Research paper

A stronger retirement for all: 12% super and super on parental leave

June 2025

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ASFA, the voice of super, has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers.

We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

Executive Summary

- 1 July 2025 will bring changes to superannuation that will benefit millions of Australians: increasing the Superannuation Guarantee (SG) to 12% and introducing SG contributions on government funded paid parental leave (PPL).
- SG on government funded PPL will significantly reduce the gender gap in average superannuation retirement. For a woman taking 24 weeks it will mean $7,200 more at the time of retirement. When the regime is extended to 26 weeks it will be $7,800. This is an almost 30% decrease in the 'super gender gap' that occurs during a year taken off work.
- For the typical person aged 30 to 34 the increase in superannuation at age 67 is just over $100,000 in today's terms.
- Those in the 'care economy' (i.e. child and aged care) stand to be $76,000 better off in retirement from super being at 12% instead of 9%.
- With the 12% SG increase the typical 30-year-old with $30,000 in their super balance today is on track to achieve a balance of around $610,000 in retirement, above the ASFA Comfortable Standard of $595,000 – a significant milestone
- ASFA has also projected figures based on an individual's career path reflecting a diversity of paid work force experience. As workforce trends change, and as individuals move between casual, part-time or full-time work, or take breaks from the workforce, a 12 per cent superannuation guarantee is a key policy measure which helps more Australians achieve a comfortable retirement.

Changes to superannuation commencing 1 July 2025

1. Superannuation on paid parental leave

From 1 July 2025, the Australian Government will pay superannuation contributions on its paid parental leave (PPL) scheme. ASFA has long advocated for compulsory super to apply to PPL (and other related policies), particularly to boost the super balances of women who take leave from work to have and raise children.

The Government's PPL scheme (which came into effect on 1 July 2023), provides new parents with payments following the birth or adoption of a child. The scheme provides parents with considerable flexibility as to how leave is shared between parents, and the timing of payments – from single, specific days to a single block of time.

Since the commencement of the scheme, the maximum number of PPL days has increased incrementally (Table 1). For children born or adopted from 1 July 2025, a family can claim up to 120 days of paid leave (or 24 weeks based on a 5-day work week). For children born or adopted from 1 July 2026, the maximum number of days increases to 130 (or 26 weeks based on a 5-day work week). Payment amounts are equivalent to the prevailing minimum wage – which will rise to $948 per week, or $186.60 per day, on 1 July 2025.

Table 1: Maximum PPL payment days

Date of child's birth or adoption is from ...	Maximum payment days
1 July 2023	100 days, or 20 weeks based on a 5 day work week
1 July 2024	110 days, or 22 weeks based on a 5 day work week
1 July 2025	120 days, or 24 weeks based on a 5 day work week
1 July 2026	130 days, or 26 weeks based on a 5 day work week

Source: Services Australia.

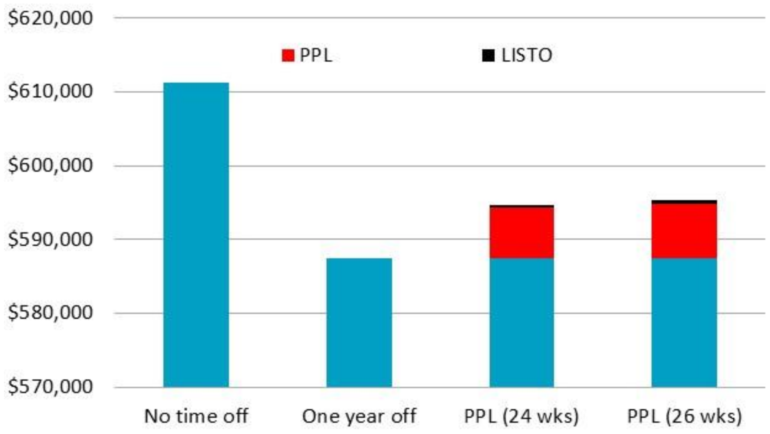
Super on Paid Parental Leave

The addition of superannuation on PPL will apply to those with babies born or adopted on or after 1 July 2025.

For each PPL recipient, a single lump sum superannuation contribution (including an interest component) will be paid to their nominated superannuation fund, following the end of each financial year in which PPL is paid. The ATO will make the first payments from July 2026 with contribution amounts based on the increased Superannuation Guarantee rate of 12 per cent.

