

Monday 28 June, 2021

Intergenerational report reinforces vital role of super in supporting Australia's rapidly ageing population

The Australian Institute of Superannuation Trustees (AIST) has today welcomed the release of the 2021 intergenerational report, which highlights the critical and pivotal role of compulsory superannuation in ensuring Australia is well placed to support its rapidly ageing population.

AIST CEO Eva Scheerlinck said the report was a ringing endorsement of our maturing super system and the legislated timetable to increase the compulsory super rate to 12% by 1 July, 2025.

"Treasury projections suggest that with 12 per cent super by 2025, the median superannuation balance at retirement will increase from around \$125,000 in 2020-21 to around \$460,000 in 2060-61 in today's dollars. A super balance of this size will have huge impact on the future retirement outcomes of ordinary Australians who will benefit from greater financial security in retirement than the average retiree experiences today," Ms Scheerlinck said.

Ms Scheerlinck said the report importantly showed that compulsory superannuation had been effective in increasing individual retirement savings and reducing reliance on the Age Pension as a primary source of retirement income.

"This report highlights that our retirement income system is economically sustainable. As younger generations retire with greater superannuation savings, the total proportion of older Australians receiving the Age Pension will continue to decline. It is a very significant to see that the number retirees drawing a full-age pension is expected to halve by 2060."

The report projects that the combined total of Age and Service Pension expenditure and superannuation tax concessions will grow from around 4.5 per cent of GDP in 2020-21 to 5.0 per cent of GDP in 2060-61.

Ms Scheerlinck said it was pleasing that Australia's retirement income expenditure was expected to remain well below the average across OECD countries, where on average public pension expenditure is projected to increase to 9.4% of GDP in 2050.

"This report highlights why Australia's compulsory super system is the envy of the world. Our maturing compulsory superannuation system means Australia is much better placed than most other countries to deal with the future costs of an ageing population."

Ms Scheerlinck said while the report noted that the gender superannuation savings gap would narrow in the next 40 years as women's workforce participation grew, there remained the need for policy changes to speed up this process.

"Paying superannuation on paid parental leave is an obvious next step," Ms Scheerlinck.

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