The retirement income system

Q1.1 In considering the future of Australia's retirement income system, which objectives are relevant in setting retirement income policy? Does the current system of the Age Pension and compulsory and voluntary savings meet these objectives? If not, how should the system be changed to meet these objectives?

It is a governments duty to look after the people who are unable to look after themselves and as such the 3 pillar system we have has an ability to do this. The question as to the adequacy of the system to achieve this, is a significant one.

Breaking apart the 3 pillars I note the following:

The age pension system - as a result of the baby boomers we have for many years contemplated that the cost to the tax revenue of our age pension system will rise and continue to do so for many years.

In its simple form if we currently have 8.5 people employed for each person on the age pensions system and by 2024 we are at 3.5 people employed for each person on the age pension system then the revenue cost per person must increase by 240%. This is clearly not sustainable. It does not matter which way you add additional tax revenue this is not a sustainable model.

Clearly we must focus on the people in need, and give every opportunity to the remainder, to ensure they are not on the Age Pension system.

The cost to the tax revenue of an age pensioner for the full period they are on an age pension is approximately $440,000 in Net present value assets and an additional (based on current life expectancies and care costs) $400,000 for health care.

This indicates that the cost per age pensioner is a NPV assets cost of $840,000. This excludes the home.

Given the average person retires with a superannuation balance at the moment (ignoring current market conditions) of $73,000 as a generation we are a long way behind what we need to have saved to meet the minimum basic subsistence living standards that are provided for by the Age Pension system.

By increasing the average savings to $150,000 in todays dollars this will provide for 10 years worth of AWOTE income and release the burden on the Age pension system for each individual for that 10 year period.

The 9% Superannuation Guarantee compulsory system – The core inadequacy of this system is it is too little too late. By the time the 9% system gets to maturity, the nation will be well past the 3.5 people employed for each person on age pension. The current market conditions have further worsened the position. It is clear that every effort needs to be made to provide additional contributions to a compulsory system. If not, then tax revenue will need to increase to cover the people on the age pension system.

As a nation, either way an amount will be paid (ie via tax payment to satisfy the Age Pension revenue requirements or through a compulsory superannuation scheme). It is much more sustainable that people, by compulsion, are required to put funds aside for their own retirement rather than a smaller number of employed people being forced to fund the needs of others via increased taxes.

It would seem the SG system is the most appropriate and targeted means of reducing the burden of future individual tax and the Age Pension drain.

The Voluntary contribution system – This is a core and effective means by which the government provides an incentive based system to have people off the age pension system. This is fundamental to the continued wellbeing of people who will not become a burden on the Age pension system and furthermore, an encouragement for people to not become so.

As a policy there is an underlying tax position. Government can either

1. take tax from people and the build a department work out where to invest it and then build a department to work out who they should give it back to; or

2. deliver the incentive (via compulsion and voluntary) for people to provide for themselves.

Clearly as a policy the later is the more appropriate and palatable.

As a policy, does the compulsory system deliver us substance assets or living standards? The short answer is NO.

We need to contemplate a policy that enhances the compulsory system such that those who have normal full time employment, do not as a matter of course, then end up requiring the Age pension.

Policy Matters

An unfunded superannuation Age Pension system presumes that there will be sufficient people to fund the Age Pensioners via the tax on Capital, Labour and Consumption. It is questionable that the balance of Australian can bear this burden over the next 30 years solely from the remaining working people.

The required escalation of tax and result in the driving of skills, resources and assets out of Australia.

Other countries require significantly higher funded compulsory systems. Singapore as an example which includes in its compulsory system a housing component, to ensure people have both a place to live and minimum living standards.

I would not expect that we should contemplate the same however the emphasis of the policy must be to provide compulsion and incentive to ensure that people are not relying on the age pension system.

If however we have a system which contemplates further compulsion then as a policy we must balance this with the individuals need to live prior to retirement. We can not underestimate the cost of family. The move to single income or reduced income plus the shear cost associated with each child will result in a greater burden on the income generated and the ability for that individual to provide for the family.

As a result we should contemplate greater flexibility to access to the compulsory and voluntary component of super, though possible assistance with home loan payments (means tested) and expansion of the hardship clauses.

The home loan payments would provide an indirect retirement savings as the home is an asset used for retirement either as living needs, downsizing or reverse mortgage type schemes.

