INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

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# MEDIA RELEASE

## IFPA highlights impact of retirement phase of super on SMSFs

The Institute of Financial Professionals Australia recognises the need to optimise the retirement phase of superannuation, stating this will ensure there is a variety of retirement income products in the market to help support individuals in their retirement.

The Association's retirement phase of superannuation submission is focussed on the impact of the proposed changes on SMSFs and outlines four key suggestions for the government's consideration, including:

1. Exclude SMSFs from the retirement income covenant (RIC)
2. Care is required for SMSFs offering retirement income products
3. Retain account-based pensions but revisit the drawdown rates if the government is of the view that retirees are not drawing down on their superannuation
4. Create an objective for the whole retirement system

Head of Superannuation and Financial Services Natasha Panagis said the Association believes SMSFs should continue to be excluded from the RIC obligations as SMSF trustees are already heavily engaged with their superannuation, including the retirement phase.

"It must be remembered that SMSFs were excluded from the RIC when it commenced on 1 July 2022 for several reasons, mainly not to burden SMSF trustees with more unnecessary red tape due to potential duplication or overlap between the SMSF investment strategy covenant and the RIC."

Panagis says care must be taken if new lifetime retirement income products are made available to SMSFs so that we do not end up in the same situation that occurred when legacy pensions (ie, defined benefit pensions and market-linked pensions) were allowed in an SMSF.

"Due to past legislative changes that has prevented SMSFs from offering legacy pensions since 1 January 2006, we still have many SMSFs that are stuck in old legacy pension products that they cannot get out of easily."

"The industry is still waiting on the exit strategy proposal for legacy pensions that was first announced in the 2021-22 Federal Budget to be legislated, but with no further developments in

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this space, many SMSF members are trapped in these old legacy pensions with reserves that are wanting to exit their SMSF."

"If newer retirement income products become available, how they are offered to SMSFs will require great care so we can avoid previous mistakes."

Panagis notes that the Association would like to see account-based pensions (ABP) remain available due to their popularity and flexibility they provide retirees.

"If the government is of the view that retirees are not drawing down on their superannuation and are instead saving it for a rainy day or for estate/succession planning purposes, we suggest the government revisit the drawdown rates. This option may involve increasing the drawdown rates or changing the way annual drawdown amounts are calculated."

Further details regarding our suggestions can be found in our submission which is available on our website.

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**About Institute of Financial Professionals Australia**

The Institute of Financial Professionals Australia (originally known as Taxpayers Australia, and more recently Tax & Super Australia) has been serving members for over 100 years and is a leading financial professionals association dedicated to fostering excellence and professional development in the tax, accounting, superannuation, financial planning, and advisor fields. With a membership and subscriber base of over 15,000 practitioners and a strong commitment to advancing knowledge, promoting ethical practices, and providing valuable resources, the Institute of Financial Professionals Australia empowers professionals to excel in their careers and make a significant impact in the financial industry.

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