SUPER MEMBERS COUNCIL

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Department of Treasury
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2025–26 Pre-Budget submission

The 2025-26 Federal Budget is being crafted in an historic moment.

As inflation continues to stalk households, and other countries muscle up economically in an era of growing global volatility, our nation's economic stabilisers are needed more than ever.

In this context, **a key task for this Budget is to secure the system fundamentals that safeguard superannuation as a key economic stabiliser – and continue to make super even stronger and fairer.**

Super's indispensable role in powering Australian prosperity

In the face of challenging global economic headwinds, **Australia's next wave of prosperity will be powered by our $4.1 trillion superannuation savings pool.** This capital is crucial to Australia's economic security in an uncertain world – and it is the envy of the globe.

Super drives wealth creation across our economy – both for households and the nation. It powers the living standards of Australia's retirees – with **super now paying out more than twice as much as the age pension to Australians each year in income.** This means older Australians can live with dignity after a lifetime of hard work. And **super enables millions of everyday Australians to unlock the investment superpower of compound returns – and own their own slice of the profits from Australia's businesses.**

This is why Australians deeply value their super. 80 per cent of Australians say super will be critical to their wellbeing in retirement, and 70 per cent say it contributes to their sense of financial wellbeing now.

This pool of patient capital is powering Australian businesses - both big and small – which is key to create new jobs in Australia's economy.

Finally, **super is saving taxpayers money.** The share of Australians who now rely on any level of age pension at all when they turn 67 has fallen from 71 per cent in 2003 to 39 per cent in 2023. **Super is taking pressure off the Federal Budget - which averts tax hikes for Australian workers and businesses.**

For all of these reasons, this Budget must shore up the fundamentals of superannuation – `

Making Australia's super system even stronger and fairer

The task of **securing Australia's super system starts with safeguarding the system's fundamentals.** That's why the Parliament enshrining the purpose of super in law was a key achievement in late 2024. It reminds policymakers for all time that super has one job – 'to ***preserve*** savings to deliver ***income*** for a dignified retirement, alongside government support, in an equitable and sustainable way'.

But **while the creation of super has been life-changing for millions of Australians, there are gaps in the system that this Budget must start to fix as a matter of priority.**

As a strong advocate for 11 million everyday Australians, the Super Members Council's top three Budget asks for 2025-26 reflect this imperative.

1. **Strengthen the retirements of 1.2 million low-income Australians** – by lifting the Low-Income Super Tax Offset (LISTO) - so that more of Australia's lowest income earners don't pay a higher rate of tax on their super than they pay on their wages. #LifttheLISTO
2. **Fix unpaid super** – to help 2.8 million Australians get $5.1 billion a year ($100m a week) that is owed to them – by urgently legislating for employers to pay super at the same time as wages, setting ambitious compliance targets for the ATO, and adding super to the Fair Entitlements Guarantee so workers can claim their legally-owed unpaid super when a business is insolvent; and

3. **Give young Australians a #SuperStarttoWork** – by ending age discrimination in the super system and paying super to all workers under age 18.

As its major super priority, the coming Budget should set out to strengthen retirement for low-income Australians and lift the LISTO. New SMC analysis shows the lowest paid Australians have missed out on a combined $2.5 billion since 2020 because LISTO has not kept pace with the changing tax brackets and Superannuation Guarantee rate. By raising this payment from $500 to $810, and by paying the tax offset for workers earning up to $45,000 a year (the current income cut-off is $37,000), this Budget will start to strengthen retirement for more of the nation's lowest-paid workers.

Attached to this submission are Super Member Council's key policy priorities for 2025. This includes a detailed blueprint of the next set of tasks to continue to strengthen super for Australians.

Misha Schubert
Chief Executive Officer
Super Members Council

About the Super Members Council

We are a strong voice advocating for the interests of more than 11 million Australians who have over $1.5 trillion in retirement savings managed by profit-to-member superannuation funds. Our purpose is to protect and advance the interests of super fund members throughout their lives, advocating on their behalf to ensure superannuation policy is stable, effective, and equitable. We produce rigorous research and analysis and work with Parliamentarians and policy makers across the full breadth of Parliament.

