Developments in account balances

Superannuation account balances for various demographic groups

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ASFA is a non-profit, non-partisan national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its $3.5 trillion in retirement savings.

Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing over 90 per cent of the 17 million Australians with superannuation.

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Key facts and messages

The compulsory superannuation system is delivering considerable benefits for Australians, but there is still some way to go in achieving retirement income adequacy, particularly for females, First Australians and those who were born in a country which is Non-English Speaking.

The latest available data on account balances are for 30 June 2019. While there have been contributions, investment earnings and benefit payments made since then, the 2019 data are useful in identifying the disparities between various demographic groups in terms of their superannuation balances and for informing the development of various policy proposals to make superannuation both more effective and equitable.

For those with superannuation (excluding persons with a nil balance), the average balance in June 2019 for males was around $162,280 while for females it was around $146,420.

Over the two years to June 2019 the average balance for males grew by 10.8 per cent, while for females it grew by 12.0 per cent.

Females held around 42.5 per cent of total superannuation assets, with males 57.5 per cent. The share for females was up from 41.9 per cent two years before.

For individuals aged 60 to 64 in June 2019 the average for males was $359,870 with a median of $178,800 and for females the average was $289,180 with a median of $137,050.The retirement savings gap based on the median figures is 23.4 per cent. While this is well down on the 47 per cent gap figure for those aged 55 to 64 in Australian Bureau of Statistics (ABS) figures for 2013-14, more work needs to be done.

The median figures are well short of the amounts needed to support a comfortable standard of living in retirement. Moving compulsory contributions to 12 per cent, as is legislated, together with other targeted policy measures is necessary to reduce the retirement savings gap for many Australians. One such targeted measure would be the introduction of a Superannuation Baby Bonus, plus payment of Superannuation Guarantee (SG) on paid parental leave would also assist many women achieve their retirement income goals.

On the other hand, a number of measures are appropriate for reducing the incidence of account balances in the superannuation system which are in excess of what are reasonably needed to support retirement incomes.

Contrary to the assertion of some analysts, an increase in the rate of the SG is effective in reducing economic disparities between males and females.

It should also be acknowledged that Indigenous Australians and those born in a Non-English Speaking country on average have less superannuation than the Australian population generally.

Around 320,000 individuals had total superannuation in excess of $1 million in 2019, with around 80,000 having more than $2 million. Around 11,000 had more than $5 million. The great bulk of those with these relatively high balances were aged 60 and over but there were some individuals much younger with high balances. For instance, there were 370 individuals aged under 30 with a superannuation account balance of $2 million or more.

ASFA has advocated for a $5 million cap on the amount that an individual can have in the concessionally taxed superannuation system, including during the accumulation phase.

2 Account balances by age and gender

The Australian compulsory superannuation system is still to fully deliver its benefits in the sense that many individuals have had superannuation coverage only since the commencement of industrial award based superannuation in the late 1980s and the introduction of the Superannuation Guarantee in 1992.

Also in the early years superannuation contributions were not large for many employees, with the SG not reaching the rate of 9 per cent until 2002.

The SG is currently legislated to increase to 12 per cent but it was paused at 9.5 per cent from 2014 until 2021. On 1 July 2021 it reached 10 per cent with annual increases of 0.5 percentage points scheduled each July until it reaches 12 per cent.

Given that many Australians have received compulsory contributions at or not much more than 9 per cent (in some cases for a limited number of years and/or at lower rates for a considerable period of time), many Australians still have relatively modest levels of superannuation. It is also worth acknowledging that:

- the gender gap is closing, but women still lag substantially when it comes to average account balances at all ages
- many people, especially those who will not have received the full benefit of the increase in the SG to 12 per cent over their entire time in the labour force, may still need to contribute over and above compulsory contributions to their superannuation to ensure they can achieve comfort and dignity in retirement
- many people retiring in the next few years will rely partially or substantially on the Age Pension for their retirement income as they have inadequate super savings but the proportion of new retirees who are fully self-funded has been increasing
- there is still a significant proportion of the population who do not have any superannuation, with around 1 in 4 men and 1 in 3 women having no superannuation savings because they either have never had superannuation or they have cashed it out
- it will be more than 30 years before most individuals in retirement will have had the full benefit of a mature SG system
- the special COVID-19 Early Release arrangements lead to around one million accounts being left with less than $1,000 with around 160,000 accounts being entirely cleaned out and closed. There is no evidence of any significant catchup contributions being made to such accounts in the period up to February 2022.

