in designing their life as they age. However, the system has become complex and unwieldy for many. Tax incentives and benefits have meant that some now see superannuation as a way to create intergenerational wealth, while others who face barriers to work throughout their life will retire without enough to live on.

Anglicare Australia supports the work being under by government in collaboration with the superannuation industry to develop better strategies to assist retirees to make smarter and more effective decisions about their retirement income. However, the government must recognise that fundamentally, we must ensure that all Australians have access to a comfortable retirement.

As Australia's population continues to get older and the average person lives longer, it is critical that the retirement income system is sustainable for the long-term and for a long time. Older Australians need to know that they will be guaranteed a secure retirement. With superannuation and the Age Pension as the two main sources of retirement income, it is critical that information and education is clear and available, laying out the expectations and options for older Australians within the retirement income system.

It is not possible for every person to have a sizeable and sufficient superannuation balance when they retire. Within the current system, the accrual of an adequate superannuation balance is reliant on Australians ability to earn and save enough over the course of their working life. People with long-term barriers to work, or those who spend large amounts of time working in insecure or casualised industries are unlikely to ever accrue a superannuation balance that would provide a dignified and secure retirement. Even for individuals who are able to secure paid employment, the increasing cost of living means many people are unable to afford day-to-day living let alone saving to purchase a home. Due to this an increasing number of Australians face retirement without assets or enough in savings to guarantee a comfortable retirement.

At its current rate, the Age Pension is simply not adequate to provide for a dignified retirement, especially for older Australians who don't own their own home. Anglicare Australia's Rental Affordability Snapshot shows just how precarious the rental market is for older Australians reliant on the pension. Our report shows that just over one percent of properties would be affordable to individuals receiving the pension.[i]

Anglicare Australia's *Ageing in Place: Home and Housing for Australia's Older Renters* report shows that people living in private rental are at greater risk of poverty, face increased uncertainty, and lack the financial means to make long-term choices, such as moving into a retirement village.[ii]

Currently, Australia's tax settings mean that home ownership is a major factor in providing for a comfortable retirement. Indeed, the Age Pension, the funding of the aged care system, and much of the social security system is predicated upon the assumption of home ownership. These systems will be greatly impacted by changing patterns of home ownership, as more and more people are now retiring as renters while others are retiring with substantial mortgage debt. To date, no work has been done to model that impact. Anglicare Australia believes this work is becoming urgent as a generation of Australians have been locked out of home ownership and more people are set to be lifelong renters.

Further, tax incentives for superannuation encourage those with wealth to continue to accumulate it, rather than drawing down on the capital of their super accounts. Most people will die with 90 percent of their super balance remaining to pass on as inheritance.[iii] This is fundamentally not the purpose of the system. Last year the government announced some limited steps towards limiting tax concessions on superannuation balance in excess of $3 million. While we welcome this start, the government must do more to ensure that superannuation is not built as an intergenerational nest egg.

The superannuation system is fraught with complexities that make it difficult to navigate, which seems incongruous with the simplicity of its mission: to guarantee Australians a comfortable retirement. The government must ensure the security of the system to provide for Australians, while also recognising that for many there will still be a reliance on the Age Pension. Utilising the levers at its disposal, the government can, and must, ensure that no Australian is faced with retiring into poverty.

We would welcome the opportunity to discuss the matters raised in this letter further, or answer any questions that you may have.

Yours sincerely

Kasy Chambers
Executive Director

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[i] Anglicare Australia (2023) Rental Affordability Snapshot 2023.
[ii] Anglicare Australia (2022) Australia Fair Series: Ageing in Place.
[iii] Commonwealth of Australia, Treasury (2020) Retirement Incomes Review.