

Briefing note: Long-term costs of One Nation 3% Super Pay Boost policy

Key findings

- Over the long term, the policy would cost the budget an estimated \$190 billion under the announced three-year entitlement, rising to \$1.28 trillion if access became permanent – almost seven times as much.
- Under the announced three-year entitlement, the annual fiscal cost peaks at around \$4.4 billion a year in 2076–77. Under permanent access, annual costs keep climbing throughout the projection period, reaching an estimated \$33 billion a year by the 2090s.
- For a 20-year-old today, the policy would add an estimated \$3,700 to their lifetime tax bill under the announced three-year entitlement, rising to approximately \$15,000 if access became permanent.

Introduction

This note examines the long-term fiscal implications of One Nation’s proposed “3% Super Pay Boost” policy, which would allow workers paying rent or a mortgage on their home to receive one-quarter of their future compulsory superannuation contributions as additional disposable income for up to three years.

This analysis estimates participation in the scheme, reductions in retirement savings, budget costs and the resulting taxpayer burden.

The analysis assumes commencement on 1 July 2027. The announced entitlement is limited to 36 months per person, with participants able to pause access, while newly eligible workers can continue entering the scheme. Aggregate diversions therefore continue beyond the scheme’s first three years.

The analysis also examines a permanent variant that removes the 36-month individual limit while retaining the other policy settings. This recognises the potential for a policy decision to extend access once the scheme is established: mortgages generally last much longer than three years, rental obligations continue, and renters who become homeowners may still face mortgage repayments. The permanent variant illustrates the consequences of allowing eligible workers to continue diverting contributions beyond the announced entitlement.

The detailed methodology is set out in the appendix.

Expected participation and superannuation diversion

Under the central take-up assumptions, we estimate that participants would divert approximately \$13.4 billion of compulsory superannuation contributions in the first year of operation (2027–28). After contributions tax, approximately \$11.4 billion would be released to participants. Allowing for additional salary-sacrifice contributions made in response to the policy, the net reduction in superannuation savings would be approximately \$11.2 billion.

Table 1 presents annual diversions under the announced three-year entitlement and the permanent variant. It distinguishes gross contributions diverted from the net reduction in retirement savings used to estimate long-term fiscal costs. All amounts are expressed in constant 2026–27 dollars.



Table 1: Estimated superannuation diversion over the first five years

Central case; \$ billions in constant 2026-27 dollars

Measure and variant	2027-28	2028-29	2029-30	2030-31	2031-32	5-year total
Gross SG Diverted						
Three-year entitlement	13.4	14.0	14.6	2.9	2.6	47.4
Permanent access	13.4	14.0	14.6	15.0	15.5	72.5
Net reduction in Super						
Three-year entitlement	11.2	11.7	12.2	2.4	2.2	39.7
Permanent access	11.2	11.7	12.2	12.6	13.0	60.6

Source: SMC analysis

The two variants produce identical results during the first three years. Under the announced entitlement, annual diversions then fall sharply as the initial participants exhaust their access. Diversions continue, however, as newly eligible workers enter and participants who paused access use their remaining entitlement. The net reduction in superannuation savings totals approximately \$39.7 billion over the first five years.

Under permanent access, participants can continue diverting contributions while eligible. Annual net reductions consequently remain much higher, reaching approximately \$13.0 billion in 2031-32. Over five years, the permanent variant removes approximately \$60.6 billion from superannuation – \$20.9 billion, or 53%, more than the announced entitlement. These reductions in retirement savings underpin the long-term fiscal costs examined below.

Long-term fiscal costs

Superannuation is designed to provide income throughout retirement and reduce reliance on the Age Pension. Its fiscal consequences therefore need to be assessed over a lifetime. Diverting contributions today reduces savings and investment earnings over subsequent decades, with additional Age Pension costs emerging as affected workers retire and continuing through their retirement years. A long-term assessment captures these deferred costs, which would be largely omitted from a conventional budget-horizon costing.

The estimated fiscal cost comprises additional Age Pension expenditure, lower revenue from tax on superannuation earnings, and the direct tax effects of participation. Earnings-tax revenue begins to fall as contributions are diverted, while the larger pension consequences develop over subsequent decades. Costs therefore persist long after an individual's entitlement to divert contributions has ended.

Under the central take-up assumptions, SMC estimates a cumulative fiscal cost of approximately \$190 billion under the announced three-year entitlement. Removing the individual time limit increases the estimated cost to approximately \$1.28 trillion over the same reporting period—nearly seven times as much. Additional Age Pension expenditure is the largest component under both variants.

