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BT calls for stronger retirement options

With the swell of Australia's 5 million Baby Boomers moving through retirement at the rate of 289,000 a year, our superannuation system will need to overhaul its retirement offerings to meet the needs of the country's greying population, according to BT General Manager, Superannuation, Melinda Howes.

Speaking at an Industry Conference this week, Ms Howes said there is no doubt Australia has a world-class superannuation system, but there are limited choices of post-retirement products which can leave older Australians vulnerable in life after work.

"If we can improve our post-retirement offers we can strengthen the overall superannuation system and ensure more Australians are financially secure in retirement," Ms Howes said.

In the current super landscape, there are many hurdles for members to consider when thinking about retirement.

Backward looking mortality data from the Australian Bureau of Statistics¹ shows that a 65 year old male today can live until 84. But when mortality improvements are taken into account, they will live until 92. And half will leave beyond that.

"The good news is we're all living longer.

"The bad news is that ever-increasing longevity risk opens up the number of variables and can make retirement planning tricky," she added.

Ms Howes told the conference ongoing market volatility is another risk that needs to be accounted for when thinking about what our future retirement landscape should look like.

"It is a challenge, but one that the industry can handle. There are things the broader industry can tackle to improve our first-class superannuation system.

"The first step is to engage with super members in a meaningful way about their super and retirement.

"Secondly, as an industry we need to deliver post-retirement products that deal with the main retirement risks; longevity risk and market risk."

Ms Howes said recent government announcements including comprehensive income products for retirement (CIPRs) and changing the tax treatment of deferred annuities were encouraging for product development, but no-one has yet tackled how to invest in retirement to avoid sequencing risk. Also there's a need for offers where members can seamlessly transition from accumulation to post-retirement.

¹ Australian Bureau of Statistics, Residual Life Expectancy at Age 65, (cat. no. 3302.0)

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“In developing these new offers we need to work closely with our members to make sure we’re meeting their needs. A customer-led approach will help us to support members secure their best financial future for life” Ms Howes said.

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