



2026 WHITE PAPER

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Make the move: guiding members to tax-free retirement



About HESTA

HESTA is a specialist industry super fund serving more than 1 million members and managing approximately \$100 billion¹ in retirement savings.

The typical HESTA member is female, 42 years of age and earns \$63,000 a year, and works in health and community services. Around 80% of HESTA members are female. 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.

At HESTA, we invest in and for people who make our world better.

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Super with impact™

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Find out more about Super with impact at hesta.com.au/impact

CEO Introduction

At HESTA, we have the privilege and responsibility of serving our more than one million members – Australians who dedicate their working lives to caring for others.

We are deeply committed to helping them achieve the best retirement outcomes. We do this not just by managing their retirement savings, but by being a gutsy advocate and using our collective voice to help address inequities impacting our members and those we see falling behind. Through research and advocacy, we aim to improve the superannuation system for everyone by being a gutsy advocate and using our collective voice to help address inequities.

Retirement should be a time when Australians can enjoy the rewards of a lifetime of work. Yet for too many Australians, the superannuation system falls short at the very moment it matters most.

Australia has built one of the world's most admired retirement savings systems. But a critical gap remains: too many Australians are not making the move from saving for retirement to actually living in retirement – and the cost of that inaction is significant for their long-term financial outcomes.



Debby Blakey, CEO

\$13.5B missed in retirement income, FY2017-2025

HESTA's latest research reveals that between 2017 and 2025, eligible Australians missed out on **\$13.5 billion** in retirement income simply because they weren't transitioned into retirement phase products when they became eligible. Our research highlights that members continue to face challenges when it comes to taking action at this critical stage. This isn't a marginal problem. It is a systemic failure – and it demands a systemic solution.

Our research demonstrates that all retiring Australians would benefit from transitioning into a retirement product when they are eligible, regardless of their income, relationship status, or home ownership status.

The consequences are not felt equally. Women, in particular, are disproportionately affected. Our HESTA female members have the lowest take-up rates of retirement products, yet stand to gain the most from change. In a system that already grapples with persistent gender wealth gaps, this is both an economic and an equity issue we cannot ignore.

Australia's superannuation system has solved hard problems before. The introduction of MySuper transformed the accumulation phase by removing barriers and making good defaults work for members. We need the same ambition for retirement.

That is why HESTA is calling for regulatory reform that empowers funds to act in their members' best interests at retirement: to proactively transition eligible members who aren't engaging, before inaction costs them.

This white paper sets out the evidence, the scale of the opportunity, and a practical pathway forward. The system knows how to do this. Now is the time to act. I hope our research will help both members and the superannuation system identify ways to continue improving members' retirement income outcomes.

Overview:

The retirement challenge, and the simple solution

Australia's superannuation system does an excellent job helping people save for retirement. But when it comes to the transition into retirement itself, the system has a significant blind spot.

HESTA's research¹ shows that many Australians who are eligible to move their super into tax-free retirement phase simply aren't doing so – not because they've made an active choice to stay put, but because inertia, complexity, and a lack of automatic prompts mean they may never make the switch at all.



The scale of this problem is larger than most people realise.

As at 30 June 2025, 1.8 million Australians across APRA-regulated super funds remained in accumulation phase despite being eligible to transition to retirement phase. Collectively, they missed out on \$2.5 billion in tax-free investment returns in FY2025 alone. At HESTA, the picture is even more stark. With a membership that is predominantly female, working in care and community services, and more likely to retire with modest balances, only 30% of eligible HESTA members have made the switch – leaving 83,000 members behind. Those members collectively missed out on \$69 million in tax-free investment returns in a single year FY2025.



Without action, the problem will only grow: by 2030, nearly 3 million Australians are projected to be missing out on \$5.5 billion annually.

The good news is that the solution can be straightforward. This white paper makes the case for a default retirement transition mechanism – one that would automatically move eligible members into retirement phase unless they actively choose to opt out.

This is not a novel concept. It mirrors the same default logic that underpins MySuper for accumulation investments and the Protecting Your Super reforms for insurance. And crucially, the evidence shows it would benefit every single member it touches – regardless of their balance, gender, homeownership status, or whether they have a partner.

The members who stand to gain the most are precisely those least likely to act on their own: women with modest balances who are disengaged from the financial system and least well-served by a model that relies on voluntary action.

This paper sets out the evidence base for that reform – quantifying the cost of inaction, demonstrating the universal benefit of transitioning, and outlining the practical design considerations that would make a default mechanism work fairly and effectively for all members.

¹ HESTA research conducted for HESTA by MyMavins, December 2022.