Table 2: Estimated cumulative fiscal costs

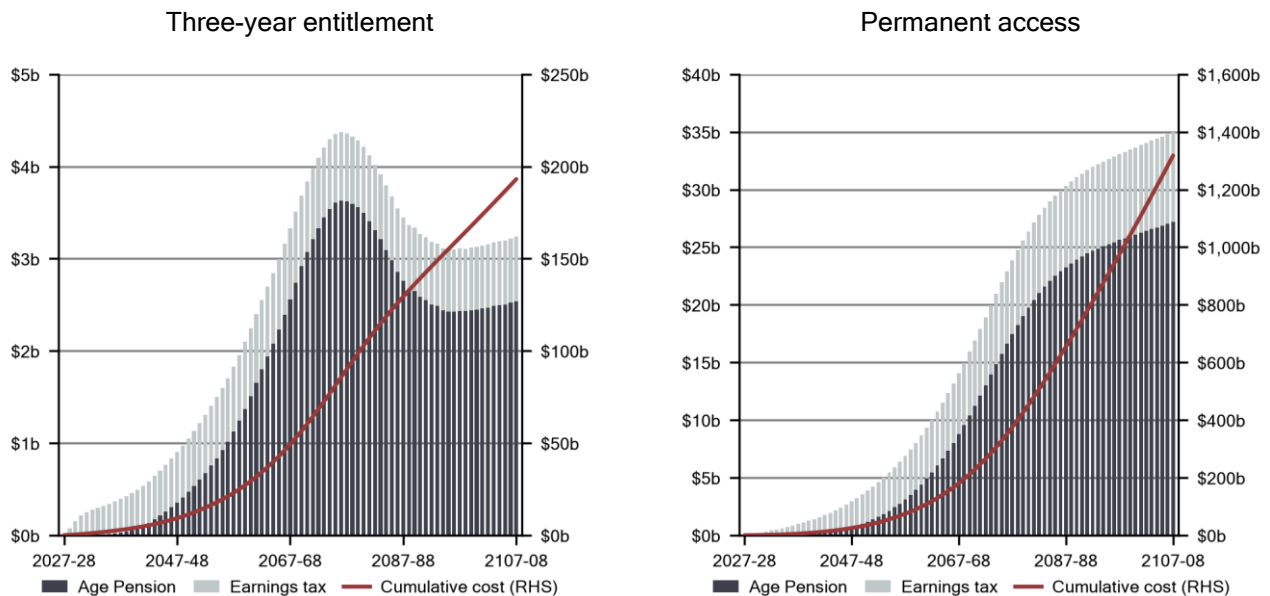
Central case; Cumulative fiscal costs to 2107-08, \$ billions in constant 2026-27 dollars

Cumulative fiscal impact	Three-year entitlement	Permanent access
Additional Age Pension expenditure	140.7	910.8
Forgone superannuation earnings tax	48.8	367.0
Net direct tax revenue loss	0.4	4.4
Total fiscal cost	189.9	1,282.2

Source: SMC analysis using scaled SPROUT modelling results



Figure 1: Estimated annual and cumulative fiscal costs



Source: SMC analysis using scaled SPROUT modelling results

Under the three-year entitlement, annual fiscal costs build over several decades, peaking at approximately \$4.4 billion in 2076-77 before declining. The subsequent decline does not eliminate the ongoing budget cost. Under permanent access, annual fiscal costs are estimated to average approximately \$750 million in the 2030s, \$2 billion in the 2040s and \$6 billion in the 2050s. They continue building to approximately \$12 billion annually in the 2060s and \$33 billion in the 2090s. These decade averages illustrate how the immediate diversion of retirement savings creates a growing fiscal burden over subsequent decades.