This will link the superannuation to a real retirement position of an individual a lot closer.

As a policy should we move to a 15% compulsory system? – absolutely, however, with the proviso that there is ability to utilise this in conjunction with the living needs (ie hardship or home ownership).

Does the current system meet the objectives?

The system is well intended but falls short of meeting the requirements as they currently stand.

The compulsory systems is well short of the amount required to meet minimum living standard and will not get to a position that meets those for another 25 years. We must bring this forward.

The voluntary system has the disadvantage of not really proving enough of an incentive to save. Based on AWOTE income of $1,150 per week, the average tax rate for the 2009/10 tax year would result in an average tax of 19.7% and for the 2010/11 year of 19.2%.

Is 15% contributions tax an incentive? Is 15% income tax an incentive? Further more is the 2/3 reduction rather then the 50% reduction for capital gains an incentive?

Why would someone on AWOTE income lock up funds till preservation age when the incentive is so marginal?

A policy matter would be a flat rate of contribution, earning and CGT tax (as a means of simplifying the tax system) on accumulation funds of 10% and Nil in pension phase. This would go a long away to increasing the average voluntary contribution to $5,000 on top of the SG contributions. This is estimated to reduce the burden on the Age pension system over the next 15 years by 30% of current expected commitments. (happy to provide figures expectation if required)

How could the system meet the objectives?

1. Increase the benefit paid to be a sustainable amount to the Age Pension
2. Increase the compulsory system to 15% by 2012/13 year via 3% from employers as a pay rise and 3% from employee contributions and or furthering the co contributions scheme. (Considering the ability to utilise the contributions as noted for hardship and home loan payments)
3. Reduce tax to a flat 10% to encourage real voluntary contribution.

A broad and adequate retirement income system

Q2.1 As the SG system matures, it will become a greater part of an employee's retirement income. What are the implications for individuals partially or fully excluded from the mature SG system (the self-employed, individuals with broken work patterns such as carers, women and migrants), and how can the retirement income system best accommodate these groups?

The self employed are, within themselves, well catered for as noted in the consultation paper. It is clear that those motivated to be self employed, have also taken on the goal of self provision. It is the nature of the self employed to do so. The policy matters outlined above would provide the incentive to motivate this group to save.

Carers are a far more difficult group, as the nature of the person is to provide for others over themselves. This group, and those of a similar nature, could benefit significantly from furthering the co-contributions scheme to ensure the nation support those who care for those, who need the care and support themselves.

Women – do we need to do more to compensate for the broken work patterns of women having children?

Our tax system is labour based on the superannuation deduction it provides, yet tax payer and user based on Capital and Consumption.

We should consider offering the ability for one income earner of a family to extend the spouse contribution and simplify the associated rules to allow the Labour Income earner to contribute equally on behalf of both. Thus, extending the deductibility of contributions and simplifying the contribution splitting legislation. This would improve significantly the position of a family unit.

Migrants – as noted the average migrant age is under 35. I have not seen the figures however it would be interesting how many of those still remain at age 65. Most migrants have a capital requirement when they come to this country which is well in excess of the average assets of a person born in Australia of a similar age. I believe our system caters for the migrant population well enough, leaving aside the ridiculous new rules relating to the temporary residents.

Q2.2 Noting that the adequacy of the Age Pension is being considered by the Pension Review, what is an appropriate concept of adequacy for the retirement income system? Should it be to ensure there is a minimum level of income in retirement, to replace a proportion of income earned prior to retirement, or some other alternative?

There is a general perception that people in retirement spend less than during the working career. Whilst this is correct as the individual ages, it is not the case in the early years. Retirement planning statistics show that a person spends 20% more in the first 5 years after retirement then they do in the year prior to retirement. Whilst it will ultimately average out over their life, the drain on capital in the years post retirement can be significant.

There should be a retirement income minimum “target”.

To account for the capital required in the early years 85% replacement income is what is required to maintain a similar lifestyle post retirement.

This comes back to the integration of the 3 pillar system. Our current system is failing Australians due to it inadequacy. Again not because of the system but the amount currently provided by Age Pension and the compulsory system being insufficient.

There has been some comment that the government could provide some form of reverse mortgage rather than the banking industry. This would make the cost of the facility more aligned to the true cost of funds rather than the cost of fund plus a profit margin of an institution. In doing this there would be no requirement for consideration to death duties or CGT on principal residents as both of these options are unpalatable to the people and do not produce a real revenue benefit in those countries which have them.

