2026-27
Pre-Budget submission

fair, simple and flexible: a super system that works for everyone

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Our members – our purpose

HESTA is a specialist industry super fund serving over 1.1 million members and managing more than $100 billion in retirement savings. Our membership is unique, comprising 80% women with a majority working in health and community services.

Our members tend to have lower than average account balances, higher levels of part time and casual work and are more likely to retire early to care for others. The typical HESTA member is female, 42 years old, earns $63,000 a year[1] and faces a gender pay gap of around 21 per cent[2].

HESTA members have higher than average unplanned retirements and an average retirement balance of $160,000. They are less likely to seek financial advice, and more than half expect to receive the Age Pension alongside their super savings.

The combined impact of lower wages and time away from paid work to provide unpaid care means that 44% of HESTA members have less than 10% of household income left over after bills for savings or discretionary spending.[3] With lower savings, these hard working Australians are less able to access key benefits of the super system, such as personal super contributions, salary sacrifice and spousal co-contributions. Instead, they are more likely to access their super early on severe financial hardship grounds, and at considerable tax penalty.[4]

Recommendations

Priority 1. Modernise the retirement system so it is simple and flexible

a) *Let funds support members to transition into retirement.*

So we can help our members take advantage of the tax-free retirement phase and make the most of what they have, funds must be able to:

- **Prompt** some members to a specific fund retirement product that meets their needs – with appropriate consumer protections; and
- **Default** members into a retirement product, with the ability to opt-out.

b) *Let members top up their retirement income streams with money earned from work.*
Remove regulatory barriers so members can **top-up** their retirement income streams with employment income – knowing many will continue working past Preservation Age.

c) *Let pensioners work more and keep more of what they earn.*
Remove employment income from the Age Pension Income Test so that pensioners are not discouraged from continuing to contribute to the economy through their paid work.

Priority 2. Evolve the superannuation system so it is fairer for women and carers

a) *Support carers to return to paid work.*

Government should encourage more women to return to the paid workforce after caring by providing a worker tax credit in the income tax system.[5]

Future focus: Explore options for a carers credit model in the super system

HESTA, together with other profit-to-member funds, is exploring a model for crediting people's superannuation accounts during periods when their work is interrupted because of caring responsibilities and will provide future recommendations to government on this reform.

Priority 1. Modernise the retirement system so it is simple and flexible

1(a) Let funds support members to transition into retirement

HESTA recommends Government remove regulatory obstacles so that funds can prompt or default eligible members into a tax-free retirement product.

Not enough retirement age Australians are voluntarily moving their superannuation from the taxed accumulation phase to the tax-free 'retirement phase'.[6] Inaction is most associated with women and low-middle income earners and can lead to diminished super savings and greater reliance on the taxpayer-funded Age Pension.

HESTA modelling shows that[7]:

- **Only 45 per cent of eligible Australians with super accounts transition voluntarily to a tax-free retirement account at Preservation Age**.
- Members who transition as soon as they are eligible receive up to 12% more total retirement income than those who delay by 4 years. As a result, **Australians aged over 65 missed out on $13.5 billion in retirement savings** between 2017 and 2025.
- If funds cannot proactively transition members to the tax-free retirement phase, **by 2030 nearly 3 million Australians will miss out on $5.44 billion of retirement savings each year** because they stayed in a taxed accumulation account.

That's why the system needs to adapt in these two ways:

Allow prompts. The draft *Delivering Better Financial Outcomes (DBFO) Bill* does not address the slow take-up of retirement products. Reforms proposed in the UK would allow funds to direct certain disengaged cohorts to specific retirement journeys/products that would deliver better outcomes for them.[8] We recommend a similar approach be applied in Australia, amending proposed DBFO reforms to allow targeted superannuation prompts.

Sensible consumer protections should be built in, for example, limiting prompts from accumulation to retirement to members who are in a MySuper product; and limiting prompts to specific cohorts for example, a combination of age and contribution inactivity.[9]

Allow default transition. Amend the SIS Act to enable funds to default eligible members into a retirement income stream (with opt out as an important consumer protection).

HESTA modelling shows that **all retiring Australians[10] would benefit from default transition** – regardless of their income, relationship status or home ownership status.[11]

1(b) Let members top up their retirement income stream with money earned from work

HESTA recommends Government remove regulatory barriers to allow members to top up retirement income streams with employment income.

'Retirement' isn't a single point in time: more Australians are retiring, returning to work and retiring again as their circumstances change. Currently money cannot be added to a retirement income stream once it has been established which is out of step with the lived experience of retirees – many of whom continue to work in some capacity – and means many remain in the taxed accumulation phase, to their detriment.

