ASFA Research note: Equity and the use of superannuation for housing deposits

- Newly available data highlights what would be inequities associated with individuals being able to use their superannuation for a house deposit.
- Generally, those with higher superannuation balances already achieve home ownership.
- Opening up access to super balances would provide substantial tax benefits for upper income earners with only small benefits going to low income earners.
- Many low income individuals have already depleted their super balance through COVID early release.
- Allowing early release of superannuation for housing would worsen intergenerational equity.

Superannuation balances of those who are yet to achieve home ownership

The table below, drawn from HILDA data collected in 2022, indicates that 57 per cent of those aged 30 to 39 had achieved home ownership.

The data also highlights that 50 per cent of those yet to achieve home ownership had less than $30,000 in superannuation. Access to superannuation for this group would make little, if any difference, to their capacity to purchase a home.

Tax concession associated with withdrawals

For those aged 35 to 39 higher superannuation balances are clearly associated with an individual having a higher income (Table 2).

For those in this age group withdrawing $100,000 the tax concession would be $24,000 (based on average marginal tax rate less contributions tax). For those with a balance of less than $100,000, a withdrawal of $50,000 would have an associated tax concession on average of $9,750, reflecting a small withdrawal and lower marginal tax rate.

Giving a much higher tax concession to an individual already likely to be able to buy a home would clearly be inequitable.

The impact of COVID early release of superannuation

The chart below illustrates how many of those who withdrew up to $20,000 from their superannuation were in age groups where home ownership was commonly sought.

COVID early release of superannuation had the maximum take up rate for those aged 34, at 23 per cent. Withdrawal was highest in blue collar professions and lowest in white collar professions. Teachers were the lowest withdrawing group at 6.3 per cent with construction and laborers the highest at 40 per cent.

While some amounts withdrawn were used to pay off debt, in many cases the amounts were used for immediate consumption purposes. Expenditure on gambling was common.

This pattern of early release of superannuation entrenched inequities between high and low income earners both in respect of retirement incomes and in regard to any use of superannuation for house deposits.

Table 1: Super balance, by housing tenure

	Type of housing tenure (%)	Super balance ($)			
		Percentile			Average
		P25	P50	P75	
Not home owner	43	$6,000	$30,000	$65,000	$47,831
Owns home but rents elsewhere	4	$45,000	$70,000	$125,000	$88,798
Home owner	53	$34,000	$72,000	$120,000	$92,548

Source: HILDA data prepared for ASFA

Early release of superannuation and intergenerational equity

Requiring or expecting first home buyers to deplete their superannuation balance would lead to intergenerational inequity.

Older age groups have benefitted from both more affordable housing (driven by greater relative supply) and from compulsory superannuation.

Younger generations already have the burden of what are in many cases substantial HECS debts for their tertiary education. They should not be expected to sacrifice their superannuation savings to address a problem which has its genesis in an insufficient supply of affordable housing. Currently, undersupply of housing (relative to the effective underlying demand for housing) is around 30,000 homes. Over the next few years, this shortfall is expected to rise by an additional 40,000 homes.

Achieving home ownership is not an end in itself. What individuals need is access to affordable and safe housing. In this context, demand for social housing has continued to outpace supply of such housing. Bringing about greater equity in the provision of housing to low income and low financial resource individuals will require greater provision of social and other affordable rental housing. Early release of superannuation is not a viable solution for such individuals.

Table 2: Super balance of those aged 35 to 39

Super balance	Perentage of accounts	Average taxable income
Over $250,000	4	$138,000
$150,000 to $250,000	13	$126,000
$100,000 to $150,000	16	$122,000
$50,000 to $100,000	25	$107,000
$1 to $50,000	36	$50,000
Nil	6	$33,000

Source: ATO sample file, 2021

Chart 1: Early release, incidence by age