Spotlight on Henry:

A comparative analysis of the Henry Recommendations with the proposed increase of the Superannuation Guarantee to 12 per cent

FEBRUARY 2011

The Association of Superannuation Funds of Australia Limited

INTRODUCTION

PART 1

The Association of Superannuation Funds of Australia (ASFA) is a non-partisan, non-sector aligned association representing the superannuation industry. It develops its policies for a retirement savings system based on evidence and according to the following key principles. The retirement income system should:

- provide adequate and sustainable retirement incomes;
- increase national savings; and
- be equitable and simple.

While there is broad political and community agreement about the need to lift retirement savings, the methods by which to achieve this are still being debated.

This paper looks at the two proposals currently on the table:

1. lifting the Superannuation Guarantee (SG) from nine to 12 per cent; and
2. the recommendations from the Henry Review.

It outlines in detail research that supports increasing the SG to 12 per cent and provides extensive analysis of the recommendations on personal and superannuation tax made by the Henry Review and why these would fail to deliver the best public policy outcomes.

This report does not address recommendations in the Cooper Review nor respond to the *Stronger Super* reform package.

Current policy settings will result in less than adequate retirement incomes for the majority of Australians.

It has been ASFA's position for many years that relying on additional voluntary contributions alone is not the answer and that the SG must be increased to at least 12 per cent.

In 2010, as the government announced its intention to adopt this policy (12 per cent SG), another proposal to change Australia's tax and superannuation system was also published. The Henry Review put forward a series of recommendations that would change the way both personal income and superannuation, are taxed.

ASFA has now conducted modelling of the Henry recommendations to compare their performance against an increase in SG in achieving better retirement outcomes for Australians.

To get a clear picture of outcomes for individuals, super funds and governments, it is crucial to understand the way in which a variety of policy settings interact. ASFA analysis of the proposal to lift the SG (along with associated rebates and concessions), and of the Henry recommendations, takes into account personal income tax, taxation of fund earnings, various tax rebates, the level of the SG, concessional caps, impacts on tax revenue and the administrative burdens of implementation.

As a result of these analyses, ASFA strongly supports the phased increase in the SG to 12 per cent and rejects the Henry recommendations relating to superannuation.

The Henry recommendations were based on interactions with a proposed personal income tax system that is substantially different to the current one, and which the Government has ruled out adopting.

As well, the Henry recommendations on superannuation would result in:

- Substantial ongoing costs to tax revenue;
- Individuals having to pay tax out of what was previously take-home pay (which could be 30 per cent or even 45 per cent on some or all of their super contributions); and
- Administrative complexity such as funds having to report contributions to the ATO; and every individual who has received a super benefit having to lodge a tax return, every year.

An increase in the SG to 12 per cent will deliver better retirement outcomes for more Australians than would adopting the Henry recommendations.

ASFA has been advocating an increase in the SG for over 10 years.

While ASFA believes Australia's goal should be a retirement income in the order of the "comfortable" living standard as described in the ASFA Retirement Standard – or at least equivalent to 75 per cent of net earnings, no proposals have been made that will achieve this for the majority of the population. A move to 12 per cent SG gets closest.

Current settings will generate relatively low retirement incomes by international standards, even when the system is mature. The combination of the age pension, SG at nine per cent, and some voluntary superannuation savings will, according to Organisation for Economic Co-operation and Development (OECD) modelling, result in a replacement rate for an average Australian income earner entering the labour market in 2006, of just 41.6 per cent. This compares to an OECD average of 59 per cent.

For higher income earners in Australia, the disparity is even greater; the replacement rate for someone on 1.5 times average earnings (around $A83,000) is 33.1 per cent, compared to the OECD average of 54.3 per cent.

Increasing retirement savings must be the primary goal of any changes to the superannuation system.

As shown by Table 1, an increase in the SG to 12 per cent will deliver substantially improved outcomes for individuals and households over the long-term.