However, the good news is that balances having been growing for most individuals because of continued contributions and strong investment earnings. Many individuals now have substantial superannuation account balances. In this context, data, relating to superannuation balances as at 30 June 2019, have become available. Appendix A to this paper provides further details on the source of that data and sources of data for earlier years.

More specifically, for those with superannuation (excluding persons with a nil balance), Australian Taxation Office (ATO) data indicate that at end June 2019 the average balance for males was $162,275 while for females it was $128,068. This equates to a gap between females and males of 21.1 per cent.

Average balances also are up substantially from just two years before, when the average for males was $146,420 and $114,350 for females (as at the end June 2019). The average balance was up 10.8 per cent for males and by 12.0 per cent for females, which contributed to the increase in the share of superannuation assets held by females.

Since June 2019 there have been cumulative investment returns in the order of 20 per cent in total for most fund members. As well, many fund members would have received the benefit of both compulsory and voluntary superannuation contributions.

However, there also have been considerable benefit payments since then, both for retirement and for hardship and compassionate release. As noted above, around 160,000 accounts were closed as a result of COVID-19 Early Release payments with up to one million accounts left with less than $1,000. COVID-19 Early Release payments were particularly concentrated amongst the unemployed and low income earners.

Even if there were a significant increase in account balances due to investment earnings the bulk of superannuation accounts had relatively modest balances to start with, and going forward continuing double digit annual investment returns are unlikely over longer time periods. Also, it is not until about age 50 that average and median balances become significant with investment returns often outstripping contributions.

Strong investment returns will help more Australians achieve a comfortable and dignified lifestyle in retirement, but account balance data indicate that many Australians still have a long way to go in achieving that goal.

Table 1 provides further details of average balances as at 30 June 2019 by age and gender.

Table 1: Superannuation balances by age and gender, June 2019

	Male			Female		
Age	Number with super	Average account balance $	Median account balance $	Number with super	Average account balance $	Median account balance $
under 18	40,647	14,170	369	35,343	9,901	184
18-24	943,241	8,072	4,131	896,324	6,994	3,772
25-29	975,249	25,173	17,495	917,104	21,774	16,956
30-34	993,167	51,175	38,764	933,766	42,240	32,904
35-39	940,888	83,723	65,220	867,102	66,611	50,108
40-44	836,197	121,119	92,303	777,041	92,680	65,840
45-49	849,692	165,587	118,686	807,868	122,228	80,303
50-54	754,471	214,795	139,444	720,869	157,124	92,671
55-59	723,564	286,283	162,337	689,700	209,653	109,639
60-64	585,626	359,870	178,808	553,207	289,179	137,051
65-69	415,906	414,380	189,856	386,656	370,042	180,718
70-74	280,147	464,565	195,656	249,745	403,268	188,006
75 or more	242,572	436,370	144,773	187,062	380,386	139,579

Source: https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2018-19

For both males and females, the average balance increases steadily by age group, not declining on average until age 75 plus. After age 75 the incidence of contributions drops off and individuals tend to draw down on their superannuation (this is consistent with the intended design of superannuation). Other research undertaken by ASFA indicates that currently the great bulk of retirees totally exhaust their superannuation before they die.[1]

Median balances are also important given that the high balances of a small proportion of individuals can impact on average figures.

For instance, ATO data indicate that the 100 largest SMSFs in 2019 each had more than $50 million with the largest SMSF holding assets valued at around $545 million. Generally, SMSFs have only one or two members each although they are now allowed to have up to six members. These SMSF account balances, together with other relatively high balances

1 https://www.superannuation.asn.au/ArticleDocuments/359/2103-Super-balances-just-before-death-Paper.pdf.aspx?Embed=Y

held by a small minority of fund members, push up average balances but are not indicative of the superannuation balance of the bulk of Australians.

However, encouragingly, the median account balance (the balance at which 50 per cent of individuals have a lower balance and 50 per cent have a higher balance) is now quite substantial across a range of age groups.

At earlier ages the median figures are not much below average (mean) balances but from age 45 onwards the difference increases.

There also are differences in median balances for males and females. The median balance in June 2019 for those aged 60 to 64 was around $178,800 for males and $137,050 for females, a 23.4 per cent difference.

However, these amounts are well short of the $540,000 balance needed for a single person to achieve a comfortable retirement based on retiring at age 67.

The ATO also includes comparable figures for June 2017. Details are in Table 2 below.

