

# Get the name right and we are nearly there

By [Tom Garcia](#) | 05/10/2016

Look past what is arguably one of the worst acronyms in superannuation, and the CIPR – which stands for Comprehensive Income Product for Retirement – is starting to look like one of the most progressive policy developments to come out of Canberra for some time.

But there is still a lot of confusion about what a CIPR is. The first thing to realise is that a CIPR is not actually a product, despite what its name implies.

Rather than a single product per se, CIPR is about helping trustees provide a framework of post-retirement options for their members. A CIPR should balance risk, income and flexibility. This framework might be a portfolio of products or (based on treasury's current thinking) it could potentially be a single product, if the trustees of a super fund decide that a single offering is sufficient to meet members' post-retirement needs.

This distinction between a single product and a suite of products is important, because it acknowledges that post-retirement is not a one-size-fit-all.

Speaking at last month's AIST investment conference in Cairns, the head of treasury's retirement income product division – Jenny Wilkinson – took the opportunity to debunk a few CIPR myths and misunderstandings.

It is not mandatory for funds to provide a CIPR and it is not envisaged that CIPRs will operate for everyone. The government recognises that for some members – particularly those with low retirement balances – a CIPR-style retirement income solution may not be appropriate.

The government's intent is that an individual will need to make an active choice to take up a CIPR. The CIPR framework can be set up as a range of 'soft defaults,' whereby trustees might pre-select a retirement option that may be appropriate for certain members.

## Not all retirees require advice

Importantly, CIPRs are not intended to encourage annuities over other products and they are not intended to compel the take-up of annuities. They are also not designed to replace the need for advice, with treasury recognising that trustees have a significant role to play in the advice space. At the same time, the notion of a CIPR also recognises that for many retirees, advice may not be needed.

CIPRs also recognise that pooling risk can increase income. According to Wilkinson, treasury research has shown that a CIPR-type solution (such as account-based pension combined with annuity) is the best way to maximise income for many retirees over their average life expectancy. Such products involve capital drawdowns, thereby forgoing any significant behest for the next generation, which, as Wilkinson notes, meets super's primary objective.

With draft legislation not expected until next year, treasury concedes that their thinking about precisely how CIPRs will operate is still fluid. Issues yet to be cast in stone or finalised include whether there should be a minimum set of features for CIPRs; how individuals can compare CIPRs; and whether funds can offer one or multiple CIPRs. It will also be critical to understand any barriers to developing CIPRs.

With the government set to release a discussion paper by the end of the year to explore the key policy issues associated with a CIPR framework, now is the time for the industry to take an active interest in this final stage of development.



### Related Links:

[The time for financial advice disruption is nigh](#)

[Communicating super is key](#)

[The \\$6 billion-a-year problem](#)

[It's more complicated than it should be](#)

[Default funds a consumer protection worth keeping](#)

And given that it is critical that members understand the post-retirement options before them, one of the first things we need to start thinking about is a better name than CIPR! Even treasury agrees the name needs work.

In my view, the CIPR (by another name) is a wonderful opportunity.

CIPRs, if done right, have the potential to completely change super's relationship with your members.

It is the opportunity to combine all that trustees collectively know about investments, about their members and about their needs to design a simple solution that can transform the engagement and value of superannuation to members and Australia as a whole.

It is in fact the manifestation of our ultimate purpose – to provide and improve retirement outcomes.