

Media Release

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Budget 2016/17 – Super measures to support low income earners a welcome step, but more needs to be done

HESTA welcomes the measures outlined in this year's Budget to ensure low income earners receive the same benefits from super as other working Australians.

"We are encouraged that the budget's super measures aim to better target tax concessions and provide greater flexibility, particularly for those members looking to catch up on contributions to build their super and for those seeking greater financial security in retirement, said HESTA CEO, Debby Blakey.

"However, we remain concerned that the focus of reforms that have the potential to help women build their super are targeted at the individual women rather than provide system-wide change to tackle structural inequity."

Ms Blakey said it was pleasing to see the government confirm the objective of super: to provide income in retirement to substitute or supplement the Age Pension.

"This objective reflects the reality for many HESTA members and should underpin the development of future super policy," she said.

"Measures giving greater flexibility to people wanting to contribute more to their super are welcome. However, for many of our members on modest wages they may not have the additional spare money available to access these benefits."

The government's decision to repackage the low income super contribution (LISC) when it runs out in 2017 and continue this equity measure was a welcome step, Ms Blakey noted.

The new Low Income Superannuation Tax Offset (LISTO) will provide a much needed boost to the savings of about 3 million low paid workers, around 2 million of which are women.

"We have long advocated the retention of this scheme, with more than 230,000 of our members receiving the LISC last financial year. A typical HESTA member benefiting from the LISC is likely to be a 42-year-old nurse with an account balance of around \$29,000. Continuing to receive this tax rebate, could result in an additional \$27,000 in their super when they retire at 67," said Ms Blakey.

Ms Blakey said it was disappointing that the government did not include in the budget a recommendation from a recent multi-party Senate inquiry to remove the \$450 Superannuation Guarantee threshold. Women, particularly those who work in health and community services, can often work in more than one part-time role with the result that their salary from each employer can often fall under the \$450 per month Superannuation Guarantee threshold and as result they are not able to participate in super at all.

With over \$33 billion total assets and 800,000 members, more people in health and community services choose HESTA for their super.

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A significant change for HESTA members, particularly women, will involve the government's budget proposal to scrap anti-detriment payments. These are payments superannuation funds like HESTA make as part of a death benefit payment to a members' beneficiaries. They are effectively a refund of contributions tax.

"This measure will mean a member's beneficiaries — often their partner and children — will receive a lower death benefit. This will disproportionately impact women, who typically outlive their male partners, and will be particularly detrimental as women already experience a higher vulnerability to poverty later in life."

Ms Blakey said that while there had been a stated intent in the budget to address gender equity issues around super, the measures implied that a woman needed a husband or a partner to be their default retirement plan.

"While we welcome lifting the current income threshold for the receiving spouse (whether married or de facto) from \$10,800 to \$37,000, on a practical level it is unlikely to substantially help low income families, or single women most of whom are struggling to balance their weekly budgets let alone find extra money to make up super savings that are on average almost half that of men," Ms Blakey said.

"While the intent is good, it's similarly unrealistic for many HESTA members to have the additional money to be put into super to take advantage of the government's proposal to allow for catch-up on concessional superannuation contributions."

This allows unused concessional contribution caps to be carried forward on a rolling basis for up to five years for those with account balances of \$500,000 or less. HESTA has more than 800,000 members, with a median member account balance of less than \$20,000.

"Our experience shows that for many working Australians, particularly women and the lower paid, they simply won't be in a position to make these types of additional contributions to their super."

The sweeping package of super budget measures represented significant change, with Ms Blakey saying: "There is much for the industry and members to consider, both in terms of the immediate implications for those planning their retirements and the long-term impacts on retirement outcomes."

"We will carefully consider the budget proposals over the coming days and provide more detail and clarity to our members to assist them in their decisions and planning for their financial future."

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