



Superannuation balances prior to death: Superannuation balances of older Australians



ASFA is a non-profit, non-political 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 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 16.5 million Australians with superannuation.

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Executive Summary

The recent Retirement Income Review Report stated that retirees tend to consume only the income derived from assets and not the assets themselves.

However, our analysis suggests that this is not the case. In a number of studies there is considerable survivorship bias, with those still alive and still with superannuation dominating the data that has been analysed.

Fortunately, there are data sources available which provide a definite answer in regard to whether or not retirees generally draw down on their capital held in superannuation in retirement. This paper makes use of publicly available Australian Taxation Office (ATO) data on Australians with superannuation. It also makes use of previously unpublished comprehensive information from the longitudinal survey of Australian households, the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

The median age of death for men is 78 and for women it is 84. By those ages, the vast majority of retirees have reduced their superannuation balance to zero. The main group having the same amount of superannuation when they died as when they retired are those who retired with no superannuation. However, a very small proportion still have a substantial superannuation balance at death that inflates averages.

Australian Taxation Office data on superannuation balances of those aged over 70.

ATO data confirms that current superannuation balances for those aged 70 and over are, in most cases, quite modest with a large majority having no superannuation.

The 1.02 million individuals with superannuation equate to 37.8 per cent of the ABS estimate of 2.7 million of Australians aged 70 and over. **Around 1.7 million Australians aged 70 and over have no superannuation or, in other words, over 60 per cent of those aged 70 and over have no super.**

For the minority group of those aged 70 and over with superannuation, the median balance falls within the \$100,000 to \$149,000 range. Only around 185,000 individuals had a superannuation balance of \$500,000 or more, with **27,325 individuals (around 1 per cent of those aged 70 and over) having more than \$2 million in superannuation.**

The ATO data clearly shows that the percentage of individuals with superannuation declines substantially with age as individuals withdraw all of their superannuation.

These ATO statistics are consistent with the HILDA data that ASFA has analysed. They indicate that for the great bulk of those of typical retirement age, superannuation balances are nil or are at a very modest level. Only a very small proportion have substantial balances at any stage after age 70.

The number of retirees who leave a superannuation death benefit

HILDA data shows that 80 per cent of people aged 60 and over who died in the period 2014 to 2018 had no super at all in the period of up to four years before their death.

For those aged 80 plus, over 90 per cent had no super in the four-year period before their death.

For those individuals aged 80 and above, only 5 per cent had more than \$110,000 in superannuation in the period of up to four years before their death.

Even in the case of those who died aged 60 to 69, less than half had any super at all. This figure is especially low as around 25 per cent of this group had been employed in the period of up to four years before they died.

Gender differences in superannuation balances

Men are more likely to have superannuation than women in the four years before death. For those who died in the period 2014 to 2018, only 15 per cent of females aged 60 plus at death had any superannuation compared to around 25 per cent of men.

Conclusions

Given that a large proportion of current retirees have very modest superannuation balances, the case is strengthened for increasing the Superannuation Guarantee (SG) to 12 per cent (as currently legislated) so that retirees can live in retirement with dignity.

There is a small proportion of retirees who have superannuation balances greater than can be reasonably justified given the tax advantages provided to superannuation. ASFA recommends that individuals be required to withdraw any superannuation they have in excess of \$5 million.

How retirees spend their superannuation savings

That Australians do not spend their super in retirement, and supposedly have more super and other financial assets when they die than when they retired, has become a trope in narratives about the strengths and weaknesses of the Australian superannuation system. For instance, the recent Retirement Income Review Report stated that “This [the findings of a number of studies] suggests that retirees tend to consume only the income derived from assets and not the assets themselves”.

Despite such claims being widely quoted, there is little or no evidence that the typical Australian dies with around the same amount of financial wealth as when they retired, other than cases where there was not much financial wealth in the first place. Sadly, the main group having the same amount of superannuation when they died as when they retired are those who retired with no superannuation.

