



Retirement revolution: Simpler smarter retirement

Report summary: November 2025



Abstract

- Evidence tells us Australians find navigating retirement bewildering.
- This is a growing problem, given 2.8 million will reach retirement over the next decade.
- Complexity at retirement is leading paralysis and poor decision-making, costing a typical retiree up to \$136,000 in retirement benefits.
- SMC makes a series of recommendations for simplifying the transition to retirement.
- A full copy of the original report is available [here](#), or via smcaustralia.com/retirement-revolution/

Our retirement system is at a crossroads

- Since Australia launched the Super Guarantee in 1992 the 'main game' has been getting the best out of the savings phase of the super system. Effective design and ongoing improvements have brought success. Australia's super system will soon be the second largest globally. More than 90% of Australians now hold a super account and typical retirement balances are approaching \$250,000 - projected to reach \$500,000 in another 30 years. These are lifechanging achievements for Australians saving for retirement.
- But with a silver tsunami of older Australians heading toward life after work, it's now time to turn attention to the retirement phase of the system. Over the next decade, 2.8 million Australians will reach retirement, double the previous decade. Annual new retirees will double to 300,000 per year. The super held by those reaching age 60 will nearly double to almost \$1.5 trillion.
- By 2035, payments to Australians from their super are projected to exceed contributions, confirming the shift from *saving* to *spending* super as the *main game*.

Confusion about retirement reigns

- Evidence tells us most Australians find navigating retirement bewildering. This stems from an array of complicated rules, products and a lack of simple, trusted and accessible information and advice.
- Only 16% of pre-retirees easily understand tax rules; 75% find the range of super retirement products confusing; 41% find rules around taking money out of super difficult to understand; while 33% find it difficult to know how to find a suitable adviser and 23% are unsure if advice would be useful.

Adding to the complexity

- Longer and healthier lives mean our super savings need to stretch for longer. Australians currently aged 65 are expected to live for another 20 years if male and 23 years if female. And a longer life means extended periods of poor health and cognitive decline, making it even harder to make financial decisions.
- By 2035 most new retirees will rely on a more complicated and interdependent combination of super and the Age Pension.
- Retirement in Australia is no longer a single event but a phased transition that varies among retirees. One-third of those aged 65-69 are still working (as at 2022). While many reduce work hours and about 20% of retirees returning to work due to financial necessity or personal choice. Many expect to retire at Age Pension age (67), but one-third access their super by age 63 and one-quarter continue working into their 70s.
- All these retirement variations create greater complexity.

Misinformation distracts from the key issue

- It's sometimes reported the biggest issue with retirees is underspending, with claims the majority bequeath their super upon death. This is a myth.
- But in 2024-25 about 66% of retirees withdrew above the minimum from super. This is pronounced among younger retirees who are focused on discretionary spending such as travel or home improvements while their health is good.
- In fact, withdrawal rates vary with age. Super drawdown rates are highest for those aged 65-69 across both working-life super accounts and retirement super accounts, falling as retirees enter their 70s, but rising again in their 80s driven by higher aged-based minimums and increased health and aged care costs.
- This underspending myth distracts from the real issue - the sheer complexity in retirement causing paralysis and leading to behaviours that may not be in the best interests of retirees.

How complexity affects retiree behaviour

A multitude of options, rules, products and a lack of adequate information and advice at retirement can delay decision-making or lead to decisions that may not be as financial beneficial as the alternatives.



1) Large numbers of retirees are keeping super in a savings super account

- Around 700,000 Australians over 65 (and not working full-time) are keeping their super in a savings phase super account, which is taxed. These Australians are paying on average \$650 more in tax per year than if they transitioned to a tax-free retirement account.
- This behaviour is particularly observable among lower-balance accounts, with over 60% of retirees with balances under \$100,000 retaining their money in a savings phase super account.
- To quantify the lost opportunity for these retirees: if a full-rate Age Pensioner with \$50,000 in super moved to a retirement phase account, their disposable income would increase by about \$2,200 a year adding \$56,000 to their retirement. The same person with \$100,000 in super at retirement could access an extra \$4,000 a year or \$115,000 across retirement.
- While some retirees may have good reason to remain in a savings phase super account, for many it is inertia brought about by complex rules and simply being unsure about what to do.
- This issue is compounded by current super rules that stop retirees who are performing some form of paid work, from contributing money to their retirement super account. In this instance, these people are forced to keep a savings phase super account.

2) Unusually high lump sum withdrawals

- A recent consumer survey commissioned by SMC highlights a strong tendency for Australians with lower super balances to withdraw super as a lump sum and quickly exhaust their savings. Among that group: 87% had super before retirement but only 29% had super after retiring. Women, single people, those who are separated or divorced, and renters are the most likely to withdraw their super as a lump sum.
- People in the 60-69 age group with lower balances who make lump sum withdrawals from savings phase super accounts are at greater risk of depleting their savings prematurely, potentially increasing reliance on the Age Pension or other government support.