Over the two years to June 2019 both average and median balances have increased across the various age bands for both males and females.

Table 2: Superannuation balances by age and gender, June 2017

	Male			Female		
Age	Number	Average account balance $	Median account balance $	Number	Average account balance $	Median account balance $
under 18	46,172	11,841	277	41,311	8,343	143
18-24	942,261	7,831	3,837	891,810	6,747	3,527
25-29	962,078	24,849	17,330	899,604	21,252	16,555
30-34	985,888	49,595	37,744	914,912	40,833	31,821
35-39	922,285	79,335	61,461	842,179	62,923	46,971
40-44	843,944	113,942	86,123	781,266	85,891	60,491
45-49	858,236	154,507	109,046	812,189	112,413	72,683
50-54	762,152	200,279	126,974	720,396	145,007	83,870
55-59	724,717	272,207	148,424	684,033	198,512	100,711
60-64	580,138	344,718	163,985	540,477	279,167	128,507
65-69	412,008	399,872	178,326	376,012	358,055	171,679
70-74	269,881	445,538	185,237	234,929	387,284	177,449
75 or more	218,170	411,039	133,969	161,196	363,007	131,205

3

Compulsory superannuation's role in reducing gender inequality in access to economic resources

Even over just a two-year period there were considerable improvements in superannuation coverage and average account balances across the various age groups.

The number of males with superannuation increased by 2.7 per cent over the two years, with the number of females with superannuation increasing by 3.9 per cent. The increase in the number of females with superannuation was in excess of population growth, which at the time was about 1.6 per cent per year.

Females held around $1 trillion in superannuation assets, 42.5 per cent of total superannuation assets, up from 41.9 per cent two years earlier and from 40.8 per four years earlier.

There are a number of reasons why compulsory superannuation has a greater relative favourable impact on females compared to males.

- More males than females are making voluntary contributions, so an increase in compulsory contributions increases the overall share of contributions made by females.
- More males than females are affected by contribution caps and upper limits on wages to which the SG applies.
- More males than females have employer superannuation contributions in excess of the SG rates, with some employers absorbing an SG increase into the existing superannuation contributions they make.

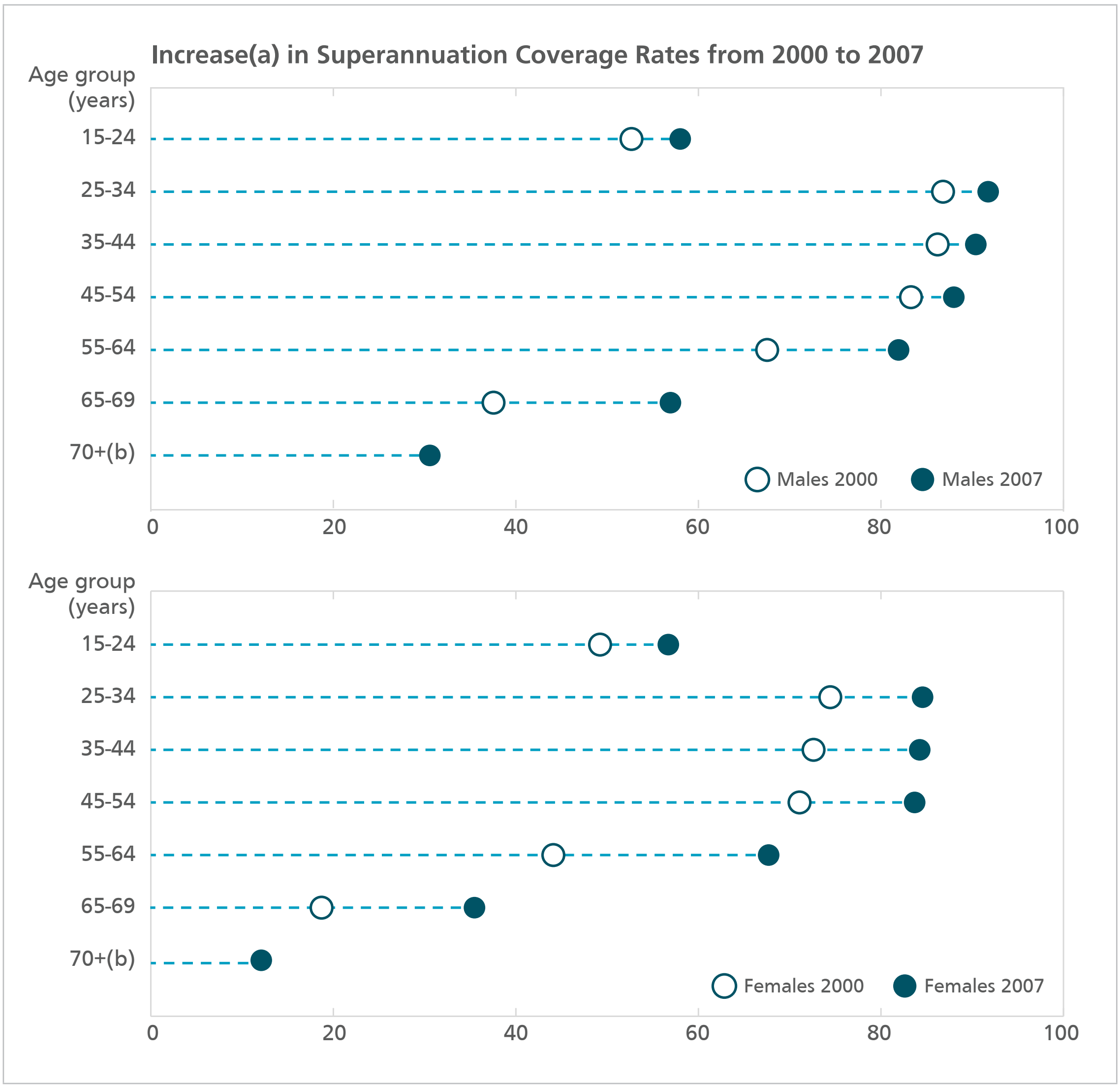
Some commentators, such as the authors of the Retirement Income Review (RIR), have argued that an increase in the SG rate would not reduce the gender gap in superannuation balances and would boost retirement incomes slightly more for men than women and that a higher rate would amplify the effect of the earnings gap on retirement outcomes, as men would benefit from the higher compulsory contributions more than women[2].