Australian Taxation Office data on superannuation balances

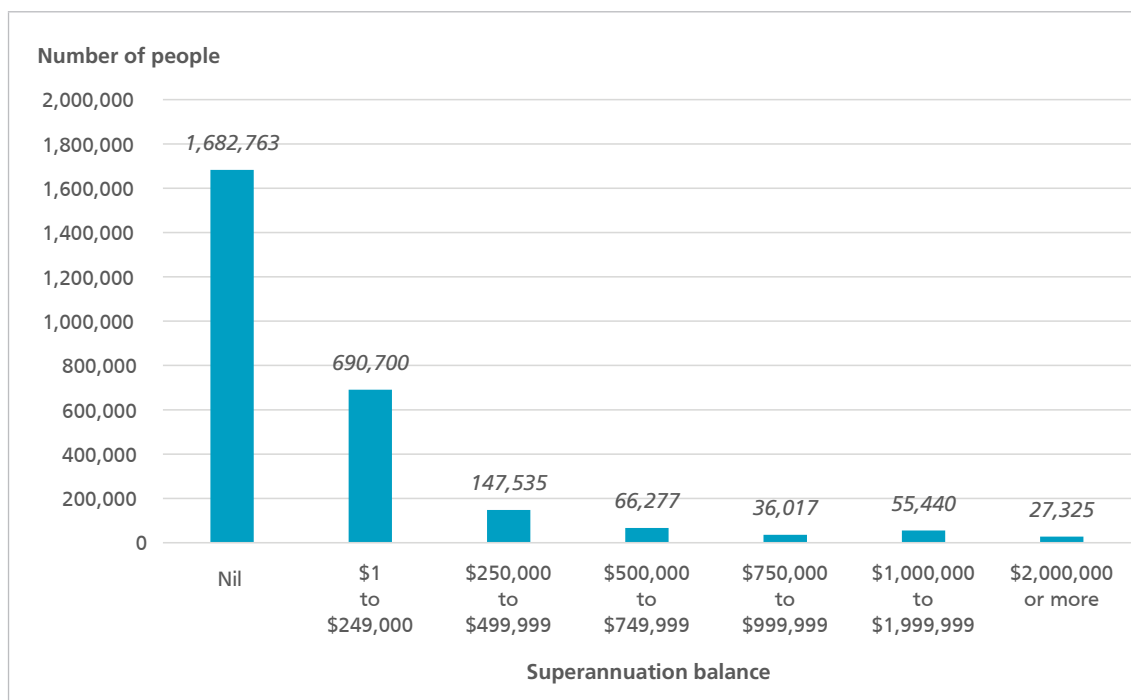
ATO data indicates that current superannuation balances for those aged 70 and over are, in most cases, quite modest (Chart 1 and Table 1).

The 1.02 million individuals with superannuation equate to around 37 per cent of ABS estimates of the number of Australians aged 70 and over as at June 2018. Around 1.7 million Australians aged 70 and over have no superannuation at all.

For the minority aged 70 and over with superannuation, the median balance falls within the \$100,000 to \$149,000 range. Only around 185,000 individuals had a superannuation balance of \$500,000, with 27,325 individuals having more than \$2 million in superannuation.

Around 14 per cent of those aged 70 and over with superannuation continued to receive the benefit of employer contributions.

Chart 1: Superannuation of individuals aged 70 and over (for 2017-18)



Source: ATO Taxation statistics 2017–18 Individuals: Super contributions, by total super member accounts balance range, taxable income range and age range.

ABS Cat. 3101.0 National, state and territory population.

Table 1: Superannuation of individuals aged 70 and over, positive balance less than \$250,000 (for 2017-18)

Superannuation balance	Number of people
\$1 to \$50,000	356,302
\$50,000 to \$99,999	118,099
\$100,000 to \$149,999	92,590
\$150,000 to \$199,999	70,445
\$200,000 to \$249,999	53,264
Total	690,700

Source: ATO Taxation Statistics and ABS estimates of population aged 70 and over.

The ATO statistics also show a fall in the incidence of superannuation that increases with age, particularly for females (Table 2).

Table 2: Superannuation by age and gender, 2017-18

Age	Male			Female		
	Percentage with super	Average account balance \$	Median account balance \$	Percentage with super	Average account balance \$	Median account balance \$
55-59	97	272,207	148,424	88	198,512	100,711
60-64	88	344,718	163,985	77	279,167	128,507
65-69	70	399,872	178,326	61	358,055	171,679
70-74	54	445,538	185,237	29	387,284	177,449
75 or more	29	411,039	133,969	17	363,007	131,205

Source: ATO Taxation Statistics and ABS population estimates

As at June 2018, 54 per cent of males aged 70 to 74 had superannuation, while only 29 per cent of males aged 75 or more had superannuation. For females, 29 per cent of those aged 70 to 74 had superannuation, falling to 17 per cent for those aged 75 plus.

