



**SUBMISSION IN RESPONSE TO
RECOMMENDATIONS OF FINANCIAL SYSTEM
INQUIRY FINAL REPORT**

**Prepared by:
COTA Australia**

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COTA Australia

Authorised and
Co-authored by:
Ian Yates AM
Chief Executive
iyates@cota.org.au
0418 835 439

Prepared by:
Sue McGrath
National Policy Manager
COTA Australia
smcgrath@cota.org.au
02 6282 3436

COTA Australia
GPO Box 1583
Adelaide SA 5001
08 8232 0422

www.cota.org.au

INTRODUCTION

COTA Australia is the national policy vehicle of the eight State and Territory Councils on the Ageing (COTA) in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory.

COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and it seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia. Our submissions incorporate the views of our members developed through various consultation mechanisms.

FINANCIAL SYSTEMS INQUIRY

COTA has historically taken an active interest in how well the financial system meets the needs of older people, for example as a long standing and active member of the ASIC Consumer Advisory Panel.

We provided submissions to the Financial System Inquiry in April 2014 and in response to the Financial System Inquiry Interim Report in August 2014.

In the latter submission COTA stated that overall we were pleased with the Interim Report. We agreed with the three principles underpinning the analysis that require the financial system to be efficient in its allocation of risk and resources, provide stability and reliability and be fair and accessible. We also agreed with the assessment that overall the Australian financial system is performing reasonably well and were supportive of concentrating the final recommendations on the areas needing most improvement.

On the release of the Final Report of the Financial Systems Inquiry in December 2014 COTA welcomed many of the recommendations as a positive step towards a system that will deliver better outcomes for older Australians and all consumers. We urged the Federal Government to adopt the recommendations of the Financial Systems Inquiry and take strong action for a more equitable and sustainable financial system in which consumers can have full confidence.

In particular COTA welcomed the Final Report focus on improving the superannuation and retirement income system and the beneficial recommendations for better regulation of financial products and advice.

Further, COTA supports the view expressed by Choice in its submission ("Creating a system with fairness at its core: implementing the Final Report of the Financial Systems Inquiry" March 2015) that there is a real potential to place consumer interests and fairness at the core of the financial system if particular Inquiry recommendations are implemented well. COTA endorses Choice's focus on recommendations relating to product design and marketing responsibilities of

business; creating a better superannuation and retirement incomes system; removing conflicted remuneration from financial advice; and strengthening ASIC regulator powers.

COTA welcomes the opportunity to provide additional brief comment on the recommendations of the Final Report relating to consumer outcomes and superannuation and retirement incomes.

Consumer Outcomes

COTA welcomes Inquiry Recommendations 21-26 of the Final Report.

We support the thrust of these recommendations as common sense and responding to community expectations. In particular, we see the potential benefit for older Australians if these recommendations are adopted and implemented in the right way. This includes broad stakeholder input into the design of implementation and robust monitoring of the impact of changes.

As we indicated in our response to the Inquiry Interim Report, COTA views the improvement of general financial literacy of Australian consumers, particularly older people, as an essential foundation for better consumer outcomes. Taken together, Inquiry Recommendations 21-26 have the potential to make a contribution to lifting community financial literacy as well as addressing some of the key aspects of unfairness and dysfunction in the financial systems from the consumer viewpoint.

COTA has submitted separately, together with other financial services consumer organisation members of the ASIC Consumer Advisory Panel, the paper on “Product Intervention Powers: a Legal, Comparative & Policy Analysis” authored by Professor Dimity Kingsford Smith and Dr Marina Nehme from the UNSW Law Faculty. This is strongly endorsed by COTA.

Superannuation and Retirement Incomes

COTA welcomes Recommendations 9-13 on superannuation and retirement incomes. In particular Recommendations 9 and 11 are essential to achieving a fair and sustainable retirement incomes system.

In supporting these recommendations COTA notes its call since early 2014 for an independent, comprehensive Retirement Incomes Review (RIR) that covers pensions, superannuation, taxation and mature age workforce issues. Preferably these recommendations should be actively pursued within the context of an RIR so that a comprehensive retirement incomes framework is developed. The following comments are made in that context.

Recommendation 9. COTA strongly supports this recommendation calling for the government to seek broad political agreement to the objectives of the superannuation system. We encourage the government to adopt the recommendation and commit to building a consensus around the objectives of Australia's superannuation and the wider retirement income system, including its adequacy and fairness. The Inquiry recognises the latter was largely outside its

terms of reference but does call for fairer taxation of superannuation contributions to be addressed.

Recommendation 11. COTA supports the stronger focus in this recommendation on income , products for the retirement phase. This has been an underdeveloped aspect of superannuation and does not meet the risk management needs of many retirees. Most of the policy emphasis to date has been on the contribution phase of superannuation, looking at the level of compulsory contributions, tax concessions for contributions and the development of products and approaches including self-managed superannuation funds. It appears that the purpose of superannuation which is to provide an income in retirement has been lost and replaced with a wealth accumulation strategy.

COTA supports an examination of the impediments to product development and, where possible, their removal, whilst still ensuring sufficient consumer protections.

The Financial Systems Inquiry has given solid support to reforming the superannuation system to achieve better outcomes for Australians. While this is a welcome aspect of the Final Report, it does not go far enough. COTA continues to call on the Government to undertake a comprehensive Retirement Incomes Review which looks at all the components of the retirement income system and the interaction with the tax system.

CONCLUSION

The financial system needs to work for all members of the community. It needs to be sustainable and people need to have confidence in its integrity and knowledge of how to optimally access and utilize the services they need. A number of the recommendations of the Financial Systems Inquiry recognize these imperatives and COTA looks forward to Government action to adopt and implement these changes, within broader frameworks.