SUPER MEMBERS COUNCIL

August 2025

Retirement revolution: Super's coming of age

SUPER MEMBERS COUNCIL

Executive summary

Four decades ago, Australia embarked on a bold social and economic journey to broaden access to superannuation (super) for all working Australians.

This was achieved first through industrial awards and then, in 1992, through the introduction of the groundbreaking Superannuation Guarantee - a legal requirement that employers contribute a minimum percentage of an employee's earnings into a super fund for their retirement.

Before then, most Australian workers relied almost exclusively on the publicly funded Age Pension for their retirement and had little or no exposure to the types of financial assets used by the wealthy to fund their retirement. Access to super was limited to those in a public service or managerial jobs that typically provided post-retirement super benefits.

2025 marks a key milestone in this multi-decade endeavour, with the Super Guarantee now finally reaching its intended level of 12% of wages. But the system still has decades to reach full maturity, given super typically accumulates and compounds over a full working life of 30-40 years.

What is in this report?

This report is the first substantial picture of the trends taking place in Australia's retirement system since the Government's Retirement Income Review in 2020, tracking current and expected dynamics of our retirement system.

It uses first-of-its-kind analysis (see Appendix 1 on page 31) to help us understand the way in which the Super Guarantee is transforming the retirements of everyday workers and the Australian economy, despite the fact the system has decades more to reach full maturity.

It is the first of three major reports SMC will release in 2025 focused on Australia's retirement income system. Subsequent reports in this series will explore the challenges that need to be addressed over the coming years to ensure the system continues to deliver world-class retirement outcomes for all.

Key findings

Tilting the balance in favour of everyday wage earners

The picture this report reveals is that the biggest beneficiaries from Australia's modern super system are not the well off, but rather middle and low-income wage earners. Over the past twenty years, the Super Guarantee has tilted the balance in favour of everyday earners.

- The proportion of new retirees with super has tripled in the second lowest wealth group or quintile[1], and almost doubled in the middle wealth quintile, while barely increasing among the wealthiest.
- The average super balance has more than tripled for the middle wealth quintile, and more than doubled for the second lowest wealth quintile.
- Super incomes have doubled in real terms for the middle wealth quintile – more than five times the rate of the wealthiest quintile.
- The dollar increase in super incomes was higher for the middle and second top wealth quintiles ($400 and $560 a week respectively) than for the top wealth quintile ($310 a week).
- The average income of recent retirees in the middle wealth quintile was 26% higher than the growth in wages between 2002 and 2022, rising from $850 to $1,070 per week.

Super is lasting longer into retirement

As successive cohorts retire with super, the evidence shows this money is lasting longer into their retirement years.

- The total proportion of retirees in their 70s with super income has tripled from just 16% to 49% over the past 22 years.

---

1 This report divides retirees into five equal groups (quintiles) based on their net worth for the purposes of comparison, with the first quintile representing the 20% of retirees with the lowest net worth, while the fifth quintile represents the 20% of retirees with the highest net worth. See the glossary for a full definition.

- The total proportion of retirees in their 80s with super income has doubled from 15% to 30% over the past 22 years.

Building and diversifying wealth for middle and lower wealth households

Prior to the introduction of the Super Guarantee, financial assets including super were concentrated among the wealthiest households – allowing them to exclusively benefit from the ownership of economic capital. The Super Guarantee has seen ownership of assets cascade down the wealth rungs.

- In 1990, financial assets (including super) were concentrated in the top 10% of all households by wealth (making up between 15% and half of their wealth).
- Three decades later, financial assets (including super) have spread to every wealth decile and comprise at least 20% of the wealth of all wealth rungs.
- For recent retirees, the largest percentage increases in wealth occurred in the second, third and fourth wealth quintiles, driven by increases in super.
- Proportionally, the smallest increase in wealth has occurred in the top (fifth) income quintile. In dollar terms the top quintile's increase in wealth was outstripped by the third and fourth quintiles.

Reducing pressure on Age Pension

As the super system has matured, the proportion of household equivalised income derived from the Age Pension has:

- halved for the third (middle) quintile from 52% to 26%, and
- fallen two thirds for the fourth quintile from 24% to 8%.

New modelling by SMC also shows that if there was no super system:

- expenditure on the Age Pension would be $12 billion a year higher than otherwise by 2028.
- there would be over 512,000 more Age Pension recipients.
- the average incomes of Australians aged 67 or older would be $7,600 a year lower by 2028, and
- to provide a similar income to retirees via an increased Age Pension, the additional cost to taxpayers would be $86 billion a year by 2028.

Opportunities to make our retirement system fairer

SMC's latest analysis shows that those on the lowest wealth rungs are not benefitting as much from super as those further up the ladder, for several reasons:

- Less paid work due to disability, health or caring responsibilities.
- Higher costs for those who rent in retirement.
- Some lower income earners have been excluded from super, for example due to the recently abolished $450 income threshold and forms of insecure work that don't pay super.
- Continued underpayment or non-payment of super (unpaid super), which affects 45% of workers earning under $25,000.
- Inadequate tax concessions for low-income earners, including some who pay more tax on their super than on their take-home pay.

This reinforces the ongoing need to update system settings for some groups and ensure the Age Pension and related financial supports deliver a genuine safety net.

The better-than-expected success of the super system and the wealth it is generating for large swathes of the Australian community is alleviating pressure on the Age Pension and will continue to do so. Australia is one of the few OECD countries whose spending on the Age Pension is expected to decrease as a proportion of GDP in decades to come.

This financial boon provides real capacity for future Australian Governments to better financially support those groups who need it most in retirement, such as single renters.

Table of contents

Table of figures

About the Super Members Council

We're a strong voice advocating for the interests of 12 million Australians who have over $1.6 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. We produce rigorous research and analysis and work with Parliamentarians and policy makers across the full breadth of Parliament.

Introduction

Australia's super story is world-class

Growing numbers of Australians are retiring with an economically secure future thanks to super. Older Australians today have higher incomes, on average, than previous generations ever did. Even before compulsory super reaches maturity, it is paying dividends.

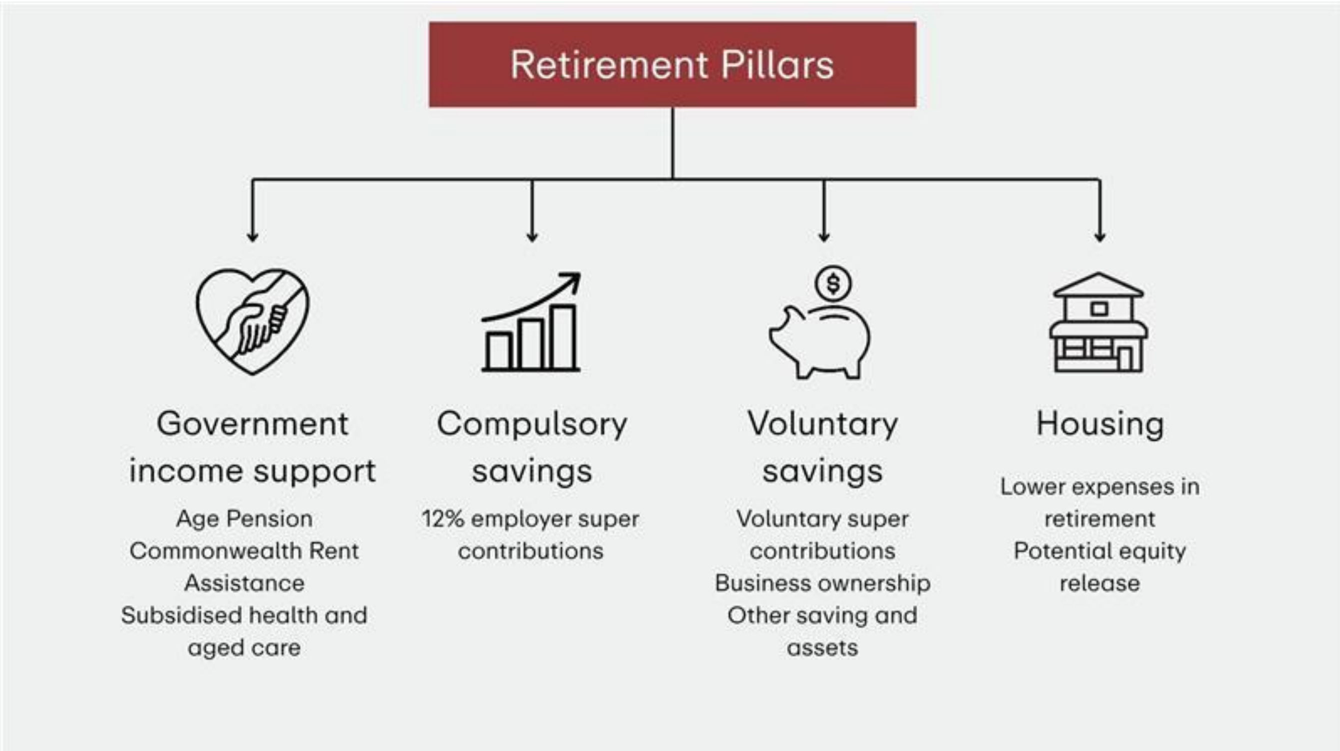
Much of the uplift in retirement incomes today has been driven by Australia's compulsory super system. By 2023, 65% of Australians aged 65-74 had super, compared to only 54% just eight years earlier in 2015.[2] Median balances at retirement have reached $208,000 and are projected to be as high as $530,000 by the early 2060s (in 2025 dollars).[3]

This growth in median balances reflects the super system's journey to maturity. By the mid-2040s, the typical new retiree will have received compulsory super of 9% of earnings or higher for their entire working life. By the mid-2060s, compulsory super will have been 12% for a typical retiree's entire working life.

This report demonstrates how super is transforming Australia's retirement income system, with increasing numbers of Australians accumulating increasingly higher levels of super, resulting in higher retirement incomes that in turn are taking significant fiscal pressure off the Age Pension.

Super is only one part – albeit a critical part – of Australia's retirement system

Australia's retirement income system is based on four *pillars*.



1. **Government income support**, with the Age Pension providing a means-tested regular income to Australians aged 67 or older. The Age Pension acts as a safety net to provide a basic level of income in retirement and to protect against poverty. It is supplemented by other government transfers to eligible retirees, including the Pensioner Concession Card, the Commonwealth Seniors Health Card and Commonwealth Rent Assistance.

---

2 ATO Taxation Statistics, 2022-23 (median super balance for 60-64-year-olds) and ABS National State and Territory Population. (Actual balances for recent retirees, discussed further in this report, may be higher due to differences in the timing of retirement decisions.)

3 Australian Treasury, 2021, Intergenerational Report.

2. **Compulsory super,** which ensures that almost everyone has a pot of savings available when they retire. These savings are preserved for retirement, and from age 60, retirees have flexibility in how they use the money (e.g. withdrawing it as a lump sum amount or drawing it as a regular income stream – or a combination of lump sum and income).

3. **Voluntary savings**, including additional money people have contributed to their super (which receives concessional tax treatment) as well as other forms of saving, such as shares, business investments and investment properties.

4. **Housing**, with older homeowners benefitting from security of tenure and lower living expenses because they do not have to pay for rent or mortgage repayments (although these benefits risk being eroded by growing numbers of people retiring with large outstanding mortgages, and by falling homeownership rates for successive generations). Homeowners also have the potential to access housing equity during retirement. However, the historical assumption that most retirees will own their home outright is coming under increasing pressure, with falling homeownership rates at younger ages and increasing economic insecurity for retired renters.[4]

Government support will always be an essential part of our retirement system

This report confirms the ongoing importance of government income support for low-income households, and the critical role it will continue to play in the future.

The ongoing need for some government support and its cost is not a design failure but rather an intended feature of the system. Super is a work entitlement, so for those for whom work is intermittent, unpaid, or lower paid, government support will continue to provide an important safety net.

Managing a retirement income system that continues to challenge and change

Despite increases in average retirement incomes and super balances to date, the benefits of super today are not as evenly shared as they could be. Some groups are enjoying very high retirement incomes, while others face elevated risks of poverty in retirement - especially people with little or no super, which is typically associated with lower rates of employment and income. These challenges can and will continue to be addressed through further reforms that strengthen the system and close the gaps.

Over coming years, the retirement income system will also continue to evolve and face other internal and external pressures. It will be shaped by regulatory changes, including implementation of the Government's financial advice reforms and its package of measures for the retirement phase of super, including best-practice principles for super funds.[5] Further challenges will arise in the external environment, including evolving macroeconomic risks such international trade wars, climate change and uncertainty about future growth and inflation - and the impacts these will have on investment returns. The coming years will also see growing numbers of Australians entering retirement. They will be retiring with higher levels of retirement savings than previous generations.

Future reports in this retirement series will explore the implications of some of these coming changes, for government, super trustees and other actors like regulators, who help people manage their incomes in retirement. Future reports will also put more focus on the equity of retirement incomes in the long term under current policy settings.

---

4 Grattan Institute, 2025, Renting in retirement: Why Rent Assistance needs to rise.

5 Australian Treasury, 2024, Improving the retirement phase of superannuation.

1. Super coverage at near universal levels

Compulsory super is enabling many lower- and middle-income Australians to benefit from a dedicated savings pot, the power of compound investment earnings, and a more economically secure retirement.

The growth of super coverage across the Australian population has occurred rapidly, thanks to legislated increases in compulsory super (the ‘Super Guarantee’).

In the early 1980s, only about 24% of people aged 15 and over had super.[6] In 1985, the second iteration of the government-union Accords created the design of modern super as a wage trade off. In 1986, super was recognised by the High Court as an industrial matter and became part of industrial awards.

Following failed industrial action to lift award super from 3%, the Keating Government passed legislation in 1992 that extended compulsory super to most employees. By the following year, 51% of people had super[7] and the proportion has grown to almost 90% today.[8]

Greater super coverage means more Australians retiring with super (Figure 1). The share of retirees aged 60-69 with super rose to 67% in 2022, up from 46% in 2002. Much of the growth has been in the middle of the distribution.

For example:

– The share of recent retirees with super in the second quintile has tripled (from 17% to 55%)
– The share of recent retirees with super in the third quintile has increased by three-quarters (from 47% to 82%)
– The share of recent retirees with super in the fourth quintile has increased by over a quarter (from 71% to 91%).

By comparison, the wealthiest 20% of recent retirees (the fifth quintile) have had high rates of super coverage for a long time, with many having access to defined benefit arrangements and other generous employer-provided schemes which pre-dated the Super Guarantee. Typically, these schemes were offered to public servants and employees in large corporations, although many have since been closed to new members.

At the other end of the distribution, very few people in the poorest 20% of recent retirees (the first quintile) have super or did in the past. This is not a failure of the system but reflects limited participation in the paid workforce over their lives, as discussed further below.

---

6 ABS, 1982, Superannuation, Australia, September to November 1982.

7 ABS, 1995, Among those aged between 15 to 74: Australian Social Trends 1995.

8 ATO, Taxation Statistics 2021-22, Individuals Table 23 and ABS population data. (Aged 15-74).

Figure 1: Proportion of recent retirees with super by wealth quintile

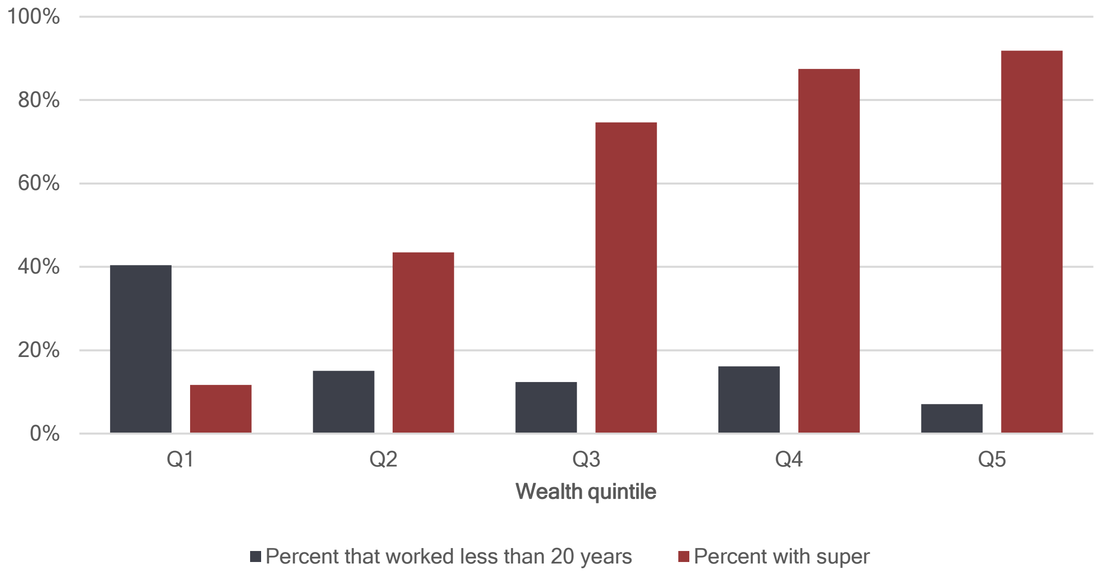
Source: SMC analysis of HILDA General Release 23.
Note: “With super” is defined as receiving household super income and/or having a positive household super balance.