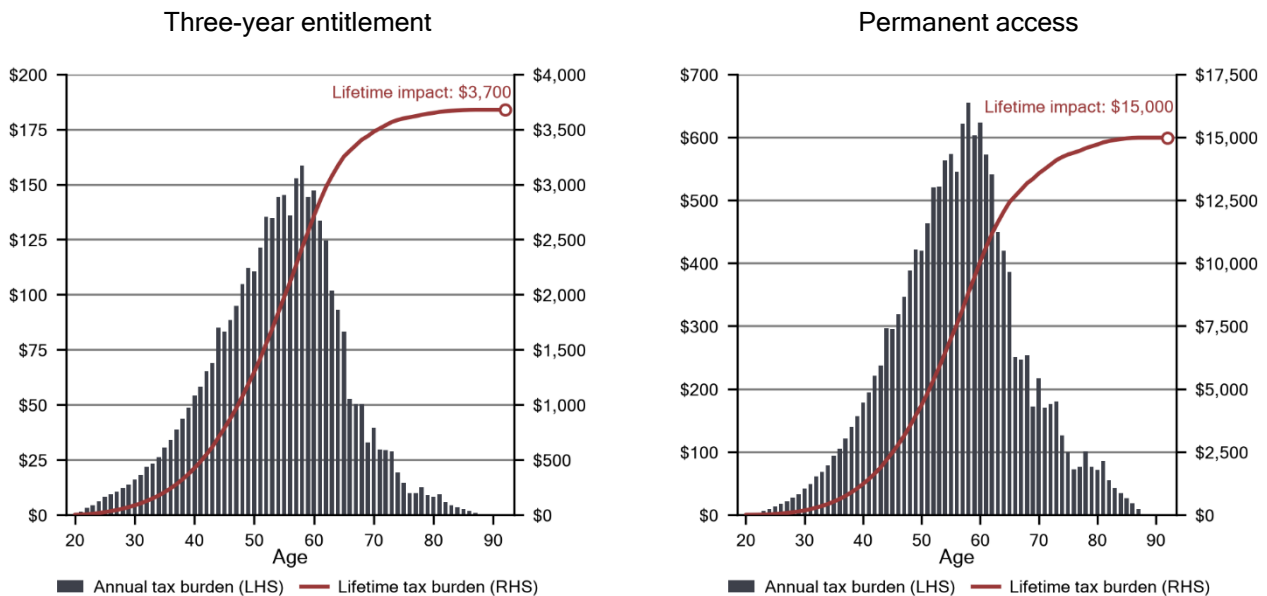
Taxpayer burden

To illustrate the implications for individuals, the estimated fiscal costs are expressed as an equivalent additional personal income tax burden, allocated according to projected shares of income tax paid. This illustrates the scale and distribution of the cost rather than predicting specific changes to tax rates.

Under the central take-up assumptions, a person aged 20 when the policy commences would face an estimated additional lifetime tax burden of approximately \$3,700 under the announced three-year entitlement, increasing to approximately \$15,000 under permanent access. Figure 2 follows this cohort as it ages, showing the annual and accumulated burdens. Lifetime estimates are averages per person, allowing for changes in the likelihood and amount of tax paid.



Figure 2: Estimated life-time taxpayer burden



Source: SMC analysis

Table 3 presents average annual burdens per taxpayer by age and decade. Unlike the cohort illustrated above, the age groups refer to taxpayers' ages in each decade. All estimates are expressed in constant 2026-27 dollars.

Table 3: Estimated additional annual tax burden per taxpayer

Decade	18-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	All ages
Panel A: Announced three-year entitlement											
2030s	\$8	\$13	\$19	\$24	\$28	\$30	\$30	\$27	\$21	\$12	\$21
2040s	\$16	\$27	\$38	\$49	\$57	\$62	\$60	\$55	\$42	\$25	\$43
2050s	\$32	\$55	\$77	\$98	\$114	\$124	\$121	\$111	\$83	\$50	\$88
2060s	\$59	\$99	\$139	\$178	\$206	\$225	\$220	\$201	\$152	\$88	\$158
2070s	\$84	\$142	\$199	\$256	\$295	\$323	\$316	\$288	\$218	\$127	\$226
2080s	\$75	\$126	\$177	\$226	\$262	\$286	\$280	\$256	\$194	\$112	\$200
2090s	\$59	\$99	\$139	\$179	\$207	\$226	\$221	\$203	\$153	\$87	\$158
Panel B: Permanent access variant											
2030s	\$16	\$27	\$38	\$49	\$56	\$61	\$60	\$55	\$43	\$25	\$43
2040s	\$51	\$85	\$120	\$154	\$178	\$194	\$189	\$173	\$132	\$77	\$137
2050s	\$118	\$199	\$280	\$359	\$415	\$453	\$443	\$403	\$304	\$183	\$320
2060s	\$238	\$402	\$565	\$724	\$837	\$914	\$894	\$816	\$619	\$359	\$644
2070s	\$415	\$698	\$981	\$1,258	\$1,454	\$1,588	\$1,553	\$1,419	\$1,073	\$626	\$1,114
2080s	\$554	\$932	\$1,309	\$1,679	\$1,941	\$2,121	\$2,075	\$1,899	\$1,435	\$827	\$1,484
2090s	\$600	\$1,009	\$1,417	\$1,818	\$2,102	\$2,298	\$2,249	\$2,063	\$1,557	\$887	\$1,604