2 Page 205 of the Retirement Income Report.

While correlation does not necessarily mean causation, an assertion that compulsory superannuation with phased increases in contribution rates actually disadvantages females and leads to them having a lower share of superannuation account balances flies in the face of females having gradually increased their share of superannuation savings over the last two decades. This would not have happened in the absence of compulsory superannuation. Disparities in superannuation balances between females and males in terms of both average balances and incidence of having superannuation were at their highest before the introduction of compulsory superannuation.

As shown by Chart 1, there was a substantial increase in the incidence of superannuation between the year 2000 and the year 2007 as the benefits of compulsory superannuation further spread through the community. The increase in coverage was larger for females, particularly older females.

Chart 1: Increase in superannuation coverage rates



Source: 4102.0 - Australian Social Trends, March 2009 (abs.gov.au)

Other data published by the ATO also illustrates the positive effect compulsory superannuation is having on the distribution of economic resources between men and women. In 2018-19 females represented 48.7 per cent of those receiving the benefit of employer contributions, with this representing 42.1 per cent of the total value of employer contributions. However, females were responsible for 52.9 per cent of the total personal contributions that were made that year.

ATO figures also indicate that females made up 49.2 per cent of wage and salary earners lodging a tax return, accounting for 39.8 per cent of the total value of wages and salary received by Australians and 35.8 per cent of the total tax withheld by employers.

The positive impact of employer superannuation contributions on disparities in remuneration in the labour force is shown by females receiving 42.1 per cent of employer contributions but only 39.8 per cent of salary and wages. An increase in superannuation contributions delivers a greater relative financial benefit to females than a uniform increase in wages and salaries.

The abolition of the $450 a month wages threshold for payment of compulsory superannuation, to take effect from 1 July 2022, will assist in increasing the share of employer contributions being paid into the accounts of females as around two-thirds of those affected by the threshold are female.

The approach taken by the RIR also would also set a challenging benchmark for other public policy initiatives. For instance, using their reasoning a policy that involved reductions in personal income tax rates should be opposed because it could be categorised as assisting males more than females as males on average have higher taxable incomes than females.

The RIR approach would also imply that no increase in award wages should ever be made as this would increase the wages of males more than females given that female wages on average are lower than those for males.

The increase in the SG to an eventual 12 per cent will benefit both females and males and is justified on that ground. It also assists in reducing the disparity in superannuation balances between males and females.

