



MEDIA RELEASE

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INCOME PRODUCT FOR RETIREMENT WELCOMED

The Government's positive response to the Financial System Inquiry's (FSI) recommendation (11) requiring superannuation trustees to pre-select a comprehensive income product for members' retirement, has been welcomed by the Institute of Public Accountants (IPA).

"There is extensive legislation that regulates how much and the manner in which Australians contribute to superannuation, but limited rules relating to how they can withdraw superannuation," said IPA chief executive officer, Andrew Conway.

"Many retirees take either a partial or total lump sum, with a high percentage of these using a lump sum to pay off a mortgage or purchasing other non-income supporting assets. A smaller percentage of retirees are investing in a pension product such as an annuity or life pension, or an income earning product such as a bank account.

"While the IPA supports choice in superannuation, the current use of retirement funds is not always appropriate and does little to diminish the future pension burden faced by a shrinking workforce and aging population.

"The IPA therefore believes there should be suitable incentives which encourage retirees to invest in income streams such as pension and annuity products.

"Annuities may be the missing link in people's thinking between drawing down from their existing superannuation and finding sustainable income streams that support their retirement.

"This would mean that people need to opt out in order to receive a lump sum payment, which is the more common method of withdrawing super currently.

"Annuities support the policy intentions of the superannuation system and will generally better provide for the longer term needs of retirees and protect against cost of living risks," said Mr Conway.

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About the Institute of Public Accountants

The IPA, formed in 1923, is one of Australia's three legally recognised professional accounting bodies. In late 2014, the IPA acquired the Institute of Financial Accountants in the UK and formed the IPA Group, with more than with more than 35,000 members and students in over 65 countries. The IPA is a member of the International Federation of Accountants, the Accounting Professional and Ethical Standards Board and the Confederation of Asian and Pacific Accountants. The IPA was recognised in 2012 as Australia's most innovative accounting organisation and listed in the top 20 in the 2012 *BRW* Most Innovative Companies List.