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Whipping up hysteria will only damage super

“The hysterical indignation in response to the findings emerging from the Banking Royal Commission (including the commentary from some economists who should know better) does our retirement system more harm than good.” said Adelaide based financial strategist Theo Marinis.

“Nobody thinks that ripping people off is a good idea, and the Royal Commission is doing a fantastic job. However, much of the anti-super rhetoric is not only ill informed, but self-serving.

“There have been countless examinations into the superannuation system over the years but due to subsequent political and industry interference, not one of them has yielded meaningful benefits to consumers. The Productivity Commission report will ultimately fall into that bucket for the same reasons," Theo said.

“Australia has the third best retirement system in the world. Only a fool would say it is perfect, but we need to consider some facts.

In pre-super days, approximately 96% of Australians relied on the age pension, with just 4.0% self-funding their retirement. Today, the number of retirees who receive some social security support is 80% (with a shrinking number on full Age Pension) but that also means one in five of those retirees are doing it for themselves. Logically, as the years pass, so does the burden on Canberra – and people buy themselves dignity in their old age.

In fact AFSA’s chief executive Martin Fahy said “Despite the fact that we’ve got a very generous Age Pension, we’re in a different place because of superannuation. Twenty five years of accumulation and contributions, currently at 9.5%, has meant that we’ve accumulated a pool of savings that will mean by 2050 almost half of all Australians will be self-funded in retirement. Therefore, the burden of the Age Pension will continue to be manageable, but that doesn’t mean we can afford to be complacent”.

Added to this is the fact that the $2.6 trillion pie is getting bigger – contributing to Australia’s economic development by funding infrastructure, providing capital and jobs.

There is no doubt that fees play an important role in all our financial transactions and this especially the case with super and healthier retirement savings. Fees must be fully transparent to allow meaningful cost comparison; conflicts of interests and other cost distortions cannot be allowed to exist if fees are to truly reflect the cost of the services being provided.

Compulsory life insurance in super is a further contentious issue. It can be expensive, but depending on where they are in their life cycle, it can be a wise addition, given that so few ordinary people have any protection for their family in the event of their premature death or disablement. If you consider the cost of a funeral is around $10,000, the average credit card debt is $4,200 and a personal loan $12,700, a single unit of life insurance may just clear these burdens. If there is a mortgage, hopefully they will have more life cover. I’ve never met a widow who said “‘I wish he left me less”.

Yes, we need to prosecute the rogues, we need to change any flawed rules, and we need to stop the commission and fee gougers – but we also need to remind Australians that the best way to have a great retirement is by taking responsibility for it themselves.

We should start saving as much as we can, as soon as we can and for as long as we can, and encourage our young people to do the same.

Every Australian should thank their lucky stars we live in this financially secure and innovative country. Our superannuation system needs to have its critics to stay healthy, but we need to put away the carping, and worst of all, the panic and the scaremongering. Superannuation in this country is a win-win. It encourages people to get off the government payroll in older age, and it allows people to retire more comfortably.

In the present environment, the hysteria over super only serves to frighten people away from taking responsibility for themselves."

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