1. Lift the Low-Income Super Tax Offset (LISTO) so 1.2 million workers on lower incomes get a fairer tax deal

The LISTO was designed to ensure Australia's lowest-income earners got a fair tax deal - and are not paying more tax on super than on their wages. But LISTO thresholds and the $500 maximum cap have not risen since they were introduced almost 13 years ago, despite changes to income tax brackets, the Superannuation Guarantee (SG) rate and, importantly, movements in wages and the cost of living. The increase in inflation over that same period was a cumulative 38.5 per cent and Average Weekly Ordinary Time Earnings (AWOTE) 42.5 percent. Other super thresholds are generally indexed to AWOTE.

Failure to keep the LISTO up to date has effectively cut the superannuation benefit for many low-income workers. As a result, Australia's lowest paid workers have missed on a cumulative $2.5 billion in tax offsets since 2020-21.

Lifting the LISTO would boost the super of more than 1.2 million Australians by an extra $500 million in the 2025-26 financial year.

Given almost two thirds of LISTO recipients are women, this targeted support would help close the gender super gap and could boost the super balances of the lowest paid women by 21 per cent.

SMC recommends

Eligibility for the LISTO be expanded to include low-income workers earning between $37,000 and $45,000 (who are currently missing out) and the rebate should be lifted from $500 to $810 a year.

2. Fix unpaid super

Unpaid superannuation affects one-in-four workers. In 2021-22, $5.1 billion of super went unpaid, with an average underpayment of $1,800 per worker[1]. Each week, a staggering $100m of super never reaches employees' super accounts. This money is owed to them under the law. Low-income workers, including young people in casual employment, women in low-paid industries, and migrant or newly arrived workers, are more likely to have unpaid super – which robs them of crucial retirement savings and compound returns.

SMC recommends

Implement payday super in full and on time with strong legislation. SMC welcomes the Government's commitment to pay super on payday, but draft legislation has yet to materialise. Payday super is set to be introduced in July 2026 and will help stem unpaid super. MYEFO outlined $404.1 million over four years from 2024-25 (and $11.2 million per year ongoing) would be invested to implement payday super reforms. This represents just 2 per cent of the annual cost to workers of unpaid super. SMC anticipates this investment will yield a significant return in stronger compliance, but it needs to be underpinned by meaningful primary legislation to enact payday super as an urgent priority.

Strengthen unpaid super enforcement by setting ambitious ATO targets for proactive recovery, stronger penalties and full use of the ATO's digital capabilities. The ATO must be proactive and set ambitious targets for the recovery of unpaid super, enhance proactive recovery efforts, and impose stronger penalties for non-compliance. SMC welcomes the Government's announcement that it will also redesign the

[1] Link to SMC media release

Superannuation Guarantee charge legislation in line with the move to payday super, with penalties and charges to reflect the serious nature of unpaid or underpaid SG. SMC looks forward to working with the ATO to ensure policy settings support pay day super.

Extend the Fair Entitlements Guarantee to include super in the Fair Entitlements Guarantee scheme, so when businesses go insolvent, workers can be compensated for the super they are legally owed.

3. End age-based discrimination by paying super to all young workers

Although Australia's super system was designed to be universal, not all working Australians have the benefits of our world-class super system. Over 90 per cent of workers under the age of 18 are not required to be paid super because they work less than 30 hours a week for one employer.

This age-based exclusion causes confusion and frustration for both teens and businesses. It’s complex for businesses to track and administer, leading to some young people having super accounts opened and closed multiple times before they turn 18. Removing this exclusion would ensure fairness and equity in the superannuation system, allowing all young workers to benefit from super contributions regardless of their working hours.