Source: SMC analysis

Under the three-year entitlement, the average annual burden across all taxpayers rises from approximately \$21 in the 2030s to \$226 in the 2070s, before declining to \$158 in the 2090s. Under permanent access, it continues building, from approximately \$43 in the 2030s to \$1,114 in the 2070s and \$1,604 in the 2090s.



Burdens are generally greatest for taxpayers in their middle working years, reflecting their larger average income tax contributions. For taxpayers aged 45–49, the estimated annual burden in the 2090s averages approximately \$226 under the three-year entitlement and \$2,298 under permanent access.

Conclusions

The proposal would increase participants' disposable income by redirecting savings intended to support their retirement. The modelling indicates that this would create substantial and persistent budget costs through lower superannuation tax revenue and greater reliance on the Age Pension. The three-year individual entitlement limits these effects but does not eliminate them. Removing that limit would materially increase both the reduction in retirement savings and the burden on future taxpayers.



Appendix: Methodology

The analysis uses three linked models to estimate participation, long-term fiscal costs and the resulting taxpayer burden. First, a dynamic microsimulation model estimates who would participate and the annual reductions in superannuation savings. Second, a fiscal model applies existing SPROUT modelling results to these withdrawals, combining their effects over time to estimate additional Age Pension expenditure and changes in tax revenue. Third, a taxpayer-burden model allocates these fiscal costs across projected taxpayers and estimates annual and lifetime burdens. This framework is applied to both the announced three-year entitlement and a permanent variant, with sensitivity analysis examining alternative take-up assumptions.

A1. Participation and superannuation diversion: dynamic microsimulation

SMC's dynamic microsimulation tax model follows individuals over ten years as their employment, earnings and housing circumstances change. This allows the analysis to capture people eligible when the scheme begins, those who become eligible subsequently, and participants who pause or exhaust their entitlement.

A1.1 Starting population and policy eligibility

The model uses the ATO's anonymised 2% sample of individual tax records for 2023-24, containing income and employer superannuation contributions. The population is updated to 2027-28 and aligned with ABS population estimates and projections by age and sex. Additional records are added to represent residents not covered by the tax-return data.

Housing tenure is not recorded in the tax data. It is therefore estimated using the Household, Income and Labour Dynamics in Australia (HILDA) survey. Probabilities of renting, owning with a mortgage, owning outright or having another arrangement, including living with parents, are assigned according to sex, age and earned income. This captures differences in housing circumstances across demographic and income groups when estimating eligibility.

HILDA is also used to estimate annual probabilities of moving between housing tenure, based on age and current tenure. These transitions allow people to become eligible after the scheme begins – for example, when younger Australians leave the parental home and begin renting or paying a mortgage.

Aggregate employer superannuation contributions are benchmarked to APRA aggregates and adjusted for the increase in the statutory SG rate from 11% to 12%.

The policy is assumed to commence on 1 July 2027. Eligibility requires renting or having a mortgage on the home and receiving employer superannuation contributions. New elections are restricted to people younger than 65, reflecting existing access to superannuation at that age.

A1.2 Take-up evidence and assumptions

There is no direct Australian precedent for the proposed scheme. Take-up assumptions draw on New Zealand's housing-related KiwiSaver withdrawals and Australia's COVID early-release experience, recognising differences in eligibility and purpose.