Super in retirement is closely linked to lifetime participation in paid work

Retirees in the higher wealth quintiles are much more likely to have super than those in the lower wealth quintiles. Labour force attachment can explain much of this difference. Those in the first (bottom) wealth quintile are substantially more likely to have spent limited periods in paid work prior to retirement, with 40% having spent less than 20 years in the workforce prior to retirement compared to between 7 and 16% for higher wealth quintiles (see Figure 2).

On average, 93% of retirees in the top (fifth) quintile spent at least 20 years in the paid workforce, with an average of 37 years of workforce participation. By comparison, the bottom (first) quintile averaged just 22 years of workforce participation.

Figure 2: Lifetime workforce participation and super access levels for recent retirees in 2022



Source: SMC analysis of HILDA General Release 23.

Greater levels of workforce participation are also associated with higher average super balances for individuals, and higher amounts of household equivalised income from super (see Table 1).

However, the first wealth quintile in particular shows a stark disconnect between super coverage and lifetime workforce participation. This could reflect that some people in these quintiles may have spent most of their time in the workforce prior to the introduction of the Super Guarantee in 1992, or that they retired with smaller balances which were quickly depleted once they retired.

But the lower rates of super coverage (and lower accumulated balances) will also reflect that lower income earners have historically faced greater barriers to accumulating super due to the recently abolished $450 monthly threshold for the Super Guarantee. This threshold was estimated to affect about 300,000 people in July 2019[9], although in earlier years it would have affected more people as the threshold was not indexed to inflation.

Lower-income earners are also most affected by unpaid and underpaid super, with a staggering 45% of workers earning under $25,000 being underpaid in 2022-23[10]. The prevalence of unpaid super among lower income earners is around two thirds more than that of the overall SG-eligible population - reinforcing the urgent need for the implementation of payday super reforms due to commence from 1 July 2026.

9 Australian Treasury, 2020, Retirement Income Review.

10 Super Members Council, 2024, Fixing unpaid super: Making super fairer for workers and employers alike (p. 6).

Table 1: Average years of workforce participation and super outcomes, retirees aged 60-69, 2022

	Household wealth quintile				
Quintile	1st	2nd	3rd	4th	5th
Percentage of people who worked < 20 years	40%	15%	12%	16%	7%
Percentage of people with own super	12%	43%	75%	87%	92%
Average individual super balance	$17,900	$110,700	$336,800	$545,300	$1,144,900
Average household equivalised income from super (weekly)	$42	$200	$743	$1,255	$1,780

Source: SMC analysis of HILDA General Release 23.
Note: Average individual super balance presented in this table excludes those with zero balance.

Notwithstanding the urgent need to close gaps in super coverage and compliance with the Super Guarantee, it is not surprising people with marginal or episodic labour force participation will accrue less super. Super is paid as a percentage of a person's labour income which is saved for retirement, which enables many to maintain or to approximate their standard of living when they retire.

2. Super balances already reaching life-changing levels

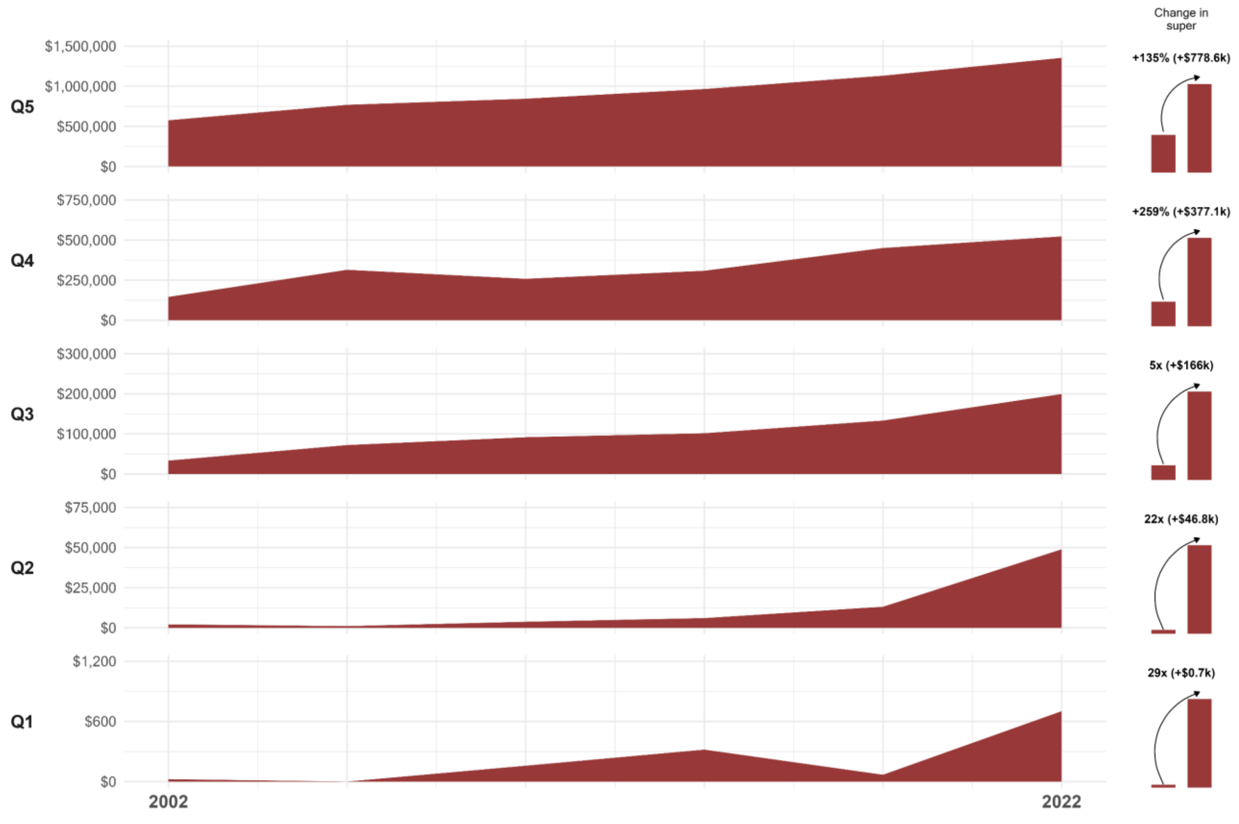
Super balances have grown dramatically over time, driven largely by the increasing rate of the Super Guarantee.

When it was introduced in the early 1990s, the Super Guarantee was just 3% of earnings for most employees. In then gradually increased to 9% of earnings by 2002. Starting in 2013, it then gradually increased further, interrupted by policy decisions to freeze the rate, but reaching 12% on 1 July 2025.

Among recent retirees (those aged 60-69), people in the wealthiest (fifth) quintile have seen some of the greatest absolute growth in super balances (see Figure 3). However, in percentage terms, balances have risen much faster in the middle of the distribution.

Among people in the second and third quintiles, the proportion who have super (or who have a partner with super) has increased many-fold since the early 2000s. Since 2002, average balances have increased 5 times for the third quintile of recent retirees (to $200,000) and 2.6 times for the fourth quintile (to $523,000) compared to just 1.4 times for the fifth quintile (to $1.4 million). People in the second quintile experienced the largest proportionate growth with average balances increasing 22 times to $49,000 (although off a very low base), aside from the first quintile for which increases have been minimal in absolute terms.

Figure 3: Average super balances for recent retirees by wealth quintile

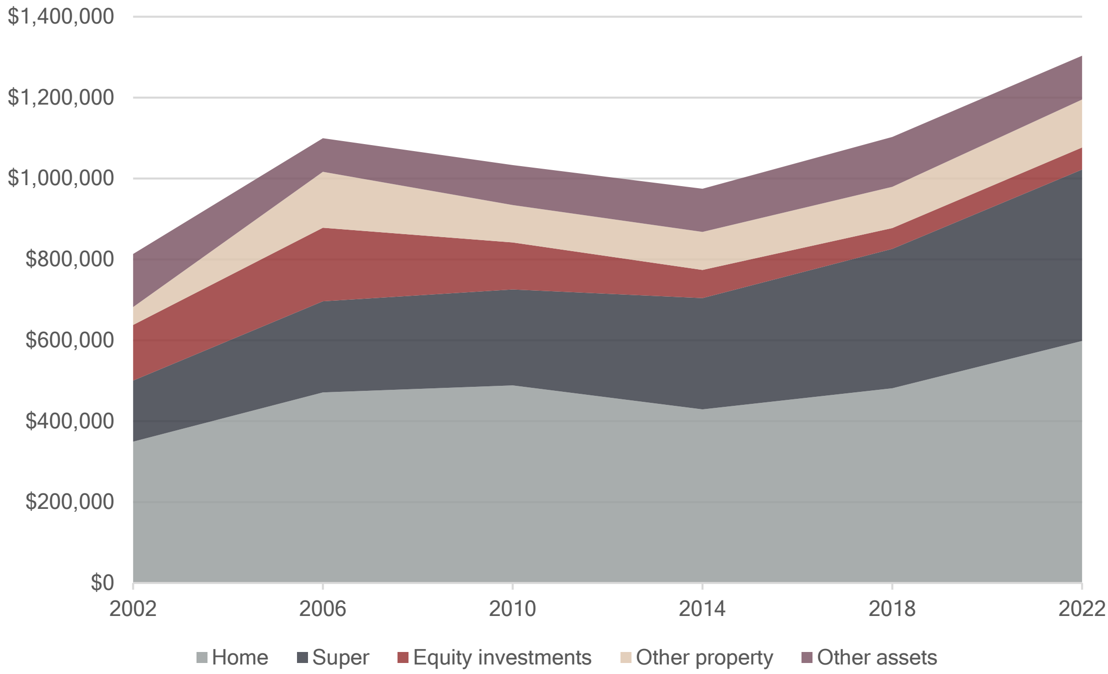


Source: SMC analysis of HILDA General Release 23. **Note**: Average includes people with zero balances.

This growth in balances clearly shows the growing and maturing super system. In 2002, most recent retirees would have spent very few years covered by the Super Guarantee and even then, the level would have been at its starting rate of 3% of earnings. Since then, more people have been retiring with greater super coverage and at gradually higher rates of earnings.

Growing super balances also means that super is becoming a bigger component of aggregate wealth among retired households. As of 2022, it comprised a third of aggregate wealth among all retired households - second only to owner-occupied property (see Figure 4).

Figure 4: Average assets of recent retirees



Source: SMC analysis of HILDA General Release 23.

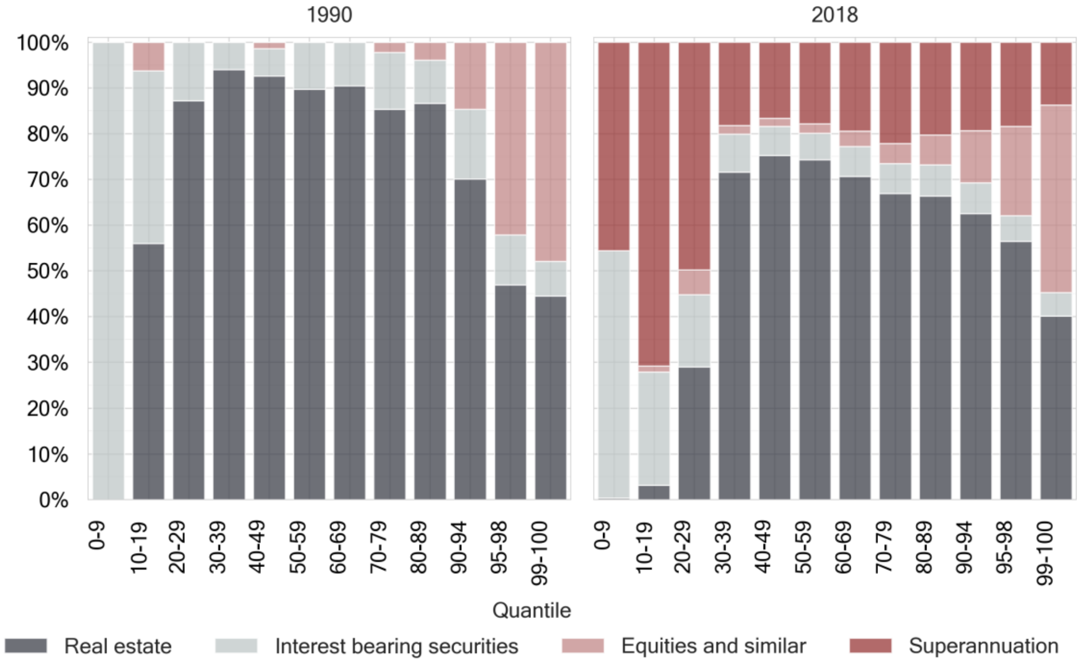
Super is increasing wealth among middle and lower wealth households

While wealth remains skewed, the structure of household wealth has changed significantly since the introduction of the Super Guarantee.

Figure 5 shows the composition of wealth for households of all ages in 1990 and almost thirty years later in 2018. Prior to the introduction of the Super Guarantee, financial assets were concentrated in the top decile of households by wealth – providing asset diversification and exposure to capital market returns for this group.

Thirty years later, super has resulted in financial assets forming part of the household balance sheet of all lower wealth deciles which will provide sources of income other than labour earnings (in retirement) and over time will act to reduce wealth inequalities.

Figure 5: Composition of household wealth by wealth decile

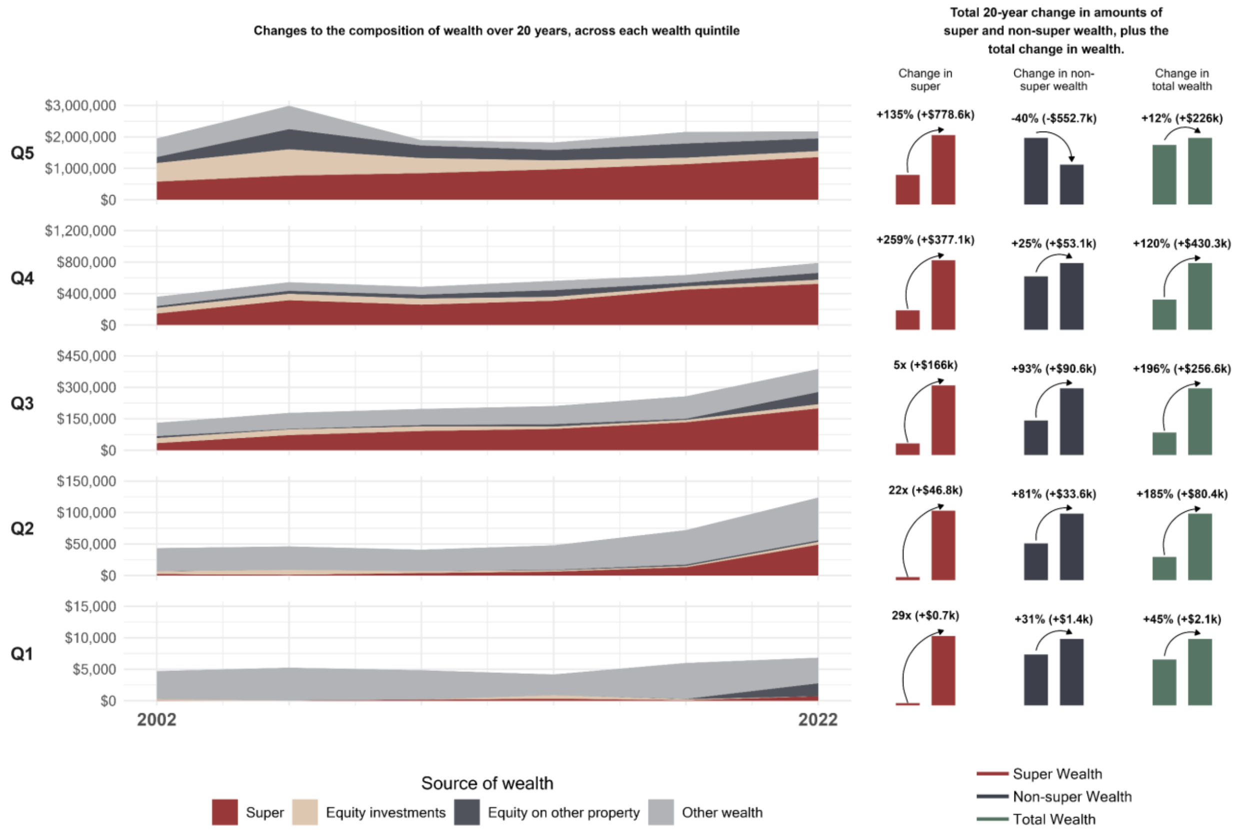


Source: ABS IDS microdata (cited in Bacon 1995, RIM Group Treasury); ABS 2017-18 Survey of Income and Housing.