Removing the age exclusion would:

- see a typical teenager who works for at least two years benefit from almost $2,200 in their super account by the time they turn 18. This is projected to grow to almost $10,000 (in today’s dollars) at retirement, and
- simplify administration so businesses can better manage superannuation contributions for young workers, ending the need to monitor eligibility.

SMC recommends

The Superannuation Guarantee be extended to all young workers, on every hour worked.

SUPER MEMBERS COUNCIL

Super Policy Priorities

2025

Strengthening Australia's super system

Super now supports millions of everyday Australians to retire with more income, dignity and freedom.

Before Australia's modern super system was created, most people survived on just the age pension in retirement.

Today, nine in ten Australian workers have super – and a typical Australia now reaches retirement with around $200,000. An average 30-year-old today is forecast to have $500,000 as they retire.

Super now pays out twice as much each year in income as the age pension, significantly lifting living standards and cutting costs for taxpayers. The share of Australians who now need to rely on any age pension at all when they turn 67 has fallen from 71% in 2003 to 39% in 2023.

Australia's modern super system was created in 1992 with introduction of the Superannuation Guarantee. It established a minimum, near-universal, employment entitlement to super.

At the heart of the system was a bargain: a portion of workers savings would be set aside for their future, in exchange for a lower tax rate on their retirement savings.

Since then, successive Australian Governments have continued super's evolution, extending its effectiveness and efficiency, making it fairer, and adding greater consumer protections. Successive governments have also remained committed to the system's fundamentals: a compulsory and universal system with savings preserved until retirement.

Through super, everyone shares in the income generated by Australian and global businesses and investments, not just the wealthy. Due to its scale and long-term investment time frames, super has been able to deliver strong investment returns for everyday Australians, create new jobs and build new houses for Australians to buy.

As with all intergenerational policies, super must continue to be strengthened. We must ensure the system is fair, that it is stable, and that it delivers on its promise to Australians. Super is Australians' money for their retirement – they rightly expect and deserve the highest standards of service from their funds and their service providers.

About this document

This document sets out the Super Member Council's key policy priorities to further strengthen the super system and ensure it continues to deliver strong financial security to Australians in retirement.

About the Super Members Council

The Super Members Council (SMC) is a strong voice advocating for more than 11 million Australians with over $1.5 trillion in retirement savings managed by profit-to-member super funds. Our purpose is to protect and advance the interests of super fund members throughout their lives, advocating on their behalf to ensure super policy is stable, effective, and equitable.

SMC produces rigorous research and analysis and works with all Parliamentarians to advocate for good superannuation policy for the betterment of all Australians.

76% of Australians say superannuation helps them feel more confident in their financial wellbeing.

Source: Pyxis survey, July 2024

At a glance: SMC's Super Policy Priorities 2025

No changes to super system fundamentals

1. No changes to the principles of preservation, universality and compulsion, which protect the super of millions of everyday Australians.
2. Fix unpaid super, which costs 2.8 million Australians $5 billion a year.
3. Stick to the promised 2025 rise in the super rate to 12%.

Improve the experiences of super members during work and retirement

4. Help Australians to get an even clearer picture of what their retirement could look like.
5. Let retirees pay super into retirement-phase super accounts.
6. Expand financial advice so Australians can get the retirement information they need.
7. Digitise binding death nominations and standardise death certificate and proof of identity processes, to speed up death benefit payments.
8. Better integrate super funds with key government agencies to speed up hardship applications.

Make super even fairer for everyone

9. End age discrimination by paying super to all workers under age 18.
10. Lift the Low-Income Super Tax Offset so 1.2 million workers on lower incomes get a fairer super tax cut.
11. Reform the law so family violence perpetrators can't inherit their victim's super.
12. Improve equity for Aboriginal and Torres Strait Islander people including by recognising kinship structures and making ID requirements simpler.

About Australia's super system

1

Australians have

$4.1 trillion in retirement savings and growing.

Source: APRA, Nov 2024

2

Age pension expenditure

2.5% GDP in FY2024/25

2% by 2060

This means $500 billion dollars freed up from the federal budget, over the period to 2060.