For low-income individuals, outcomes would be further enhanced by the Government's proposed tax rebate for contributions made on behalf of low-income earners – which is part of the package to increase the SG

Table 1 – Lump sum retirement benefits after 30 years in a taxed fund

Tax treatment and contribution level	Wage of $30,000	Wage of $50,000	Wage of $100,000
9% contributions and investment earnings taxed at current rates	$110,000	$183,000	$366,000
Lump sum if contributions made at the rate of 12% of salary	$146,000	$244,000	$487,000
Lump sum needed to support comfortable lifestyle for a couple (assumes receipt of part-Age Pension)	$510,000	$510,000	$510,000
Lump sum needed to support comfortable lifestyle for a single person (assumes receipt of part-Age Pension)	$430,000	$430,000	$430,000

All figures in today's dollars (using 3.75 per cent AWE as a deflator), investment earning rate of seven per cent assumed. Annual expenditures needed for a comfortable lifestyle are as at September 2010 $39,302 for a single, $53,729 for a couple. The lump sums needed for a modest lifestyle are relatively modest, being $50,000 for a single and $35,000 for a couple as the required expenditures of $21,132 for a single and $30,557 are mostly met by the Age pension of $17,165 for a single and $25,878 for a couple (with a pension supplement also available).

3.1 Why relying on voluntary savings would not work

Some have argued that super contributions above nine per cent should be voluntary. However the available evidence suggests this will not achieve the desired outcomes. Australians strongly support the compulsory system, and the proposed increase in the rate of compulsory contributions, because they realise that in the absence of compulsion they will not save an adequate amount for retirement. (See Appendix A)

For instance, very few if any employees would increase their rate of household saving if their take home pay was marginally higher by, for instance, paying more off their mortgage.

Despite significant tax incentives for making voluntary superannuation contributions, only around 20 per cent of employees do this. As well, the incidence of making salary sacrifice contributions only really begins to pick up after age 45.

Retirement savings will always benefit from the making of additional contributions. However, starting to save more at a later age means that the benefits to retirement savings of compounding investment returns are lost. This is particularly concerning for the retirement outcomes of lower and middle-income earners.

Compulsory superannuation contributions are both needed and wanted. Leaving decisions about the level and timing of contributions to individuals would mean that the great bulk of Australians would not make additional contributions. For the minority that would make additional contributions these would generally be made later in life when their impact on final retirement savings would be less.

3.2 Affordable for employers

The proposed increase in the SG from nine to 12 per cent is both prospective (starts in 2013-14) and phased (with a gradual increase over six years). This will allow employers to make allowance for the increased superannuation contributions in wage negotiations.

Given annual pay increases for employees of between three and four per cent are likely over the rest of the decade, it only takes a relatively small adjustment to the cash component to cover the annual modest adjustment to the SG. Around 25 per cent of employees already receive more than nine per cent contributions with a substantial proportion receiving the benefit of contributions of more than 12 per cent.

When the SG was first introduced the much more rapid movement to nine per cent was accommodated without any adverse impacts on employer profitability or the level of employment. The same can be expected this time round with the much smaller increase in super contributions.

3.3 Affordable in terms of tax revenue

In terms of affordability, the impact on the Forward Estimates from the proposal to lift SG does not come into effect until 2013-14 when, on the basis of current projections, the overall budgetary situation will be stronger.

The phased increase in the SG to 12 per cent has a projected budgetary cost of just $240 million in 2013-14.
Some mention has been made in the media of Treasury estimates of the impact in 2020 and beyond on tax revenues of the increase in the SG to 12 per cent.

In fact, the increasing stock of superannuation savings generates considerable tax revenue through the taxation of investment earnings of superannuation funds.

Currently tax collections related to investment earnings are running at around $5 billion per year. By 2020, aggregate assets will have more than doubled so there will be an additional $5 billion or more flowing into tax revenue.

This is far greater than the Treasury estimated impact on the Budget of additional contributions being taxed at 15 per cent rather than at personal marginal tax rates.

The superannuation measures outlined in the Government's 2010 Budget also are projected to reduce age and service pension outlays by $3.8 billion in 2035-36, with the cumulative total saved for every year from 2012-13 to 2035 being $41 billion.