In comparison, 97 per cent of males and 88 per cent of females aged 55 to 59 had superannuation.

Given that compulsory superannuation for employees has been in place since 1992 (with coverage rates around 40 per cent before that), these falling rates of superannuation coverage mainly come from many individuals withdrawing all of their superannuation over the course of their retirement.

These ATO statistics are consistent with the HILDA data in the following sections of the paper. The ATO data indicates that for the great bulk of those of typical retirement age, superannuation balances are nil or are at a very modest level. Only a very small proportion have substantial balances at any stage after age 70.

Evidence on superannuation balances shortly before death

ASFA also has investigated what sort of superannuation balances people have just prior to death.

Through making use of data from waves of the Australian longitudinal household survey, HILDA, it is possible to identify people who died and their age at death. It is also possible to track their last observed superannuation balances in a period of up to four years prior to death.

The wealth modules, and hence superannuation balances, are available every four waves (years) – 2002, 2006, 2010, 2014, and 2018. The death information of those who died after 2018 is not available at this time. As a result, the analysis is restricted to superannuation balances of individuals who died up until 2018 (the latest HILDA wave available), with a focus on the balances obtained from the wealth modules in 2006, 2010 and 2014.

Table 3 shows the superannuation status of individuals in the HILDA survey sample who died at the age of 60 or older in the four years to 2018. Table 3 also shows the mean balances, the percentage of individuals with a positive superannuation, and for those with positive balances, the mean and median.

Statistics for earlier years are included in the Appendix to this paper.

In the various tables the sample sizes for those who did have superannuation are of relatively small size. Accordingly, caution is needed in interpreting the mean and median figures for the relatively small proportion of those in the survey who still had superannuation prior to death. However, the pattern of these results makes sense with, for instance, declining proportions of those with superannuation in the older age groups examined.

The HILDA data in Table 3 shows that 80 per cent of people aged 60 and over had no super at all in the period of up to four years before their death.

For the minority that still have superannuation the amount can be substantial, with a mean balance of around \$500,000 in 2014 for those who died in the four-year period to 2018. This figure is well up on the figures for 2010 and 2006 (see the Appendix to this paper), reflecting the maturing compulsory superannuation system and that some individuals have very high balances.

Table 3: Last observed superannuation balance within up to 4 years before death (year of observation of superannuation balance is 2014)

	Age at death			
	60 to 69	70 to 79	80 and over	Total (60 and over)
% without super	53%	75%	90%	80%
% with super	47%	25%	10%	20%
Mean balance	635,608	429,432	375,096	502,008
Median balance	274,000	266,000	117,000	248,000

Source: HILDA unit record data.

As shown by Table 3, those who were aged 60 to 69 at the time of their death were more likely to have superannuation than older age groups.

Many in this age group would still be working and/or would have been drawing down on their superannuation for only a limited period. This younger cohort also would have had the benefit of compulsory superannuation for longer periods than older age cohorts.

However, people who die in their 60s often have medical issues impacting on their ability to work and any superannuation available is often taken as a lump sum retirement benefit or TPD release prior to death.

For those aged 70 to 79 the incidence of superannuation starts to fall away **with only around 25 per cent still having superannuation in the period before death.**

Mean and median balances are also lower for those who still had superannuation.

For those aged 80 plus, the incidence of still having superannuation is quite low, **with over 90 per cent having no superannuation in the period of up to four years before death.** However, a very small proportion still had superannuation, sometimes a substantial amount.

For the age 80 plus group, only 5 per cent of that group had more than \$110,000 in superannuation in the period of up to four years before their death. The average superannuation balance for the 10 per cent of this age group that still had superannuation is around \$375,000, reflecting the small number of retirees with high superannuation balances.

Gender differences in superannuation balances

Men are more likely to have superannuation than women in the four years before death (Table A6 in the Appendix). For those who died in the period 2014 to 2018, only 15 per cent of females aged 60 plus at death had any superannuation compared to around 25 per cent of men. However, the median and mean were higher for women, perhaps a function of there being only a small cohort with superannuation.