HESTA recommends government amend the SIS Regulations to allow members to 'top up' a pension account with employment income. This change would also help funds deliver on the 'flexibility' objective in the Retirement Income Covenant.

To enable these recommendations, **HESTA continues to call for Government to work with the superannuation sector to identify relevant member data and establish a two-way Superannuation Data-Sharing Framework between super funds and government agencies**. This framework would help funds better understand member savings and spending profiles so they can develop products, investment strategies, communications (including Targeted Superannuation Prompts, if legislated) and tools (including Retirement Calculators) relevant to member cohorts.

1(c) Let pensioners work more and keep more of what they earn

HESTA recommends employment income be removed from the Income Test for those who have already been determined to be eligible for the Age Pension.

The interaction between the income tax and social security systems is having a perverse outcome – it discourages pensioners from working and unfairly taxes those on modest wages.

HESTA research shows that, because of the impact of the Age Pension taper rate**, pensioners earning between $15,000 and $35,000 from employment income pay a marginal effective income tax rate of between 69-77 per cent**.[12]

Australians are living longer lives, with about a quarter of retirees returning to work part-time or casually in 2023[13]. Many of our members expect to receive a part Age Pension and in part because of their low balances, will continue to work in retirement.

With productivity a national focus and critical work shortages in the health and community services sectors[14], barriers to pensioners contributing to the economy through paid work must be removed.

If employment income was removed from the Income Test, the following benefits would flow:

- **Pensioners** would be freed from constantly reporting income changes to Services Australia, and **Government** would reduce costs by limiting Services Australia's administration role.
- **Government** would receive additional PAYE tax from greater levels of workforce participation, with added benefits of reducing critical work shortages[15] and increasing national productivity.

"I only get the Part Age Pension because of my earnings. I get $300 per week from the pension, and I work 3 days a week in Aged Care. I'm not going to take extra shifts – there's no incentive. I'd like to have the option of working more and not having it impact my Age Pension."

HESTA member "Anne", age 68, Aged Care worker

"I think nurses could be used a lot better – older people who don't necessarily want to work full time but are happy to help mentor younger nurses – it would be an excellent way to increase the workforce and increase the skill of our workforce as well."

HESTA member "Rosa", age 70, Registered Nurse

Priority 2. Evolve the superannuation system so it is fairer for women and carers

While recent government reforms will deliver stepped improvements in women's retirement outcomes, continued reform is necessary to close the gender superannuation gap. Superannuation balances remain a lagging indicator for the systemic inequities that women face throughout their working lives due to gender-blind systems and gendered cultural norms that adversely affect their economic security and limit their choices.

Many members who reduce their working hours to care for children, elderly parents and grandchildren do so at huge sacrifice to their working careers and retirement savings potential. The rate of part time work for HESTA's female members (35 per cent) is higher than the Australian average[16].

Australian women perform significantly more unpaid care compared with other OECD countries[17]. Around 42 per cent of HESTA members provide unpaid care for an average of 38 hours per week (often on top of their paid work), also higher than the Australian average.[18]

HESTA modelling shows unpaid care decreases our members' retirement savings by around 16 per cent[19] - a significant portion of the gender super gap.

2(a) Support carers to return to paid work

HESTA recommends the Government explore options in the income tax system to incentivise carers to return to paid work

To help value unpaid care, primarily performed by women, and to encourage carers of all kinds to return to paid work, HESTA recommends the government introduce a carer's income tax offset.[20] One model would be to allow people to bank care 'credits' for the years and months spent caring to be offset against their future income tax liabilities[21].

This reform ensures that carers returning to the workforce get to keep more of what they earn, while supporting productivity and addressing skills shortages.

Future focus: Explore options for a carers credit model in the super system

The super system design assumes a life of uninterrupted work and does not account for the value of unpaid care. A government contribution for carers of young children has been identified as one way to improve equity in the system.[22] However we know that unpaid caring is broader than parenting and includes care for elderly parents and loved ones with a disability or illness.

In 2025 HESTA co-funded[23] academic research into international 'carer's credit' models with the aim of identifying principles and features for a workable model in the Australian context, in which primary carers' super accounts are credited during periods of greatest work interruption.

HESTA will continue to build the evidence base for this important reform and we look forward to engaging with Government to design a model that ensures those who limit their workforce participation to provide unpaid care can get a better deal in retirement.