New Zealand: housing-related access

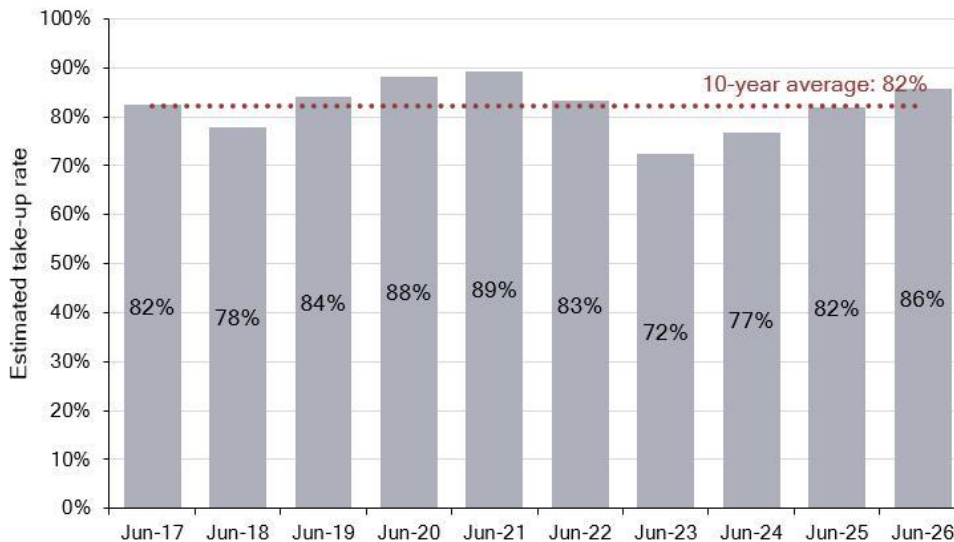
KiwiSaver allows retirement savings to be withdrawn to purchase a first home. SMC estimates household take-up averaging approximately 82%, reaching approximately 86% in the year ended June 2026. This provides evidence of substantial demand for access to retirement savings when linked to housing.

Annual Inland Revenue withdrawal counts are converted to household equivalents using an assumed 1.74 persons per first-homebuyer household, drawn from Australian evidence, then divided by RBNZ first-homebuyer borrower counts. This is an estimated household measure, rather than an observed participation rate among eligible KiwiSaver members.

The housing connection makes this a relevant benchmark, although purchasing a first home differs from supplementing income while renting or paying a mortgage.



Figure X: Estimated KiwiSaver first-home withdrawal take-up



Source: SMC analysis of RBNZ, Inland Revenue data.

Australia: COVID early release

Australia's COVID early-release scheme provides evidence of people's willingness to access superannuation savings before retirement. Although its eligibility rules and economic circumstances differed from the proposed scheme, it provides a useful Australian benchmark.

Using linked administrative records, Sainsbury, Breunig and Watson (2022) found participation of approximately 50-60% among newly receiving unemployment-payment recipients aged 30-55.¹

SMC reweights the study's age-specific participation rates to reflect the age composition of the model's renter and mortgage-holder population. This produces an indicative aggregate take-up benchmark of approximately 51%. The adjustment accounts for differences in age composition, while recognising that participation under the proposed scheme may differ from the COVID experience.

Participation patterns and calibration

The model also allows take-up to vary by sex, age and income. SMC uses ATO administrative data on COVID early-release applications to construct participation factors for these groups.² These factors shape individual participation probabilities, which are then calibrated to the overall take-up assumption for each scenario. This preserves demographic and income variation while setting aggregate participation using the two benchmarks.

Central assumption and sensitivity

Take-up under the central case is assumed to be 70% among eligible individuals without existing salary-sacrifice or other reportable employer contributions. This is a modelling judgement, with the housing-related KiwiSaver evidence supporting a higher assumption than the adjusted COVID benchmark alone.

Low and high assumptions are 15% below and above the central rate: 59.5% and 80.5%, or approximately 60% and 80%. Individuals with existing salary-sacrifice or other reportable employer contributions receive one-quarter of these rates – 17.5% centrally.

Participation across all SG recipients or all renters and mortgage holders is consequently lower, reflecting housing

¹ Sainsbury, T., Breunig, R. and Watson, T. (2022), COVID-19 private pension withdrawals and unemployment tenures, Tax and Transfer Policy Institute Working Paper 9/2022, particularly Chart 7.

² Australian Taxation Office, COVID-19 Early release of super, applications by gender, age and income range. Participation factors calculated by SMC.



eligibility, the requirement to receive employer contributions and reduced take-up among discretionary contributors.

A1.3 Changes in employment, earnings and housing circumstances

The model updates individuals' circumstances annually. Existing workers retain their relative position within ATO wage distributions by sex and age, with earnings changing as they move through the age profile. This captures life-cycle earnings patterns while preserving differences between higher- and lower-paid workers.

Entry to and exit from wage employment are estimated from HILDA, with transition probabilities differentiated by sex and age. New workers receive earnings and employer contributions drawn from comparable ATO records; those leaving wage employment have their associated income and contributions removed. Together with housing transitions, these changes determine the evolving eligible population and the contributions available for diversion.