The increase in the SG to 12 per cent is an investment in the future rather than a cost to Budget or the economy.

Supporting policies

ASFA supports the current government's proposed tax rebate for contributions made on behalf of low-income earners. ASFA further advocates lifting the concessional contribution caps (to $50,000 for those aged under 50 and to $100,000 for over-50s) beyond the government's current recommendation of a $50,000 cap for those 50 and over.

THE HENRY RECOMMENDATIONS PART 4

In May 2010 the Government released the report of *Australia's Future Tax System Review*, (the Henry Review), together with its response to it.

Recommendations were made by the Review on almost all aspects of the Australian tax system including: personal income tax, superannuation, company taxation, environmental taxes; retirement income; and transfer and payment systems.

However, the holistic view is a complicating factor when considering individual recommendations from it, as they were designed to be considered (and adopted) as a package.

In particular, the recommendations on superannuation interact with other recommendations relating to personal income tax.

This paper examines three key recommendations that relate to, or impact on, savings for retirement:

- **Recommendation 1** – relating to personal income tax having a high tax-free threshold ($25,000) and a constant marginal rate for most people (35 per cent);
- **Recommendation 18** – treating employer superannuation contributions as income in the hands of individuals, taxed at marginal personal income tax rates, with a flat-rate refundable tax offset for all contributions up to an annual cap of $25,000 (indexed); and
- **Recommendation 19** – which would halve the tax rate on superannuation fund earnings to 7.5 per cent.
- There is no indication that such a tax structure is to be adopted and this in itself raises questions about the viability of a number of the Henry Review superannuation recommendations.

4.1 Recommendation 1: personal tax

The personal tax rate structure of the type proposed in the Henry Review does have some attractions, but the disadvantages of the package of personal tax recommendations are significant as they relate to both the substantial revenue cost and the equity of the measures.

Official Treasury modelling in the working papers released by the Government in October 2010, concerning the costing of the recommendations in the Henry Review, indicates both revenue and distributional considerations would make adoption of the personal tax recommendations very problematic.

Table 2 – Henry Review: personal tax recommendations

ADVANTAGES	DISADVANTAGES
The system of tax rates would be simple.	Establishing a tax-free threshold of $25,000 then a 35% tax rate to $180,000 and a 45% tax rate thereafter would have an initial full year static impact on tax revenues of minus $3 billion.
Abolition of various tax rebates and tax offsets would make the system easier to understand.	The revenue cost would be likely to increase over time as a result on income splitting and other behavioural changes to take advantage of the relatively high tax-free threshold.
It would be easy to integrate with the welfare payment system as the tax-free threshold is basically set above the level of any social security payments.	The associated removal of tax offsets would, in the first year, lead to a further revenue cost of $4 billion as a result of lower revenue from the new tax scale while tax offsets would be applied against tax liabilities from the previous year.

Low marginal tax rates and lower withdrawal rates of benefits as income increases would increase incentives to work and save.	The proposed tax scale would lead to an increase in net tax liability for the majority of taxpayers (those with taxable incomes between $35,500 and $94,000).
There would be more neutral tax treatment of various types of investments due to the adjustments proposed to the capital gains tax regime and to the treatment of income and expenses attributable to investments.	Specific groups would face an even greater impact, including: single fully self-funded retirees; singles and couples with heavy medical expenses; those with children in primary or secondary school; mature aged workers earning less than $60,000 a year; households where there is a low-income dependent spouse; people in remote areas and Australian Defence Force members serving overseas
	The 1.3 million Australians who claim tax deductions for negatively geared rental properties would also be adversely affected with only 40% of relevant expenses deductible under the proposed tax regime.

Source: Treasury 2010 and ASFA

As outlined in Table 2, there would be extremely substantial ongoing costs to tax revenue from the changes proposed by the Henry Review, with the first year impact being the greatest.