3) Underuse of other retirement products

- Research by SMC shows only 6% of retirees are currently using a lifetime income product, despite two-thirds of pre-retirees being aware of them. While these products can be beneficial in the right circumstances, their complexity and concerns about locking away a large portion of savings are key deterrents.

- Research also shows less than 10% of pre-retirees would consider a reverse mortgage or equity release product, despite holding so much equity in their home which could increase their standard of living in retirement. Like lifetime retirement products, a key barrier to their take-up is a lack of understanding and concerns about the impact on their Age Pension payments.

Recommendations for reform

- Recent government reforms like the Retirement Income Covenant (2022) represent important steps in the right direction. But while these changes have set the system on a better path, more needs to be done to future-proof Australia's retirement income system. And both super funds and Government have a role to play. While super funds are best placed to offer products and services that assist retirees manage complexity in the system, policy reform by government is also needed.

1) Simple retirement pathways

While one part of the solution of complexity is boosting the availability of quality financial advice, bespoke financial advice is not sufficiently scalable for large populations nor able to meet the sheer number of pre-retirees expected to retire in the next decade.

- *Simple retirement pathways* is a concept that could go a long way to resolving the 'retirement complexity issue'. Designed and administered by super funds, the idea is to automatically move retirees down a path best suited to their retirement situation based on a questionnaire, with the option to opt out if they want to chart their own course. *Simple retirement pathways* could iron out many of the behaviour issues identified, with SMC modelling showing they could provide up to \$136,000 or an additional \$6,500 a year in retirement income for the typical retiree.
- Super fund members would maintain the ability to opt out and choose their own retirement pathway.

2) Automatic transition to retirement

Some Australians—particularly if they have less super—struggle to transition from savings to retirement phase super accounts due to limited financial advice, complex decision-making, or lack of awareness.

- SMC recommends a system whereby eligible accounts could be automatically moved to the retirement phase upon meeting an unrestricted condition of release.



3) Change the drawdown rules

Some Australians with modest super balances are discouraged from entering the retirement phase due to mandatory drawdown rules, which don't align with their financial needs. Reform that could be considered includes:

- A review and adjustment of minimum drawdown requirements for members with low account balances and exploring strategies to encourage drawdowns above the minimum across varying balance levels.
- Applying exemptions to a defined portion of a member's balance, regardless of total holdings.
- Ensuring a system-wide view of member accounts to prevent rule circumvention across multiple funds.

4) Quality filter for retirement products

Super fund members making the move into retirement are vulnerable to being sold poor retirement products that operate outside the strong safeguards of the APRA-regulated system. Work on a quality filter should include these elements:

- key components covering all retirement products could include investment performance, fees, digital tools, member service and design innovation.
- other criteria could include maximising retirement income, managing associated risks, and enabling flexible access for retirees.
- Thorough research and analysis are needed to ensure a new quality filter delivers sustained benefits over the long term.

Reconfirming SMC's support for other important short-term reforms

SMC reconfirms its support for several other key reforms that in combination, would help reduce the complexity that retirees face as they approach and transition into retirement.

1. Expand access to simple, affordable advice: pass Delivering Better Financial Outcomes legislation; allow funds to assist with Age Pension applications; remove restrictions that stop funds from offering accurate, tailored online retirement calculators.
2. Enable safe and effective data sharing and integration of income sources: fast track a process to enhance data sharing between Government agencies and super funds.
3. Fix issues that lead to dual accounts: retirees should be allowed to make contributions into their existing 'account-based pensions' in line with existing contribution rules.

Conclusion: Towards a Simpler, Smarter Retirement

- Australia's retirement income system is at a pivotal moment. The coming wave of retirees will be larger, wealthier, and more diverse than ever before. Yet, without urgent reforms, the system's complexity will make it more difficult for many to get the most appropriate outcome.
- The SMC's vision is clear: a retirement system that is straightforward, secure, and easy to navigate, with simple pathways for most and tailored options for those who need them. Achieving this will require coordinated action from both government and industry, with a focus on integration, flexibility, and robust consumer protections.
- By working through the reform ideas outlined above, Australia can ensure every retiree has the confidence and support to make the most of their super and enjoy a dignified, secure retirement.

About this briefing note

- This briefing note is a summary of a report released by SMC on 29 October 2025, entitled *Retirement revolution: simpler, smarter retirement*. This report is the second in the Super Members Council's (SMC) Retirement Revolution series.
- A full copy of this report can be found <https://smcaustralia.com/retirement-revolution/>