Turning to trends in wealth of recent retirees, significant changes can be observed over the past two decades (see Figure 6).

Recent retirees in the bottom wealth quintile had non-housing net wealth of just $6,800 on average in 2022. By comparison, recent retirees in the third quartile had over 50 times as much ($388,000) on average and those in the top quintile had over 300 times as much (exceeding $2 million). The differences between these quintiles would be even greater if owner-occupied property was included.

Figure 6: Average wealth of recent retirees by wealth quintile



Source: SMC analysis of HILDA General Release 23.

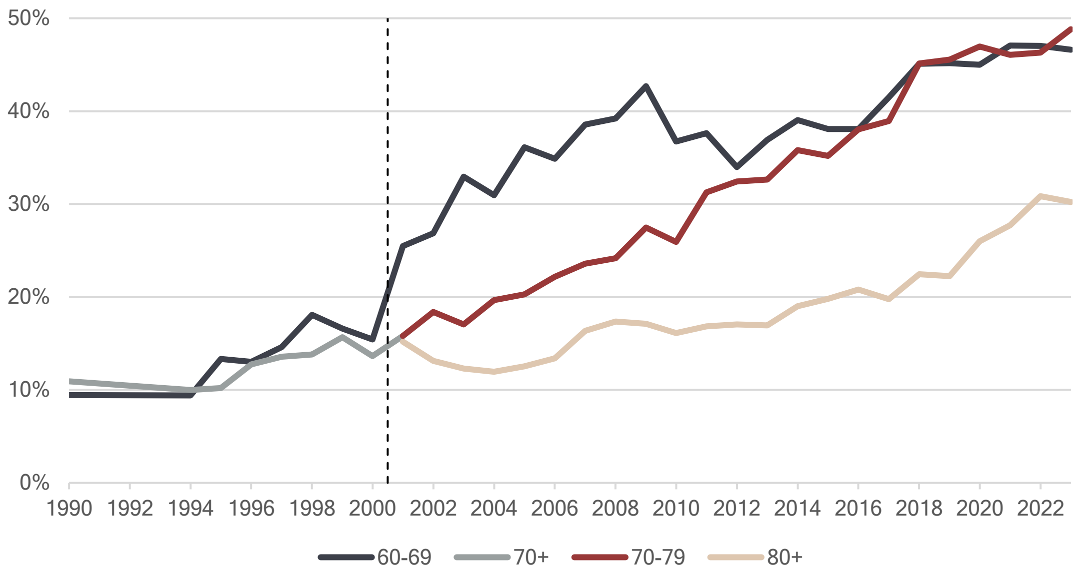
Most of the growth in non-housing wealth in the two decades to 2022 has been in the middle of the distribution. While average wealth in the bottom quintile has increased by 45% and wealth in the top quintile has increased by 12%, growth has been much higher in the middle of the distribution. Wealth levels more than doubled for recent retirees in the fourth quintile (a 120% increase) and nearly tripled for recent retirees in the second and third quintiles (a 185% and 196% increase, respectively).

Much of the increase in wealth in the second, third and fourth quintiles has been due to the maturing super system, as explained in the next section.

3. Super retirement incomes are steadily increasing

Following from the increase in coverage and average super balances, the share of retirees receiving income from super has been steadily increasing across all retiree age cohorts. Just under half of retirees aged in their 60s and 70s are now receiving some kind of income from their super, with the share of retirees in their 60s receiving super income quadrupling compared to the early 1990s and doubling since the early 2000s (see Figure 7). There has also been considerable growth in the share of people aged 80 or older with super - indicating that for people with super at retirement, their super is now lasting much longer.

Figure 7: Proportion of retirees receiving income from super



Source: SMC analysis of HILDA General Release 23. ABS Survey of Income and Housing releases 1990 to 1999-2000.
Note: Super income prior to 2001 is derived from the ABS Survey of Income and Housing which excludes lump sum payments.

Super is increasing incomes for middle and lower wealth retiree households

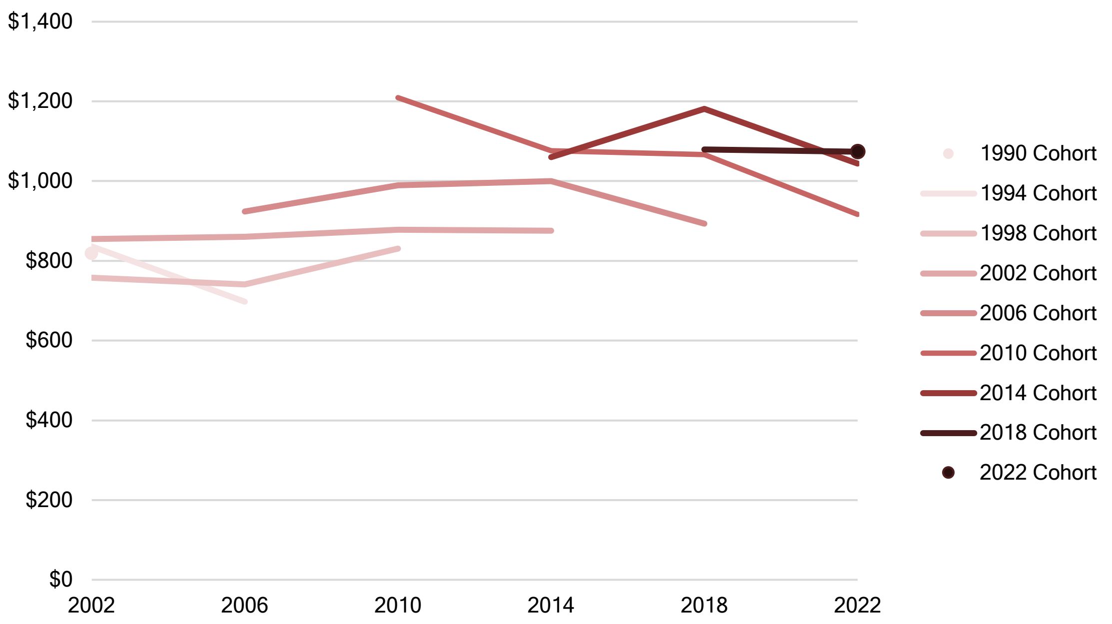
Over time, increases in coverage and the rate of Super Guarantee and resulting balances are transforming the incomes of each successive cohort of new retirees. The growth in incomes of typical retirees entering retirement is growing rapidly and is eclipsing growth in average wages in the economy.

Figure 8 below shows how incomes have changed over time for cohorts of retirees around the middle of the wealth distribution. Each line shows the evolution of incomes over a period of up to 12 years (i.e. until age 72-81) for a specific year cohort of retirees.[11] This includes income from super, government income support such as the Age Pension, and other sources.

The striking feature of the analysis is the stronger income position of each succesive retiree cohort. Once each cohort enters retirement, their incomes have generally kept pace with wage growth.

[11] Only retirees are shown in the chart. People who retire at older ages (i.e. after age 70) are included in the later years for each cohort.

Figure 8: Average weekly incomes for recent middle wealth retirees by age cohort

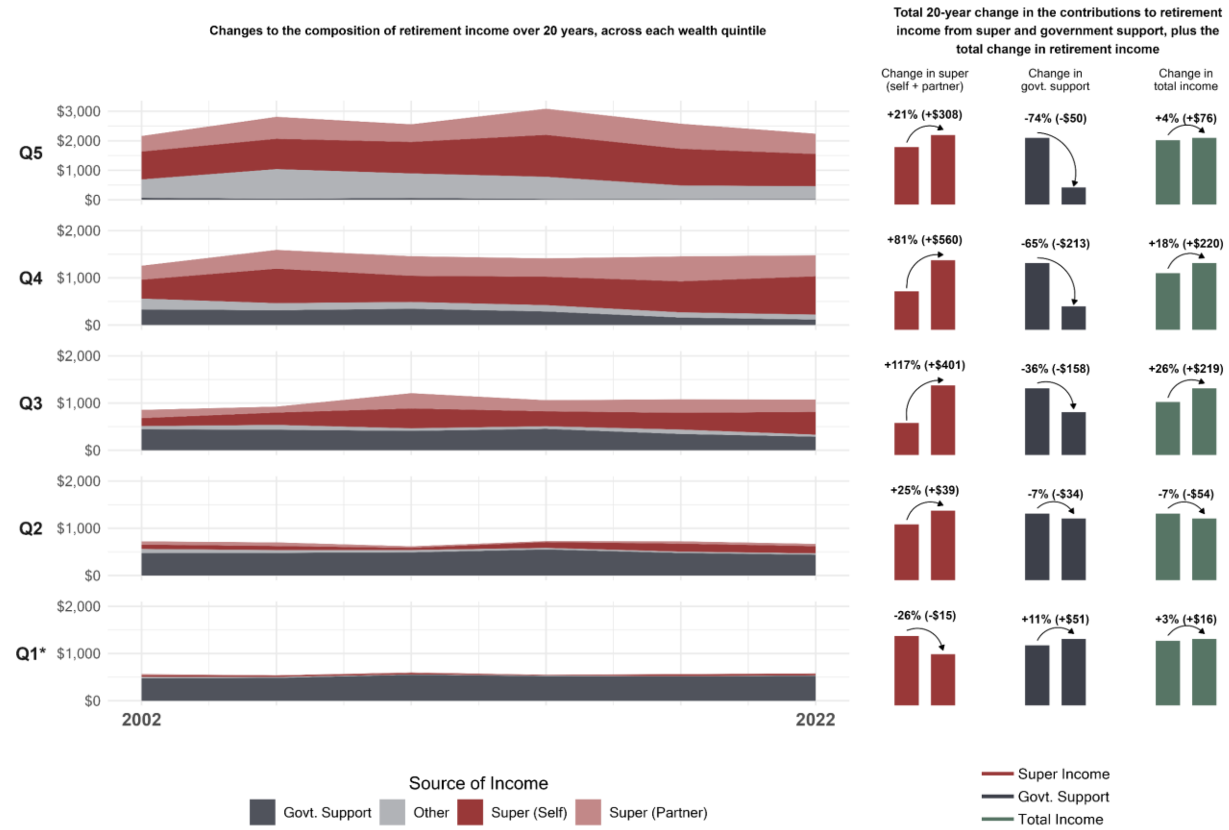


Source: SMC analysis of HILDA General Release 23.
Note: "Cohort" refers to retirees aged 60-69 in the referenced year. Average is the mean income of the middle-wealth quintile of that age cohort. While these outcomes are typical of many retirees, there are different trends across the wealth distribution (see Figure 9 below).

Since the early 2000s, retirement incomes have been broadly steady for people in the bottom two quintiles after adjusting for wages growth - and have moved up and down for people in the top quintile. The strongest growth has been experienced in the middle of the distribution, where average incomes for people in the third quintile increased by 26% between 2002 and 2022 in wage-adjusted terms.

Figure 9 below shows the changing composition of retirement incomes for recent retirees in each wealth quintile. Although people in the bottom quintile remain largely reliant on government income support, and those in the top quintile have long enjoyed high incomes from super and other non-government sources, there has been significant growth in super among the middle quintiles. Super is transforming the retirement living standards of middle Australia.

Figure 9: Average weekly incomes for recent retirees by wealth quintile



Source: SMC analysis of HILDA General Release 23.
Note: By definition, those in lower wealth quintiles are less likely to have super. In this data, the number of participants with super income in the first wealth quintile in 2002 is very small so is unlikely to be representative of the true underlying population. As a result, the change in average super income from 2002-2022 is also unlikely to be representative. However, we have included the results from this quintile for completeness.

In 2022, recent retirees in the poorest 20% of the wealth distribution (i.e. those in the first quintile) had average incomes of just $580 a week, which is around the same level as the full Age Pension. People in the second quintile had incomes about 16% higher, at $670 a week.

Recent retirees in the third quintile have average pre-tax incomes of $1,070 a week, which is 77% of the median weekly earnings of all employees of $1,389.[12] Average incomes in the fourth and fifth quintiles exceed this benchmark.

Recent retirees in the fourth quintile had average incomes of $1,480 a week, which places them just below average weekly earnings for the working-age population ($1,510 a week). And the wealthiest retirees, those in the fifth quintile, enjoyed incomes of about $2,240 a week on average. This is well above average weekly earnings and over four times the average incomes of retirees in the first quintile - and four times the level of full Age Pension.

For retirees aged 60-69 today, those with super savings generally derive most of their retirement income from that source. Super makes up an average of 62% of household income across all recent retirees with super, comprising the clear bulk of income for those in the third and fourth quintiles (76% and 88% respectively).

Super makes up only 43% of income among people in the second quintile who have super (reflecting much smaller average balances) and 80% of income among people in the top quintile (reflecting greater access to other forms of savings and income).

The share of super in household incomes has also been growing over time, again most notably for retirees around the middle of the wealth distribution (the third and fourth quintiles). This reflects the growing rates of super coverage and balances for these groups shown earlier.

[12] ABS, Employee Earnings and Hours Australia May 2021, adjusted to 2025 dollars using AWE.

Over the 20 years to 2022, the amount of income provided by super has more than doubled (increased by 117%) on average for recent retirees in the third quintile, to $740 per week. It has almost doubled (up by 81%) on average for recent retirees in the fourth quintile, to $1,250 per week. These are much greater increases than experienced by recent retirees in the fifth quintile (up just 21%).[13]

At the same time, reliance on government income support has fallen among the third and fourth quintiles. The implications of the growing super system for the Age Pension are discussed later in this report.

13 These data are, however, limited in their reliability because of small sample sizes for the second quintile in 2002.

4. Super system still maturing and benefits still growing

Retirement balances and incomes will continue to grow as the super system approaches maturity - that is, when all new retirees will have spent their entire working life covered by a material rate of compulsory super.

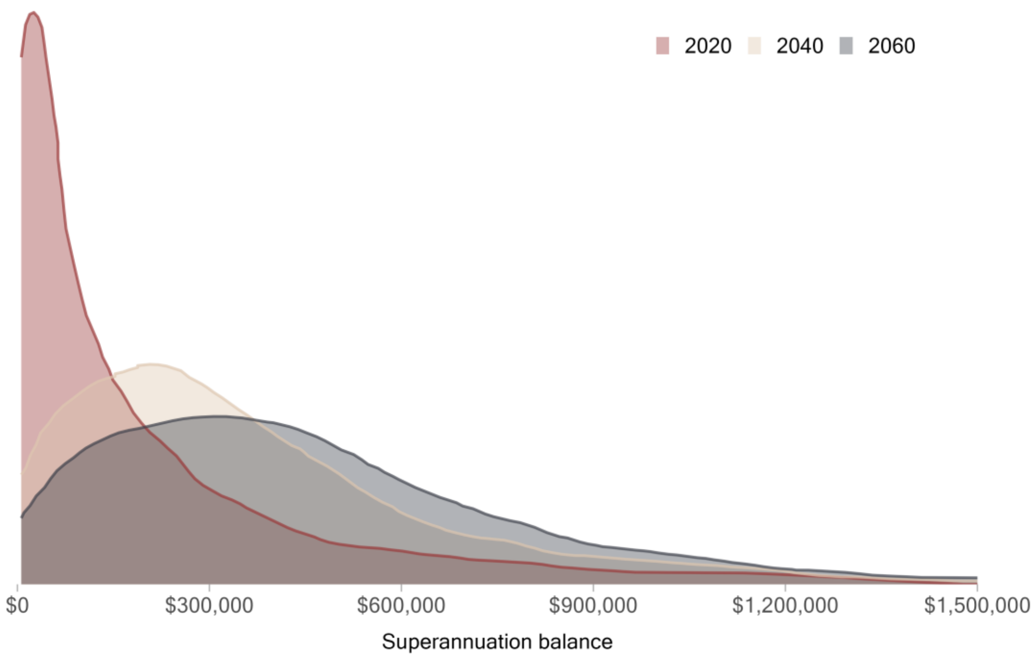
For people who start work aged 20, retire at age 65 and take no workforce breaks:

– **those retiring today** will have benefitted from compulsory super for three-quarters of their working life, and an SG rate of at least 9% for half of their working life.
– **those retiring in the early 2040s** will have had Super Guarantee contributions of at least 9% for almost all of their working life, and a rate of 12% for about half their working life.
– **those retiring in the mid-2060s** will have had Super Guarantee contributions of 12% close to all of their entire working life.