4

Targeted measures which will reduce disparities in superannuation held by males and females

An effective method for reducing disparities in the superannuation savings of females and males is through measures such as the operation of the Low Income Superannuation Tax Offset (LISTO) which are targeted directly at low income earners and/or females.

LISTO is a government superannuation payment of up to $500 per year to help low-income earners save for retirement. Before-tax super contributions are taxed by the government at 15%. The low-income tax offset effectively refunds that tax for low income earners straight into their super fund.

Females are the biggest recipients of the LISTO. The number of females eligible for the tax break increases significantly around the time they start having children. Recipients do not need to do anything to claim this low-income tax offset. It happens automatically when people lodge their tax return, providing the superannuation fund has a copy of the member's tax file number. In 2020-21 there was a total of $670 million in LISTO payments made by the ATO to the superannuation accounts of 2.4 million individuals[3].

The LISTO applies to those earning $37,000 or less a year and is designed to provide a tax incentive for superannuation contributions. It applies when a taxpayer is on the lowest personal tax rate or is not subject income tax at all because they are under the income threshold of personal income tax. The LISTO upper threshold is not indexed but income tax thresholds have been adjusted upwards. In 2021-22 the 19 cents in the dollar tax rate applies to incomes between $18,201 and $45,000. Accordingly, there is a strong argument on equity grounds for the LISTO upper threshold to be changed to $45,000 and be aligned to income tax thresholds going forward.

There also are a number of incentives and concessions available which encourage additional contributions although they result in much lower additional contributions to superannuation and rates of usage than measures which involve compulsion or automatic payments from government.

3 Annual reports – low income superannuation tax offset I Australian Taxation Office (**ato.gov.au**)

For instance, in 2018-19 around 437,000 taxpayers claimed a total of $5.9 billion in tax deductions (an average amount of around $13,500) for personal contributions made to superannuation. Such contributions are taxed at a flat rate in the superannuation fund rather than at the personal income tax rate of the taxpayer/fund member.

The superannuation co-contribution payable by the government to low and middle income earners is a means tested payment of up to $500 in regard to a personal contribution of $1,000. The maximum amount payable phases down over the income range $41,112 to $56,112 (2021-22 figures). In 2020-21 there were around 392,000 recipients, totalling $122 million in payments.

The tax offset for contributions made to the superannuation account of a spouse is not widely used. In 2018-19 there were about 21,000 such contributions, attracting a total tax offset of $9.9 million.

ASFA has also proposed in its 2022-23 Pre-Budget Submission that a Superannuation Baby Bonus be introduced and that government funded superannuation contributions be made at ages 30 and 50 to those who have low super balances and who have a low or modest income. ASFA also supports the payment of superannuation contributions in relation to paid parental leave.

As shown by Table 3, time out of the paid labour force associated with having a baby has a substantial impact on the superannuation balance of females. In the case of two breaks from the labour force the impact is a reduction of nearly 10 per cent of what would otherwise be the case for eventual retirement savings. Payment of a $5,000 Superannuation Baby Bonus would largely eliminate that the superannuation impact of having a child and being out of the labour force for a year.

ASFA has also advocated for the payment of SG on paid parental leave. Currently the government makes no provision for such payments in regard to the government funded parental leave paid to around 170,000 parents (almost all female) each year. Paid parental leave is also paid by around 60 per cent of larger employers (those with at least 100 employees) with around 80 per cent of such employers paying SG on the parental leave payments.

As shown by Table 3, the payment of a Super Baby Bonus and payment of SG on paid parental leave would have a significant impact on reducing the impact on superannuation of having a baby with associated time out of the paid labour force.

Table 3: Impact of time out of the labour force

	$80,000 wage - full year off work per child
Baseline – no children	$460,358
With children	$417,342
Impact on superannuation	**-$43,016**
Policy impacts	
With SG on Paid Parental Leave only	$424,820
With Super Baby Bonus only	$446,716
Both	$454,193
Impact on superannuation	**-$6,165**

Cameo starts at 30 years of age. First baby at 30, Second baby at 33.

Starting super balance at age 30 is $30,000.

5

Account balances for those at or approaching retirement

As indicated by Table 1 earlier in this paper, for individuals aged 60 to 64 the average superannuation balance for males was $359,870 with a median of $178,808 and for females the average was $289,179 with a median of $137,051.

Around 23 per cent of females in that age group have no superannuation compared to 13 per cent of males.

These figures are up on the equivalent averages for the age group in June 2017 with an average of $344,718 and a median of $163,985 for males and an average of $279,167 and a median of $128,507 for females.