Most households and individuals also would be adversely affected. The impact would be greatest for self-funded retirees, low to moderate income individuals who have heavy medical expenses, and those living in remote areas. The combination of each of these factors could mean a highly significant impact on some households.

As a result, the package of recommendations would be difficult to justify on either economic management or equity grounds. This would appear to be behind the decision of the Government not to adopt many of the recommendations.

4.2 Recommendation 18: superannuation tax

The superannuation tax recommendations made in the Review were designed to mesh with personal tax recommendations. If, as seems very likely, the personal tax recommendations are not adopted then there would be even greater challenges in implementing the superannuation tax recommendations. There are two main reasons for this:

1. Due to the inclusion of employer superannuation contributions in taxable income there would be adverse interactions between personal taxable income and the various tax thresholds; and
2. The limited access to various tax offsets would decrease household income.

In terms of public policy considerations there are a couple of elements of Recommendation 18 that would lead to better outcomes. These include the ability of individuals aged 50 and over to make higher tax assisted contributions, and that compulsory super contributions made by employers should not reduce eligibility for income support or family assistance payments.

This Henry Review recommendation to include employer superannuation contributions in personal taxable income would lead to the abolition of the flat rate of tax of 15 per cent on employer and other taxable contributions when they are received by a superannuation fund.

Implicit in this recommendation is the recognition that net contributions need to be higher than they currently are. With a 15 per cent contributions tax, a nine per cent of wages contribution becomes, after tax, a 7.65 per cent contribution. This recommendation implies that a net nine per cent contribution is more appropriate. This is equivalent to a 10.6 per cent of wages contribution before a 15 per cent contributions tax.

As such the increase would be half what is needed to bring contributions to the 12 per cent that is generally regarded as being the minimum necessary to bring about dignity in retirement for retirees in the future. Even at a contribution rate of 12 per cent it will take some time to increase average living standards in retirement.

While the Henry Report claims that the recommendation would reduce complexity, it would be more accurate to say that it would change the nature of the complexity in the tax treatment of superannuation contributions.

Implementation issues

In ASFA's view, there are significant problems with the remaining elements of the recommendation. If adopted as an overall package there would be significant adverse outcomes in terms of public policy:

- It would require funds to report actual or notional superannuation contributions to the ATO for inclusion in the taxable income of individuals. It would bring about most of the valuation and equity problems associated with the superannuation surcharge which was introduced in 1996 and later discontinued because of its inherent design defects;
- Individuals would have to pay the tax (which could be 30 per cent or even 45 per cent of some or all of the contributions) out of what was previously take-home pay;
- A superannuation contributions tax regime of this type would be much more difficult to administer than the superannuation surcharge as the ATO would need to issue assessments and undertake matching of contributions with every individual receiving the benefit of superannuation contributions;
- Adoption of the recommendation would also require every individual who has received the benefit of employer superannuation contributions to lodge a tax return every year. There would be tens of millions of superannuation transactions that would need to be matched for over 10 million Australians; and
- There also would be significant difficulties in applying the proposed regime to constitutionally protected superannuation schemes.

This is not a recipe for equity or efficiency.

The Henry Report claims that its proposal will deliver results similar to other countries, but it does not go the further step of proposing arrangements that apply in the bulk of OECD countries (namely tax-free contributions and investment earnings, with tax levied on final benefits).

The model proposed is not one that has been adopted in any other country. ASFA is not aware of any country that attempts to apply income tax to notional contributions by employers into a defined benefit fund. Similarly, no other country has moved from having superannuation contributions not taxable in the hands of an employee to becoming taxable.

Impact on individuals

There would be substantial impacts on take-home pay for many individuals if the recommendations were adopted.

The Treasury analysis released in October 2010 indicates that the aggregate reduction in disposable income for the 13 million Australians affected would be $12 billion.

In terms of the distributional impact of the proposed changes, there would be a reduction in disposable income for everyone with taxable income over $30,000.

For an individual on $100,000 the reduction in taxable income is projected to be $4,000 a year, or around $80 a week. Although the flipside is an increase in disposable income for those with taxable incomes under $30,000 a year, the increase is projected to be on average around $2 to $3 a week.

