



## **MEDIA RELEASE**

### **Budget highlights need for advice**

**SYDNEY: 13 May 2014** – The Abbott Government’s first Budget will significantly impact many groups of Australians who will need the benefit of financial advice in order to navigate their way through the changes and maximise their personal financial position, according to the Association of Financial Advisers (AFA).

AFA CEO Brad Fox says the impact of the Budget measures, which at a high level are designed to spread the load of reducing the Budget deficit across nearly all adult Australians, will hit welfare recipients and middle income families hardest. “These families will have less disposable income and this may affect their ability to afford vital personal insurance,” he says. “They may also have less capacity to fund financial investments, reduce personal borrowings or make additional contributions to super.”

Mr Fox also says that for Australians born after 1965, who are seeking the freedom to retire before age 70, there is now a compelling reason to build assets outside superannuation. “The age at which people born after 1965 can access the age pension is being lifted to 70, so we may see the preservation age – that is, the age at which people can access their superannuation – also raised to 70 in subsequent budgets,” he says. “This is one of the most compelling reasons yet for Australians to get financial advice on how to build investments outside the superannuation environment.”

Mr Fox says it is pleasing to see that the pre-election promise to not make adverse changes to the superannuation system has been honoured. “Bringing legislative stability to superannuation is essential to building trust and confidence in superannuation as the preferred savings vehicle to fund retirement.”

Reductions in spending on ASIC and the ATO announced in the Budget may also have implications for the financial advice industry, according to Mr Fox. “As financial advice continues its progression towards becoming a universally recognised profession, the opportunity for greater self-regulation will increase. Reduced funding for ASIC, as the regulator of financial advice, may provide further impetus to bring this forward,” he says. “We expect the Financial System Inquiry to provide further opinion on the appropriateness of self-regulation.”

Mr Fox says reductions in welfare support to those under the age of 30 may increase the reliance on parents of the 'boomerang' generation - young Australians who move out and then go back into their parents' homes as they struggle to establish their own financial independence.

"This Budget provides clear evidence that Australians need to take control of their own financial position and their preparations for retirement," Mr Fox says. "We urge all Australians, particularly those over the age of 50, to take action now and develop a serious plan for self-funding retirement - because you can't rely on Government. If this Budget is likely to reduce your income it can seem challenging to think about saving for retirement. But the sooner you take action, the greater your chances are of attaining the security in retirement that you deserve."

The AFA will continue to assess the detail of the Budget and make further statements once the full impacts have been assessed.

**Ends**

#### **About the AFA**

The Association of Financial Advisers (AFA) is the longest running professional financial adviser organisation in Australia and its members have been providing trusted advice to consumers for more than 65 years. Through individual memberships and relationships with licensees, the AFA represents over 7,000 members. These members offer a broad range of financial advice services to ordinary Australians with many having specific expertise in risk protection. The AFA aims to provide a robust united voice for all financial advisers and their clients, continually improve practices and to focus firmly on the exciting, dynamic future of the financial advice profession. With six and a half decades' success, the Association's ongoing relevance is due to its philosophy of providing leadership and direction to advisers and their clients. It is an association run by advisers for advisers - this means advisers set the agenda, decide which issues to tackle and shape the organisation's strategic plan.