The Age pension system need to provide a substance level safety net and should be at 30% of AWOTE as a maximum. It is likely that actually be reduced to 25% in 15 years as the SG system become mature. This will give balance to the government system requirements being reduced as the SG benefit increase.

This needs to be countered with effective means testing to ensure the fund are getting to the intended people. Means and income testing needs to be reviewed to better reflect how people earn and receive income. The current systems can result in people still getting some pension and the full health entitlements at 110% of AWOTE. This should be refocused to 85% of AWOTE.

Q2.3 What should the role of the government be in assisting individuals to meet their retirement income expectations in relation to the support provided by the Age Pension, the level of compulsory savings and incentives to make additional savings? Should the role of government change as an individual's income increases over their working life?

A government role in our society for retirement is mandatory. The government must have a system which ensure the protection of its people from poverty.

The next 40 years provides a significant challenge and one which we have to meet ready or not. The reality of our position is still the same eventually the funding of baby boomers will become less of a strain simply due to the fact that there will be an ultimate decline in the proportion of baby boomers to the younger generations and generations to come.

A sustainable system can be built which can substantially remove the requirement of Australians on the Age Pension system. So this next period must deal with 2 issues:

1. How to ensure we (as a nation) fund the needs over the next 40 years
2. What system will ensure that this does not become a future generation issue.

Government must play a key role in this to ensure that the living standards of the nation do not further decline.

Legislation should be put into place to enforce the savings level to a agreed minimum standard (recognising that is a difficult target as it depends on the market conditions of the time).

Further simplification of the superannuation rules need to be achieved to ensure that we have an simple understandable and equitable system.

This will provide us the platform to allow the superannuation SG & Voluntary contributions industry to further develop into a more effective system.

Currently we have a superannuation system which has (depending on market date) about $1 trillion within it and by 2018 (ie 10 years) this will triple to $3 Trillion. The difficulty is, that at that level, within Australia we are running out of investments.

A $3 Trillion dollar industry with the current asset allocation would result in the following approximate values based on current allocations:

	%	Value '$million
Cash	12%	360
Equities - international	15%	450
Equities - domestic	31%	930
Property	37%	1,110
Other	5%	150

I note this differs from the papers figures as I have included the international property (listed and unlisted) in the property sector and have added the SMSF figures to the APRA stats.

Given that our ASX 200 has a value of about $1 Trillion this would mean superannuation has about 93% of the market share of the available stock (Based on a $3 Trillion industry). This could trigger a situation where the stock is traded not because of value but due to supply and demand. Not an equitable solution.

The same happens with property. The more difficult aspect of property is that outside of Self Managed Super Funds there is little current ability of an institutional or industry fund to directly invest in ***residential*** property.

We are running out of investment options domestically.

This is even more evident in Self Managed Super Funds where the use of international assets is a little over 1%. So the proportion of domestic equities is larger in these vehicles due to the difficulties with directly buying international equities and the little we really know about international shares by comparison.

For this reason the government needs to look at method by which we further expand the areas of investment that funds are able to invest into through simplification of some rules.

The advent of the instalment warrant legislation is a classic benefit and of significant advantage to the resolution of this problem.

There should come a time when any super fund can allow its members to utilise this legislation to move into other assets such as residential property.

Example. As people's balances increase in say, an industry fund, the members look for broader asset options. Whilst the industry fund is not going to make a single class acquisition for a single member (ie no way they will directly acquire a residential property as the costs of collecting the rent and fixing the water heater at 2am) is prohibitive, however it may allow its larger members to invest into a M.I.S based structure which does this. There are examples of these already built so this is reality not fancifulness. This would allow the industry to expand into all of the various asset classes and utilise the gearing benefits and where it can not effect any other member except the one which has entered into the M.I.S entity.

As a government we need to actively look at the rules in section 70, 66 and 71 SIS Act to further explore opportunities for funds to diversify their assets in the coming years.

It should be Governments duty to look at and consider how we provide every opportunity for individuals to ensure that our system encourages people, not just by tax benefits, to take up the voluntary super component and as the SG grows to utilise it to maximise the end result and minimise the reliance on the Age Pension.

