



Australian Government

The Treasury

Improving Retirement Income Outcomes

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Improving risk management in retirement is a global issue

- Retirement income systems are seeking to manage:
 - Behavioural biases
 - Investment risk
 - Longevity risk
- Globally there are different approaches on how to manage these biases and risks, including how risk is allocated across different players
- Evolving field of public policy

Industry focus is shifting as balances grow...

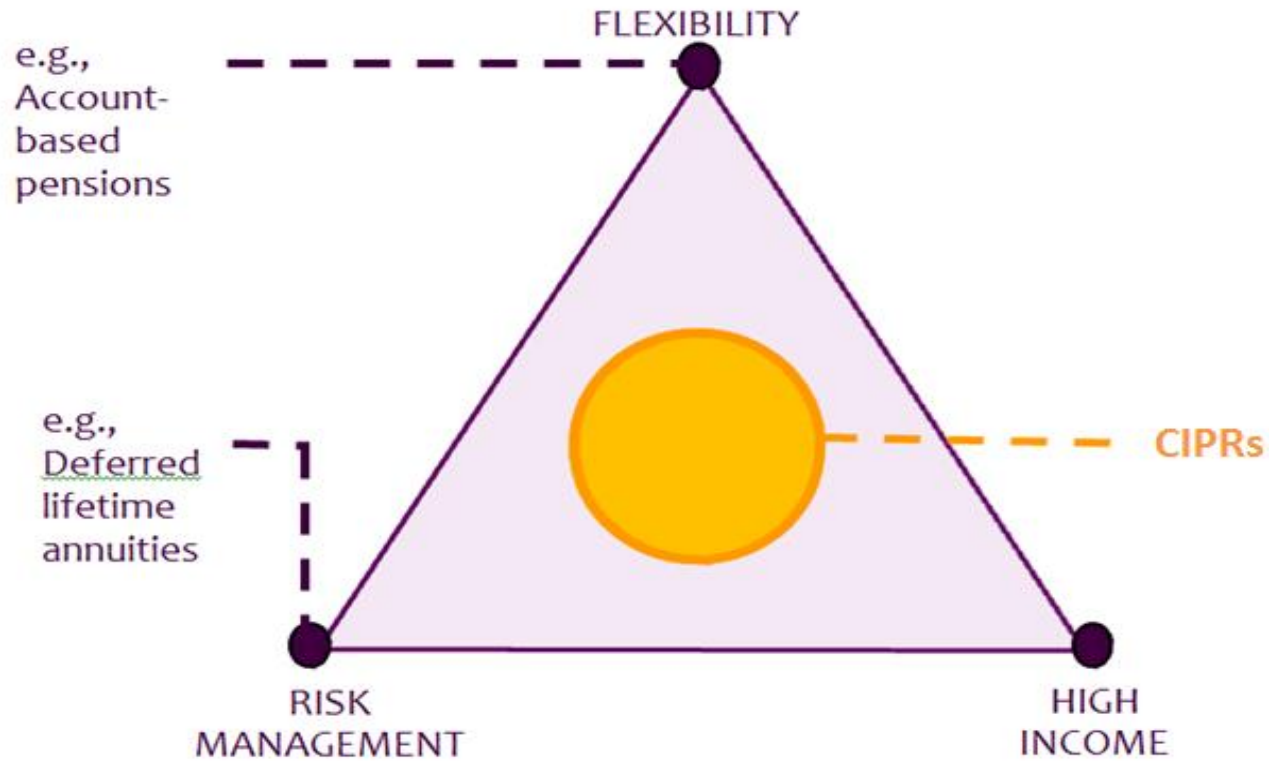
- Historically, on accumulation phase – ensuring sufficient savings and wealth generation during working lives
- Increasingly, on retirement phase – ultimately it is retirement incomes and living standards, rather than savings, that are important.