The ages at which people die and APRA data on death benefits

The HILDA data showing that relatively few Australians aged 60 and over die at a time when they still have a superannuation balance is confirmed by an examination of APRA data and also data on the age distribution of deaths in Australia.

There are far fewer superannuation death benefits paid than there are deaths in Australia. As well, a significant proportion of superannuation death benefits from funds relate to individuals who have not yet retired. Insurance benefits in regard to such individuals also boost death benefit payments. For these individuals, having a significant superannuation death benefit available is a strength rather than a weakness of the superannuation system given that in most instances there will be a spouse, infant orphan or other financial dependent.

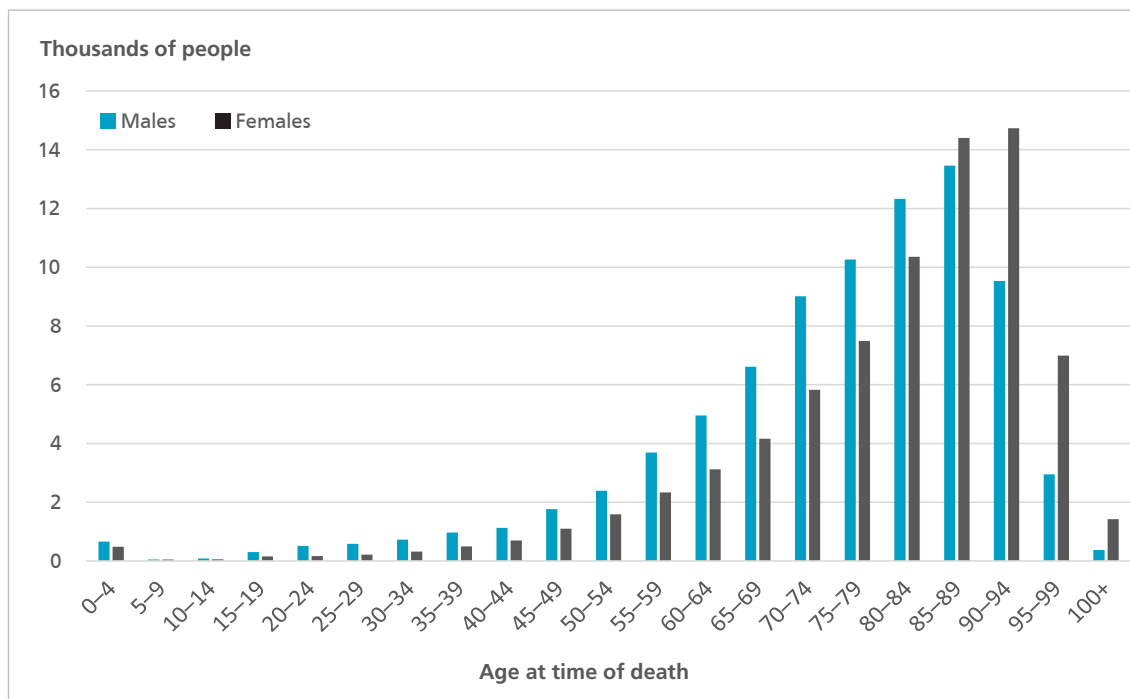
Most deaths in Australia occur after age 60, with around 87 per cent of deaths occurring after that age (Chart 2).

Comparatively, in 2018 there were over 18,500 deaths of persons aged 20 to 59.

The great bulk of those in the 20 to 59 age group would have had a superannuation account or accounts, given the compulsory superannuation system and high levels of labour force participation of those in that age group.

APRA statistics indicate that in 2017-18 around 16,000 life insurance claims were paid. The great bulk of those would have related to those aged under 60 given that insurance cover generally ceases at age 65 and labour force participation begins to fall after age 60, leading to a cessation of insurance cover for those concerned.

Chart 2: Deaths by sex and age group
(for 2018)



Source: AIHW National Mortality Database.

APRA statistics indicate that in 2017-18 funds with five or more members paid out 40,000 superannuation death benefits and a further 9,000 benefits linked to a terminal medical condition. This compares to around 157,000 deaths of individuals aged 15 and over.