These average figures also are considerably higher than those which applied in 2005-06, which were of the order of $136,000 for males and only $63,000 for females. The increase in average balances for women is particularly significant.

The data suggest that average and median balances actually increase after age 65. This somewhat surprising outcome appears to be largely driven by a significant number of low account balance individuals cashing out their superannuation after age 65.

Consistent with this, the data indicate that there were 565,400 males with superannuation aged 60 to 64 but only 400,936 with superannuation aged 65 to 69. For females the equivalent figures were 523,676 and 358,582.

However, the number of people aged 65 plus with superannuation was large, with 857,864 males and 722,538 females falling within that category. Around 1.6 million out of 3.8 million Australians aged 65 and over have superannuation. This figure is up from around 1.3 million Australians just two years before. Superannuation now forms a significant and growing part of the retirement income of many Australians.

Data are also available from the Household, Income and Labour Dynamics in Australia (HILDA) Survey (Table 4). That survey is a household-based panel study that collects valuable information about economic and personal well-being, labour market dynamics and family life. It aims to tell the stories of the same group of Australians over the course of their lives.

The HILDA data focus on the those who were not yet retired and are for a slightly different time period than the ATO data. Those who are not yet retired tend to have higher incidence of superannuation and higher average and median superannuation balances compared to those who have already retired.

Table 4: Superannuation coverage and superannuation holdings of males and females who were not yet retired

	2014			2018		
		Superannuation balance of those with super ($)			Superannuation balance of those with super ($)	
Age group	% with superannuation	Mean	Median	% with superannuation	Mean	Median
Males						
15–19	31.3	1,723	1,000	33.2	2,496	1,000
20–24	82.3	9,145	4,800	83.1	9,617	5,100
25–34	92.5	35,328	24,000	92.0	43,608	27,000
35–44	93.6	99,714	65,000	96.3	126,971	90,000
45–54	93.4	188,667	110,000	95.2	233,020	150,005
55–64	90.7	311,521	178,000	90.0	341,244	210,000
65+	77.4	411,079	218,000	76.0	507,241	300,000
Total	**84.7**	**129,148**	**50,000**	**85.8**	**153,978**	**60,635**
Females						
15–19	32.0	1,608	800	39.3	2,135	700
20–24	83.7	6,856	3,984	84.1	7,727	4,502
25–34	83.3	26,962	18,000	89.0	40,938	25,000
35–44	89.8	58,266	35,000	91.7	76,841	57,000
45–54	89.0	115,254	61,003	91.9	145,609	90,000
55–64	87.5	174,326	90,000	89.2	222,930	123,000
65+	52.5	235,787	90,000	59.4	314,937	140,000
Total	**80.2**	**74,218**	**29,986**	**83.7**	**96,530**	**38,000**

ATO data also provide a perspective on the **incomes** of individuals with superannuation before they retire (Table 5).

Some analysts, including the Grattan Institute and the Retirement Income Review, look at income and expenditure data for the entire population, including those who do not have any superannuation and/or who have already withdrawn from the paid labour force.

It should be acknowledged that ASFA Comfortable Standard figures as at December 2021 is a reasonable proxy when compared to the average taxable income of $79,587 for those aged 50 to 54 (with active superannuation) and also in regard to the median taxable income of $61,721 for that age group. For couple households in that age group (with active superannuation) median total taxable income is likely to be of the order of $110,000.

Table 5: Non-SMSF member taxable income by age range, 2019–20

Age range	Average taxable income	Median taxable income
<25	$33,832	$29,544
25–34	$57,590	$51,992
35–44	$74,951	$61,535
45–49	$80,913	$63,190
50–54	$79,587	$61,721
55–59	$76,061	$59,148
60–64	$63,890	$49,284
65–69	$52,693	$36,956
70–74	$43,539	$28,495
75–84	$39,818	$25,702
85+	$54,258	$37,705
Unknown	$48,847	$42,197
Total	**$63,366**	**$50,144**

6

Account balances of First Australians and for those from a Non-English Speaking background

HILDA data also provide information on demographic groups in addition to by gender and age group.

Table 6 provides data on average and median superannuation balances for Aboriginal and Torres Strait Islander men and women who were not yet retired. Due to sample size no figures by age groups are available.

Both the incidence of superannuation and average and median balances are significantly lower for both Aboriginal and Torres Strait Islander males and females compared to the overall population. However, the positive impact of compulsory superannuation can be observed, with both incidence of superannuation and average and median balances increasing between 2014 and 2018.