A1.4 Participation entitlements, diversion and tax optimisation

Participants can divert one-quarter of employer superannuation contributions for up to three years; the permanent variant removes this limit. Newly eligible individuals can continue entering the three-year scheme after earlier participants exhaust their entitlement.

Diverted contributions incur the usual 15% contributions tax, with the remainder released without additional personal income tax. Half of participants with existing discretionary contributions are assumed to seek a tax benefit by increasing salary-sacrificed contributions to offset some or all of their diversion, subject to available concessional-contribution cap space.

Outputs distinguish gross contributions diverted, amounts released after contributions tax, and net reductions in superannuation savings after additional salary-sacrificed contributions. These net reductions and associated tax effects feed into the fiscal model.

A2. Long-term fiscal costs: SPROUT-based modelling

The fiscal model estimates how the reductions in superannuation savings from the participation model affect government expenditure and revenue over time. It combines additional Age Pension expenditure, changes in tax on superannuation earnings, and the direct tax effects of participation.

A2.1 SPROUT fiscal responses and scaling

The analysis draws on existing results from the Superannuation, Pension and other Retirement OUTcomes (SPROUT) model, originally developed by RiceWarner and Industry Super Australia. SPROUT projects outcomes across the Australian population by sex, single year of age and 12 income-wealth groups.

SPROUT follows the accumulation and drawdown of superannuation and other savings, accounting for contributions, investment earnings, fees, benefits and taxes. Combined with population and labour force projections, these determine retirement balances, Age Pension entitlements and tax revenue.

Existing SPROUT results provide the annual profile of additional Age Pension expenditure and changes in superannuation earnings tax following a reduction in retirement savings. SMC scales these fiscal responses to the net reductions in superannuation savings estimated for each year of the proposed scheme. This assumes proportional fiscal effects while retaining the timing of the underlying responses. Direct tax effects from the participation model are incorporated separately.

A2.2 Combining annual diversions and extending projections

Each year's net diversion generates a separate stream of SPROUT fiscal effects, beginning in the year of diversion. These overlapping streams are summed to estimate annual Age Pension and earnings-tax effects. Costs can persist long after participation ends because lower retirement savings mean forgone investment earnings and potentially greater pension reliance.

The participation model supplies annual net diversions and direct tax effects for the first ten years. These are then extended using the final model year's estimates, adjusted for projected growth in the working-age population.



A2.3 Reporting period and dollar basis

Fiscal costs are estimated from 2027-28 to 2107-08, covering 81 financial years. Effects beyond this period are excluded, including later costs arising from diversions near the projection's end.

All monetary estimates are expressed in constant 2026-27 dollars. Cumulative costs sum the inflation-adjusted annual costs over the stated reporting period.

A3. Taxpayer-burden modelling

The model expresses the estimated fiscal cost as an equivalent additional personal income tax burden. It allocates this cost across projected taxpayers and estimates annual burdens and expected lifetime burdens for different age groups. This illustrates the scale and distribution of the cost, rather than predicting specific changes to tax rates.

A3.1 Projecting taxpayers and allocating fiscal costs

Taxpayer numbers are projected by age and sex using ABS population projections, employment data and ATO taxpayer statistics. Annual fiscal costs are allocated according to projected shares of income tax, combining taxpayer numbers with average net tax paid in the ATO's 2023-24 statistics.

ABS Survey of Income and Housing data supply the probability of paying tax at each age. These probabilities and tax-payment profiles by single year of age determine expected individual burdens. A common adjustment across ages reconciles these estimates to the full annual fiscal cost.

A3.2 Estimating lifetime burdens

Lifetime burdens sum expected annual tax burdens as a cohort ages through the projection, allowing for changes in the likelihood and amount of tax paid. They are averages per person; annual figures are reported per taxpayer.

A4. Sensitivity analysis and key limitations

Sensitivity analysis applies lower and higher take-up assumptions to both scheme variants, tracing their effects through participation, fiscal costs and taxpayer burdens. These scenarios illustrate behavioural uncertainty rather than statistical confidence intervals.

The estimates depend on assumed use of released funds, survey-based housing tenure and historical employment and housing transitions. Long-term costs also rely on SPROUT's underlying assumptions, proportional scaling of its fiscal responses and population-based extensions of annual diversions. Results indicate the potential scale and timing of costs under these assumptions, with greater uncertainty over longer horizons.