The average benefits were around \$128,000 for death benefits and around \$90,000 for terminal medical condition benefits. These averages are boosted by the 16,000 or so accounts which had average life insurance payouts of around \$147,000.

After adjusting for deaths of the 18,500 individuals aged under 60 (the great bulk of which would have had a superannuation balance) and for multiple accounts, the APRA statistics are fully consistent with HILDA data with only 20 per cent of those aged 60 and over having a superannuation account balance when they died.

The Retirement Income Review Report concluded that in 2019 one in five dollars of benefit payments from superannuation funds was for death benefits. The source of the data underlying that conclusion is not entirely clear. However, it is possible that it relates to the total death and terminal illness benefit payments as a proportion of total lump sum payments.

Calculations made by ASFA based on total benefit payments (including pension payments) and adjusting for death benefit payments (including life insurance payouts) for those who have not retired indicate that, for APRA regulated funds, in 2019 around one in eighteen dollars of total benefit payments were death benefits related to the superannuation of those who have retired. While this ratio may fall to a degree in future, the calculation indicates that the superannuation system delivers benefits predominantly for retirement and related purposes.

Data on death benefits paid by self-managed superannuation funds (SMSFs) are not available. Given the higher balances in SMSFs, death benefits in such funds are likely to be larger on average than in APRA regulated funds. However, only around 6 per cent of Australians with superannuation have a SMSF account.

Conclusion

The vast majority of people exhaust all of their superannuation well before their death, with a smaller proportion passing on some superannuation to their spouse and with a relatively small proportion undertaking estate planning which benefits other generations.

This is consistent with the lived experience of most people and their families.

As a result, there are a number of policy implications:

- Given that a large proportion of current retirees have very modest superannuation balances, the case is strengthened for increasing the SG to 12 per cent (as currently legislated) so that retirees can live in retirement with dignity.
- There is a small proportion of retirees who have superannuation balances greater than can be reasonably justified given the tax advantages provided to superannuation. ASFA recommends that individuals be required to withdraw any superannuation they have that is in excess of \$5 million.

Appendix: Supplementary data tables

Table A1: 2017–18: Superannuation of individuals aged 70 and over, 2017-18

Total super member accounts balance range	Taxable income range - tax brackets	Number of individuals
Less than \$50,000	\$18,200 or less	47,492
	\$18,201 to \$37,000	49,653
	\$37,001 to \$87,000	36,021
	\$87,001 to \$180,000	7,078
	\$180,001 or more	2,390
	No income tax return	213,668
\$50,000 to \$99,999	\$18,200 or less	21,531
	\$18,201 to \$37,000	16,058
	\$37,001 to \$87,000	9,671
	\$87,001 to \$180,000	1,977
	\$180,001 or more	512
	No income tax return	68,350
\$100,000 to \$149,999	\$18,200 or less	19,155
	\$18,201 to \$37,000	12,475
	\$37,001 to \$87,000	8,045
	\$87,001 to \$180,000	1,655
	\$180,001 or more	496
	No income tax return	50,764
\$150,000 to \$199,999	\$18,200 or less	16,252
	\$18,201 to \$37,000	9,590
	\$37,001 to \$87,000	6,637
	\$87,001 to \$180,000	1,454
	\$180,001 or more	392
	No income tax return	36,120
\$200,000 to \$249,999	\$18,200 or less	13,736
	\$18,201 to \$37,000	7,490
	\$37,001 to \$87,000	5,408
	\$87,001 to \$180,000	1,322
	\$180,001 or more	364
	No income tax return	24,944

Total super member accounts balance range	Taxable income range - tax brackets	Number of individuals
\$250,000 to \$499,999	\$18,200 or less	43,076
	\$18,201 to \$37,000	21,208
	\$37,001 to \$87,000	18,013
	\$87,001 to \$180,000	5,449
	\$180,001 or more	1,670
	No income tax return	58,119
\$500,000 to \$749,999	\$18,200 or less	19,977
	\$18,201 to \$37,000	11,274
	\$37,001 to \$87,000	10,335
	\$87,001 to \$180,000	4,103
	\$180,001 or more	1,414
	No income tax return	19,174
\$750,000 to \$999,999	\$18,200 or less	10,265
	\$18,201 to \$37,000	6,736
	\$37,001 to \$87,000	6,532
	\$87,001 to \$180,000	3,037
	\$180,001 or more	1,286
	No income tax return	8,161
\$1,000,000 to \$1,999,999	\$18,200 or less	13,263
	\$18,201 to \$37,000	10,852
	\$37,001 to \$87,000	11,920
	\$87,001 to \$180,000	6,768
	\$180,001 or more	3,914
	No income tax return	8,723
\$2,000,000 or more	\$18,200 or less	3,705
	\$18,201 to \$37,000	4,137
	\$37,001 to \$87,000	6,412
	\$87,001 to \$180,000	5,695
	\$180,001 or more	5,711
	No income tax return	1,665
All persons with super		1,023,294
Number with no super		1,682,763