Source: 2023 Intergenerational Report, SMC analysis

3

Super now pays out **twice** the age pension each year in retirement benefits ($103.6 billion v $54.7 billion)...and growing.

Source: APRA Annual Superannuation Bulletin, June 2023 and Department of Social Services Annual Report 2022–23

4

Employees being paid super has grown from about

30% in the mid 1970s to **90%** today.

Source: Retirement Income Review - Final Report

5

Global leader

Australia has one of the best pension systems in the world – ranking in the top ten out of 47.

1. Netherlands
2. Iceland
3. Denmark
4. Israel
5. Singapore
6. **Australia**
7. Finland
8. Norway
9. Chile
10. Sweden

Source: Mercer CFA Institute Global Pension Index 2024

6

A long-term

investment horizon means patient, long term capital that delivers stronger investment returns for all Australians with super.

7

Today's 30 year olds can expect to have

$500,000 in super at retirement.

Source: SMC modelling

8

In the next five years, super funds are projected to invest a further

$200 billion

in Australian businesses and infrastructure.

Source: SMC analysis

9

Those earning the minimum wage can expect to retire with an income **35% above the age pension** as a result of super contributions during their working life.

Source: SMC modelling

No changes to super system fundamentals

Policy ask 1

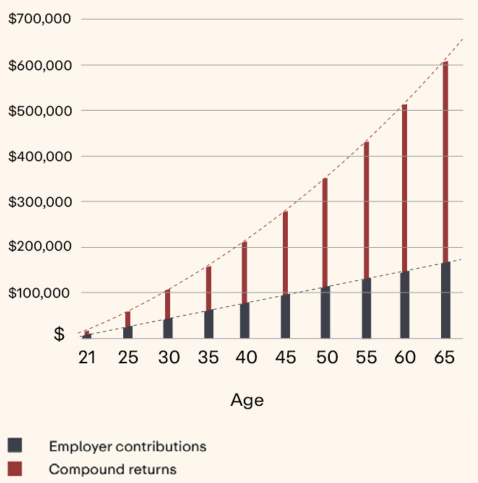
No changes to super's fundamentals: preservation, universality and compulsion.

Three key principles keep super strong for over 17 million Australians. **Universality** ensures all Australian workers build savings for retirement. **Preservation** ensures super stays saved until we reach retirement. And **Compulsion** ensures our retirement savings are paid automatically as a legal right.

Together, these core principles ensure Australians have more savings at retirement, while cutting costs for all taxpayers by reducing reliance on the age pension as our population ages.

Any policy proposals that undermine these principles will undermine Australians' retirement savings, leave Australians poorer in retirement, and hand a large bill to all Australian taxpayers.

The power of preservation means round 3/4 of super at retirement is expected to be from compound returns.



Source: SMC modelling

Case study:

A 30 year old who withdraws $20,000 during the COVID early release scheme, can expect to retire with around $93,000 less in super, with taxpayers picking up the tab for higher pension payments. For every $1 taken out early from super, the taxpayer contributes up to $2.25 extra via the age pension.

Policy ask 2

Fix unpaid super.

Millions of Australians are being short-changed on super – not getting paid some or all their super.

The Australian Government has committed to introduce a payday super scheme, but legislation must be passed to make it a reality.

What needs to happen now?

1. Implement payday super in full and on time, with strong legislation requiring super to be paid on paydays.
2. Strengthen unpaid super enforcement by setting ambitious ATO targets for proactive recovery, stronger penalties and full use of the ATO's digital capabilities.
3. Extend the Fair Entitlements Guarantee to include super in the workers compensation scheme, so when businesses go bankrupt, workers get the super they are legally entitled to.