Chart 1 shows the impact of time out of the workforce on super balances at retirement, and the potential boost from super on PPL.

Chart 1: Superannuation balance at retirement – impact of super on PPL



Source: ASFA calculations.

For a woman who earns the median wage (around $75,000), taking a year off work reduces the projected super balance at retirement from $611,300 to $587,500 – a 'super loss' of $23,700 (today's dollars).

Column 3 (in Chart 1) shows the impact of super on PPL. Assuming eligibility for the full 24 weeks, the super balance at retirement would be $594,800. In other words, the 'super loss' would be reduced by around 30%. This is equivalent to an extra $7,200 at the time of retirement. When the regime is extended to 26 weeks, the boost to the super balance increases to around $7,800. Note that a portion of the boost to the super balance is due to the operation of the Low Income Super Tax Offset (LISTO).

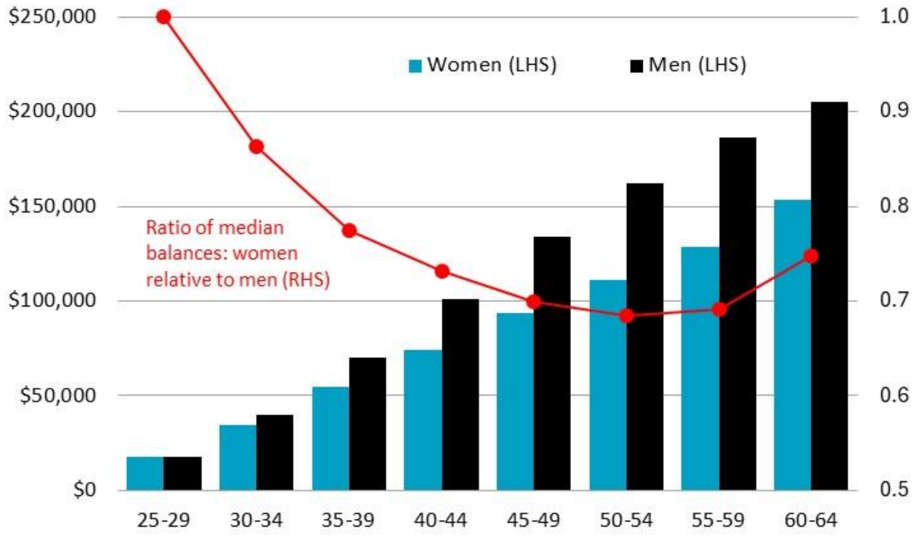
More broadly, superannuation on PPL will help close the super gender gap.

In general, women have lower super balances than men. Chart 2 shows median balances, for women and men across separate age cohorts. For almost all age cohorts , the median balance for women (blue) is lower than the median balance for men (black).

The red line in Chart 2 is an alternative presentation of the same data: the *ratio* of median balances (women relative to men). A figure less than one indicates that the median balance for women is lower than the median balance for men (for a given age cohort). While median balances are around parity for the 25-29 age cohort, there is a substantial gender gap for older cohorts (in proportionate terms).

While the reasons for the super gender gap are myriad, a key cause is that women are more likely than men to take time out of the workforce to care for and raise raising children. Taking the above example, compared to a man on the same wage, but who does not take any time off work (and all else being equal), the operation of the super on PPL regime implies a reduction in the super gap of around 30 per cent.

Chart 2: Median super balances June 2022



Source: ATO and ASFA calculations.