Source: ATO Taxation statistics 2017–18 Individuals: Super contributions, by total super member accounts balance range, taxable income range and age range.

ABS Cat. 3101.0 National, state and territory population.

Table A2: Last observed superannuation balance within up to 4 years before death for people aged 60 or older at death: By year of observation of superannuation balance

2006		2010	2014
Overall sample			
% with super	14.1%	18.5%	20.3%
Those with super			
Mean balance	229,195	183,487	502,008
Median balance	100,000	80,000	248,000

Table A3: Last observed superannuation balance within up to 4 years before death for those aged 60-69 at death: By year of observation of superannuation balance

2006		2010	2014
Overall sample			
% with super	38.7%	44.4%	46.9%
Those with super			
Mean balance	264,065	231,143	635,608
Median balance	48,000	118,500	274,000

Table A4: Last observed superannuation balance within up to 4 years before death for those aged 70-79 at death: By year of observation of superannuation balance

2006		2010	2014
Overall sample			
% with super	24.4%	24.4%	25.0%
Those with super			
Mean balance	252,940	114,994	429,432
Median balance	135,000	84,864	266,000

Table A5: Last observed superannuation balance within up to 4 years before death for those aged 80+ at death: By year of observation of superannuation balance

2006		2010	2014
Overall sample			
% with super	4.8%	10.2%	9.6%
Those with super			
Mean balance	120,494	221,036	375,096
Median balance	109,645	55,000	117,000

Table A6: Last observed superannuation balance within up to 4 years before death for those aged 60+ at death: By year of observation of superannuation balance and sex

		2006	2010	2014
Male				
Overall sample				
% with super	20.0%	25.5%	24.5%	
Those with super				
Mean balance	270,025	196,140	406,136	
Median balance	132,633	85,932	180,000	
Female				
Overall sample				
% with super	7.1%	10.6%	15.2%	
Those with super				
Mean balance	93,093	149,748	689,756	
Median balance	45,000	50,000	290,000	

Table A7: Last observed superannuation balance within 4 years before death for those aged 60+ at death: By year of observation and relationship status

		2006	2010	2014
Married / partnered				
Overall sample				
% with super	19.4%	31.3%	25.7%	
Those with super				
Mean balance	228,613	198,965	446,787	
Median balance	100,000	79,000	250,000	
Separated / divorced / widowed / single				
Overall sample				
% with super	8.7%	8.8%	14.9%	
Those with super				
Mean balance	230,503	142,215	597,581	
Median balance	72,500	87,000	170,500	

Table A8: Deaths by sex and age group, 2018

Age group	Males	Females	Persons
0–4	660	486	1,146
5–9	51	51	102
10–14	80	56	136
15–19	304	153	457
20–24	510	167	677
25–29	580	217	797
30–34	724	319	1,043
35–39	966	493	1,459
40–44	1,125	697	1,822
45–49	1,763	1,101	2,864
50–54	2,391	1,588	3,979
55–59	3,689	2,332	6,021
60–64	4,955	3,120	8,075
65–69	6,612	4,162	10,774
70–74	9,009	5,828	14,837
75–79	10,262	7,492	17,754
80–84	12,330	10,358	22,688
85–89	13,457	14,403	27,860
90–94	9,532	14,733	24,265
95–99	2,947	6,992	9,939
100+	372	1,425	1,797
All ages	82,320	76,173	158,493
<i>Median age at death</i>	<i>78.0</i>	<i>84.0</i>	<i>81.0</i>

Source: AIHW National Mortality Database

www.aihw.gov.au/reports/life-expectancy-death/deaths-in-australia/data