Two related reform areas

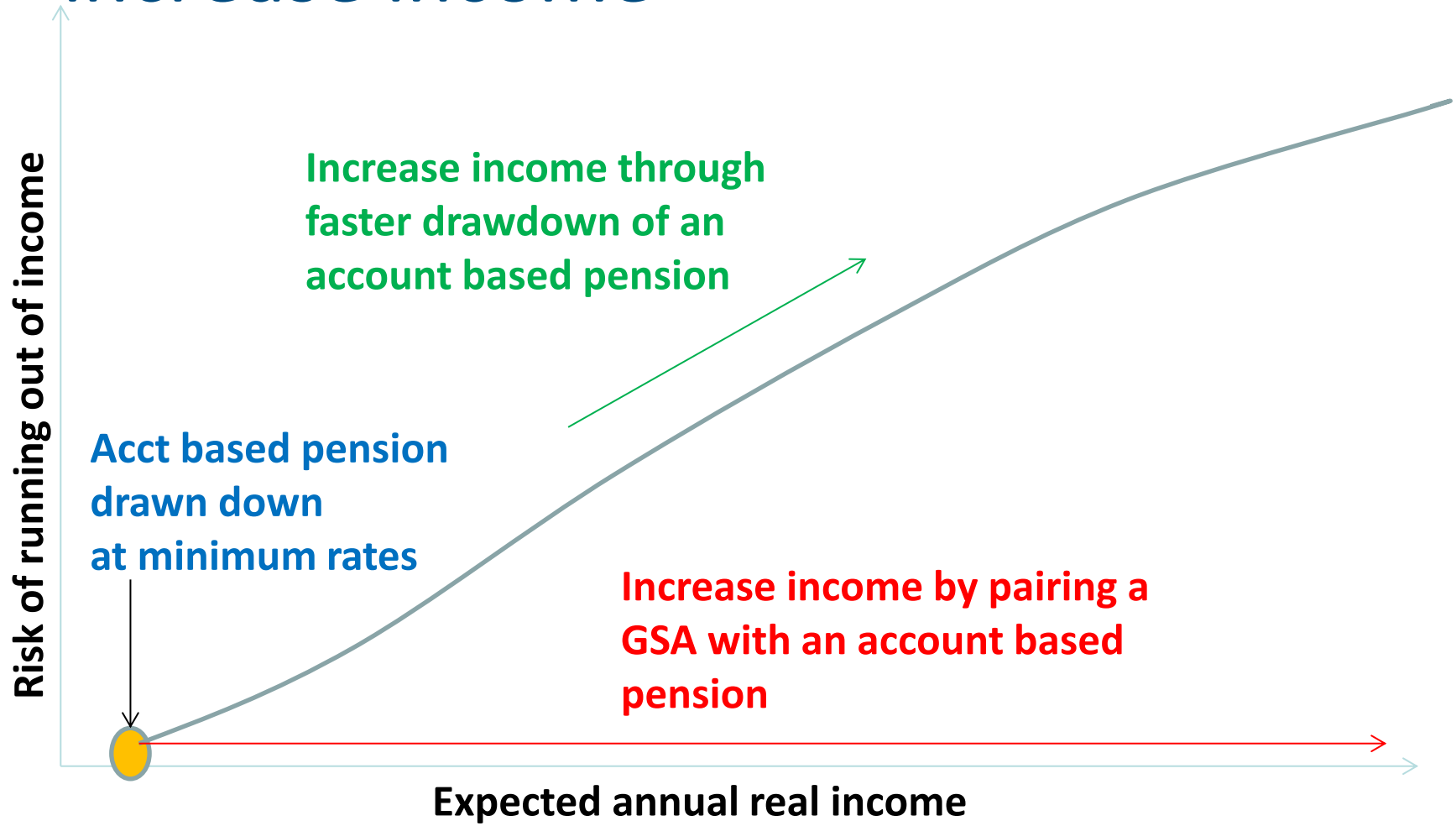
- Retirement income streams review – focussed on removing tax barriers to the development of income stream products
- Financial System Inquiry Recommendation 11 – to develop a framework for funds to offer Comprehensive Income Products for Retirement (CIPRs) to their members

What is a CIPR?

- A CIPR is expected to be a portfolio of products that provides a balance of features.



Why CIPRs? Because pooling risk can increase income



Why CIPRs? Because solving the retirement problem is complex and most people do not seek advice

For 80% of Australians...

Individual solves retirement problem

- Very complex

CIPRs

Mass customisation (or default)
Suitable for majority of fund members
Not necessarily perfect for everyone

For 20% of Australians...

Advice provides a tailored retirement solution

- May be costly for those with modest balances

Why CIPRs? Because solving the retirement problem is complex and outcomes may be improved with an anchor

Member's fund offers a CIPR



CIPR provides **an anchor for the decision** (including if financial advice sought)



Commences
CIPR as
offered

Rebalances
CIPR
offered

Commences
an
alternative
CIPR

Selects
alternative
product
e.g. ABP

Procrastinate /
no action*
** Remain in
accumulation
and pay 15% tax*

Objectives of CIPRs

- CIPRs aim to:
 - Enable retirees' to achieve a **higher standard of living** and provide stable income for life
 - Provide **greater choice** in retirement
 - Provide an **easier transition** to retirement
 - Better achieve the **objective of superannuation**
- CIPRs will better enable retirees to achieve the highest standard of living in retirement they can, while balancing the competing priorities of retirement

Next steps

- This is a significant and important reform – for individuals and trustees – need to take time to get it right
- Need to monitor how the current system is maturing – different funds are taking different approaches to engage and assist their members
- Discussion paper will be released by Government by the end of the year to explore the key policy issues associated with developing a CIPRs framework

Questions or comments?