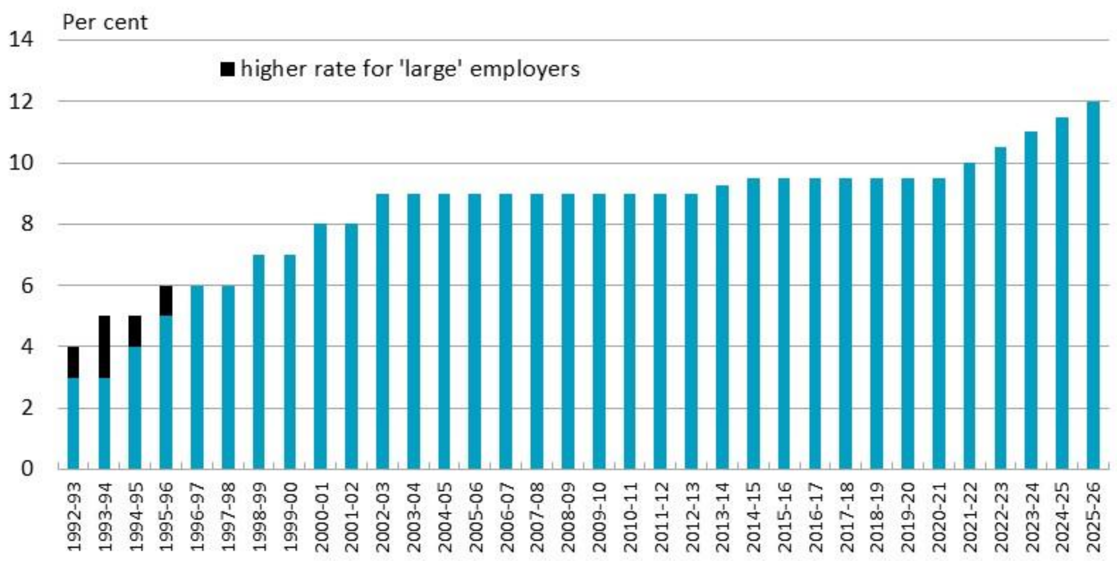
2. The increase in the Superannuation Guarantee to 12% from 1 July 2025

The objective of compulsory superannuation has always been about lifting the living standards of Australians in retirement. Despite the Superannuation Guarantee (SG) system being less than 35 years old, and with the full benefits of the system constantly being realised, it is clear that superannuation is achieving its primary role of delivering a dignified retirement to Australians, and also having a substantial positive impact on the whole economy.

The impact of compulsory superannuation is reinforced by the SG moving to 12 per cent from 1 July 2025.

As shown by Chart 3, there were extended periods when the rate of the SG was stalled, initially at 9 per cent and then at 9.5 per cent. The recent increases in the rate will lead to substantially better retirement incomes in the years ahead.

Chart 3: The Superannuation Guarantee rate (as of 1 July for each financial year)



Source: ATO and ASFA.

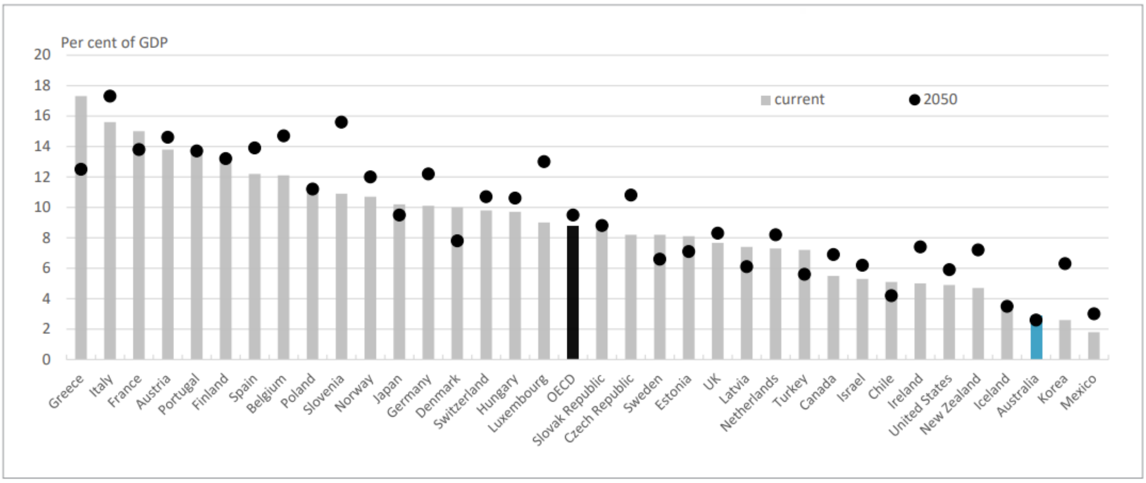
The cumulative impact of compulsory superannuation is substantial. As a result of the SG regime, ASFA's conservative estimate is that Australian households have around $1 trillion in savings that they otherwise would not have saved.