Not everyone will have been paid super for their entire working life, as many people will take breaks from the paid workforce (e.g. to raise children, care for family members, or study). Many will experience periods of unemployment and illness. Even so, in the future, most people will have accumulated significantly more super compared to previous generations.

According to Treasury projections, the median super balance at retirement will increase from about $125,000 in 2021 to $460,000 in 2061.[14] Over the 40 year period, the share of people with retirement balances below $250,000 is expected to fall from 68% to 24%, while the share with balances of $500,000 or more is expected to increase from 17% to 45% (Figure 10).

Figure 10: Projected distribution of super balances at retirement



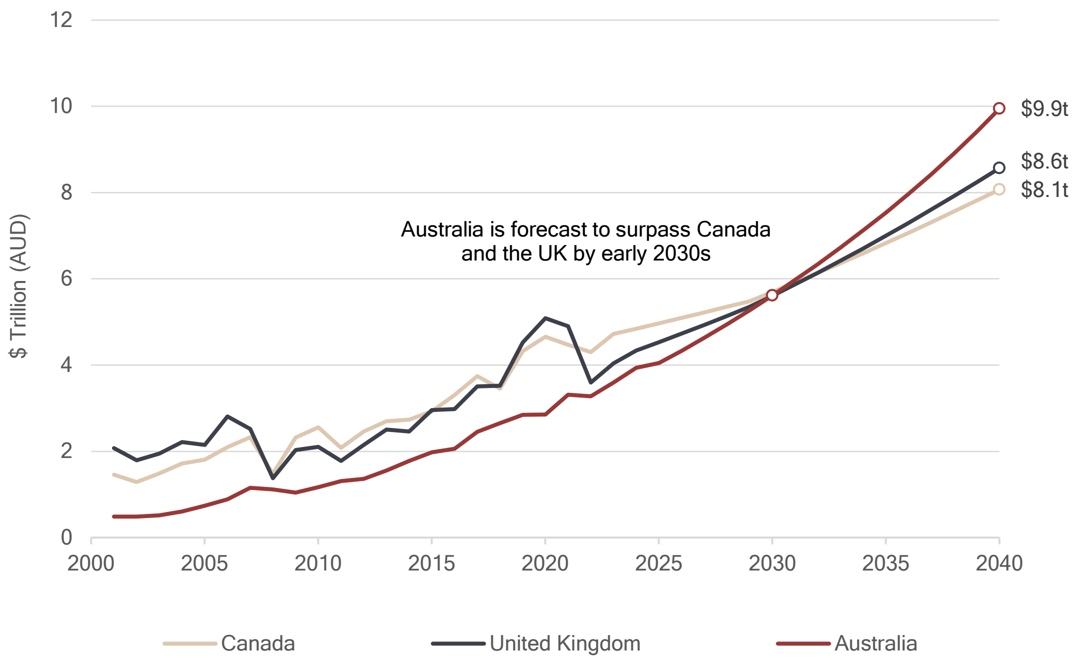
Source: Retirement Income Review, 2020, p 246.

By the time the system matures, Australia will have one of the largest pools of retirement savings globally. As of 2025, Australia already ranks fourth, behind the United States, Canada, and the United Kingdom. By around 2030, on current trends Australia will have overtaken Canada and the United Kingdom to become the second-largest system in the world.[15] SMC projects that Australia's super system will grow from $4.0 trillion today to around $5.6 trillion in 2030, and to $9.9 trillion in 2040.

14 Australian Treasury, 2021, Intergenerational Report.

15 Super Members Council, 2025, Global Pension Rankings - Research Note.

Figure 11: Global pension rankings



Source: SMC Analysis, OECD Pension Markets in Focus 2024, APRA Annual Bulletin June 2024, ATO SMSF quarterly statistical report September 2024, Superannuation Pensions Retirement Outcomes SPROUT Model.

The super system will be maturing while Australia's population ages, with significant growth in the number of older Australians. The number of Australians aged 65 or older is expected to increase by 50% of the next 20 years, and to almost double over the next 40 years.[16] By the mid-2060s, almost a quarter of the population will be aged 65 or older, compared to just under a fifth today.

The combination of these trends means more people and more dollars in the retirement phase of super. Treasury estimates that 2.5 million people will be entering the pension phase of super over the next 10 years alone.[17] The share of super assets invested in the retirement phase is expected to increase from about 23% today to 26% over the next 20 years and will be worth about 45% of GDP.[18]

With most of the Baby Boomer generation now in retirement, unprecedented levels of super are being withdrawn to provide retirement incomes. Across the system, super benefits reached over $162 billion in 2023-24, including $86.6 billion in lump sum benefits and $75.7 billion in pension benefits[19]. The amount drawn from super each year (as a proportion of GDP) is expected to increase by almost 50% over the next 20 years, reaching 4% of GDP.[20] This will have wide-ranging implications for super funds' investment strategies and liquidity management, as well as putting increasing demands on super funds' administration, customer service and advice functions.

---

16 ABS, 2023, population projections, Medium series, Australia. Figures are for 2025, 2045 and 2065.

17 Australian Treasury, 2023, Retirement phase of superannuation - Discussion paper.

18 Australian Treasury, 2023, Intergenerational Report.

19 APRA Annual Superannuation Bulletin 2024, figures as reported (no adjustments for AWE).

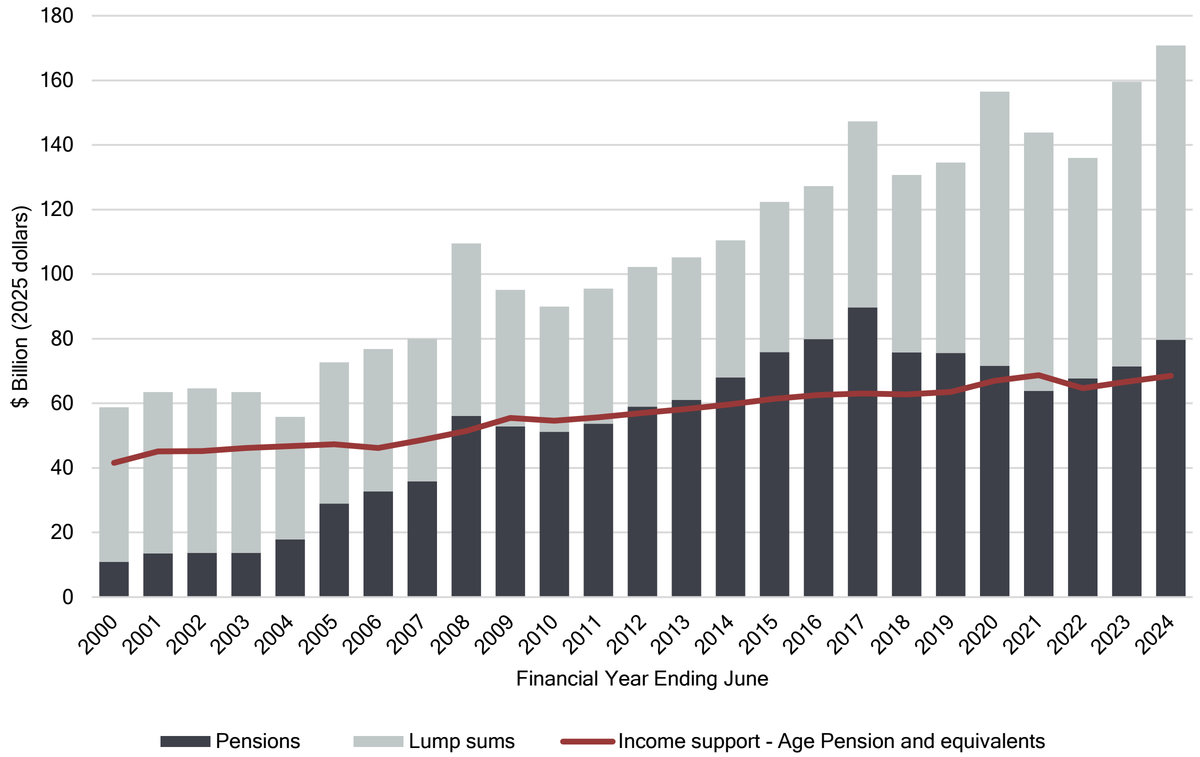
20 Australian Treasury, 2023, Intergenerational Report (p. 166).

5.Super taking pressure off the Age Pension

One of the primary objectives of compulsory super is to reduce the fiscal pressure on the public Age Pension.[21] As the super system has grown since 1992, the share of older Australians reliant on the Age Pension for most of their income has declined significantly. Today, just over half (53%) of Australians aged 65 or older rely on government support as their main source of personal income[22] - down from almost three quarters (71%) of people aged 65 or older in 2003.[23]

Among people who have retired in the last five years, just 28% rely mainly on government income support.[24] Figure 12 below demonstrates a strong trend in super benefits, with total aggregate benefits growing rapidly while growth in the Age Pension remains subdued. Today, retirement benefits from the super system outweigh Age Pension payments by a factor of around two and a half to one, with regular super pension phase benefits alone now eclipsing Age Pension and related income support for the aged. The Age Pension remains significant, however, particularly for more vulnerable retirees – aligned to its purpose as a safety net.

Figure 12: Total superannuation benefits and Age Pension payments, 1999-00 to 2023-24



Source: Department of Social Services, Department of Veterans' Affairs, APRA
Note: Values are presented in 2025-equivalent dollars using AWE to inflate historic values.

The Age Pension remains a crucial safety net for lower-wealth retirees

Government income support remains an essential part of retirement incomes and a vital safety net for households with low levels of wealth in retirement. For many older households, this support takes the form of the Age Pension and, for renters, Commonwealth Rent Assistance. A smaller proportion of households receive other forms of government support, such as carer payments and disability and service pensions. A significant number also receive significant healthcare subsidies through the Pensioner Concession Card and Commonwealth Seniors Health Card.

---

21 Statement by the Hon Brian Howe MP, Minister for Social Security, 1989, Better Incomes: Retirement Incomes Policy into the Next Century.

22 ABS, Survey of Disability, Ageing and Carers, table 30.3.

23 ABS, Household Income and Income Distribution, Cat. No. 6523.0, 2003.

24 ABS, Retirement and Retirement Intentions 2022-23, table 6.

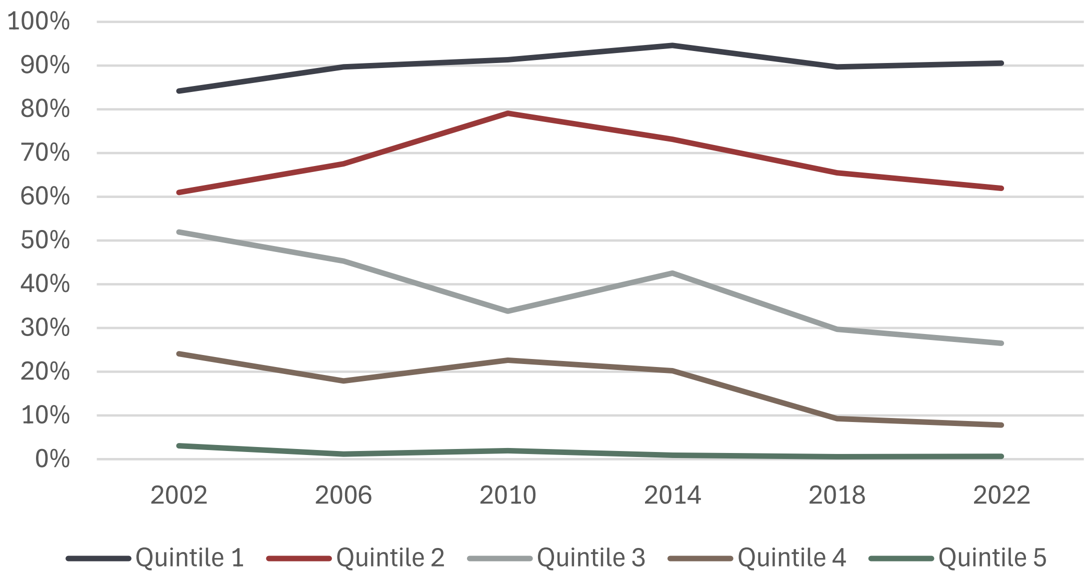
When compulsory super was introduced, government support was envisioned to remain a fundamental component of the retirement income system, acknowledging the limitations of super as a wage-linked benefit. Compulsory super was intended to raise retirement incomes for wage earners and reduce their reliance on the Age Pension over time. From the outset, there was a recognition by policymakers that super would not provide income for everyone and that the Age Pension would continue to be an important safety net.[25]

People who retire with lower levels of wealth rely heavily on the Age Pension, and this has not changed much over the past two decades (see Figure 13). It demonstrates the ongoing importance of government transfers for the financial security of retirees, which will continue into the future.

Few recent retirees in the lowest (first) wealth quintile have any super, which reflects limited workforce participation over their lives as well as outdated exclusions from SG coverage and persistence of unpaid super among low-income earners. As noted above, people in this quintile have typically spent less time in the paid workforce than those who retire with higher wealth and super balances.

The Age Pension also remains a significant source of income for people in the second quintile overall. Even among households with super, the Age Pension makes up more than half of total income.

Figure 13: Average share of income that is government income support for recent retirees by wealth quintile



Source: SMC analysis of HILDA General Release 23.
Note: Mean percentage of equivalised household income that is government income support.

The Age Pension also makes up a material portion of average incomes in the third and fourth quintile, although since 2002 it has declined from about half to a quarter of average incomes in the third quintile, and from about a quarter to one-twelfth of average incomes in the fourth quintile. This reflects how super is relieving pressure on the Age Pension.

Age Pension reliance will continue to decline

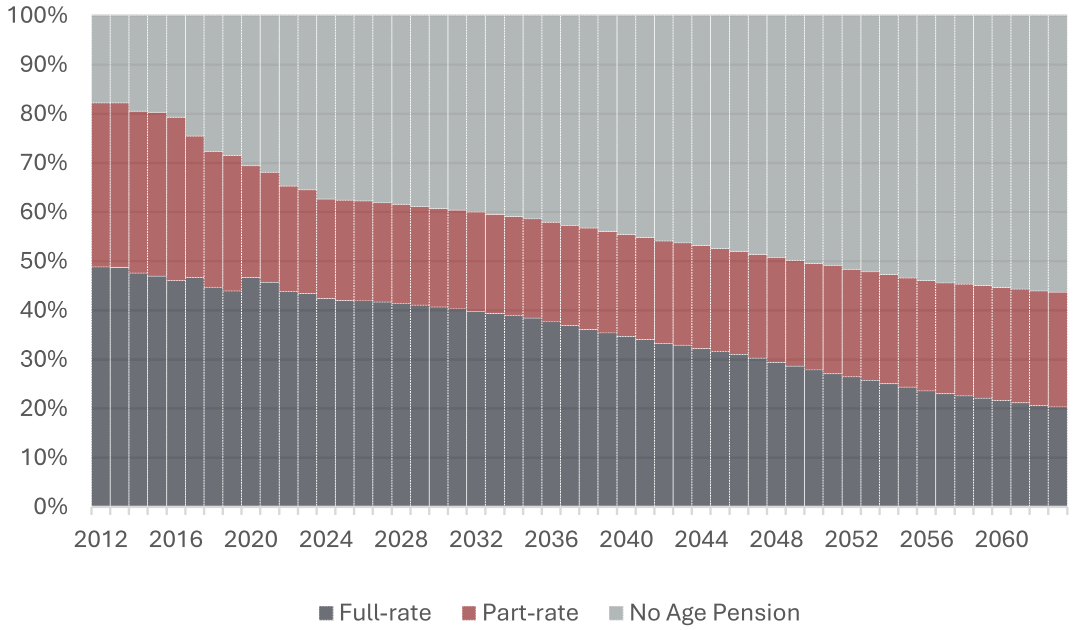
Growing super balances mean that future generations of retirees will be much less reliant on government income support. Treasury projections show that the share of people aged 67 or older who receive the Age Pension will decline from just under two-thirds (63%) today to just over half (54%) in 20 years from now, when the super system is closer to maturity (see Figure 14).

