

# Budget 2020 – Superannuation

## Superannuation Overview

The changes that have been announced to superannuation reflect recommendations of the Productivity Commission.

The most significant change is that a person’s first superannuation account will become their default superannuation account throughout their working life, unless they chooses to move their account to another fund. This will address the concern around multiple accounts that may be set up when a person changes jobs, and will reduce overall account fees.

There is nothing in the budget to help restore the superannuation balances of people who accessed their superannuation early under the COVID-19 measures.

## Taxation: Superannuation

### The Budget

#### Superannuation Reform

Payments (\$m)	2020-21	2021-22	2022-23	2023-24
Australian Taxation Office	18.4	21.5	12.3	7.2
Department of the Treasury	16.9	0.3	0.1	0.1
Australian Prudential Regulation Authority	0.7	0.9	0.6	0.6
<b>Total — Payments</b>	<b>36.0</b>	<b>22.7</b>	<b>13.0</b>	<b>7.9</b>
<i>Related receipts (\$m)</i>				
Australian Taxation Office	-	5.0	13.0	-64.0
Australian Prudential Regulation Authority	-	1.5	0.7	0.7
<b>Total — Receipts</b>	<b>-</b>	<b>6.5</b>	<b>13.7</b>	<b>-63.3</b>

Source: 2020 Budget Paper No 2, Budget Measures 2020-21 — Part 2: Payment Measures p. 164.

This budget package consists of the following measures:

- A superannuation fund will be “stapled” to an employee as the default fund for that employee for superannuation guarantee purposes. When the person changes employers, the new employer will be required to make contributions to that fund. Currently an employer can nominate a default fund in the absence of the employee nominating a specific fund. This can result in a person having multiple superannuation funds.
- ATO systems will be developed to help employees to select a MySuper product through the YourSuper portal.
- APRA will conduct benchmarking tests on superannuation funds to provide information to members. This will be funded by fees levied on financial institutions

- There will be enhanced transparency requirements on superannuation funds.

The following policy decisions were introduced as part of the COVID response package in March 2020. They are included here for completeness.

#### COVID-19 Response Package – temporary early access to superannuation

Receipts (\$m)	2019-20	2020-21	2021-22	2022-23	2023-24
Australian Taxation Office	-30.0	-490.0	-540.0	-560.0	-600.0

Source: 2020 Budget Paper No 2, Budget Measures 2020-21 —Appendix A: Policy decisions published in the July 2020 Economic and Fiscal Update p. 186.

This measure allowed the early release of superannuation, up to \$10,000 prior to 1 July 2020 with a second tranche of \$10,000 after 30 June 2020 to 31 December 2021 to people whose employment or income had been severely reduced by the COVID economic crisis.

#### COVID-19 Response Package — temporarily reducing superannuation minimum drawdown rates

The nature of the measure is such that a reliable estimate cannot be provided.

Source: 2020 Budget Paper No 2, Budget Measures 2020-21 —Appendix A: Policy decisions published in the July 2020 Economic and Fiscal Update p. 186.

This measure halved the minimum drawdown from superannuation for people in retirement phase for the years ended 30 June 2020 and 2021, to allow for the expected lower rates of return on superannuation fund investments.

## Gender implications

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### Why is this an issue for women?

Superannuation is an important element of financial security in retirement. The gender superannuation gap emerges early: [Clare](#) notes that as at 30 June 2018 female employees aged between 55 and 65 had around two-thirds of the superannuation balances of their male counterparts ([at p. 15](#)). Lower superannuation balances at retirement contribute to economic insecurity and the [increasing risk of homelessness](#) among older women.

Women are more likely to experience career interruptions and intermittent work as a part of their career history. The [Productivity Commission](#) Report did not provide data on the gender breakdown of multiple account holders, however it did note that low income earners and intermittent workers are likely to be particularly affected by fees and insurances on multiple accounts ([at p. 532](#)).

The [Consultation Paper](#) for the Retirement Income Review acknowledged that gender does have an effect on the outcomes of the superannuation system ([p. 15](#)). The final report of that review has not yet been released.

## What are the 2020 Budget impacts on women?

The budget announcement implements [Productivity Commission Recommendation No 1](#) in respect of multiple superannuation accounts. Women are likely to benefit from the change to ensure that superannuation payments are paid into an existing superannuation account rather than the employer default account. We do note that there may be some industrial agreements under which a higher rate of superannuation is payable, and these arrangements must be reviewed to ensure that workers are not disadvantaged if they do not join the superannuation fund specified in this agreement.

The COVID-19 response plan allowed early release of superannuation to people whose employment or income was substantially affected as a consequence of the COVID-19 economic crisis. [Answers to questions on notice](#) asked by the Senate Select Committee on COVID-19 indicate that the early release scheme has been predominately taken up by people under the age of 35, and that more males than females have accessed the scheme. [APRA data show](#) that the average amount withdrawn prior to 1 July 2020 was \$7,503, and \$8,374 after that date, although this data is not broken down by gender.

Information from superannuation funds prior to the second round of applications opening on 1 July 2020 indicates that around 25 per cent of applicants had less than \$6,000 remaining in their account after making the withdrawal, 40 per cent had less than \$10,000 and 5 to 10 per cent had a nil or very low balance ([Clare, 2020 at p. 11](#)). Given that young women already have balances lower than their male counterparts, the effect of withdrawals on the superannuation accounts of young women must be monitored, and the superannuation system must facilitate additional contributions to catch up on these early withdrawals.

In respect of the reduced drawdown on retirement accounts, there were some people receiving allocated pensions who were not aware of the change prior to the fund automatically reducing their pensions. The amount of a pension drawdown is a decision made by the account holder, as long as it is not less than the required minimum, and this seems to have been a transitional issue that has been resolved by superannuation funds on a case by case basis. In most case the long-term effects on superannuation investments seem to have stabilised, although ongoing low interest rates will affect women with portfolios weighted toward cash and bonds.

We also note that the Low Income Superannuation Tax Offset threshold should be increased to reflect the changes in the income tax thresholds. The purpose of this offset is to ensure that superannuation is not taxed at a higher rate than other income, accordingly the threshold should be pegged to the 30 per cent tax threshold which has been increased from \$37,000 to \$45,000. This will benefit all low income earners, but will disproportionately benefit women.

## Recommendations

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1. The Government should encourage people who have accessed their superannuation early through the COVID early access arrangements to restore their superannuation by:
  - a. Relaxing contribution caps for people who have accessed their superannuation early

- b. Increasing the Government Co-contribution payable on voluntary non-concessional contributions to superannuation.
2. The Government should release the report of the Review into Superannuation and Retirement Income.
3. NFAW reiterates our recommendations to the Retirement Income Review that superannuation should be payable on paid parental leave, and in respect of employment where the income is less than \$450 per month.
4. The threshold for the Low Income Superannuation Tax Offset should be raised to \$45,000, consistent with the new income tax thresholds.