Superannuation is now households' most important asset after the family home. For most low-income earners, superannuation provides their only exposure to growth assets such as equities and infrastructure. It provides access to assets that they would either not have access to or if they did have access, they would face much higher prices. Compared with the time before compulsory superannuation, low-to-middle-income households now have a broad asset base outside of the family home and bank accounts.

Over time, as the compulsory system matures, the proportion of retirees eligible for either a full or part Age Pension is expected to decline – in effect, more people will be drawing a lower Age Pension longer into their retirement. This will counter the pressure of an ageing population on future Age Pension expenditure by government.

This means that, in terms of payments to the aged, Australia is better placed than most other advanced economies (Chart 4). Commonwealth expenditure on the Age Pension is expected to remain relatively stable, at low levels, over coming decades. ASFA projects that expenditure on the Age Pension will fall from 2.9 per cent to 2.6 per cent of GDP over the period to 2054-55, with the SG at 12 per cent playing an important role in achieving that outcome.

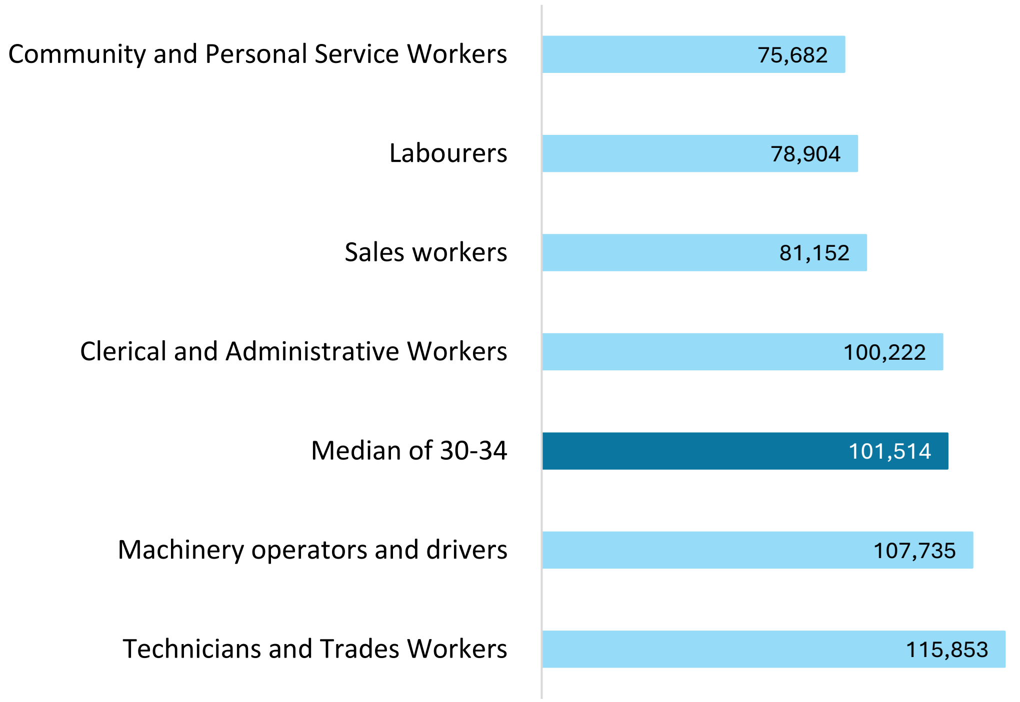
Chart 4: Public expenditures on age pensions



It is not just about savings to government budget expenditure. As the compulsory system matures, a larger proportion of retirees will reach the ASFA Comfortable Retirement Standard benchmark (currently around $52,385 per year for a single person and around $73,875 per year for a couple). ASFA estimates that around 50 per cent of retirees will be able to afford expenditure in retirement at or above the Comfortable Standard by 2050. The move to 12 per cent for the SG will play an important role in more people getting to the Comfortable Standard or above.

Chart 5, based on ATO statistics on income and superannuation balance by occupation, illustrates the substantial impact on retirement savings balances that will flow from the SG being at 12 per cent rather than 9 per cent. For the typical person aged 30 to 34 (the median case in the Chart) the increase in superannuation at age 67 is just over $100,000 in today's terms. Substantial increases are also recorded across a range of occupations.

