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Nearly one million young workers closed or drained their super through COVID early release

Nearly one million young workers under the age of 35 have either closed their super accounts or now have less than \$1000 in super as a result of the COVID Early Release Scheme, according to a new analysis **by the Australian Institute of Superannuation Trustees (AIST)**. In addition, over 73,000 Australians lost insurance cover linked to their account.

The analysis of the government Scheme – which closed at the end of 2020 after allowing those experiencing financial hardship withdrawals of up to \$20,000 of their super over two tranches – showed that young workers were twice as likely to close their super accounts compared to members over 35. In both tranches, women were more likely to have their account closed as a result of early release payments, compared to men in the same age cohort.

The Scheme saw a total of 3.4 million Australians withdraw around \$36 billion in early release super.

AIST CEO Eva Scheerlinck said the burden of the COVID super gap would be borne by low paid workers, women and those in insecure employment.

“While the long term impacts of COVID on the retirement savings are still uncertain, evidence shows that the financial burden of lost retirement savings will most heavily impact those least able to afford it –those already experiencing disadvantage and the many Australians who were already facing a retirement savings shortfall,” Ms Scheerlinck said.

Noting that a 30-year old who withdrew \$20,000 through the scheme could end up tens of thousands of dollars worse off in retirement, Ms Scheerlinck said that many Australians who had accessed early release super had less super to begin with and would find it difficult to make up the lost ground in their savings without targeted policy intervention.

“Young women, in particular, will struggle to make up the COVID savings gap as many will be entering the phase of their life when they take a career break to have children and their employer super contributions are on hold,” she said.

AIST’s pre-Federal Budget submission will recommend a one-off Government contribution to the super accounts of low-income earners (those earning less than

\$39,837) who accessed their super early and met the eligibility criteria. The contribution would be based on the proportion of balance withdrawn and no more than \$5000.

“Addressing the COVID super gap will not only ensure Australians aren’t penalised in retirement for an economic downturn driven by a health crisis that they had no control over, it will also reduce the extent to which they are required to rely on the taxpayer-funded age pension in retirement,” Ms Scheerlinck said.

AIST is also urging the Government to resist pressure from back benchers and stick to the legislated timeline to increase the compulsory super rate to 12% by 2025 which it says is vital for low income earners to achieve financial security in retirement.

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AIST is the peak body for the \$1.5 trillion profit-to-member superannuation sector which includes industry, corporate and public sector funds