References

[1] HESTA Ada data as at 2 January 2026.
[2] WGEA Gender Equality Scorecard 2024-25, accessible here
https://www.wgea.gov.au/sites/default/files/documents/WGEA-Gender-Equality-Scorecard-2024-25.pdf
[3] HESTA Work and Life Survey 2024 conducted among a representative sample of HESTA members in July 2024.
[4] HESTA Work and Life Survey 2024 conducted among a representative sample of HESTA members in July 2024. 22% of HESTA members have sought to access their super before reaching Preservation Age.
[5] As recommended by the *Women's Economic Equality Taskforce Report* 2023, accessible at https://www.pmc.gov.au/news/womens-economic-equality-taskforce-final-report-government
[6] Only 45 per cent of eligible Australians with super accounts transition voluntarily to a tax-free retirement account at Preservation Age: Laneway Analytics for HESTA, 2025.
[7] Laneway Analytics for HESTA, November 2025. 'Eligible Australians' includes members in APRA regulated funds and excludes members of SMSFs. Because our members tend to not be professionally advised and have lower engagement with their super, only 30 per cent of eligible HESTA members have opened a tax-free retirement account.
[8] Financial Conduct Authority, Consultation Paper CP25/17 Supporting consumers' pensions and investment decisions: proposals for targeted support June 2025, available at https://www.fca.org.uk/publication/consultation/cp25-17.pdf
[9] See HESTA submission to Treasury (1 May 2025) on Improving access to affordable and quality financial advice. We appreciate that existing regulatory restrictions are responsive to concerns raised in the Hayne Royal Commission and subsequent ASIC reports about pushing members into products that are not suitable for them. However, since the Royal Commission, several major reforms have better balanced consumer protections with members' best interests and the achievement of the aims of the Retirement Income Covenant (including Design and Distribution Obligations, Members' Best Financial Interests Duty, and ASIC's hawking reforms guidance).
[10] By 'retiring Australians' we mean Australians aged over 65 who have not received SG contributions for more than 16 months.
[11] Laneway Analytics research for HESTA, November 2025.
[12] Age Pension rates as at March 2025. See HESTA media release 12 September 2025, accessible here https://www.hesta.com.au/about-us/media-centre/which-australians-are-hit-by-the-highest-effective-marginal-tax-rates
[13] Lansbury, R & Baird, M, 2025, *Retiring in a New Age: Life after Paid Work;* see also Council on the Aging 2023 *State of Older Nation Report* shows 1 in 10 pensioners would like to remain in work and 2 in 10 say they would consider it.
[14] From 2021-2025 the Health Care and Social Assistance industry had the largest percentage of workforce shortages (alongside Mining, Construction and Education & Training: see Jobs and Skills Australia, *2025 Occupational Shortage Lists Additional Insights Report*, accessible here https://www.jobsandskills.gov.au/data/occupation-shortage
[15] Sectors with high workforce shortages correlated with weak productivity growth over the period: see Jobs and Skills Australia, *2025 Occupational Shortage Lists Additional Insights Report*, accessible here https://www.jobsandskills.gov.au/data/occupation-shortage
[17] HESTA Work and Life Survey 2024 research conducted among a representative sample of HESTA members in July 2024.
[28] Laneway Analytics, HESTA Unpaid Care Work Findings Report, September 2024.
[16] HESTA Work and Life Survey 2024 research conducted among a representative sample of HESTA members in July 2024.
[17] OECD (2025), *Gender Equality in a Changing World: Taking Stock and Moving Forward*, Gender Equality at Work, OECD Publishing, Paris, accessible here https://doi.org/10.1787/e808086f-en.
[19] HESTA Work and Life Survey 2024 conducted among a representative sample of HESTA members in July 2024. ABS Time Use survey data 2020-2021, accessible here https://www.abs.gov.au/statistics/people/people-and-communities/how-australians-use-their-time/latest-release#:~:text=Source:%20Table%201.1-,Unpaid%20work,spent%203%20hours%2012%20minutes
[19] Laneway Analytics, HESTA Unpaid Care Work Findings Report, September 2024.
[20] The Women's Economic Equality Taskforce recommended the Albanese government 'reduce the financial penalty from caring responsibilities, such as carers' tax offsets upon re-entering paid work': *Women's Economic Equality Taskforce Report* 2023, accessible at https://www.pmc.gov.au/news/womens-economic-equality-taskforce-final-report-government
[21] The KPMG 'CARITO' model suggested a fixed rate of $100 per week or $5,200 per year: https://kpmg.com/au/en/insights/workforce/value-unpaid-care-work-gender-equality.html
[22] Mercer gave Australia an overall rating of B+ and identified one way of improving its score would be by "Introducing a government superannuation contribution to primary carers of young children". The report is accessible at: https://www.mercer.com/insights/investments/market-outlook-and-trends/mercer-cfa-global-pension-index/
[23] With other profit-to-member funds, coordinated by Women In Super.