HESTA default to retirement research objectives

Members often delay decisions about income streams due to a lack of understanding and perceived barriers like complexity and fees.

Research objective

HESTA's objective was to identify what eligible members are forgoing by not transitioning into the retirement phase of superannuation, and understand the positive impact of funds being allowed to automatically transition eligible members.



In this research, eligible members are those who have either met a condition of release and for whom superannuation guarantee contributions have not been received for a continuous 16 months, or who are aged 65 years or more.

01

Quantify retirement product take-up in Australia currently, without a default mechanism in place

- Both now and in the future

02

Quantify the retirement income members are missing out on by not transitioning into retirement phase

- HESTA members
- Australians
- Cost of delay in moving from accumulation to retirement phase

03

Understand what member groups are especially impacted

- By account balance
- By gender

04

Examine whether a default mechanism would benefit all or just some members (by examining members on the full spectrum of circumstances)

- Cameos examining account balance distribution, demographic circumstances to highlight patterns across member types

05

Quantify the level of member inertia that currently impacts outcomes

- How long do eligible members continue to remain in accumulation phase
- What are the reasons for member inertia

Research methodology

HESTA commissioned Laneway Analytics to conduct this research, drawing on HESTA's member data from FY2017 to FY2025, supplemented by Australian Bureau of Statistics population data and APRA fund statistics.

Member transition behaviour was modelled using age-specific probability rates derived from observed HESTA data, then scaled to the broader APRA-regulated fund population to produce system-wide estimates.

To illustrate individual member impacts, 10 representative cameo members were modelled across the balance distribution (10th to 99th percentile), with demographic characteristics reflecting HESTA's actual membership profile. Each cameo was tested under three scenarios: never transitioning, immediate transition, and a four-year delayed transition reflecting current median member behaviour.

Assumptions

The financial modelling assumes a 6.0% net investment return in accumulation phase and 6.5% in retirement phase, with the 0.5 percentage point difference reflecting the tax-free treatment of earnings in retirement phase. Individual member outcomes were calculated as the present value of combined superannuation and Age Pension income to age 92, consistent with ASIC's RG 276 requirements for superannuation calculators.

Limitations

Several important limitations should be noted: projections to FY2030 are based on continuation of observed historical trends; individual outcomes will vary based on personal circumstances; and the modelling does not account for assets outside superannuation, lump sum withdrawals, or individual life expectancy. The analysis also excludes self-managed superannuation funds and exempt public sector funds, which operate under different frameworks. Notwithstanding these limitations, the methodology provides a robust and conservative basis for assessing the scale and universality of benefits from a default retirement transition mechanism.



Research results



FINDING #1

Retirement product take-up in Australia without default is low – and not growing fast enough

Australia's mandatory superannuation system has been in effect since 1992, and an approximate 2.5 million Australians are expected to retire over the next 10 years. However, data from the APRA Retirement quarterly statistics (December 2024) demonstrates the slow take-up of retirement products in Australia – with a 13% growth in the number of member retirement accounts over 3.5 years to December 2024.

Current retirement product take up rates by eligible members are low – 30% at HESTA and 45% system wide. This is despite member education efforts and targeted communications within the limitations of the current advice settings.

30% take-up rate at HESTA

45% system-wide take-up rate across APRA-regulated funds



This 'inertia action' suggests that letting funds transition members into retirement phase with member opt-out provisions would better serve member interests than continued reliance on member voluntary action.

FINDING #2

Members are missing out on tax-free investment returns

\$13.5B

in tax-free investment returns missed by eligible Australians between financial year 2017-2025 by not transitioning to the retirement phase when they became eligible.

What HESTA members are missing out on

The challenge

Financial Year 2025 values for eligible HESTA members		Projections to financial year 2030	
Eligible members remain in accumulation phase	83,000	Eligible members remain in accumulation phase	110,000
Funds under management	\$13.8B	Funds under management	\$27.5B
Foregone in tax-free investment returns	\$69M	Foregone annually in tax-free investment returns	\$141.5M

What Australians are missing out on

The challenge

Financial Year 2025 values for eligible Australians – all APRA funds		Projections to financial year 2030 – all APRA funds	
Eligible members remain in accumulation phase	1.8M	Eligible members remain in accumulation phase	2.9M
Funds under management	\$492B	Funds under management	\$1.1T
Foregone in tax-free investment returns	\$2.5B	Foregone annually in tax-free investment returns	\$5.5B

Timing matters - cost of delay in transitioning into retirement phase



While all members benefit from eventual transition, immediate transition upon eligibility provides additional benefits compared to delayed transition. Over a 4 year delay period, members forego up to 12% of their potential total retirement income depending on their circumstances.