Chart 5: Projected extra super balance at 67 from SG at 12% rather than 9% for people aged 30-34 in 2021-22, by occupation ($)



12 Per Cent Super will mean the typical 30 to 34 year old is on track to achieve a balance of around $505,000.

Chart 6 illustrates that younger members of the workforce gain the most from the increase in the SG, but there also are substantial gains for those who are older. That said, the pause in the SG rate at 9.5 per cent for a number of years had a significant negative impact on the superannuation balances of older Australians in particular, which the increase to 12 per cent from 1 July will go towards rectifying.

Chart 6: Heatmap of the extra gain by age range and occupation

	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59
Technicians and Trades Workers	121,176	**124,758**	115,853	97,505	76,804	58,650	40,103	25,004
Community and Personal Service Workers	**89,733**	89,722	75,682	60,304	50,331	38,430	27,126	16,776
Clerical and Administrative Workers	109,256	**118,636**	100,222	83,662	66,426	50,700	34,846	21,110
Sales workers	90,231	**93,786**	81,152	68,408	52,155	39,499	26,012	15,114
Machinery operators and drivers	108,327	**117,627**	107,735	96,125	71,776	55,240	38,834	24,335
Labourers	**90,305**	86,212	78,904	65,231	51,766	39,624	26,488	16,096

Chart 7 sets out projected super balances of a typical 30-34-year-old worker retiring at different ages, including the extra gain from the SG increase, in comparison to the balance required for singles to achieve ASFA Comfortable, together with half of the amount need for a couple for ASFA Comfortable. Most people entering retirement are part of a couple.

Most working-age Australians are well on the way to achieving ASFA Comfortable as a single. For those in a couple, even when assuming one person in the couple has a lower balance than the other due to breaks from paid work or other matters, there is also a high probability of reaching the ASFA Comfortable Standard as a result of the SG going to 12 per cent.

The projections in the Charts above assume that individuals remain on the same income in real terms for their entire working life. This is of course will not always be the case.

The cameo in Box 1 below sets out an individual's career path reflecting a diversity of paid work force experience. This is not unusual for most women and for many men.

Given Linda's profile for annual income, at retirement, Linda's super balance will be around $565,000. This is just shy of the ASFA Comfortable Standard benchmark for a single person ($595,000).

If the contribution rate was only 9 per cent throughout Linda's career, her super balance at retirement would be just $420,000.

Box 1: Are nurses on track for a comfortable retirement?

Linda's income from work changes throughout her career. This reflects professional progression as a nurse, as well as periods of time when she is working part time or is out of the workforce. Although fictional, elements of the cameo would be familiar to many Australians (all figures are in today's dollars).

A chart of Linda's annual working income is below (Chart 8). The trajectory for Linda's full-time salary is based on career progression through pay points in the current Nurses Award (March 2025).

Chart 8: Linda's real annual income from work

Source: Fair Work Ombudsman and ASFA calculations.

After Linda leaves high school at the end of 2025, she attends TAFE to study a two-year Diploma of Nursing. Upon graduation, at age 20, Linda secures a permanent full-time job as an enrolled nurse. After working full-time for four years, Linda decides to study for her bachelor's degree – while working part time. Linda completes her degree after six years.

In the years that follow, as a Registered Nurse, Linda progresses professionally, and her salary increases as a result (in real terms).

At age 36, Linda exits the workforce upon the birth of the first of her two children, and she remains out of the workforce for a year. Linda returns to the workforce part time, until the birth of her second child. Again, Linda exits the workforce for a year, and then returns to part-time work.

Linda resumes full-time work at age 41. As Linda's career progresses further, her salary rises (in real terms). At age 60, Linda switches to part-time work and she retires at age 67.

Linda receives compulsory superannuation contributions at a rate of 12 per cent throughout her working life. Even when Linda is earning a relatively low income, ongoing compulsory contributions help boost her superannuation balance and improve her potential retirement outcomes.

Given Linda's profile for annual income, at retirement, Linda's super balance will be around $565,000. This is just shy of the ASFA Comfortable Standard benchmark for a single person ($595,000).

If the contribution rate was only 9 per cent throughout Linda's career, her super balance at retirement would be just $420,000.