This masks a much steeper decline in the share of people receiving the full-rate Age Pension and a modest increase in the share receiving a part Age Pension, in a continuation of recent trends. By the mid-2040s, half of Age Pension recipients are expected to be part pensioners, up from two in five today.

25 Statement by the Hon Brian Howe MP, Minister for Social Security, 1989, Better Incomes: Retirement Incomes Policy into the Next Century.

These dynamics will be driven by higher super balances at retirement as well as the fact that many retirees who are not eligible for the Age Pension when they retire (due to means testing) will start receiving the Age Pension later in life as they draw down their savings.

Figure 14: Share of people aged 67+ receiving the Age Pension



Source: DSS (Pension recipients) and ABS (population) up to 2024, with IGR growth rates in each population applied thereafter.

Implications for the federal budget

Australia's maturing super system is reshaping the fiscal landscape - delivering increasing savings on Age Pension and related outlays, including aged care, while reducing reliance on general revenue to fund retirement.

New modelling by SMC finds that, by 2028-29, the absence of a super system would result in around 512,000 additional Age Pension recipients and an estimated $12 billion higher annual pension spending (see Box 3)[26]. The modelling also reveals that without the super system, average disposable incomes for Australians aged 67 or older would be about 14% lower - equivalent to $7,600 a year by 2028-29.

How a maturing super system is reducing fiscal costs of the Age Pension

Without the super system, Australians would be retiring with lower retirement savings and as a result more people would qualify for the Age Pension.

SMC modelling shows that, without super, in 2028-29 there would have been:

- $12 billion more in fiscal outlays on the Age Pension (20% more than the modelled scenario with super in 2028-29) plus an additional $800 million in outlays on similar forms of income support, such as service pensions.
- 512,000 more Age Pension recipients (19% more than the modelled scenario with super). As a result, about 11% of the population aged 67 or older would move from being self-funded retirees to receiving some Age Pension.

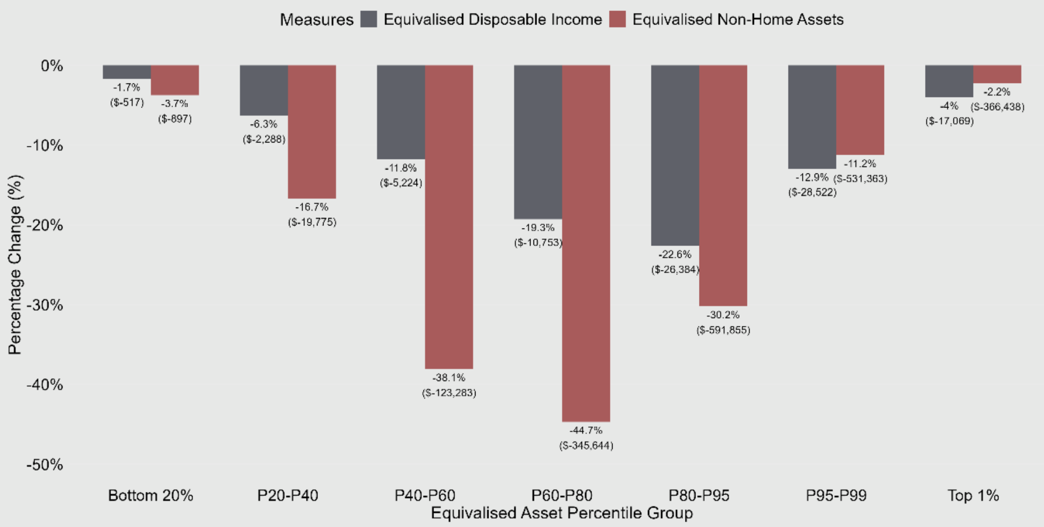
[26] All dollar values are in 2025 dollars, adjusted for growth in AWE.

- Higher Age Pension payments for most recipients, with existing recipients receiving about $1,130 a year more (5% more) on average. New recipients would receive an average of $18,200 in Age Pension payments.

The modelling also shows that without the super system, average disposable incomes for individuals aged 67 or older would be about 14% lower, equivalent to $7,600 a year less in 2028-29. Average wealth levels (excluding owner-occupied property) would be about 24% lower for people in this age group.

The greatest impacts would be on retirees who are currently around the middle of the wealth distribution, where average individual incomes would be as much as 22% lower, with a similar decline in average household incomes (see Figure 15). These middle-wealth retirees have been key beneficiaries of compulsory super. People at the bottom of the distribution are likely to have accumulated much smaller amounts of super, reflecting their lower lifetime incomes, while those at the top of the distribution would have saved significant amounts of money regardless of compulsory super.

Figure 15: Estimated change in equivalised income and non-home savings in 2028-29



Source: SMC analysis based on the CAPITA model.

The modelling also shows that, on average, total household incomes would be about 15% lower for retired couples if there was no super system, compared to about 11% of retired singles. This mostly reflects the fact that partnered retirees tend to have larger super balances than single retirees.

To match the income from super and government sources currently received by recent retirees in the middle wealth quintile through an increased Age Pension, SMC modelling suggests that the maximum pension rates would need to rise to nearly $2,100 per fortnight for singles and just under $1,600 for couples by 2028–29, at an additional cost to taxpayers of $86 billion.

The modelling accounts for the impacts of both compulsory super contributions and the concessional tax treatment of voluntary contributions. The estimates are based on assumptions from the academic literature about much income people would have saved in the absence of super, with wealthier people assumed to have much higher savings rates than those with low levels of wealth.

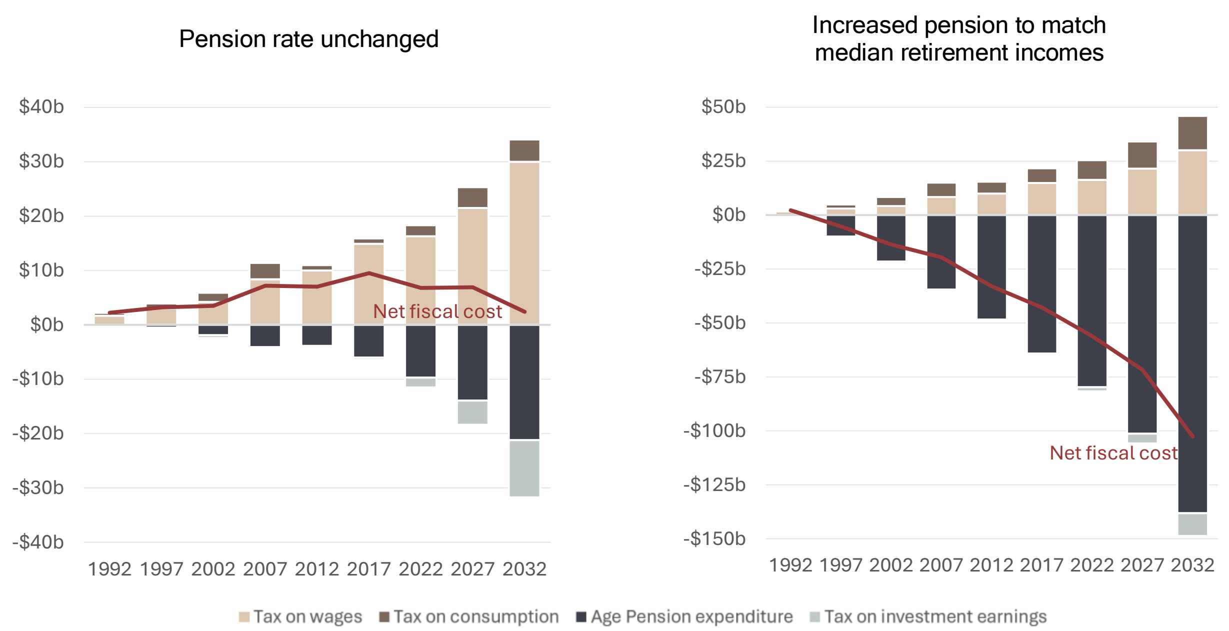
More detail on the results and methods can be found in Appendix 2.

These fiscal savings are expected to grow as the super system matures, helping to cushion the fiscal impacts of an ageing population. On current projections, the old-age dependency ratio (the number of people aged 65 and over for every working-age person) is forecast to increase from about 0.27 today to 0.38 over the next 40 years.[27] This means that there will be fewer working-age people relative to retirees, whose work and income taxation supports government spending.

Treasury predicts that population ageing will impose a net cost of about $45 billion on the Federal Budget in 40 years' time, driven by outlays on health, aged care and NDIS.[28] However, as a share of Gross Domestic Product (GDP), government expenditure on income support for older Australians is projected to *fall* from about 2.3% of GDP today to 2.0% in the mid-2060s.[29] This reflects the continued growth of super balances into the future.

Crucially, analysis by the Parliamentary Budget Office (PBO) shows that when super's broader budgetary effects are properly accounted for - not just the revenue forgone from tax concessions - the system is approaching fiscal neutrality (see Figure 16). [30] In the short term, the PBO estimates that the government would collect around $15 to $20 billion more in taxes without the super system. However, this would come at the cost of a substantial increase in Age Pension outlays, which would rapidly outpace any additional revenue. Over time, the fiscal savings from reduced Age Pension dependency would fully offset the tax concessions, especially as more Australians retire with larger super balances. These estimates do not account for any mitigation of the loss of income that would be experienced by retirees in the absence of super which future governments would be under pressure to address through a higher Age Pension. If this were factored in, like SMC's analysis, the PBO found the budget would be significantly worse off in net terms ($102.7 billion worse off in net terms by 2032 driven by a $138.1 billion increase in expenditure on the Age Pension).

Figure 16: PBO Modelling: Budget impact of the superannuation system



Source: Parliamentary Budget Office modelling, as reported in "*Would taxpayers be better off if superannuation never existed?*" by Michael Read, *Australian financial review*, 17 June 2022.

While the long-term fiscal benefits of the super system are becoming ever clearer, the distribution of its tax concessions remains a major concern. Current policy settings disproportionately benefit higher-income earners - undermining the system's equity and public support. For example, people in the top income decile receive 32% of the benefit from tax concessions on contributions, and 43% of the benefit from tax concessions on earnings.[31] By contrast, lower- and middle-income Australians - who are more likely to depend on the Age Pension - receive far less support relative to their needs.

This skewed distribution highlights a key challenge for policymakers: ensuring that the super system not only improves budget sustainability, but that it delivers fairer outcomes across the income

27 Australian Treasury, 2023, Intergenerational Report (p. 48).

28 Australian Treasury, 2023, Intergenerational Report (p. 146-147).

29 Australian Treasury, 2023, Intergenerational Report (p. 170).

30 PBO analysis was reported in "Would taxpayers be better off if superannuation never existed?" (Michael Read, Australian financial review, 17 June 2022).

31 Australian Treasury, 2024, Tax Expenditures and Insights Statement 2024-25.

spectrum. These equity implications - and options for better targeting tax concessions - will be examined in more detail in the third report in this series.

6. Some groups still more vulnerable in retirement

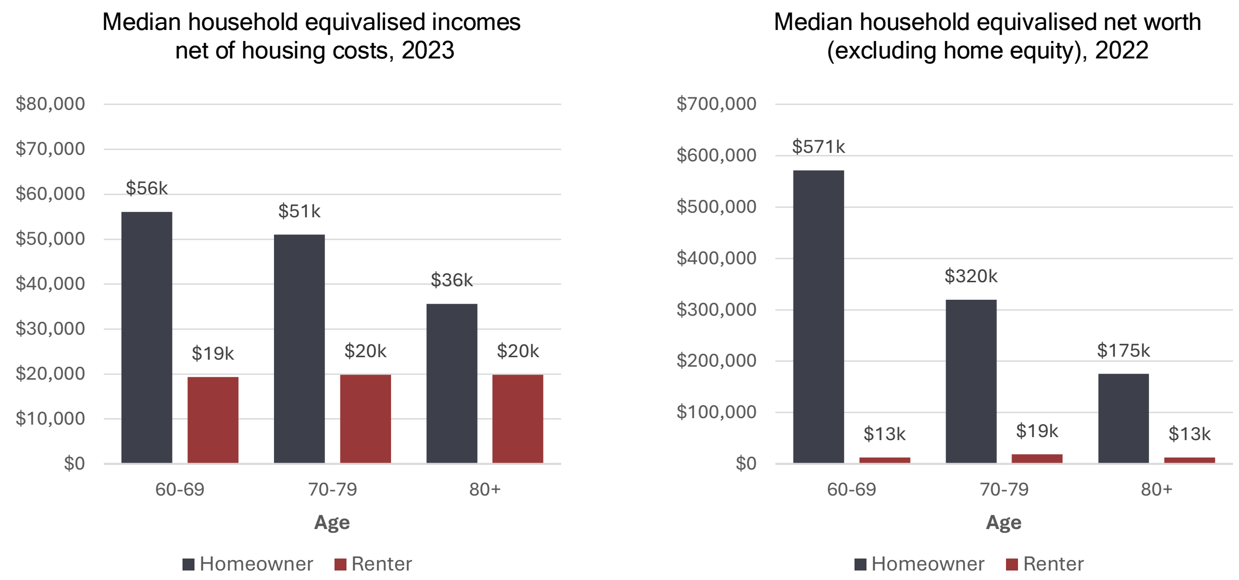
Even though incomes for typical recent retirees have grown over time, bolstered by super, some groups in the population experience much worse outcomes in retirement than the typical retiree. Some of these people may have experienced financial insecurity and vulnerability during their working lives. Their outcomes in retirement provide a reflection on how well the broader retirement income system is performing against key policy objectives such as alleviating poverty.

Renters and homeowners

Some of the starkest differences in income and wealth in retirement are between homeowners and renters. After housing costs, retired homeowners across all age cohorts have significantly higher median incomes than renters - almost three times higher in the case of retirees aged 60-69 (see Figure 17).

The large differences across renters and homeowners reflect the fact that homeowners tend to have higher gross incomes in retirement than renters, while also paying substantially lower housing costs (especially for those who own their home outright).

Figure 17: Economic wellbeing of retirees by homeownership status and age cohort



Source: SMC analysis of HILDA General Release 23.

Homeowners also have far greater non-home wealth than renters. Only 18% of retired renters have super (with a median balance of $65,000) compared to 57% of retired homeowners (median balance of $328,000). This reflects that people who rent in retirement are likely to have had low and intermittent incomes during working life, including greater reliance on government income support. As such, many accumulate little or no retirement savings.

Singles and couples

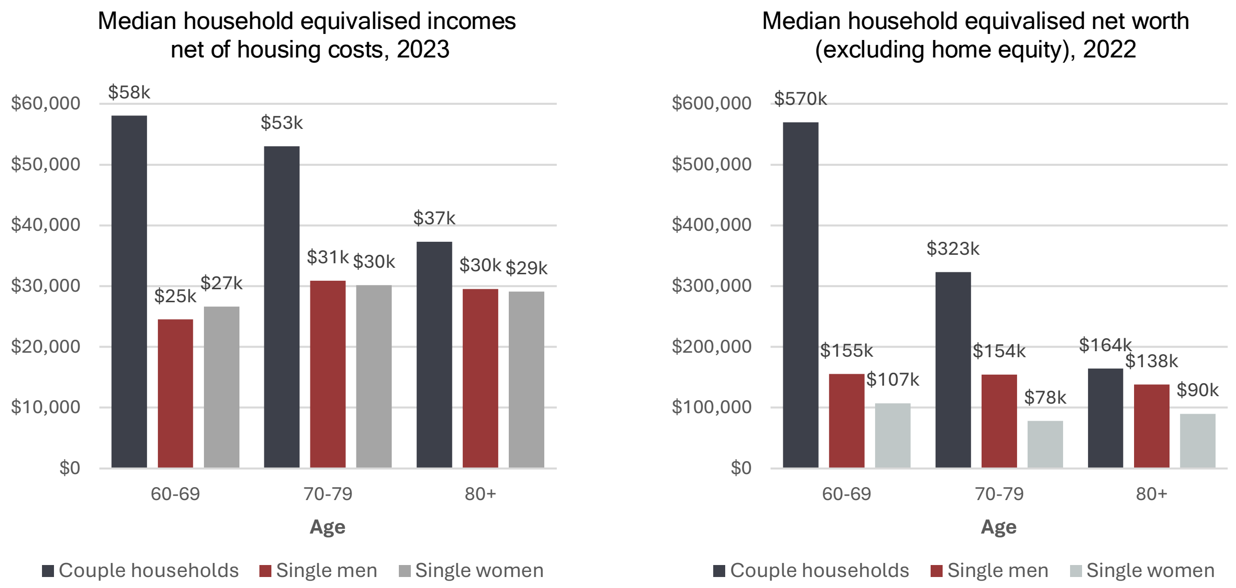
Large differences in after-housing incomes can also be seen across singles and couples in retirement, even after adjusting for differences in household size (see Figure 18). For retirees aged 60-69, the median income of couples (equivalent to $58,000 each) is over twice the median income for single men and single women. The differences between couples and singles are smaller at older ages.