FINDING #3

Female and lower account members are especially impacted

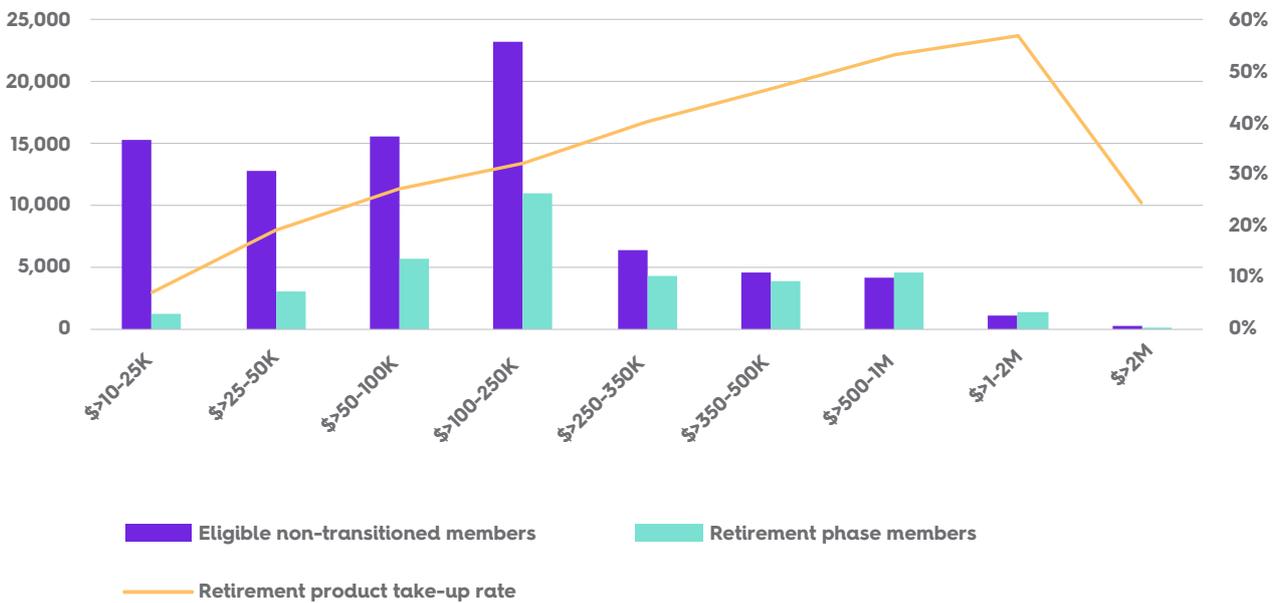
Female and lower account balance members are less likely to move into retirement phase

Females have a take-up rate of 29% and lower account balance HESTA members with under \$50,000 have a take-up rate of 15%.

29% take-up rate of females members

15% take-up rate of members with under \$50k balance

Take-up across a range of member balances



Even members with higher balances have a low take-up rate of retirement products

Members who are from our most financially well-resourced cohort (accounts over \$500,000) have a retirement product take-up rate of 55% – indicating that inaction affects the entire wealth and engagement spectrum.

55% take-up rate of members with accounts over \$500k balance

Members aged 60-64 years

While still low, the retirement product take-up rate of 48% of eligible members is higher for those aged 60-64 and very gradually increases to over 70% for those aged 85 years or over.

48% take-up rate of eligible members aged 60-64

70% take-up rate of eligible members aged 85 years or over

FINDING #4

Default would benefit members across the full spectrum of member circumstances



All retiring Australians would benefit from transitioning into a retirement product when they are eligible – regardless of their income, relationship status or homeownership status.

FINDING #5

Member inertia is persistent

At 30 June 2025, the median duration HESTA members have become eligible but have not transitioned to retirement phase is 4 years. Importantly, these figures represent observed duration to date, not completed duration until member action is taken.

What HESTA is already doing to support these members

HESTA is already undertaking major member support programs to better support members within the current legislative constraints. This includes a new HESTA digital advice program which supports our members with both superannuation and Age Pension, a major focus on retirement on our website.

Pulling the research findings together

	HESTA	All APRA funds
Current state (FY 2025)		
Eligible members	83,000	1.8M
FUM	\$13.8B	\$492B
Foregone (FY 2025)	\$69M	\$2.5B
Take-up rate	30%	45%
Projection (FY 2030)		
Eligible members	110,000	2.9M
FUM	\$27.5B	\$1.1T
Foregone annually	\$141.5M	\$5.5B

Retirement advocacy at HESTA

While this research focuses on enabling funds to transition members into retirement phase, HESTA has other key advocacy priorities aimed at better supporting members, improving members' retirement outcomes and modernising the system so it reflects the life experiences of members:

Let funds provide members with Targeted Superannuation Prompts to a specific fund retirement product that meets their needs (with appropriate consumer protections).

