ShawandPartners
Morrissey Group

Improving retirement outcomes

Findings from the Retirement Income Review in 2020, showed that much of the Australian community do not make the most of superannuation assets in retirement. The monster 648-page report was surely the pre-cursor to the proposed new Super tax on balances over $3m and may provide the evidence for future policy decisions. It was found that many people pass away with the bulk of their wealth in retirement intact.

The Retirement Income Covenant (RIC) thus was created and came into effect on 1st July 2022. The review considered the trustee's role in a more efficient use of Superannuation assets, in other words, how can retirees raise their standard of living and spend more of their super in their golden years.

The covenant required trustees to assist members with achieving a balance of the following three objectives:

- Maximising expected retirement income
- Managing expected risks to the sustainability and stability of retirement income and
- Having flexible access to expected funds during retirement

The Australian Securities and Investments Commission (ASIC) along with the Australian Prudential Regulation Authority (APRA) examined the progress made by 15 trustees, responsible for 16 industry, retail, corporate and public sector superannuation funds in implementing the covenant over the past year.

Overall, the review found that although trustees were improving their offerings of assistance to members in retirement, the approach was variable in overall quality and there was a lack of urgency in embracing the intent of the covenant to improve retirement outcomes.

The three key findings highlighted in the report were:

1. Understanding member needs – insufficient data

While trustees drew data from a range of internal and external sources to understand their members' retirement needs, all had gaps in the critical information they needed about their members to inform the development of an effective retirement income strategy. Very few had plans to address these gaps.

2. Designing fit-for-purpose assistance – uptake of assistance unknown

Trustees have taken positive steps to improve assistance through a range of measures. However, some trustees were not using metrics to track how their members were using the assistance measures and their effectiveness on determining whether any changes were needed.

3. Overseeing strategy implementation – tracking member outcomes

Many trustees had not embedded their retirement income initiatives as concrete actions in their overall business plan. Additionally, a majority of trustees lacked quantitative metrics to assess the retirement outcomes resulting from these initiatives.

3 million eligible

APRA Deputy Chair Margaret Cole said: "A further three million members will become eligible to draw from their super in the next 10 years. They are entitled to rely upon their super fund for assistance as they plan for a sound financial future…..some trustees have made a good start, but overall there has been a lack of progress and insufficient urgency. As more members approach retirement, trustees must step up and deliver both well-considered strategies and action to support members in retirement."

Personal advice is crucial throughout your investment journey, from accumulation through to pension phase. We can help to identify and prioritise your goals and set up an asset allocation based on your risk profile and objectives.

Contact us on 03 9268 1118 or ahenderson@shawandpartners.com.au to set up an obligation free meeting.

You can read the full report here

Alex, Anu and the team.

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