The median incomes for singles are around the level of the full Age Pension (currently just under $30,000 for a single whether female or male), indicating that the typical single in retirement relies almost entirely on government income support.

Similarly stark differences are evident in median wealth levels, with coupled retirees enjoying significantly greater non-home wealth than singles, and with single men having higher wealth than single women in retirement.

Some of the difference in wealth is explained by super, with about half of retired couples and single men having super, compared to just over a third (37%) of single women. Among retirees with super, couples have the highest median balances ($328,000 on an equivalent per-person basis) compared to single men ($274,000) and single women ($219,000). These outcomes clearly show the gender super gap, with women's lower average workforce participation and earnings compared to men translating into less super being accumulated during working life, and hence less wealth at retirement.

Figure 18: Economic wellbeing of retirees by marital status and age cohort



Source: SMC analysis of HILDA General Release 23.

Involuntary and voluntary retirees

About two in five people do not get to choose when they retire.[32] Many involuntary retirees stop working because of their health, redundancy or job loss, with a smaller but material number (mostly women) forced into retirement due to informal caregiving responsibilities such as caring for a sick partner or family member. Involuntary retirees stop working about 3.7 years younger than other retirees, on average.[33]

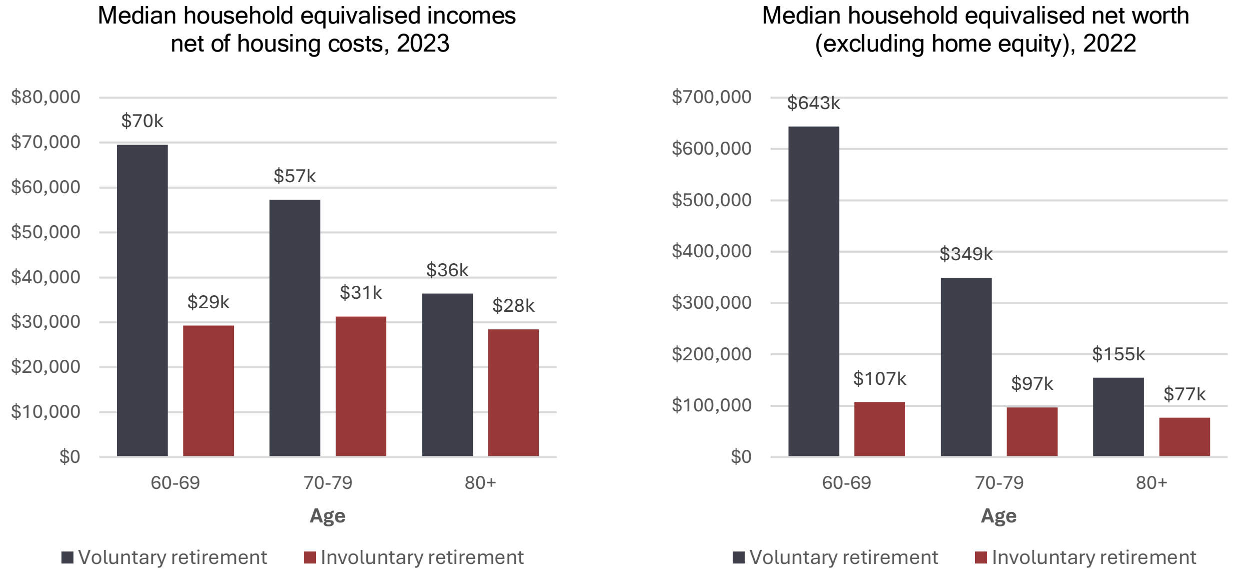
Involuntary retirees also have materially lower incomes in retirement compared to people who got to choose when they retired. Among retirees aged 60-69, those who retired voluntary have incomes about twice the level of those who retired involuntarily (see Figure 19). Involuntary retirees also have significantly lower median levels of non-home wealth than voluntary retirees, especially among those aged in their 60s and 70s.

The lower incomes and wealth of involuntary retirees reflects that they have generally had less opportunity to continue building up their super as they approach retirement - and may have had to start accessing it earlier than voluntary retirees do. Only about 36% of people who retired involuntarily have super (with a median balance of $219,000) compared to 57% of voluntary retirees (median balance of $318,000), noting that some people who had modest balances at retirement may have already depleted them.

32 Among people who have retired in the past 5 years. Source: ABS, Retirement and Retirement Intentions 2022-23, table 5.

33 ABS, Retirement and Retirement Intentions 2022-23, table 5.

Figure 19: Economic wellbeing of retirees by retirement type and age cohort



Source: SMC analysis of HILDA General Release 23.

Financial stress in retirement

Low median incomes for renters, singles and people who retired involuntarily are mirrored by high rates of financial stress. About 6% of retirees experienced financial stress in 2023. This means they experienced two or more of the following issues in the previous 12 months due to financial pressures.

- Struggling to pay bills
- Struggling to pay the mortgage or rent
- Pawning or selling something
- Forgoing meals
- Forgoing heating
- Relying on friends or family
- Relying on welfare/community groups

However, some groups experienced much higher rates of financial stress. For example, about 13% of retirees who rent or pay board experienced financial stress - about twice the rate for retirees overall. Single retirees also experienced elevated rates of financial stress (11% of single men and 8% of single women), as do those with lower financial means (11% of those in the bottom quintile of incomes, and 15% of those in the bottom quintile of wealth).

There is likely to be much overlap of individuals across some of these categories. People in these groups are also much more likely to be living below the poverty line, as shown above.

While measured levels of financial stress can depend on the exact indicators used, the relative levels across groups are broadly consistent with earlier research. For example, the Retirement Income Review found that about 10% of retirees experienced financial stress in 2016 (based on ABS survey data), with much higher rates for renters, early retirees and low-wealth Age Pensioners.[34]

[34] Australian Treasury, 2020, Retirement Income Review (p. 137).

7. Other long-term challenges for the retirement income system

Over the coming decades a range of factors will place pressure on the retirement income system's ability to deliver adequate, equitable and sustainable incomes to Australian retirees. As this report has outlined, the retirement system is delivering variable outcomes for different cohorts. It is incumbent on policymakers, trustees and other actors in the system to respond to this challenge.

How people manage their incomes in retirement

Many retirees face significant challenges when it comes to converting their savings into an income. These challenges include transitioning to appropriate retirement products, managing the consequences of investment volatility, making their savings last, and navigating complexities around the Age Pension and future health and aged care costs. With future retirees set to retire with increasingly larger super balances, the issues they face in managing their retirement incomes are likely to become even more complex.

There are several long-term challenges.

Changing patterns of retirement. Australians are working later in life and increasingly moving in and out of work in their 60s and 70s. While many plan to gradually reduce work hours or responsibilities, others may retire and then re-enter the workforce. Financial pressures are a key driver, but motivations also include staying active or socially connected. As noted earlier, many people retire earlier than planned due to ill health, job loss or informal caregiving responsibilities, often with lower super balances - and may need to start accessing their super earlier.

Growing levels of mortgage debt in retirement. More Australians are reaching retirement with outstanding mortgages and other debts, driven by growth in housing prices and people entering homeownership later in life than in the past. As of 2020, two in five people aged 60-69 had a mortgage, with an average of $250,000 still owing.[35] Many retirees will pay down debt using their super when they retire, meaning less super is available to deliver an income throughout retirement. About a quarter of lump-sum withdrawals from super are used for housing, with an average of $44,000 withdrawn.[36]

Complex system settings and rules, such as tax rules that constrain how people can add money to their super before retirement and how they can draw it down once they have retired. These rules often intersect with the means tests for the Age Pension, which can make it very complex to work out how much income an individual or couple can receive.

Difficulty finding high quality products that meet individual and household needs. A wide range of retirement income products exist in the market, with a wide range of investment strategies and performance, fee structures and insurance options (such as annuities with longevity protection). However, most products are complex and it can be very difficult for people to determine which product - or combination of products - best meets their needs. Currently, it is also difficult to assess whether the products their super fund offers offer good value relative to other products on the market.

Accessing help and advice. Fewer than half of Australians seek some kind of formal help about retirement planning, such as financial advice, online resources or do-it-yourself calculators. There are constraints on both the availability and affordability of help that addresses people's concerns and is tailored to their personal circumstances.

The second report in this series will explore some of these issues in greater depth, focusing on how people are managing their incomes today and how the retirement income system could be made simpler and safer for future cohorts of retirees.

---

35 Defined as a reference person aged 60-69 and still employed. SIH. SMC submission to Treasury.

36 SMC analysis using HILDA. Figures are averages over 2018-2023 inclusive, adjusted for growth in average weekly earnings.

Equity and sustainability of system settings

As this report has shown, incomes and wealth are unevenly distributed across retirees. Super will continue boosting retirement incomes for many future retirees - but only if they have super. A range of issues will put increasing pressure on the equity and sustainability of key retirement income policy settings into the future.

There are several long-term challenges.

Population ageing. The number of Australians aged 65 or older is expected to almost double over the next 40 years. By then, there will be 38 people aged 65 or older for every 100 working-age people, compared to 27 today.[37] As noted earlier, the maturing super system is projected to relieve pressure on the Age Pension. Even so, there are likely to be significant pressures on the health and aged care systems, raising questions about what funding arrangements might look like over the longer term. The structural changes in the age profile of the population and the ratio of working to retired people has implications for the relative tax burden on each group and overall budget sustainability.

Universality, compulsion and preservation. Important steps have been made to broaden the benefits of super to all wage earners such as the recent abolition of the $450 per month threshold that excluded low-income earners – especially women from SG contributions. However, exclusions still exist for under-18s and also for workers in certain insecure forms of work that are becoming more commonplace. Early access to super is also a risk to the system particularly for lower income earners who have been forced to drain their savings due to hardship and the absence of other financial supports – such as we observed during COVID-19 and questionable practices that target super to fund dental and medical costs.

Super tax concessions. The highly unequal distribution of overall wealth (including super balances) in retirement has already sparked public debates on the appropriateness of the current system of tax concessions for super. As noted earlier, Treasury estimates that the value of these concessions will grow from about 1.9% of GDP today to 2.4% in 40 years' time, as the population ages and the super system matures.[38] About a third of the value of contributions tax concessions, and almost half the value of earnings tax concessions, flow to the top 10% of income earners.[39] This raises questions about the fairness of the arrangements – particularly for lower income earners who could obtain greater benefits from super with the right policy settings.

Gender inequality. Women continue to have less income and wealth in retirement than men, and this is likely to persist for the foreseeable future. Women are less likely to have super when they reach retirement age and those who do have much lower average balances. Women are also more likely than men to end up in poverty at older ages - especially if they are single.

Housing inequality. The rapid growth in house prices and rents in Australia over the past two decades have led to growing inequalities in housing outcomes in retirement. As noted earlier, two-thirds of retirees who rent privately live in poverty, with nearly 80% of women renting in retirement falling below the poverty line.[40] The Age Pension and Commonwealth Rent Assistance are not enough to keep most retired renters above the poverty line. At the same time, many retired homeowners have benefited handsomely from house price appreciation. Many more benefit from the exemption of owner-occupied property from the Age Pension means tests.

Future reports from the Super Members Council will examine these issues in greater depth.

37 Australian Treasury, 2023, Intergenerational Report (p. 48).

38 Australian Treasury, 2023, Intergenerational Report (p. 170-171).

39 Australian Treasury, 2024, Tax Expenditures and Insights Statement 2024-25.

40 Grattan Institute, 2025, Renting in retirement: Why Rent Assistance needs to rise.

Appendix 1: Methodology

The findings of this report are based on first-of-its-kind analysis.

We analyse income and wealth for recent retirees using the Household, Income and Labour Dynamics in Australia (HILDA) General Release 23 dataset. We define recent retirees as people aged 60 to 69 who are retired and:

– lives alone, or
– lives with a partner aged 60-years or older and does not work.

The report is also supplemented by analysis of the ABS Survey of Income and Housing (SIH) when considering the circumstances of households prior to the commencement of HILDA in 2002 with adjustments to have a robust cross-sectional time series dating back to the early 1990s.

Except where specifically noted, SMC analysis in this report is provided in 2025 dollars, adjusted for AWE. Externally-obtained analysis is reported consistent with the original source.

Income

Income is measured on a pre-tax basis, given the way retirement incomes are taxed can sometimes be complex. However, many retirees pay little or no income tax because of the Seniors and Pensioners Tax Offset, which applies up to generous thresholds (e.g. $52,759 a year for a single), and because withdrawals from super are not counted as taxable income.

The income measure we use also includes estimates of money drawn from super as lump sums. The HILDA dataset systematically underreports the aggregate value of super benefits (both lump sums and pension benefits) relative to APRA and ATO statistics. To reconcile this, we benchmark the aggregate value of benefits to the total non-death benefits paid out by super funds as reported by APRA and the ATO and assume the distribution of undercounted benefits aligns with that of reported benefits (i.e. we apply a consistent uprating factor to all cohorts). This is the first analysis of this kind measuring the effect on incomes of both super income streams and lump-sum payments.

Wealth

Because the amount of income people can enjoy in retirement depends on how much savings they have, we divide retirees into five quintiles based on their wealth.

Unless otherwise noted, the wealth measure includes super but excludes owner-occupied housing, reflecting the savings that most people can expect to draw on to fund their retirement. Estimates are available every four years.

All income and wealth measures are presented in equivalised household terms, which means they are adjusted for differences in household size and composition. As a result, the measures reflect the equivalent values for a single-person household - in practice, this means that the household incomes of couples are divided by 1.5 while incomes of single households are unchanged. All values are expressed in 2025 dollars, adjusted for changes in average weekly earnings.

Appendix 2: Modelling the impact of the super system on the Age Pension

Table A1. Estimated pension expenditure without the superannuation system[41]

Year	Additional Age Pension Expenditure	Age Pension Expenditure under current policy[42]	% Change in Age Pension Expenditure	Additional Expenditure - Other Pensions [43]
2022-23	$8 billion	$53 billion	15%	$0.5 billion
2023-24	$9 billion	$57 billion	16%	$0.6 billion
2024-25	$10 billion	$61 billion	16%	$0.6 billion
2025-26	$11 billion	$64 billion	17%	$0.7 billion
2026-27	$12 billion	$67 billion	18%	$0.8 billion
2027-28	$13 billion	$69 billion	19%	$0.8 billion
2028-29	$14 billion	$72 billion	20%	$0.9 billion

Source: SMC analysis based on the CAPITA model.

Section 1. Introduction

Super is a critical component of Australia's retirement income system. In the absence of super, Australians would retire with significantly lower savings, leading to greater reliance on the Age Pension. This analysis employs a microsimulation model to estimate the fiscal and distributional impacts of a hypothetical scenario in which the super system never existed.

Section 2. Modelling Methodology

This analysis was conducted using the CAPITA (Comparative Analysis of Personal Income Tax and Transfers in Australia) model, a general-purpose, static microsimulation model used to analyse the combined effects of changes to personal income tax and transfer policies. A historical version of the model is open source and published by the Australian Treasury. We updated the version released for the 2020-21 Budget to reflect policy and economic conditions as of the 2025 Pre-election Economic and Fiscal Outlook report, or PEFO, which is the most recently published Commonwealth budget update. This approach reflects the methodology used by Treasury and the Parliamentary Budget Office, in line with Charter of Budget Honesty requirements. We then simulated a scenario in which the super system never existed. Our analysis covers the period up to 2028-29. The analysis is presented in nominal terms and is not adjusted for wage or price growth, in line with Charter conventions.