The draft Delivering Better Financial Outcomes Bill (DBFO) would not enable this to happen and therefore 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. We recommend a similar approach be applied in Australia.

Let members top up their retirement income streams with money earned from work

'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. This is out of step with the lived experience of retirees. We recommend that Government amend the SIS Regulations to allow members to 'top up' a pension account with employment income.

Let pensioners work more and keep more of what they earn

Pensioners should not be discouraged from continuing to contribute to the economy through their paid work. We recommend that employment income be removed from the Age Pension Income Test for those who have already been determined to be eligible for the Age Pension.

HESTA specifically researched the tax impacts and this shows that because 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.ⁱⁱ

Consumer protections to ensure member support

Implementing a default retirement transition mechanism will require careful attention to consumer protection, and HESTA is committed to working collaboratively with government and regulators to get the design right. Important safeguards – including clear opt-out notifications, minimum balance thresholds, and appropriate handling of members approaching the transfer balance cap – will need to be built into any legislative framework.

There are also administrative matters which need addressing to help implement transitioning members into the retirement phase, including gaining members' proof of identity and bank account details. An industry working group could help identify practical solutions to these and similar matters.

But it is worth keeping the broader picture in view: the most powerful consumer protection in this reform is the default itself. The greatest harm being done to members right now is not the risk of being transitioned into retirement phase – it is the ongoing, silent cost of being left behind in accumulation when they should already be receiving tax-free returns and a regular retirement income. Protecting members means acting on their behalf, not leaving them to navigate a complex system alone.

Conclusion

The case for a default retirement transition mechanism is compelling, and the evidence is clear. Across every balance level, every demographic group, and every set of personal circumstances examined in this research, members are better off in retirement phase than staying put in accumulation.

The cost of inaction is not abstract – it is measured in real dollars that real people are missing out on, year after year, simply because the system doesn't prompt them to act. For a fund like HESTA, whose members have spent their careers caring for others and often retire with more modest balances, this gap between what members are entitled to and what they actually receive is a fairness issue as much as a financial one.

A default transition mechanism would bring retirement into line with the broader logic that has driven the best improvements to Australia's superannuation system.



Just as MySuper and Your Super Your Future performance test ensured members weren't left in poor-performing default investments through inaction, and Protecting Your Super ensured insurance premiums weren't silently eroding small balances, a default retirement transition would close the last major gap in member protection across the super lifecycle.

These reforms share a common thread: they recognised that good member outcomes cannot solely rely on members taking action, and they designed the system accordingly. It is time to apply that same logic to retirement.

This reform also has benefits beyond the financial. A well-designed default mechanism – with clear opt-out rights, cooling-off periods, and targeted communication – would offer greater protection against financial abuse and exploitation of older Australians, a growing concern as the population ages. When members are actively transitioned and engaged with a regular income stream, there are more touchpoints for funds to identify vulnerability and intervene where needed. These protections matter most for the members least likely to seek help on their own.

HESTA has long recognised that improving retirement outcomes requires more than a single reform.

Alongside advocating for a default transition mechanism, HESTA is calling for a broader package of reforms to modernise superannuation so it reflects how Australians actually live and retire today and to create a system that works with the grain of members' real lives, including:

- **enabling funds to provide targeted prompts directing members to retirement products** that meet their needs (already progressed in the UK, but not addressed in Australia's draft Delivering Better Financial Outcomes legislation);
- **updating retirement income stream rules so members can top up their accounts with income earned from work**, recognising that retirement is an evolving transition; and
- **removing the disincentive for Age Pension recipients to keep working** by excluding employment income from the Age Pension Income Test for those already deemed eligible.

Together, these reforms would create a system that works with the grain of members' real lives rather than against it.

The demographic and fiscal case for acting now is strong. Australia's population is ageing rapidly, and the cohort of eligible non-transitioned members will only grow larger and more costly with each passing year.

HESTA's leadership on this agenda – grounded in rigorous research and a deep understanding of its membership – reflects a conviction that the superannuation system can and should do better for the people it serves. Modernising the retirement income system to keep pace with demographic reality is not just good policy for individual members – it is an important step in strengthening Australia's position as a global leader in retirement income policy. The architecture for this reform already exists. The evidence for its benefit is comprehensive. What remains is the will to act.

i Funds Under Management as at 11 March 2026

ii 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>