

Response to The Treasury's

## **Retirement Income Disclosure Consultation Paper**

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**Combined Pensioners & Superannuants Association of NSW Inc (CPSA)**

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CPSA receives funding support from the New South Wales and Australian Governments

*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 92 branches and affiliated organisations with a combined membership of approximately 22,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA receives funding support from the NSW Government Departments of Family & Community Services and Health and the Australian Government Department of Social Service.*

CPSA is pleased to submit the following comments on the Retirement Income Disclosure Consultation Paper.

CPSA supports the idea of presenting prospective retirees with standardised information about financial products for their retirement funding. As the high incidence of disengagement with superannuation in the Australian workforce suggests, there is a real need for the facilitation of choice. The fact sheet approach with a limited number of simple, standardised metrics will assist many prospective retirees who might otherwise choose arbitrarily.

However, the fact sheet as envisaged in the Consultation Paper does seem unhelpfully static. This can perhaps not be avoided if the fact sheet information is provided in hard copy, but it could be avoided if it is provided electronically.

For example, the Paper mentions reporting of average income over a proposed fixed period of 30 years from age 67, which means an average income would be reported for a retirement span that is unrealistic for the vast majority of people. Also, that average income would be higher if a shorter, more realistic period was nominated, which means the use of a pre-ordained fixed period of 30 years could actually cause the average income people could expect to be misrepresented. If the information was provided in the form of an electronic calculator/app, consumers could nominate their own period, or they could perhaps be given lifespan options. If the information must (also) be provided in a fixed form, it would not be hard for a financial product provider to tailor the fact sheet to individual clients' preferences and expectations.

A more dynamic fact sheet would also resolve the choice of the numerical representation of expected average income referred to on page 5 of the Paper. In a dynamic format, the client can choose which numerical representation suits them best.

Even though the interaction of income derived from financial products with the tax and social security systems is outside the scope of this Paper, it is perhaps worthwhile pointing out that prospective retirees would benefit from a fact sheet that not only told them what average income to expect from a certain financial product over a certain period of time, but that also told them how much income they could expect from the Age

Pension and how much their income tax liability, if any, would be. A static fact sheet cannot provide that information, but an electronic calculator/app can, with the proviso that it cannot do so where a prospective retiree's financial affairs are complex.