Table 6: Superannuation coverage and superannuation holdings of Aboriginal and Torres Strait Islander males and females who were not yet retired

	2014			2018		
		Superannuation balance of those with super ($)			Superannuation balance of those with super ($)	
	% with superannuation	Mean	Median	% with superannuation	Mean	Median
Males	66.0	62,985	13,000	74.0	78,294	25,000
Females	56.9	45,718	15,000	58.6	59,951	19,000
Total for entire male population	84.7	129,148	50,000	85.8	153,978	60,635
Total for entire female population	80.2	74,218	29,986	83.7	96,530	38,000

A similar but not as pronounced pattern is also observed in the figures for males and females who were born in Non-English Speaking countries (Table 7). Both the incidence and levels of superannuation are lower than for the population as a whole.

A number of factors are likely to have contributed to this, including differences in average wages and in labour force participation and time in Australia as a wage earner.

Table 7: Superannuation coverage and superannuation holdings of males and females born in Non-English Speaking countries who were not yet retired

	2014			2018		
		Superannuation balance of those with super ($)			Superannuation balance of those with super ($)	
Age group	% with superannuation	Mean	Median	% with superannuation	Mean	Median
Males						
15–24	57.9	4,341	2,000	64.3	4,540	2,000
25–34	89.2	25,528	15,000	87.4	31,520	20,000
35–44	87.6	60,693	45,000	96.3	87,090	59,990
45–54	83.3	132,090	70,000	93.7	189,702	145,000
55+	84.0	203,547	100,000	81.2	228,846	150,000
Total	83.5	79,893	35,000	87.9	109,226	50,000
Total population	**84.7**	**129,148**	**50,000**	**85.8**	**153,978**	**60,635**
Females						
15–24	56.9	5,238	3,000	70.6	6,578	3,250
25–34	64.3	17,343	9,942	80.0	58,231	12,000
35–44	83.4	34,756	20,300	88.2	54,852	40,000
45–54	73.1	81,266	45,000	76.7	111,185	60,000
55+	60.6	105,879	53,150	66.5	163,771	70,000
Total	68.7	47,566	19,999	78.3	79,047	28,576
Total population	**80.2**	**74,218**	**29,986**	**83.7**	**96,530**	**38,000**

Source: Data from the HILDA database extracted for ASFA.

7

The incidence of relatively high account balances

As indicated by the earlier sections of this paper, most Australians still have relatively low superannuation balances. This is a function of a number of factors.

Those who are relatively young are starting from a low base but still have some decades to build up their superannuation balance. Also, the compulsory superannuation system is yet to reach the maximum legislated contribution rate of 12 per cent of earnings.

However, a small minority have substantial superannuation balances. ATO statistics indicate that in 2018-19 there were 322,200 individuals with total superannuation over $1 million, with 78,660 of those with total superannuation over $2 million. These figures are well up on the 273,230 with more than $1 million and 69,030 with more than $2 million in 2016-17.

There are also at least 11,000 superannuation fund members with balances within superannuation of over $5 million according to the Retirement Income Review report.

Older Australians are more likely to have relatively high superannuation balances, both because they have had more time to accumulate a balance and because contribution caps were more accommodating in the past. In 2018-19 there were 94,440 individuals aged 70 and over with more than $1 million in superannuation, with 31,310 having $2 million or more.

Of the 94,440 aged 70 and over and with more than $1 million in superannuation, more than 25,000 paid no personal income tax, either because they were not required to lodge a tax return or because they had a low taxable income.

On the other hand, around 4,500 of the 94,400 were on the top personal income tax rate but paid either no tax or tax at the rate of 15 per cent on their investment earnings within superannuation.

More recent ATO statistics for SMSFs indicate that as at 30 June 2020 9 per cent of SMSF members (around 100,000 in number) had a closing balance in excess of $1.6 million. While individuals were limited at that date to having no more than $1.6 million in retirement phase, it is possible to have much larger balances in accumulation mode. Twenty-seven of Australia’s biggest SMSFs held more than $100 million each assets in the 2019 financial year, including one mega-SMSF that had $544 million. Where an SMSF holds shares in a privately owned business there is a possibility of very significant growth in assets even though there are limits on the amount of concessional and non-concessional contributions that can be made.

