



15 October 2021

Director
Tax and Transfers Branch
Retirement, Advice and Investment Division
Treasury
Langton Crescent
PARKES ACT 2600

Email: Superannuation@treasury.gov.au

Dear Sir/Madam,

SMSF ASSOCIATION SUBMISSION – RETIREMENT INCOME COVENANT

The SMSF Association welcomes the opportunity to provide this submission in response to the Government’s Retirement Income Covenant Exposure Draft.

We support the decision to not apply the covenant to trustees of self managed superannuation funds (“SMSF”) as noted at 1.3 of the Exposure Draft Explanatory Materials. Our reasons for this position were discussed in some detail in our submission dated 6 August 2021 in response to the Retirement Income Covenant Position Paper.

Some of the key issues highlighted in our previous submission are summarised below:

- Uniquely, SMSF members and trustees are one and the same. They do not have the same arm’s length relationship to that of an APRA fund trustee and the classes or sub-classes of members that need to be considered in their retirement income strategies. Therefore, the ability to formulate and give effect to a broad strategy that is not intended to be member specific, or advice to members, becomes problematic.
- Given that most SMSF trustees approaching or in retirement are highly engaged and actively involved in the management of their superannuation and retirement savings, the measure would be adding cost and complexity to the administration of an SMSF for little benefit or gain.
- Several components of the retirement income covenant are addressed within the existing investment strategy covenant, including risk, liquidity, investment objectives, cashflow requirements, and diversification. This can be documented at either the fund or the individual member level.
- The retirement income covenant will likely broaden the scope of the audit undertaken by the ASIC approved SMSF auditor. Given that the covenant is to consider holistic retirement income considerations that encapsulates income sources both inside and outside the superannuation system, and the determination of members retirement income needs, auditors may need to consider information or matters external to the superannuation fund in determining whether the trustees have complied with the retirement income strategy.



We would be pleased to discuss further any aspect of this submission or our previous submission. Please do not hesitate to contact us. We thank you again for the opportunity to provide this submission.

Yours sincerely,

A handwritten signature in black ink that reads "John L. Maroney".

John Maroney
CEO
SMSF Association

ABOUT THE SMSF ASSOCIATION

The SMSF Association is the peak body representing SMSF sector which is comprised of over 1.1 million SMSF members who have more than \$700 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.