I note a 2% increase in return over 35 years makes a 56% increase in the end benefit.

Government must focus its attention on 3 areas:

1. Ensuring fees are at a sustainable and profitable level for the fund whilst ensuring they are as low as possible for the members
2. Providing a flexible and adaptable structure
3. Providing Taxation based incentives to the assets, contributions and benefit payments.

Obviously this must be balanced with the overall needs of the community, ie this must not in itself become a greater revenue burden than the Age Pension system itself.

As a Government it must focus on those unable to assist themselves as this is the ultimate judge of its character. How did it treat it people and protect the venerable whilst allowing those who can help themselves do so. I don't believe this duty changes through the life of a person. Its actions may change but not its role.

An acceptable retirement income system

Q3.1 Do the settings of the retirement income system, such as the level of SG and access to concessions, adequately consider the needs and preferences of individuals both before and after retirement?

The system is geared to provide tax incentives to those you can utilise the benefit and co contributions for those that the tax incentive is not as great. This provides balance to members recognising the higher income earners also are far less likely to become a drain on the Age Pension system and are greater contributors to the tax revenue generally.

As has been noted previously it is my position that the compulsory part of the superannuation should be graduated to 15%, however to take account of those who see greater benefit in their retirement saving being outside the superannuation system, it would be appropriate to consider particular retirement based scenarios where some of the contributions can be used for a period in sustaining retirement assets. For example an ability to use some of the contributions to fund home loan payments during the peak expenses time such as peak mortgage with children at school. This could be assessed by Centrelink and an allowable period where contributions paid can drawn to assist with the payments on a home loan as an example.

There is rationale for the continuation of an incentive based system as the SG alone will not provide a replacement for Age Pension and meet 85% replacement income. As a result, a system which focuses people to save and invest within the bounds of superannuation for their retirement is vitally important.

If we are to encourage setting aside funds for the purpose of retirement then we need to provide an incentive to offset the lack of access.

Q3.2 Is the current level of superannuation income tax concessions appropriate and sustainable into the future? Are the current concessions properly targeted, and if not, how should they be reformed?

There is an argument that the compulsory superannuation system is a negative drain on tax revenues. I note the revenue to which it is focussed is there to offset the incremental number and size of the Age Pension system. Additionally I note, as a nation we spend 10% more than we earn. We are a debt ridden society. It is well documented that superannuation as a form of compulsory saving is having a positive effect on saving. If this contribution to super was not made then the money would more likely be spent. Arguably that may be a benefit in the current economic client however is does nothing for the future. The benefit of having a taxed accumulation phase of super is that the government produces positive tax revenue out of savings which it would not have had if the money did not go to super and was spent. As a result it is refuted that there is a revenue drain, quite the reverse. The tax associated with the super needs to be taken to account against the likelihood that these savings would not have been made, or placed against a home loan where it has no tax effect whatsoever.

We need to be careful not to once again over complicate superannuation. We have spent a significant amount of time simplifying it, making it understandable and effective. It would be unwise to try to tier or means test contributions and deductions. What would happen as a result is that the larger income earners will not contribute to super outside of the compulsory part and there will be no incentive for the lower income earners to do so either. It makes no tax sense or access to capital sense to do so when there is no incentive.

We should however be contemplating means by which we encourage people to more regularly and to a greater amount fund to super. It would further simplify the contribution rules were altered to allow contribution by a tax payer from any source and claim up to the Cap rather than it being still somewhat linked to employment. This will assist with part time workers and women as well. The Section 290-170 (ie 10% rule) really has no benefit any more and provides barriers for people and prevents contribution. Perhaps we should consider a single limit with a deductible portion payable from any source. (ie part Non Concessional and Part Concessional)

I note the comments on the tax treatment of non taxed funds, however this dose not treat like with like. It looks solely at the output amount. For the taxed fund to generate $40,000 had tax taken out of its contributions and of its earnings whereas the untaxed fund didn't until the end. The Compound effect of money. This needs to be taken to account. It takes far less contribution to get $40,000 from a non taxed fund than it does from a taxed fund.

The question is why do we have non taxed funds at all, regardless of funded or unfunded liabilities.

A robust retirement income system

Q4.1 At what age should an individual be able to access their superannuation and at what age should they become eligible for the Age Pension?

This should be age 65 for both male and females. It would seem logical to bring both genders to the same starting point.