These relatively high balances across the SMSF sector mean that a relatively small proportion of SMSF members receive the Age Pension. ATO statistics indicate that in 2019-20 5 per cent of SMSF members receiving retirement benefit payments reported they were also receiving the Age Pension.

The introduction of the Transfer Balance Cap with effect from 1 July 2017 has limited the amount of superannuation that an individual can have in the pension phase with no tax payable on investment earnings.

The transfer balance cap is a limit on how much superannuation can be transferred from and individual's accumulation superannuation account to a tax-free 'retirement phase' account.

With the indexation of the general transfer balance cap to $1.7 million there is no single cap that applies to all individuals. Every individual will have their own personal transfer balance cap, somewhere between $1.6 and $1.7 million, depending on their circumstances.

If the personal transfer balance cap is exceeded, an individual may have to commute (that is, convert a portion of their retirement phase income stream into a lump sum) the excess from one or more retirement phase income streams and also pay tax on the notional earnings related to that excess.

ASFA has recommended in its 2022-23 Pre-Budget Submission that individuals be limited to having no more than $5 million in the concessionally taxed superannuation system, including during the accumulation stage. ASFA also recommended that the indexation of the transfer balance cap be discontinued and that the threshold for the imposition of Division 293 additional taxation on concessional contributions apply to individuals who have taxable income plus superannuation contributions equalling the threshold for the top marginal personal tax rate plus $20,000 (which is equal to $200,000 in 2022-23) or more a year. Each of these will help limit the amount of tax concessions applying to large superannuation balances and to those on high incomes.

In particular, one of the concerns in relation to the sustainability of tax concessions within superannuation is the tax concession enjoyed in relation to investment earnings for high balance members. This tax concession can be substantial for large accounts.

As noted above, there are at least 11,000 superannuation fund members with balances within superannuation of over $5 million according to the Retirement Income Review report. While the current caps on superannuation contributions limit the ability for members to build up excessive balances in the future there is a real question regarding the appropriate treatment of high balances that were achieved in the context of more generous contribution caps in the past and/or from substantial capital gains and other investment earnings during the accumulation phase.

The transfer balance cap regime limits the amount a member may take into pension phase. However, 'excessive' balances may still be present in accumulation accounts and therefore subject to a tax concession of up to 30 per cent of the tax on earnings (that is, 45 per cent personal tax rate less 15 per cent tax on fund earnings). A balance of $5 million in concessionally taxed superannuation cannot reasonably be justified as necessary to support a comfortable lifestyle in retirement.

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Appendix: Sources of data on superannuation account balances

ASFA has regularly published data from the *ABS Survey of Household Income and Wealth*. This information was specially compiled for ASFA by the ABS. Wealth information (including for superannuation) is available from the 2003-04, 2005-06, 2009-10, 2011-12 and 2013-14 and 2015-16 releases.

The ASFA research report relating to the 2015-16 data is at https://www.superannuation.asn.au/ArticleDocuments/359/1710_Superannuation_account_balances_by_age_and_gender.pdf.aspx?Embed=Y

However, the Australian Taxation Office (ATO) has published figures on superannuation balances and other superannuation data, such as in regard to contributions, in regard to the 2018-19 financial year: https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2018-19. The publication also includes data for earlier years.

Cross matching with tax return data has provided richer demographic data than the data provided by superannuation funds alone.

The statistics for the 2018–19 income year were sourced from 2019 individual income tax returns (ITR) processed by 31 October 2020 and 2019 member account transaction statements (MATS) received before 31 October 2020. The statistics are not necessarily complete.

Amount fields are sourced from member contribution statements except for taxable income which comes from individual income tax returns.

The data available from Member Contribution Statements have been aggregated to the individual level where a Tax File Number (TFN) was reported or able to be matched for the individual (which is the case for almost all accounts). This means that an individual that has many super accounts will only be counted once for any MCS field where their TFN was reported on the MCS.

Age range is based on an individual's age as at 30 June 2019.

These statistics are more comprehensive in some senses than those compiled by the ABS as they do not require individuals to recall or estimate their superannuation balance. Even forgotten or unclaimed balances are included given that Tax File Numbers are used to link superannuation accounts to individuals.

Averages and medians are calculated using only data for individuals who have a non-zero value for the particular label being reported on across any of their super accounts.

When adjustments are made for various differences in definitions and collection methods, the ATO and ABS statistics are broadly comparable.

The data in regard to superannuation balances of Aboriginal and Torres Strait Islanders and for individuals of Non-English Speaking Background were extracted for ASFA from the HILDA data base.

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