

MEDIA RELEASE

IGR highlights urgency of retirement product reforms

5 March, 2015 - The Australian Government's 2015 Intergenerational Report (IGR), released today, highlights the urgency and relative ease of longevity product reforms, according to Challenger.

Challenger Chief Executive Officer Brian Benari said: "The bad news is that the fiscal pressure of our ageing population is a long-term and complex problem with equally long-term and complex tax and budgetary solutions.

"The good news is that there are two quick wins that the Government can move forward today.

"We need to urgently level the taxation playing field to allow the introduction of deferred lifetime annuities, which will come at no cost to revenue, and has bi-partisan political and wide industry support.

"And we need to start giving shape to the Financial System Inquiry's (FSI) recommendation that super funds offer their members retirement income products with longevity protection, which we expect will be widely supported during the current consultation period because it's in the best interests of fund members to have a certain income stream choice at the point of retirement, along with guidance and tools."

Mr Benari added: "The IGR deals with long-term demographic shifts but we shouldn't forget that these long term winds of change are already being felt keenly by individual retirees, who deserve to choose from a wider range of longevity products.

"We are four years into the retirement phase of the Baby Boomer generation and over the next 40 years, the proportion of the population over the age of 65 will more than double to 22.6%. By putting a spotlight on the macro trends of our ageing population, the IGR's findings should encourage development of the type of retirement income products that enable people to plan with confidence for a longer retirement.

"With Australia's annuity market representing 0.3% of GDP, compared with more than 15% in the United States according to the FSI report, we've clearly got some catching up to do in providing longevity risk protection to super fund members."

The Intergenerational Report notes the Government is reviewing regulatory obstacles to the development of better post-retirement products and will respond to FSI recommendations later in 2015.

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