There is clearly a longevity issue looming, however this should not change the age of commencement.

I don't believe the attitude or health and fitness of a 65 year old is so significantly different now than 40 years ago. It is more that modern medicine and health is keeping us alive longer. If this is the case then a budget analysis needs to be carried out and provision made for continuing longevity. How to fund this? I do not have an informed opinion on this.

Q4.2 What is the role of individuals in dealing with investment and longevity risk in accumulating and drawing down their retirement income? Do financial markets provide the means to deal with these risks? If not, is there a role for government to address these shortcomings?

Legislation had previously given us the tools to deal with longevity with the use of lifetime pensions which are actuarially calculated. The difficulty with these pensions in the past was the loss of capital, on death, to the provider or life office (with the exception of SMSF's).

Many people as a result constructed these pensions via Self Managed Super Funds. In December 2005 this was ceased (refer to Senate Select hearing of that time). The rationale at the time was two fold:

1. RBL perceived compression because of the calculation method. Now we no longer have an RBL this is no longer important.

2. That it was not possible for a fund with 2 members to effectively reserve funds to meet the demands of market movements. This was a view not supported by any other actuary other than the government actuary.

The second is interesting!!! We are currently in one of the largest downturns in financial markets we have ever had. As an administrator of Self Managed Super Funds who has a significant number of Defined Benefit Pensions (lifetime actuarial pensions) we have not had 1 client that has had to cease the pension as a result of the recent market effects. Therefore the reserve policies of the actuaries has worked.

I note, these pensions have not been given the 50% reduction of pensions allowable under the legislation introduced by Minister Sherry in February. Importantly they have not needed it. The payments made are stable and did not rise due to the dramatic asset increase at the end of the bull market. This money was held in the investment reserve to counter the downturns.

I also note money held in the reserve is taxed at normal superannuation rates and as such these pensions actually generate positive revenue to the tax system.

The case for more flexible type of lifetime pensions is obvious. A lifetime pension pays an regular known income stream which is/may be indexed each year, generally with CPI. It is paid in a manner which is similar to a wage. This is the common way we live our life, yet with account based pensions you have no idea from one year to the next what the payment will be due varying values of assets.

Bring back lifetime pensions which have the capacity to "reserve" funds aside to meet longevity and at the same time allow these to be commuted and recommenced to allow for lump sums to be paid.

This is not a new concept. Residual Capital Value (RCV) pensions and Commutable Lifetime Pensions have been in the act for a long time. They have a reserve account called a miscellaneous reserve which is there by calculation to deal with longevity and a investment reserve to deal with investment fluctuations.

The RCV pensions enable us to hold back capital for a future event, like funding the cost of a retirement home.

The key reason why these pensions ceased to be used is due to 11 years of Bull Run in the markets and no ability for the member to benefit from this where a Life Office is used. The reserves when using a life office belong to the life office not to the member.

SMSF where precluded from running them in December 2005.

The SIS regulations already exist to deal with this.

Do we have the right balance between assets test and income test for the purpose of age pension? It may be appropriate to set assets aside for the purpose of longevity and pay a premium on the age pension if it is taken for a defined or shorter period setting funds aside for the period after say age 85 and reducing the pension accordingly after then. This could be done by purchasing a financial product that provides for this.

The difficulty is the confidence in institutions to be there to provide this in the future as a result of the financial crisis we are currently in.

A simple and approachable retirement income system

Q5.1 In what ways does the retirement income system impose undue complexity and cost on retirees and workers? How could this complexity be reduced?

Our “simpler super” system has made it easier to understand for individuals and easier to operate from the ATO’s point of view, however has put a greater burden on the administrators.

This could be dramatically simplified and would result in reduced costs.

For example we still various components within a fund which has no impact for a person over age 60, but have significant issues to the estate. As a result components and proportions need to be kept with every drawdown and calculations made to determine what ultimately is taxed into the estate.

Across the industry approximately 4% of the original balance ends up passing through the estate. Administrators have to keep all the records for many years (which are not reportable after age 60 and while the individual is alive) for some future event that ends up with little, if any, tax being paid into the estate. The costs far out way the tax revenue benefit.

Additionally we have weird legislation for the transition to retirement legislation that requires administrators to withdraw from the unpreserved amount first then in proportion for the balance. This may have a tax effect for those between 55 & 60 but after age 60 it is not relevant or even reported but administrators are required to keep doing it. Why?