These are average figures. For certain individuals with actual or notional employer contributions in excess of nine per cent of wages, the impact would be greater.

For superannuation schemes with cliff vesting, such as the arrangements applying to certain Commonwealth and State parliamentarians, the impact would be even greater with possible personal tax liabilities for some members of $10,000 or more a year.

Impact on tax revenue

The cost to Government revenue would be $3 billion per annum, as the loss of contributions tax and the proposed contributions tax rebate would substantially exceed the additional personal tax collected from individuals at the new proposed tax rates.

By 2017-18, Treasury projections indicate that these figures would result in a decrease in household disposable income of nearly $16 billion and a loss of Government revenue of over $4 billion.

In general, the impact of the Henry Review superannuation proposals on members of defined benefit superannuation funds would be potentially severe, leading to substantially lower take-home wages without any offsetting increase in superannuation benefits eventually received.

Along with the direct reduction in take-home wages, it's also likely that inclusion of employer superannuation contributions in assessable income would push many taxpayers over various thresholds, leading to them paying higher marginal tax rates than they otherwise would face.

In contrast, a phasing in of an increase in the SG means that take-home pay will not generally decrease in absolute terms as the increased contributions will be a partial trade off from future wage increases.

4.3 Recommendation 19: tax on super fund earnings

Along with changes to the taxation of contributions, the Henry Review recommended substantial changes to taxation of fund earnings. In addition to the rate of tax on superannuation fund earnings being halved to 7.5 per cent, it said:

- Superannuation funds should retain their access to imputation credits; and
- The 7.5 per cent tax should also apply to capital gains (without a discount) and the earnings from assets supporting superannuation income streams.

There are some attractions to this recommendation:

- A lower tax rate on investment earnings would assist individuals in accumulating retirement savings. The magic of compound interest is assisted by there being a higher after-tax earnings rate;
- Tax reporting and administration of funds would be simpler with only one set of unit prices or crediting rates for both accumulation and pension products with the same investment choice; and
- The transition from accumulation to pension phase would be simpler with a level playing field between all types of funds. Currently some funds find it difficult or impossible to move capital gains to the pension phase from the accumulation phase.

However, for many individuals this new tax during the retirement phase would largely negate the benefits from a lower tax rate during the accumulation stage.

The projected benefits to individuals that are set out in the Henry Report relate to the accumulation stage. The measure would also remove the only remaining incentive to take an income stream in retirement rather than continue with an accumulation account with no drawdown requirements.

Preliminary calculations by the ASFA Research Centre suggest there would not be much difference, in terms of the arithmetic, whether an individual would be advantaged or disadvantaged over their lifetime by a uniform investment earnings tax rate applying to both accumulation and drawdown phases.

However, whether an individual will be advantaged or disadvantaged depends on a variety of factors, including opening balance and the period over which a retirement balance is drawn down. For instance, individuals who currently postpone the realisation of capital gains until the retirement phase would be adversely affected by the Henry Review proposals.

EXAMPLE 1

For a wage earner on $50,000 a year in the workforce for 35 years, halving the investment tax rate would boost the eventual accumulation balance from $246,000 to $258,000.

If they seek a target income (including Age Pension) of $30,000, this lump sum would be exhausted at age 90. This is the same age at which the lump sum would be exhausted with a 15 per cent tax rate during accumulation and zero rate during drawdown, but the uniform tax rate would lead to the lump sum being exhausted around six months later.

EXAMPLE 2

For someone starting with $200,000, on a salary of $100,000 and with a further 20 years of accumulation, they would have their accumulation boosted from $603,000 to $626,000.

However, they would be disadvantaged by a uniform investment earning tax rate. Assuming a $50,000 income in retirement, the lump sum would run out at age 84 rather than 85.

As well, the Age Pension means test impacts more on those with higher accumulations.

