

**Stockspot submission to the
Treasury consultation paper on legislating the objective of superannuation**

10 March 2023

Stockspot (<https://www.stockspot.com.au/>) is Australia's first and most experienced online investment adviser. We were founded in 2013 with a mission to help more Australians access expert investment advice and portfolio management.

We're the largest and fastest growing online investment advice (robo-advice) service in Australia. We help more than 13,500 clients and have more than \$650 million in funds under management.

Since 2012, Stockspot has produced the Fat Cat Funds Report, the largest and most comprehensive study of superannuation funds in Australia.

The report, which takes thousands of hours of research, analyses more than 600 of Australia's largest superannuation funds, looking at performance, risk and returns over a five-year period. The report also compares funds from an overall perspective, collating the performance of all the funds from different providers. This gives consumers an at-a-glance idea of how their particular fund is performing – especially in relation to fees.

Thank you for providing this opportunity to contribute.

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Q1 - What do you see as the practical benefits or risks associated with legislating an objective of Australia's superannuation system?

Since its introduction in 1992, compulsory superannuation has become a product that touches the lives of all Australians. Superannuation is the largest financial asset held by Australian households.

The benefits of legislating an objective for the superannuation system might be significant. However, care must be taken to ensure that any changes to Australia's superannuation system are only implemented after careful review and consideration given the impact superannuation has on every Australian.

The practical benefits of legislating an objective for superannuation include:

1. **Clarity on purpose of superannuation:** Having a legislated objective will help ensure that the various stakeholders of Australia's superannuation system - members, super funds, regulators, policy makers, employers and others - know the exact purpose of superannuation.
2. **Increased transparency:** Having a legislated objective will improve the transparency around superannuation and the aforementioned stakeholders will have a clear benchmark to measure their purpose and performance against, now and into the future.
3. **Complement existing legislation and regulation:** Having a legislated objective will complement already existing legislation and regulation. This will help ensure the obligations of current superannuation fund trustees are better understood to deliver better outcomes for their members.

The risks associated with legislating an objective for superannuation include:

1. **Open to interpretation:** Having a definition that is not properly defined and well-understood will leave it open to interpretation and potential legal challenges.

Whilst having a definition is helpful, having a broad definition that is loose with meaning is worse than having no definition at all.

Further, the definition could also be seen as providing tacit approval for activity outside of the superannuation system. It is important that the legislation complements the APRA Prudential Standard SPS 515 Strategic Planning and Member Outcomes.

2. **Open to political interference:** Having a definition that is broad could leave it subject to political interference at a later stage. That is, the legislation that is used to enact the objective might be repealed by a different political party at a later time. Any definition legislation needs full bipartisan political support.
3. **Increased compliance and regulation:** Having a definition might also open the door to increased compliance and regulation and associated costs. These costs will be met by charging members and clients higher administration fees and charges.

Q2 - Does the proposed objective meet your understanding of the objective of the superannuation system in Australia?

Yes, naming conventions can provide some guidance for investors.

No, the proposed objective does not meet the Stockspot understanding of the objective of the superannuation system in Australia. Nor does the sentence structure and alternatives that are offered meet the objective of the superannuation system. (See page 9 <https://treasury.gov.au/sites/default/files/2023-02/c2023-361383.pdf>.)

The reason we do not think the proposed objective meets the objective of superannuation in Australia is largely due to the proposed wording being too lengthy and too vague. Also, the proposed definition does not make it clear that superannuation is people's savings and income they have put aside and that the money belongs to the individual.

A simpler definition would have sufficed, something similar in wording to "The objective of superannuation is the preservation of people's savings to be used for their retirement."

The Financial System Inquiry's (2014) definition of the objective of superannuation as "to provide income in retirement to substitute or supplement the Age Pension," is also a suitable definition. (See page 95 <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf>.)

The proposed objective, as it is currently worded, is open to interpretation and as mentioned, could be open to legal challenges. The wording requires explanation and may require amending to better reflect society's changing standards.

Having the definition of "dignified" explained by a dictionary is problematic as dictionary definitions change from time-to-time. One person's definition of dignified will be different to the next person which is dependent on many factors like ethnicity, religious observance, age, income and lifestyle.

Using words like "equitable" and "sustainable", is also problematic in today's political climate as they could be considered loaded words with multiple meanings open to interpretation and change.

As an example, the word "equitable" may be impossible to achieve. Further, what resources would have to be dedicated to ensuring superannuation remains equitable and sustainable and what enforcements would need to be undertaken.

Q3 - Is the proposed approach to enshrining the objective in legislation appropriate? Are there any alternative ways the objective could be enshrined?

Yes, the proposed approach to enshrining the objective in legislation is appropriate, provided that i) checks and balances are in place ii) the definition is simplified and iii) bipartisan political support is achieved.

A properly worded definition will provide clear guidelines to the superannuation industry and its stakeholders and help inform superannuation policy.

The objective could be inserted into existing superannuation legislation or there could be a new act created to accommodate the objective.

i) Checks and balances

A new definition could work well with the existing legislation and be subject to the existing parliamentary scrutiny process to provide an appropriate level of checks and balances. This would be needed to ensure the definition is objective and remains relevant to the purpose of superannuation.

ii) Simplified definition

The definition should be simplified and shortened. Unnecessary words like “equitable” and “sustainable” should be replaced with a simpler definition.

iii) Bipartisan political support

Given the importance of enshrining the objective of superannuation in legislation, any definition should have full bipartisan political support for the reasons previously mentioned.

Q4 - What are the practical costs and benefits of any alternative accountability mechanisms to the one proposed?

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