Pensions – give account based pensions the ability to nominate a pension which is either a minimum based pension or a CPI indexed amount from the previous year regardless of values. This would assist in years of extraordinary growth. These periods have a tendency to happen in the two preceding years before a correction. If you did not have to take out an amount based on each years value then this would assist with smoothing when there are volatile markets.

Our current experience at point where people were required to take out more than they needed to meet the minimums over the preceding 2 years yet this year we require new legislation to halve the pension amounts to compensate for the drop in values. This could have been avoided if we had a smoothing system.

There is provision for this to be done through the reserve accounts however people do not do this in high performing years as reserve accounts are taxed and pension accounts are not. If we had reserve accounts which were attached to individual pensions (as you do in an SMSF) then you could also set aside those accounts to meet the segregated pension assets rules and hence be untaxed as it is in pension mode. This would assist with longevity and smoothing of pensions.

Reserve allocations – this is a complex and difficult area and one which most people get wrong. It could use an overhaul especially if we are contemplating the establishment of a reserve for smoothing. The reallocation from the reserve can cause Cap issues. This is a real problem where the person has ceased work, does not meet a work test and in over age 65. In this case the persons Cap amount is Nil. As such allocation (outside those made for defined benefit pensions, or their associated recommencement to an account based pension of that member, or 5% of the members account equally distributed to all members) is tested against the Cap. In the case of the 65 year old non working person it will result in a 93% tax rate applying. Not a good result really.

Estate Issues – the tax rules where an individual the day before they die can withdraw the full balance and give it to their family tax free yet the day after they die it is taxed at 15% on the taxed element to a non dependant is ridiculous at best. Further more it requires significant calculations and component management from the administrator which is time consuming and expensive. Logic must prevail here!

Divorce – some of the rules just don't work. Like for instance the divorcing party must inform the trustees of the financial arrangement but the trustees must not tell the other member what the other member has instructed. In a Self Managed Fund trustees are the members. So I must tell the trustees but must not divulge the information to the other member. How? They are the same people by law.

Given that you have 360,000 SMSF's and 11,000 other funds this legislation was not well thought out and did not contemplate SMSF's at all yet it is by far the greatest area effected.

A sustainable retirement income system

Q6.1 The Age Pension serves two roles, as a safety-net for individuals who are unable to sufficiently save for their retirement and as an income supplement for many individuals who do save. What should be the role for the Age Pension and means testing in a future retirement income system and what impact does this have on its sustainability into the future?

It seems our means and income testing are not in keeping with the delivery of an AWOTE based system. To increase the AGE pension amount there is a need to ensure that those who are in excess of 85% of AWOTE are not receiving benefits. Currently the system allows a person to effectively have income at 110% of AWOTE and be receiving a small amount of pension but importantly 100% of the health benefits. As the health benefit accounts for nearly 50% of the Net Present Value of the assets required to provide the full pension, having someone receive $1 of age pension has the effect of providing nearly 50% of the total benefit of the Age pension (being the heath care and associated benefits).

Means testing needs to come more in line with the actual cost. This would enable the age pension amount to increase without increasing the overall amount in the budget for age pension.

Q6.2 In what ways does retirement income policy affect workforce participation decisions and what, if any, changes might reduce disincentives to work? Does the sustainability and cost of the retirement income system affect the workforce decisions of younger generations of workers?

I do not have an informed opinion on this.

Q6.3 What impact could financial intermediation have on the effectiveness of retirement income policy?

For those who are likely to derive an Age pension

The Centrelink rules are far too complex for a person to understand and ensure they receive the best benefit for their position without advice. This is both at the point of retirement and earlier to maximise the manner win which they move to retirement.

The area of the bond and do I or don't I sell my home, before or after and age pension care issues. These are all issues which take time to understand and an appropriate adviser can help significantly.

For those who are unlikely to require Age Pension

Adequate planning can make a very significant impact on the end benefit. As noted above a 2% return difference over 35 years of a saving will make a 56% Difference in the end value.

What deductions can be claimed and how to structure your affairs to maximise the benefit utilising the non concessional contribution caps to your benefit as well are all issues to which prudent advice will make a substantial difference.

Advice is very beneficial if consistently taken. If you take advice and then do not review it, it can in fact be detrimental.