Implementation issues

Introducing a tax regime along the lines of Recommendation 19, would create many transitional issues. For instance:

- How should an individual who has accumulated their retirement savings under the old regime be treated compared to someone who accumulates their savings under the new regime?
- What about those who have already commenced income streams?
- What about the treatment of providers of annuities and life pensions currently in payment?
- What would it do to the funding requirements of existing defined benefit schemes run by large companies?
- Would it provide a major incentive for individuals to have their investments outside the super system post retirement, especially if there is a relatively high income threshold before any income tax is payable?

If there is a concern about individuals avoiding capital gains tax liabilities during the accumulation stage by converting assets at the time of retirement to supporting an income stream, this could be addressed directly by defining a new capital gains tax event. It does not require a uniform tax rate across both the accumulation and de-accumulation stages.

In the papers released by the Government, there was no estimate of the distributional impact of the proposed changes to the taxation of the investment earnings of funds in both the accumulation and pension phases. This would be a very complicated exercise.

There also would be substantial pressures for “grandfathering” of the tax treatment of investments supporting pensions in payment. The argument would likely be that a change in tax treatment would be unfair where assets supporting the payment of the pension paid a higher rate of tax on investment earnings during the accumulation phase. The employer sponsors of defined benefit funds also would face increases in required employer contributions to pay pensions if there were no “grandfathering”.

Impact on tax revenue

Apart from the equity aspects, there would be substantial tax revenue implications if the Henry Review proposals on the taxation of fund investment earnings were adopted.

Estimates published of the aggregate impact on tax revenue over the period to 2017-18 suggest that, given there are more assets in the accumulation phase than are in the pension phase, adoption of the Henry proposals would lead to a substantial reduction in tax revenue to the Government.

If there was no “grandfathering” of investment earnings attributable to pensions currently in payment, Treasury has estimated that the revenue cost would be around $2 billion in 2011-12 rising to nearly $5 billion in 2017-18.

If there were “grandfathering”, then the cost to tax revenue would be even greater, with the cost rising from $2.8 billion in 2011-12 to nearly $6 billion in 2017-18.

However, this cost to tax revenue would not necessarily lead to any significant increase in average retirement incomes. This is apparent from the examples for individuals at different income levels presented above.

The aggregate revenue cost is largely due to there being more assets in the accumulation phase than in pension paying phase, with this likely to continue for some decades.

On an individual basis, whether or not a 7.5 per cent tax rate for investment earnings in both the accumulation and pension phases would deliver net benefits would depend on, a) how long were the respective periods of accumulation and pension drawdown? And b) what was the starting balance?

A greater distributional and adequacy impact would be obtained by using the same cost to revenue to finance a targeted tax rebate aimed at low-income earners and/or those with low superannuation account balances.

In essence, the Henry Review proposals in regard to the taxation of fund investment earnings have a high tax revenue cost for a number of decades while delivering only modest benefits on an individual basis.

HENRY AND 12 PER CENT PROPOSALS COMPARED

PART 5

ASFA analysis reveals considerably greater benefit will flow to more people as a result of lifting the SG, than the Henry recommendations.

The current government has proposed lifting the SG as part of a package which includes a low-income earners tax rebate on super contributions and continuing the higher concessional contribution caps of $50,000 for those aged 50 and over. The following calculations take these proposals into account.

Wage earner on $60,000 a year receiving compulsory contributions

Per year	Current	Under proposed Government measures	Under Henry recommendations
Gross income	60,000	60,000	61,800
Take-home pay	48,150	48,150	48,087
Net superannuation (after 10 years)	60,488	78,063	71,653

Teacher on $60,000 in DB scheme with 18% notional contributions

Per year	Current	Under proposed Government measures	Under Henry recommendations
Gross income	60,000	60,000	61,800
Take-home pay	48,150	48,150	46,130
Net superannuation (after 10 years)	DB pension entitlement as per scheme rules	DB pension entitlement as per scheme rules (unchanged)	DB pension entitlement as per scheme rules (unchanged)

Low-income earner, $35,000 a year

Per year	Current	Under proposed Government measures	Under Henry recommendations
Gross income	35,000	35,000	36,050
Take-home pay	30,650	30,650	31,595
Net superannuation (after 10 years)	35,285	54,100 (incl low-income earner contribution tax rebate)	41,800

Wage earner on $180,000

Per year	Current	Under proposed Government measures	Under Henry recommendations
Gross income	180,000	180,000	185,400
Take-home pay	124,150	124,150	124,550
Net superannuation (after 10 years)	181,465	234,190	214,960

CONCLUSION

PART 6

Adoption of the Henry Review proposals in relation to the taxation of superannuation contributions and of fund earnings would be adverse to the interests of both current and future members of superannuation funds.