2.1 Data and Assumptions

The CAPITA model is built on data from the 2017-18 Survey of Income and Housing[44] and projects outcomes for future years. Several assumptions and data sources have been applied to set up the model. Historical inflation, wage growth, employment, household, and population data from the ABS, along with economic forecasts from the Australian Treasury, are incorporated. Historical recipient data from the Department of Social Services (DSS) and the Department of Veterans' Affairs (DVA) are also used, with forward estimates derived from their respective budgets. As the version of CAPITA used is based on the 2020-21 Budget, we have updated the model's tax and transfer policy settings to reflect changes through to the 2025-26 PEFO.

41 This appendix presents all estimates in nominal terms, without adjustments for wage growth. The main section of the report has adjusted figures for AWE growth, consistent with other analysis presented in this report.

42 These estimates are derived from the CAPITA simulation model and may differ from figures published by the Department of Social Services.

43 These include the Carer Payment, Disability Support Pension, and pensions provided by the Department of Veterans' Affairs.

44 This analysis uses the 2017-18 survey, as the more recent 2019-20 survey may have been affected by irregular events related to the COVID-19 pandemic. The ABS recently announced that they will not publish the 2023-24 survey results, the first survey undertaken since the COVID-19 pandemic.

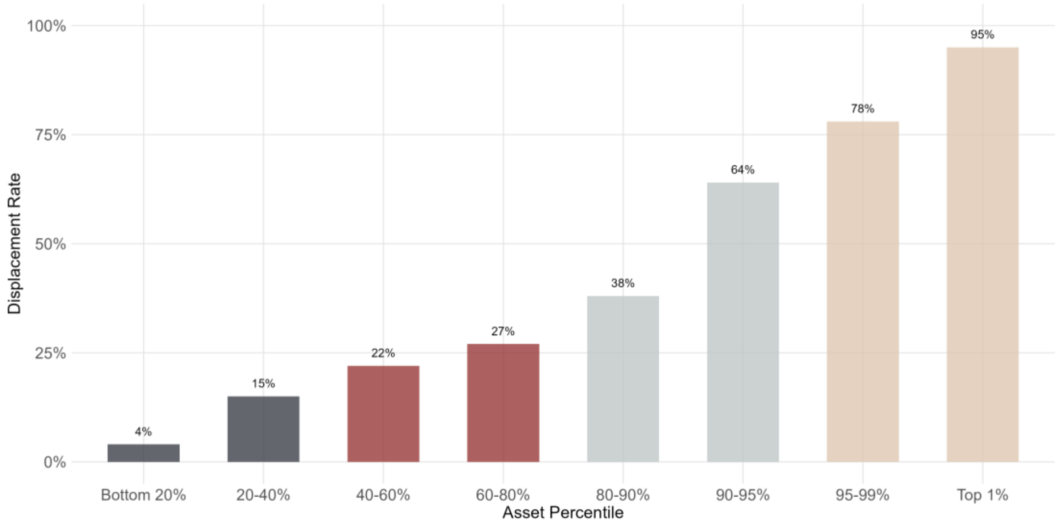
2.2 Displacement Rate Assumptions

The impact of removing the compulsory super system largely depends on the assumed displacement rate (or private saving rate), that is, the extent to which individuals would have saved voluntarily if the super system did not exist. Existing literature (e.g., Connolly and Kohler (2004), Connolly (2007), and Gruen and Soding (2011), Ruthbah and Pham (2020)) suggests that the average displacement rate for Australians is approximately 30% to 43%, with higher rates for high income earners and relatively low rates for those lower on the income spectrum. In its 2022 analysis[45], the Parliamentary Budget Office (PBO) appears to have assumed a uniform displacement rate of 30%.

In this simulation, we apply heterogeneous displacement rates based on individuals' wealth, reflecting the expectation that those with lower incomes or assets are less likely to have saved voluntarily. Our displacement rate assumptions are derived using a separate cameo model, which estimates effective (after-tax) displacement rates based on an individual's position in the asset distribution[46] within their respective age cohort[47]. In the cameo model, we assume that most voluntary super contributions would have been saved regardless, except for the portion attributable to the tax-advantaged status of super. As such, the impact of removing the super system estimated in this analysis is mostly attributable to the removal of the compulsory component of super. These assumptions reflect established literature and align closely with the PBO's analysis at the average, with adjustments to reflect the tax-advantaged status of super and the higher compounding effects that result.

As shown in Figure A1, we conservatively assume that individuals in the top 1% of the wealth distribution have a displacement rate of 95%, implying they would have accumulated 95% of their current super balances even in the absence of a compulsory system, and would likely have pursued alternative tax-effective strategies. This is a contestable assumption with a range of competing viewpoints. However, as very few in this group would qualify for the Age Pension purely based on their non-super, non-primary residence assets (for example, shares or investment properties), this assumption has a negligible impact on our results.

Figure A1. Displacement rate by wealth percentile



Source: Super Members Council.

---

45 PBO analysis was reported in "Would taxpayers be better off if superannuation never existed?" (Michael Read, Australian financial review, 17 June 2022), however the original PBO analysis note has not been made publicly available.

46 Unless otherwise specified, assets in this analysis refer to net assets and include all asset types considered in the Age Pension asset test, including investment properties (but excluding the primary residence).

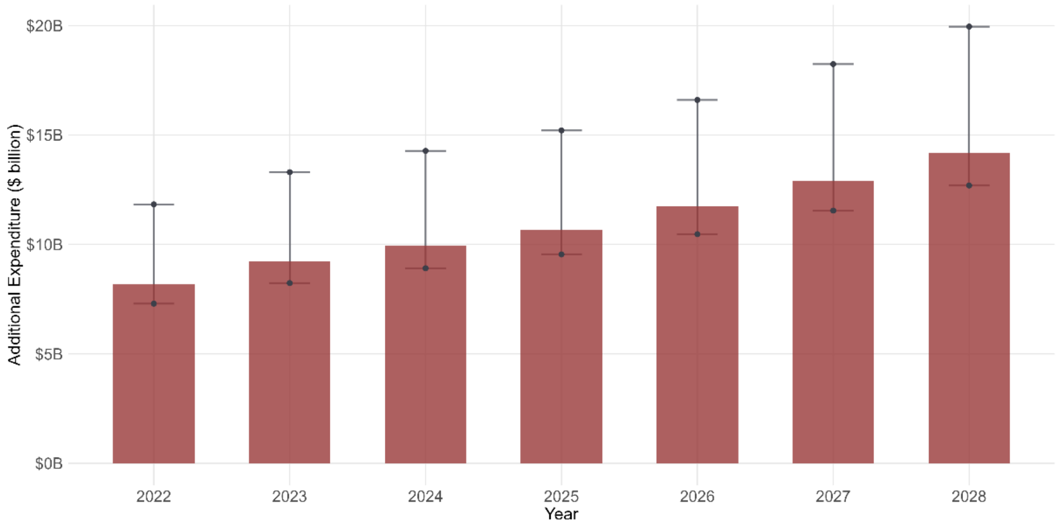
47 The population is divided into six age groups: under 67, 67-70, 71-75, 76-80, 81-85, and over 85.

Section 3. Detailed Results and Sensitivity Analysis

3.1 Additional Age Pension Expenditure

Figure A2 shows that, under our assumptions, additional Age Pension expenditure in the absence of the super system is estimated at approximately $8 billion in 2022-23 and $14 billion in 2028-29. The error bounds in the figure reflect alternative scenarios, including a low-displacement case (0% displacement rate across the entire population) and a high-displacement case with rates 10 percentage points above the baseline in Figure A1 (except for individuals in the top 1% of the wealth distribution). Under the 0% displacement scenario, additional Age Pension costs could rise to $12 billion in 2022-23 and $20 billion in 2028-29.

Figure A2. Additional Age Pension expenses without superannuation

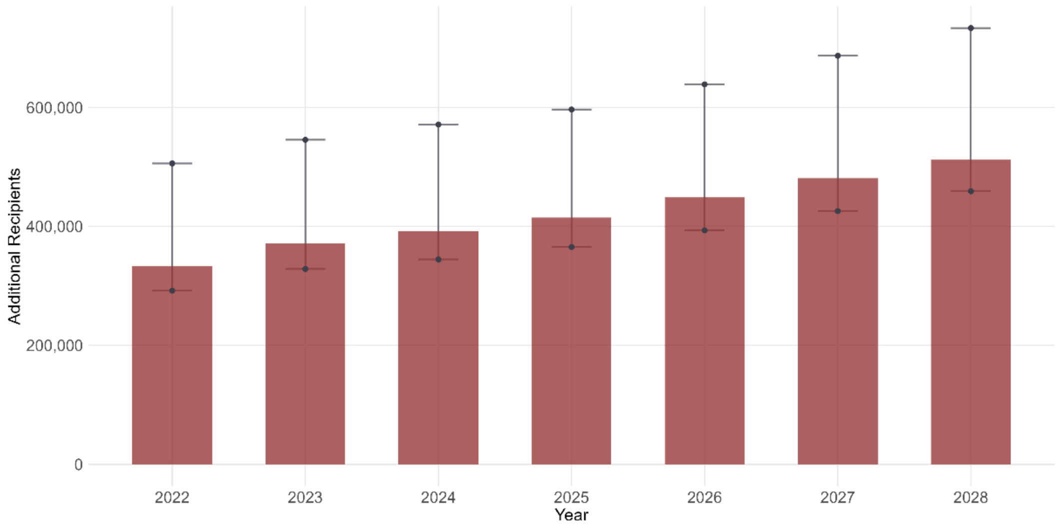


Source: SMC analysis based on the CAPITA model.

3.2 Additional Age Pension Recipients

Figure A3 shows that, without the super system, the number of additional Age Pension recipients is estimated at around 333,000 in 2022-23 (a 13% increase) and 512,000 in 2028-29 (a 19% increase). Under the 0% displacement scenario, additional Age Pension recipients could rise to 506,000 (20% increase) in 2022-23 and $733,000 (27% increase) in 2028-29.

Figure A3. Additional Age Pension recipients without superannuation



Source: SMC analysis based on the CAPITA model.

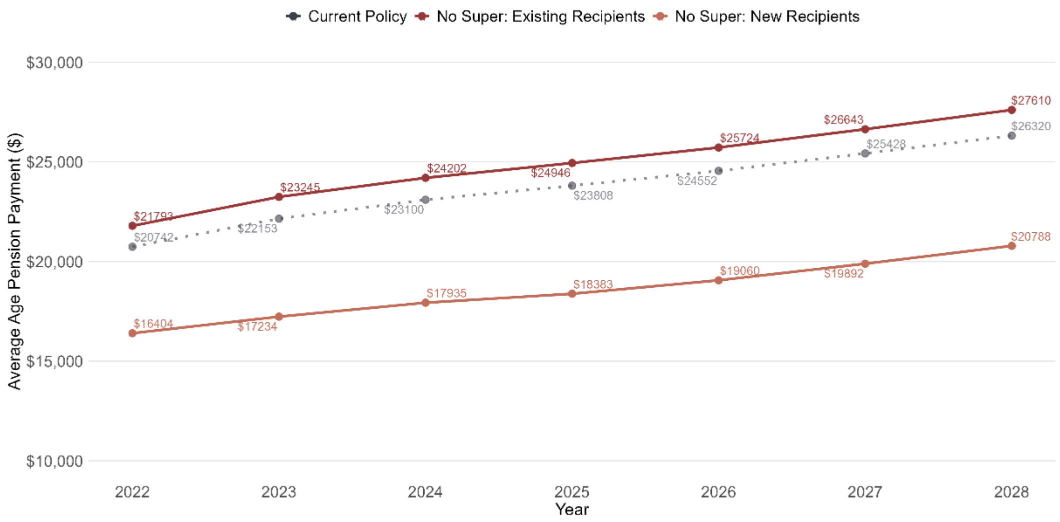
3.3 Average Age Pension Payments

This section estimates average Age Pension payments for three groups:

1. Recipients eligible under the existing system, based on their current payments.
2. Recipients eligible under the existing system but with payments recalculated for the counterfactual scenario.
3. New recipients who become eligible only in the absence of super.

Figure A4 shows that, for individuals already eligible under current policy, removing the super system would increase their average Age Pension payment by $1,050 (5.1%, or $40 per fortnight) in 2022-23, rising to $1,300 (4.9%, or $50 per fortnight) in 2028-29. For new recipients, the average Age Pension payment would be $16,400 (or $631 per fortnight) in 2022-23, increasing to $20,800 (or $800 per fortnight) in 2028-29.

Figure A4. Average Age Pension payments without superannuation

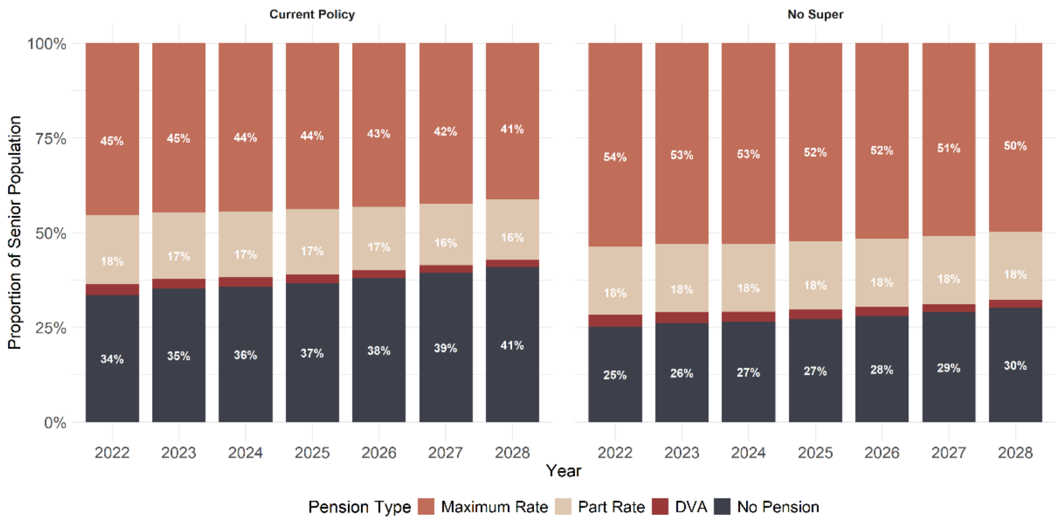


Source: SMC analysis based on the CAPITA model.

3.4 Pensioner Share of the Population

Figure A5 shows that, in the absence of the super system, approximately 9 to 11 percentage points of the senior population would shift from self-sufficiency to relying on government pension support. The proportion receiving the maximum rate of support would also increase by around 9 percentage points.

Figure A5. Change in pension eligibility without superannuation



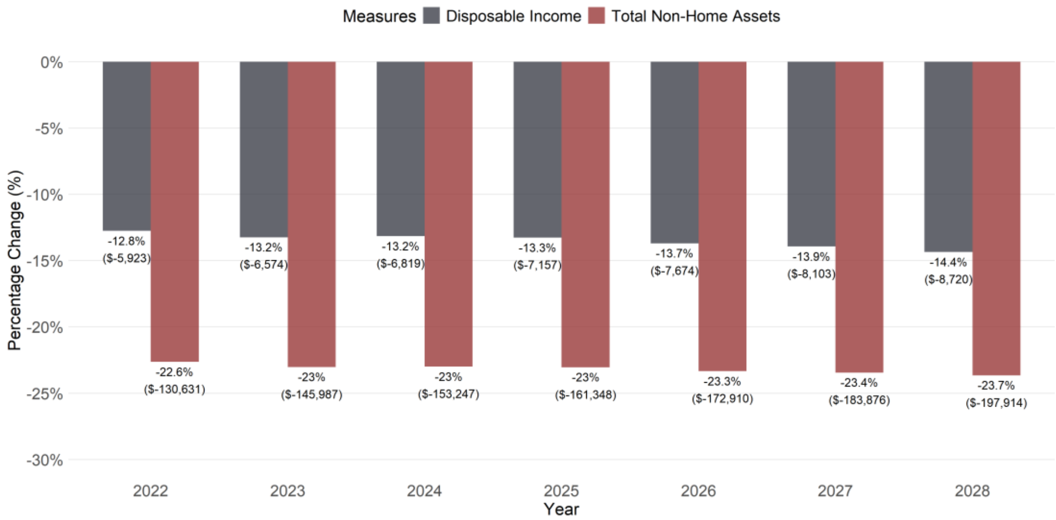
Source: SMC analysis based on the CAPITA model.

