



Institute of Actuaries of Australia

**Super Policy
Forum**

Adequacy – the role of advice and disclosure

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ASIC

Consumer issues

- Lack of engagement
- Knowledge of Retirement Incomes Policy
- Lack of understanding of adequacy issues
- Lack of understanding of taxation structures assisting retirement
- Lack of understanding of compounding and time value of money

Regulatory challenges for adequacy

- **Accessibility to advice**
- **Understanding long term investment returns**
- **End benefit projections**
- **Member statement projections vs calculators**

Accessibility to advice

- **Consumers are unaware of how much they need for a reasonable retirement lifestyle**
- **Advisers have a key educational role**
- **Education on adequacy should not have to involve facing switching advice**
- **Current fund members need adequacy advice**

Understanding Long term investment returns

- **“Less paper in super” initiative**
- **Inclusion of long term investment performance information in member statements**
- **Genericised investment information vs tailored investment returns information for members**

End Benefit Projections – ASIC's perspective

- **Goal to ensure adequate retirement savings**
- **Projections engage consumers**
- **Members statement projections can engage**
- **Calculators engage those committed to consider the next step**
- **Product development should not be dependent on advice – preference to consider as stand alone**

Members statement projections vs calculators

- **Members statement – tailored, personalised – will increase engagement**
- **Member statement disclosure can lead to a calculator**
- **Limitations on what can be shown in a member's statement**
- **Calculator – more flexible and responsive to an engaged consumers needs**

Calculators – the regulatory landscape

- User must be able to alter default assumptions (except those statutorily fixed)
- Default assumptions must be reasonable
- Warnings to be attached
- Calculator results must be printable/storable

Need to consider:

- Prescription of assumptions

Assumptions issues

- **Prescription or reasonableness?**
- **Industry standards or standardised AGA assumptions**
- **Investment earnings issues**

Thank you