Its proposals on superannuation would involve both substantial cost to Government revenue and adverse impacts on take-home pay for most employees for many decades to come.

On the other hand, the proposal to increase the SG to 12 per cent would deliver affordable public policy and better retirement outcomes for Australians.

APPENDIX A

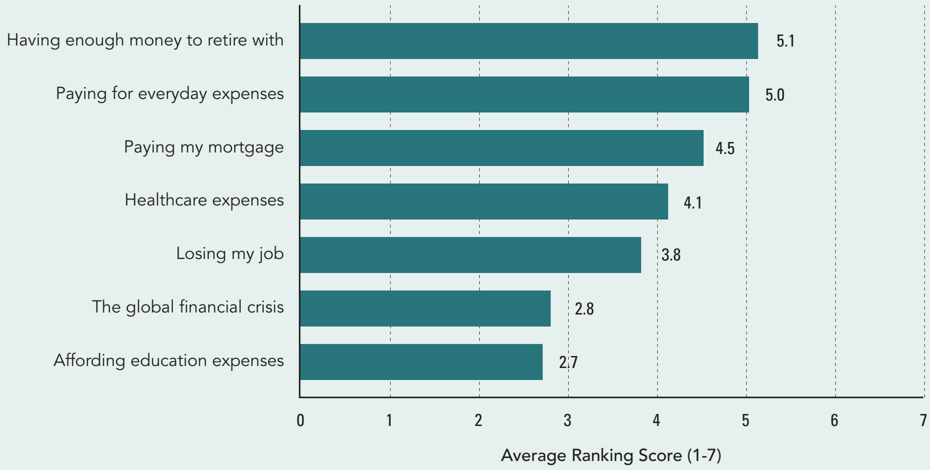
Superannuation and the prospective adequacy of retirement incomes have become "top of mind" topics for many Australians. There is strong community support for an increase in the level of compulsory contribution.

In October 2010, ASFA commissioned research into attitudes to superannuation and superannuation-related policy issues. Each of the concerns presented was ranked by respondents on a 1 to 7 scale of importance: A value of 1 meaning a matter was not much of a concern; a ranking of 7 indicating that it was very much a concern.

Asked to rank the importance of their financial concerns, "having enough money to retire with" was, on average, the main financial concern of respondents (with a score of 5.1 out of 7).

Leading financial concerns

Figure 1– How concerned are you about each of the following issues?



In 2009, a similar survey conducted for ASFA found retirement concerns came in second to "paying for everyday expenses". This shift indicates that while concern about paying for everyday expenses has reduced in response to continued strength in employment levels and in the Australian economy more generally, there continues to be a high level of concern about whether individuals will have the retirement living standard they need and deserve.

The survey results suggest a greater understanding by the Australian population of the gap between their current savings levels and the amount they would need to support an adequate retirement income.

In 2001, more than 60 per cent of respondents in a similar survey were confident of achieving their required income in retirement. This is no longer the case. That is not to say people have lowered their expected financial requirements; if anything, they have increased. What has happened is that Australians have increased their doubts about the adequacy of their own retirement savings.

ASFA's October 2010 polling indicates that around 67 per cent of adult Australians support higher contributions than the current minimum payment of nine per cent of wages.

Of those considering that contributions in excess of nine per cent are needed, an overwhelming 92 per cent consider that contributions should be at least 12 per cent. Fifty-seven per cent consider that contributions should be 15 per cent or more.

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