



29th May 2018

Manager
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuation@treasury.gov.au

Re. Treasury Laws Amendment (Protecting Superannuation) Bill 2018

Dear Sir,

The Financial Planning Association of Australia (FPA) welcomes the opportunity to comment on *Treasury Laws Amendment (Protecting Superannuation) Bill 2018*.

We broadly support the measures in the exposure draft. As referenced by the exposure draft, disengagement from the superannuate can lead to the erosion of their superannuation by insurance premiums. Young Australians often have small superannuation benefits and a long career ahead of them to accumulate super. Hence, benefits of compounding interest work best over the longest time periods as possible. For this reason, erosion of early super contribution can create the largest detriment to an Australian retirement benefits.

However, it is an indisputable fact that Australia generally has an underinsurance issue which is in some way mitigated by the default superannuation system. While young Australians may not have debt and dependence to the same level as older Australians, there are a number of important reasons some level of insurance cover is beneficial for younger workers. In particular the FPA is concerned that the importance of TPD insurance cover is being discounted by this policy. TPD cover is particularly important for the following reasons:

- While younger people may not have dependents, if they have an accident or can't work, government allowances may not be sufficient to support them and provide the care they require for a decent quality of life
- Provide support for parents or carers,
- May have some level of personal debt
- May have commenced a small business with liabilities

The FPA also notes that insurance cover gets more difficult to obtain as you become older, since people are more prone to exclusions loadings or not qualifying as they get older.

While we acknowledge the intent of this legislation is not to prevent insurance from being taken up by superannuants in these circumstances (rather to reduce the impact of erosion by insurance premiums) it will only exacerbate the underinsurance of Australians. Further, disengaged members may be synonymous with members who lack financial awareness, therefore naïve to their financial needs and the benefits of the auto-cover insurance provided through superannuation.

Hence, we recommend that TPD insurance should remain as an opt-out policy to ensure protection for younger superannuants from unforeseen consequences.

In regard to schedule three of this exposure draft, the FPA expresses concern for auto-consolidation of accounts that meet the new criteria. It is a common strategy for engaged super members or those with a financial planner to maintain default cover with no exclusions in an existing super account to fund premiums, therefore maintaining small balance superannuation accounts. By auto-consolidating low balance superannuation accounts to the ATO commissioner, some Australians with financial plans in place to address insurance objectives will have their strategy negated. Therefore, the FPA does not support auto-consolidation of 'lost member' accounts where insurance is a feature of the accounts, as it will add to the incidents of underinsurance.

Lastly, we highlight that there may be scenarios where an individual has only 1 super account which meets the definition of 'a lost member or inactive account'. We question what processes will be put in place to ensure this account is not closed and "auto-consolidated" to the ATO.

If you have any queries or comments, please do not hesitate to contact me at policy@fpa.com.au or on 02 9220 4500.

Ben Marshan[®]

Head of Policy and Government Relations

Financial Planning Association of Australia¹

¹The Financial Planning Association (FPA) has more than 13,000 members and affiliates of whom 10,000 are practising financial planners and 5,600 CFP professionals. The FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first "policy pillar" is to act in the public interest at all times.
- In 2009 we announced a remuneration policy banning all commissions and conflicted remuneration on investments and superannuation for our members – years ahead of FOFA.
- We have an independent conduct review panel, Chaired by Mark Vincent, dealing with investigations and complaints against our members for breaches of our professional rules.
- The first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices. This is being exported to 24 member countries and the 150,000 CFP practitioners that make up the FPSB globally.
- We have built a curriculum with 17 Australian Universities for degrees in financial planning. As at the 1st July 2013 all new members of the FPA will be required to hold, or working toward, as a minimum, an approved undergraduate degree.
- CFP certification is the pre-eminent certification in financial planning globally. The educational requirements and standards to attain CFP standing are equal to other professional bodies, eg CPA Australia.
- We are recognised as a professional body by the Tax Practitioners Board.