Note: This may differ from analysis of DSS and IGR figures featured in the main section of the report.

3.5 Income and Asset Reductions

Figure A6 shows that, under our assumptions, the absence of the super system would reduce the average annual disposable income of seniors (aged 67 and over) by $5,900 (13%) in 2022-23 and $8,700 (14%) in 2028-29. Average individual assets (excluding the primary residence) would also be significantly lower–by $130,000 (23%) in 2022-23 and $200,000 (24%) in 2028-29.

Figure A6. Impact on disposable income and non-home assets



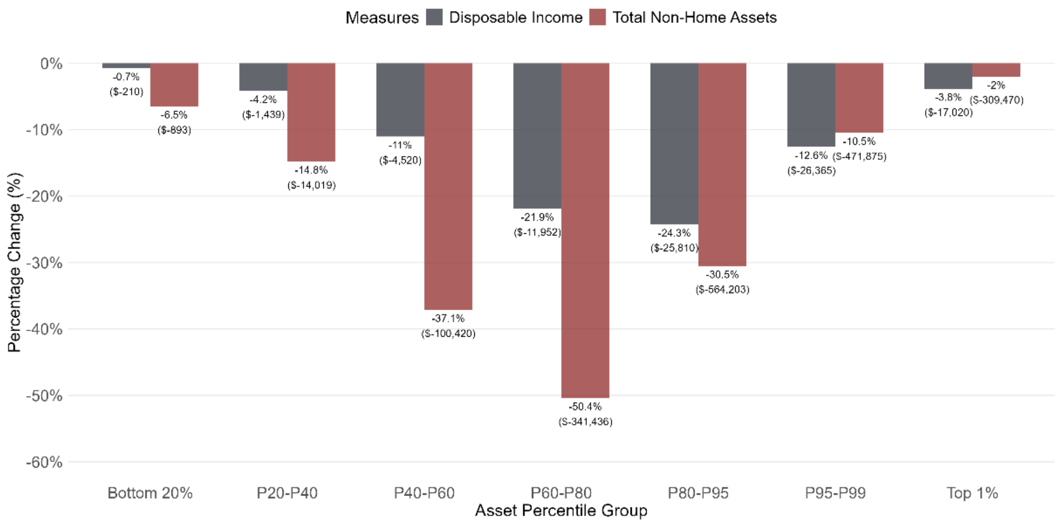
Source: SMC analysis based on the CAPITA model.

Section 4. Distributional Impacts

4.1 Which Individuals Would Be Most Affected?

Figure A7 shows that, in the absence of the super system, seniors in the mid-to-upper wealth brackets would be the most adversely affected. On average, those in the 60th to 80th percentiles of the wealth distribution would lose 22% of their disposable income and 50% of their total non-home assets in 2028-29. In contrast, the wealthiest individuals and those in the lower wealth brackets would be less affected, as they do not rely heavily on super as their primary source of retirement income.

Figure A7. Loss by individual wealth percentile (2028-29)

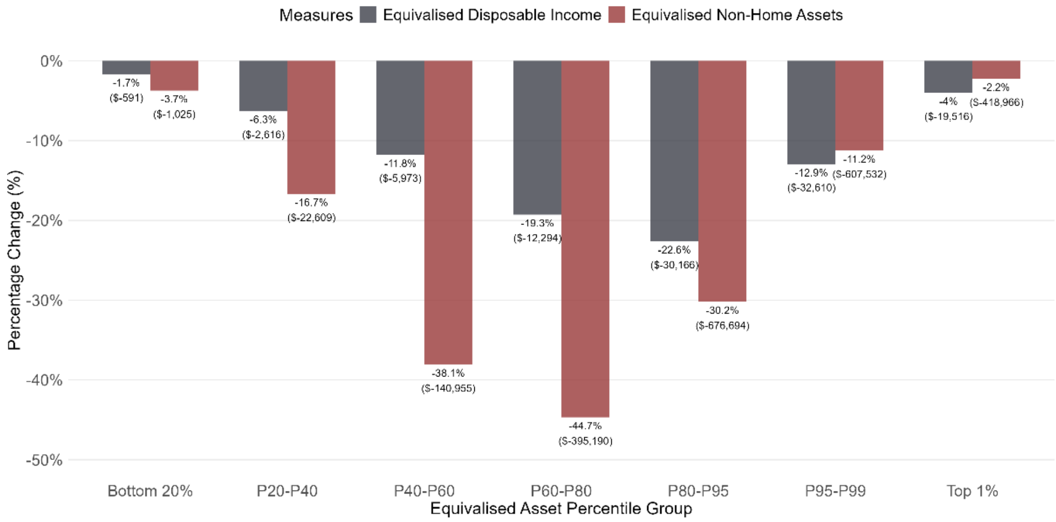


Source: SMC analysis based on the CAPITA model.

4.2 Which Households (by Wealth) Would Be Most Affected?

Figure A8 presents a similar pattern at the household level. Individuals in the 60th to 80th percentiles of the household wealth distribution would be the most adversely affected, with average losses of 19% in disposable income and 45% in non-home assets in 2028-29.

Figure A8. Loss by household wealth percentile (2028-29)



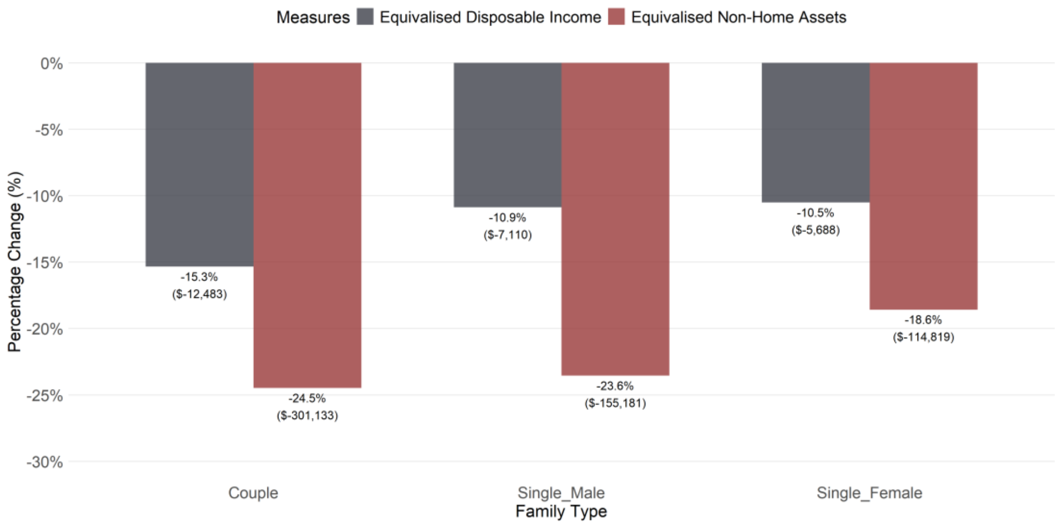
Source: SMC analysis based on the CAPITA model.

4.3 Which Households (by Family Type) Would Be Most Affected?

Figure A9 shows that, without the super system, coupled seniors would be the most adversely affected, experiencing an average loss of 15% in equivalised disposable income and 25% in equivalised assets in 2028-29. The impact on single male seniors is less severe, and even lower for single female seniors.

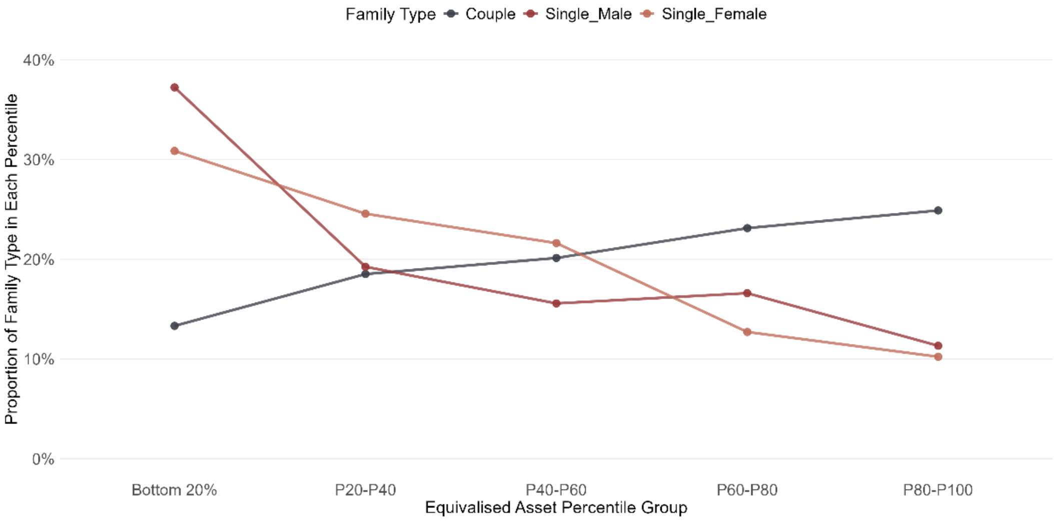
As illustrated in Figure A10, this is primarily due to single seniors, on average, having lower financial capacity and smaller super balances in retirement relative to coupled seniors. While only 13% of coupled seniors are in the bottom 20% of the wealth distribution, 31% of single female seniors and 37% of single male seniors fall into this group.

Figure A9. Loss by household type (2028-29)



Source: SMC analysis based on the CAPITA model.

Figure A10. Distribution of households across wealth percentiles (2028-29)



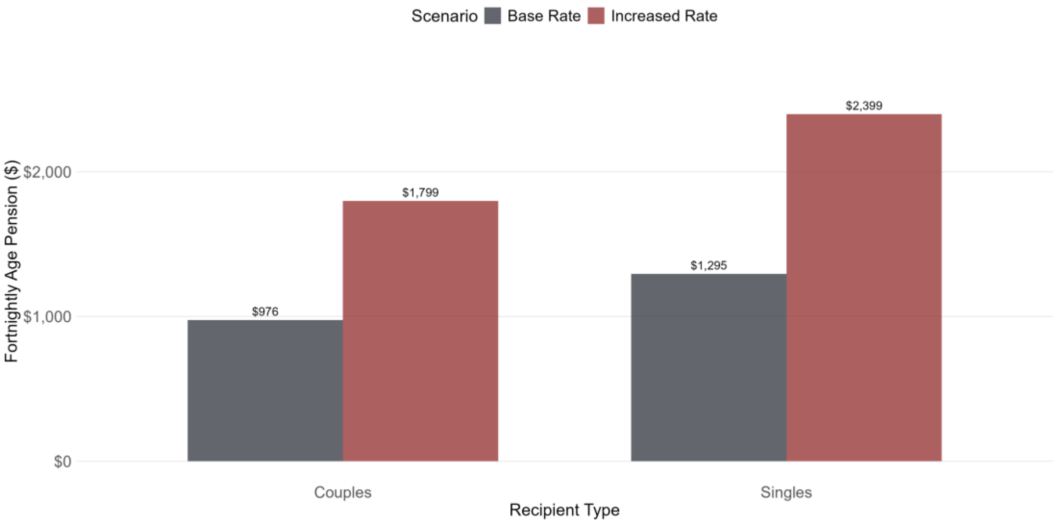
Source: SMC analysis based on the CAPITA model.

Section 5. Replacing Super with a Higher Age Pension

Australia's retirement income system is founded on three pillars: the Age Pension, compulsory super, and voluntary savings. The Age Pension serves as a basic safety net, while the other two pillars support a higher standard of living in retirement. This section examines the potential fiscal implications if the Age Pension were required to fully replace the role of super in providing that higher standard of living.

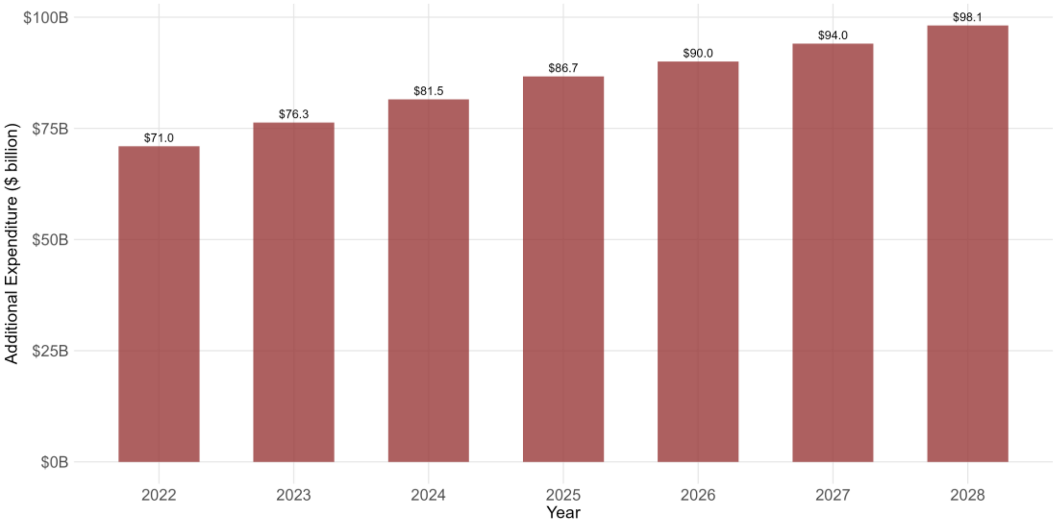
Figure A11 shows the increase in the Age Pension that would be needed to match the income from super and government sources currently received by recent retirees in the middle wealth quintile, the maximum Age Pension would need to increase to $2,399 per fortnight for singles and $1,799 for couples by 2028-29. As shown in Figure A12, this would result in additional Age Pension expenditure of $71 billion in 2022-23, rising to $98 billion in 2028-29.

Figure A11. Required maximum Age Pension rate in 2028-29



Source: SMC analysis based on the CAPITA model and HILDA data.

Figure A12. Additional expenditure with higher Age Pension rate



Source: SMC analysis based on the CAPITA model.

References

Connolly, E. (2007). *The effect of the Australian Superannuation Guarantee on household saving behaviour*. Reserve Bank of Australia, Research Discussion Paper 2007-08. https://www.rba.gov.au/publications/rdp/2007/pdf/rdp2007-08.pdf

Connolly, E., & Kohler, M. (2004). *The impact of superannuation on household saving and wealth*. Reserve Bank of Australia, Research Discussion Paper 2004-01. https://www.rba.gov.au/publications/rdp/2004/pdf/rdp2004-01.pdf

Gruen, D., & Soding, L. (2011). *Compulsory superannuation and national saving*. Australian Treasury. https://treasury.gov.au/sites/default/files/2019-03/CompulsorySuperannuationandNationalSaving.pdf

Ruthbah, U., & Pham, N. (2020). *Household savings and the Superannuation Guarantee*. Monash Centre for Financial Studies. https://www.monash.edu/__data/assets/pdf_file/0004/2406892/Research-brief-Household-savings-and-the-superannuation-guarantee.pdf

Acknowledgements:

This report uses unit record data from the Household, Income and Labour Dynamics in Australia Survey (HILDA) conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this report, however, are those of the authors and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners.
DOI: 10.26193/NBTNMV

Glossary:

AWE: Average weekly earnings.

CRA: Commonwealth Rent Assistance.

Defined Benefit: super income received in retirement as a regular payment, guaranteed for a person's life.

Household Equivalised Incomes: income equal to total household income in the relevant year, adjusted to 2025 dollars using AWE as the inflator, divided by a denominator which is equal to 1 for single households and 1.5 for couple households. The value is not further adjusted for housing costs.

Quintiles: this report divides retirees into five equal groups (quintiles) based on their net worth for the purposes of comparison, with the first quintile representing the 20% of retirees with the lowest net worth, while the fifth quintile represents the 20% of retirees with the highest net worth. Unless otherwise noted, net worth includes super but excludes owner-occupied housing, reflecting the savings that most people can expect to draw on to fund their retirement. Net worth is also adjusted for differences in household size and composition, to ensure the measure reflects the equivalent values for a single-person household.

Superannuation (super): means the second and third pillar of the retirement system. At a personal or household level, it means the total level of super contributions made by an individual or a couple including the Super Guarantee and any Voluntary Contributions.

Superannuation (super) Guarantee: the compulsory level of super contributions mandated by the government in a given tax year and is represented in the second pillar of the retirement income system.

Voluntary Contributions: any Super contributions made by an individual or couple in a given tax year beyond the Super Guarantee.

Tax year: the consecutive period between 1 July and 30 June in a single year.