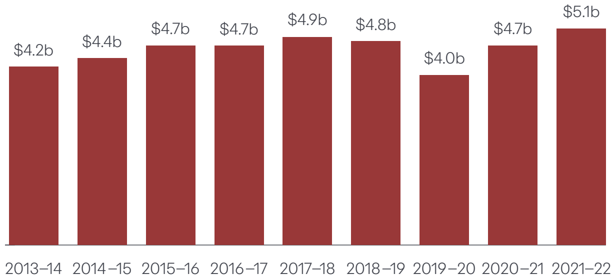


Figure 1. Total amount of unpaid super by financial year.

Source: SMC analysis of ATO 2 per cent sample file, 2013–14 to 2021–22

No changes to super system fundamentals

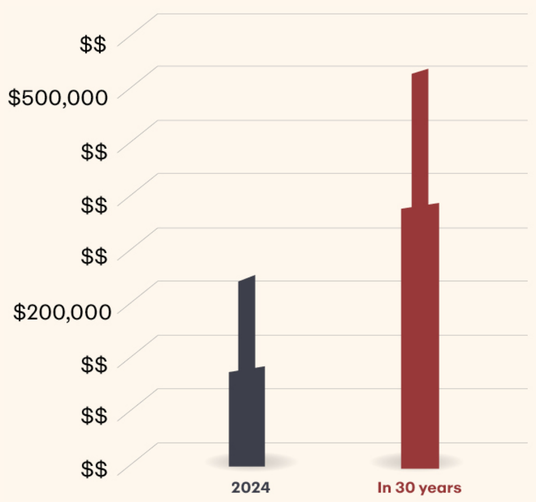
Policy ask 3

Stick to the promised increase in the super rate to 12% by 2025.

The super rate will rise to 12% by 2025, adding further savings to the retirement balances of working Australians who need them most. This rise has already been legislated.

More super saved means less reliance on the age pension, cutting costs for taxpayers.

The median super balance is growing.



Source: SMC analysis of ATO 2 per cent sample file 2021–22 and SMC modelling

78% of Australians say super will be critical to their well-being in retirement[1]. The 2023 Intergenerational Report projects Australian age pension expenditure to decrease from 2.3% of GDP in 2022–23 to 2.0% by 20602. By 2035, Australia will have the lowest public spending on Age Pension by GDP of all 38 advanced economies in the OECD.[3]

1. Pyxis tracking survey, September 2024
2. 2023 Intergenerational Report
3. Pensions at a Glance 2023 Report

Improve the experiences of super members during work and retirement

Policy ask 4

Help Australians to get an even clearer picture of what their retirement could look like.

Planning for retirement is more difficult if Australians can't get a realistic picture of their financial future.

That's why retirement planning tools like simple advice from a super fund and online calculators should be able to factor in individual choices and circumstances.

To help Australians plan with confidence, super funds should be able to help their members know if they will likely get the age pension or other government benefits and ask whether they own or rent a home.

To deliver this, Government agencies should share information on the age pension and other government support payments with super funds.

Finally, super funds should be able to give Australians a retirement income estimate when they want one – not just once a year.

Policy ask 5

Let retirees pay super into retirement-phase super accounts.

Managing super at retirement has been made more complicated by out-of-date rules that stop retirees from paying contributions into their retirement-phase accounts.

Retirees who do occasional paid work while in retirement — a significant proportion of retirees — are forced to have two super accounts: one to accept contributions and one to draw an income.

Making this change would remove duplicate fees for about 100,000 retirees, slashing red tape and save retirees time and hassle.

Policy ask 6

Expand financial advice so Australians can get the retirement information they need.

Super funds are there to help members transition to retirement with simple, affordable and accessible advice.

By passing the planned financial advice reforms, millions of Australians will get more access to simple financial advice, with strong consumer protections.

Australians approaching retirement want more information and advice: 73% of super fund members would trust advice from their super funds if it were specifically tailored to their circumstances.

Source: Pyxis Polling and Insights, October 2024

Improve the experiences of super members during work and in retirement

Policy ask 7

Digitise binding death nominations and standardise death certificate and proof of identify processes, to speed up death benefit payments.

