



press clip

Super crisis fear on baby boomers

Nick Gardner

A LOOMING surge in baby-boomer retirees may force superannuation funds to freeze assets and ban withdrawals unless minimum contributions rise from 9 to 15 per cent of wages and salaries.

One of Australia's leading demographic economists warned that in 15 years time more people will be withdrawing cash from super than there are workers contributing to funds.

Brian Haratsis, chief executive of MacroPlan Australia, says that unless more money is pumped into the system by current workers, many funds may not have enough liquid assets to meet redemptions, forcing them to shut up shop.

"It's the biggest problem that nobody is talking about," Mr Haratsis said.

"The number of people retiring is going to double in the next couple of years and unless we take action ahead of time, the only solution will be government intervention and a massive restructure of the superan-

uation industry." Though Mr Haratsis says the Government will never allow funds to freeze up, it must act soon by increasing the super guarantee to 12 per cent – and then to 15 per cent for a time – to make sure funds have enough money to meet the "hump" in retiree numbers.

As it stands, the Government is committed to raising the contribution level to 12 per cent before 2020 – a move that Mr Haratsis says will be too little, too late. "If the stock market goes sideways for a few years, which is not out of the question, then the contributions may have to go even higher," he said.

"It all depends on fund performance and how quickly the Government raises the level from 9 per cent."

Association of Superannuation Funds of Australia chief executive Pauline Vamos said some funds may have to delay payouts as the retired population increases. "The law requires funds to meet withdrawals within 30 days, so trustees and managers keep a constant eye on

their liquidity, but there could still be some that have to ask the regulator for permission to delay payments," she said.

Actuarial firm Mercer also says the Government must increase the super guarantee to at least 12 per cent and says that even now total contributions into superannuation funds exceed withdrawals by only about 5 per cent.

"At some point the number of people taking money out of super funds will outnumber the number contributing, but the income that the funds receive should be enough to cover that for some time," David Knox, senior partner at Mercer, said.

"Remember, most people leave a lot of their money invested after retirement," he said.

Dr Knox said his forecasts were based on relatively healthy super fund growth of 7 per cent a year. If it fell short of that, more urgent action might have to be taken, he said.



SUPER SHORTFALL: Baby boomers blamed for crisis.