

‘MyIncome’ solution to the \$326 billion ‘stranded’ superannuation dilemma

A three-part retirement income reform package to turn super into income

- More than 1.5 million Australians aged over 65 have a total of \$326 billion ‘stranded’ in super, reducing their access to income and costing individuals over \$2 billion in tax each year.
- A new Actuaries Institute Dialogue Paper proposes a three-part, age-based package, supported by legislative changes, to better deliver retirement incomes to Australians.
- The centrepiece of the package is ‘MyIncome’, a pre-set account-based pension offered to members from age 65.

Australia’s lack of a retirement income system has left an estimated \$326 billion in retirees’ wealth ‘stranded’ in the accumulation phase of superannuation.

A three-part package proposed in a Dialogue Paper, published by the Actuaries Institute, aims to break down the barriers preventing retirees from accessing their savings to provide the income they deserve in retirement. The centrepiece of the package is a new income product, ‘MyIncome’, a pre-set account-based pension offered to members from age 65, with design features set by each fund.

The paper, co-authored by actuaries Nick Callil and David Knox and titled *It’s time: here’s how to turn superannuation into a retirement income system*, estimates that 1.5 million Australians are leaving their superannuation untouched after age 65, reducing their available income and costing them over \$2 billion each year in tax.

“We need to normalise drawing an income from super so more people can live with dignity in retirement. The process for accessing a retirement income is too complex so many people simply build up assets in super rather than using them in retirement as intended,” says co-author Nick Callil.

“There is clear inertia when it comes to drawing down income, driven by the complexity of the decisions retirees are being asked to make,” says Mr Callil.

Applying for an income stream requires retirees to make detailed financial decisions around asset allocation and drawdown amounts, complete additional forms and verify their identity.

Dr Knox says this reflects a broader structural gap in the system.

“We do not have a retirement income system,” says Dr Knox. “Australia’s well-respected superannuation system has helped millions save for retirement. Now we need an equally effective mechanism for delivering that income.”

The proposed three-part package

1. ‘MyIncome’ – pre-set account-based pensions offered to members from age 65

The proposal would require all APRA-regulated superannuation funds to offer members aged 65 and over a pre-set account-based pension.

Dr Knox says members would be free to choose whether to accept, with a frictionless acceptance process, requiring no forms.

“Importantly, our proposal gives superannuation funds the flexibility to design account-based pensions to suit their members and continue to engage with them. Funds know their members best and we

want them to continue developing solutions that deliver the best outcomes for their members,” says Dr Knox.

2. Remaining fund balances transferred to pension phase from age 75

The proposal would require any superannuation balances remaining in accumulation phase, up to the Transfer Balance Cap, be transferred to pension phase at age 75, when an income would commence.

“Age 75 has been chosen as members can no longer make voluntary contributions to super from that age. It is consistent with international practice and supports the legislated objective of super to deliver income for a dignified retirement,” explains Dr Knox.

3. Bank account details gathered from age 60

To support this transition, superannuation funds would begin collecting members’ bank account details to facilitate future pension payments from the time the member turns 60.

The path to a better retirement income system

The proposal would potentially deliver higher retirement incomes and tax savings, as assets move from accumulation phase, where investment earnings are typically taxed at 15 per cent, to pension phase, where earnings are generally tax-free.

The paper also sets out legislative amendments and regulatory reforms that would be needed to support the proposal’s implementation and recommends timeframes for transitional arrangements.

“These policy suggestions are intended to improve overall retirement outcomes while leaving space for innovation and competition between funds” Mr Callil says.

“It should be easy for Australians to access the savings they have worked so hard to accumulate, but the stranded balances issue shows we need to do more,” says Dr Knox.

[Access the Paper here.](#)

[For media inquiries, please contact:](#)

Emma Cryan

Honner

Emma@honner.com.au | actuaries@honner.com.au

M: +61 0432 681 183 | T: +61 2 8248 3700

Notes to editor :

- Account-based pensions would be “pre-set” rather than “default” or “automatic”, because members from aged 65 to 75 would choose whether to accept the offer or not.

Dialogue Papers are a series of papers written by actuaries and published by the Actuaries Institute as part of its [Public Policy Thought Leadership program](#). The papers aim to stimulate discussion on important, emerging issues. Opinions expressed in this publication are the opinions of the Paper’s authors and do not necessarily represent those of either the Institute of Actuaries of Australia (the “Institute”), its members, directors, officers, employees, agents, or of the employers of the author.

About the Actuaries Institute and the Profession

As the peak professional body for actuaries in Australia, the Actuaries Institute represents the profession to government, business and the community. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, enterprise risk management, data analytics and AI, climate change and sustainability, and government services.

Actuaries Institute

Level 34, Australia Square, 264 George Street, Sydney, NSW 2000
t +61 (0) 2 9239 6100 | www.actuaries.asn.au

Actuaries use data for good by harnessing the evidence to navigate into the future and make a positive impact. They think deeply about the issue at hand, whether it's advising on commercial strategy, influencing policy, or designing new products. Actuaries are adept at balancing interests of stakeholders, clients and communities. They're called upon to give insight on complex problems and they'll look at the full picture. Actuaries analyse the data and model scenarios to form robust and outcome-centred advice.

www.actuaries.asn.au