Many insurance and death benefit claims can be relatively straightforward to resolve. However, complex claims – like cases with multiple death benefit claimants, or where a person has a complex relationship history, or when someone leaves no binding death nominations – make the administration of death benefit claims by trustees more difficult and more time consuming.

Two simple improvements could help:

1. Create a simple digital binding death nomination form that would eliminate the need to submit hard copy forms with dual signatures from two witnesses.

2. Ensure all ID documents issued by States and Territories are included in the Government's digital verification service, and that the detail on death certificates is enough to process claims.

Policy ask 8

Better integrate super funds with key government agencies to speed up hardship applications.

Super fund members are only legally allowed to apply for financial hardship payments from super once a year. However, funds only have visibility of payments made from their own fund.

Better integration with the ATO to enable look-through visibility to members' past engagements with the super system would help speed up the early release applications.

Make super fairer

Policy ask 9

End age discrimination by paying super to all workers under age 18.

Over 90% of people under 18 with a job are not required to be paid super because they work less than 30 hours a week. That's a lot of young people missing out and a poor introduction to Australia's world-class super system.

Ending this exclusion would see a typical teenager who works for at least two years benefit from almost $2,200 in their super account by the time they turn 18. This is projected to grow to almost $10,000 (in today's dollars) as they reach retirement age.

It would also make paying super simpler for business, ending the need to monitor eligibility.

Hours per week usually worked, U18s

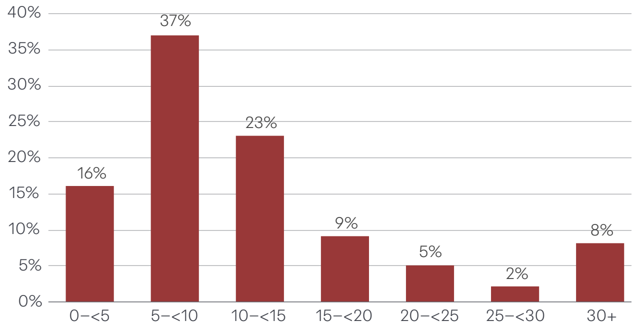


Figure 2. Most U18s work less than 30 hours per week.
Source: HILDA Survey waves 17 to 21.

4. SMC research

Policy ask 10

Lift the Low-Income Super Tax Offset (LISTO) so workers on lower incomes get a fairer super tax cut.

The LISTO was designed to ensure lower-income earners got a fair deal and were not paying too much tax.

But LISTO rules haven't kept up to date with other tax and super changes, so about 1.2 million low-income Australians (60% of whom are women) are not getting the tax benefit originally intended.

Eligibility for the LISTO should be expanded to low-income workers earning $37,000 to $45,000 (who are currently missing out) and the rebate should be lifted from $500 to $810.

Lifting LISTO would mean women in the lowest 20% of wage earners would have an estimated 11% boost in their super balance at retirement[4]. Women currently approach retirement with 25% less super than men.

Policy ask 11

Reform laws so family violence perpetrators can't inherit their victim's super.

Family violence perpetrators can currently inherit their victim's super death benefits, even when they have been convicted of family violence crimes, or in cases where there was a long history of abuse.

Perpetrators should not profit from their crimes. The law needs to be reformed so super fund trustees can withhold death benefits in substantiated cases of family violence – and pay the money instead to the victim's grieving family.

Make super fairer

Policy ask 12

Improve equity for Aboriginal and Torres Strait Islander people including by recognising kinship structures and making ID requirements simpler.

In Aboriginal and Torres Strait Islander communities, kinship systems structure people's relationships, obligations and behaviours towards each other. This includes who will look after children if a parent dies and who will care for the sick and old.

While work continues to eliminate inequality in super, recognising kinship structures would ensure Aboriginal and Torres Strait Islander people's death benefits can be paid in accordance with a person's wishes to their family by kinship, and without incurring a tax penalty.

Making identification requirements simpler and consistent across superannuation would greatly assist Aboriginal and Torres Strait Islander peoples to access their superannuation, insurance and death benefits.

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