

# **A standardised process for facilitating trustee-directed retirement income planning**

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# Pathways to a suitable retirement solution

Pathway	Self-direction	Adviser direction	Trustee direction		
	Member choice	Personal financial advice	Trustee recommendation	Trustee assignment	Default
Nature	Member chooses solution, drawing on decision support services	Directed to a solution by financial planner through: (a) limited advice, or (b) comprehensive advice	Trustee recommends a solution to member, who can opt-in or opt-out	Member requests trustee to assign them to a solution	Trustee defaults member into a (probably basic) retirement solution
Estimated proportion of members	~20%	~10%	~70%		

- We are focused on making the ‘trustee-recommendation’ and ‘trustee-assignment’ parts of the model cheaper, more reliable, and more accessible for middle Australians who are retiring.
- So far, tailored personal advice concerning retirement planning at scale is (or is seen to be) too expensive and too risky for most trustees to be comfortable providing – leading to a market failure.
- We are interested in a different way of solving the problem. One that does not dilute important consumer protections or just disperse the high cost and risk of providing advice among fund members.

# The problem that won't go away

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- The Treasury's discussion paper [Retirement Phase of Superannuation](#) (December 2023) is open for feedback until February. It seeks (again) to examine:
  - supporting members to navigate the retirement income system,
  - supporting funds to deliver better retirement income products and services, and
  - making lifetime income products more accessible.
- Where are we with QAR?
  - some draft [legislation was released for consultation](#) closing 6 December, dealing with Stream 1 only. (We are not convinced that Stream 2 will solve the problem.)
- Are we clear yet about what we actually want?
  - [legislating the objective](#) of superannuation: 'to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way'
  - translates to: access to reliable, disinterested advice to members on what to do with their preserved savings on retirement to deliver that income
- Regulation should provide train tracks, not roadblocks.

# Let's assume

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- Many people nearing retirement who are in that 70% cohort:
  - want support in the form of reliable, disinterested advice about to do with their preserved savings to deliver income in retirement (and would like the option to seek it on an individual or household basis)
  - are happy to receive it from their superannuation fund trustee, as an RSE licensee regulated by APRA
  - are willing to provide efficient access to their personal information with appropriate safeguards
  - are willing to restrict their financial product choices to those offered (or in-sourced from another APRA-regulated provider) by their RSE licensee
  - can accept the inevitable trade-off between a tailored solution (at an accessible cost) and a bespoke solution (at an inaccessible cost).
- RSE licensees are reluctant to provide this support because:
  - it is complex and expensive advice to provide on a tailored basis (because it is high-touch and requires considerable subject matter expertise)
  - as the law currently stands, it carries a high level of legal and regulatory risk for a well-intentioned trustee that makes a substantive or red-tape error.

# The standardised process

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- The process is made, overseen and funded jointly by Government and the superannuation industry.
- The process develops, maintains, and provides participating RSE licensees with access to:
  - a standard member fact-find, designed to capture a pre-defined set of relevant member attributes
  - an algorithmic tool to develop a retirement income plan and identify suitable financial products to implement the plan from the menu of available options supplied by the relevant RSE licensee, and
  - a standard suite of documentation (that can be adjusted for accessibility) that explains the proposed solution and enhances the member's ongoing retirement literacy.
- The process will be designed ex ante to satisfy important consumer protection norms, including that:
  - the advice is provided by someone (the algorithm) who is competent and is exercising reasonable care in formulating it
  - the advice is disinterested – that is, the algorithm cannot prefer the RSE licensee's interests over the member's in developing or implementing the retirement income plan, and
  - the documents provided to the member are clear, concise, accessible, and not misleading.
- The member can be guided through the process by trained 'concierge' staff at the RSE licensee.
- The process will produce a plan that can be implemented by the RSE licensee on the member's instruction.

# Implications

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- It deliberately intervenes in the 'market' for giving advice to people transitioning to retirement.
- It allows for the initial and ongoing R&D costs of the elements to be shared across the whole sector, and assures consistent quality of the elements for members across all regulated funds.
- It de-risks essential elements of the advice process for both members and RSE licensees, because it is built ex ante to be legally compliant (and this makes some people uncomfortable).
- The menu of available products is restricted to those (1) offered or in-sourced by the member's current RSE licensee consistent with the RIC, and (2) offered by APRA-regulated entities only (this also makes some people uncomfortable).
- The solution provided to the member will be tailored (based on layered attributes and assumptions about sensible preferences) but not bespoke - there are still people who will want or benefit from advice provided through a traditional licensed adviser.
- The more personal information the process collects, the better the outcome. Data access and governance (including its use or non-use for other reasons by RSE licensees) are key.