PROJECTING THE DISTRIBUTIONS OF SUPERANNUATION FLOWS AND ASSETS

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Content

• Distribution of contributions and superannuation assets in 2005-06 by gender, total income and age
  – Concessional, member (sample MCS & tax return)
  – Government Co- Contribution (sample MCS & tax return)
  – Superannuation balances (ABS survey)

• Projections of superannuation flows and aggregates up to 2040-41
  – Distribution of superannuation assets by gender and deciles of income

Overview of the data

• 2005-06 Sample tax file estimates:
  – 9.6 million persons (under 65) received an employer contribution
    • Aggregating to $49 billion (before tax)
  – 2.4 million persons (under 65) made member contributions
    • Aggregating to $24.5 billion
  – 190,000 persons (under 65) with low/high employer support claimed a deduction for concessional contributions
    • Contributions aggregating to $4.2 billion (before tax)
  – 1.2 million individuals (aged under 71) receiving a Government Co-Contribution
    • Aggregating to $1 billion (before doubling)

Overview of the data (cont.)

• 2005-06 ABS sample we estimate for persons:
  – 10.6 million persons had non-zero superannuation balances
    • Aggregating to superannuation assets of $670 billion
    • Under representation is an issue: APRA average assets for 2005-06 was around $840 billion
Aggregate superannuation assets in 2005-06

Aggregate superannuation contributions in 2005-06

Median employer provided super contributions by total income and gender in 2005-06

Median employer provided super contributions by age and gender in 2005-06
Median Government Co-Contributions (before doubling) by total income and gender in 2005-06

Median Government Co-Contributions (before doubling) by age and gender in 2005-06

Mean superannuation balances by total income and gender in 2005-06

Mean superannuation balances by age and gender in 2005-06
Impact of Better super

AMP data on total contributions by age - impact of Better Super

Dec-06  Jul-07  Dec-07
20-24 10.1% 11.0% 10.1%
25-29 10.2% 11.0% 10.2%
30-34 10.6% 12.4% 10.9%
35-39 11.3% 13.7% 11.6%
40-44 13.7% 17.7% 12.8%
45-49 14.4% 21.5% 16.0%
50-54 18.1% 25.4% 19.4%
55-59 21.6% 40.9% 25.6%
60-64 25.5% 56.5% 24.4%
All   12.6% 17.2% 13.0%

RIMGROUP projections of superannuation flows, real 2007-08$

Projected Flows and Assets, per cent of GDP
### Projected Super Assets by year and gender, nominal $ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
<th>Relative assets</th>
<th>Relative average assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>$915</td>
<td>$455</td>
<td>$1,370</td>
<td>56%</td>
<td>63%</td>
</tr>
<tr>
<td>2015-16</td>
<td>$1,310</td>
<td>$690</td>
<td>$2,000</td>
<td>53%</td>
<td>66%</td>
</tr>
<tr>
<td>2020-21</td>
<td>$1,830</td>
<td>$990</td>
<td>$2,815</td>
<td>54%</td>
<td>69%</td>
</tr>
<tr>
<td>2025-26</td>
<td>$2,460</td>
<td>$1,365</td>
<td>$3,830</td>
<td>55%</td>
<td>71%</td>
</tr>
<tr>
<td>2030-31</td>
<td>$3,245</td>
<td>$1,835</td>
<td>$5,075</td>
<td>57%</td>
<td>73%</td>
</tr>
<tr>
<td>2035-36</td>
<td>$4,235</td>
<td>$2,415</td>
<td>$6,650</td>
<td>57%</td>
<td>74%</td>
</tr>
<tr>
<td>2040-41</td>
<td>$5,500</td>
<td>$3,145</td>
<td>$8,645</td>
<td>57%</td>
<td>75%</td>
</tr>
</tbody>
</table>

### Projection of average super Assets by gender and decile, 2007-08$

<table>
<thead>
<tr>
<th>Year</th>
<th>2010-11</th>
<th>2020-21</th>
<th>2030-31</th>
<th>2040-41</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decile</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>2</td>
<td>$47,750</td>
<td>$70,400</td>
<td>$56,800</td>
<td>$81,750</td>
</tr>
<tr>
<td>5</td>
<td>$64,800</td>
<td>$101,150</td>
<td>$94,300</td>
<td>$141,200</td>
</tr>
<tr>
<td>8</td>
<td>$116,200</td>
<td>$193,000</td>
<td>$194,250</td>
<td>$289,950</td>
</tr>
<tr>
<td>10</td>
<td>$257,600</td>
<td>$458,750</td>
<td>$427,350</td>
<td>$617,100</td>
</tr>
<tr>
<td>All</td>
<td>$126,750</td>
<td>$211,200</td>
<td>$201,800</td>
<td>$290,150</td>
</tr>
</tbody>
</table>

### Projection of average balances by gender and age, 2007-08$

<table>
<thead>
<tr>
<th>Age</th>
<th>Women</th>
<th>Men</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 - 24</td>
<td>$6,000</td>
<td>$8,000</td>
<td>$10,000</td>
<td>$13,500</td>
</tr>
<tr>
<td>25 - 29</td>
<td>$24,000</td>
<td>$27,500</td>
<td>$30,500</td>
<td>$37,000</td>
</tr>
<tr>
<td>30 - 34</td>
<td>$48,000</td>
<td>$53,500</td>
<td>$60,000</td>
<td>$72,500</td>
</tr>
<tr>
<td>35 - 39</td>
<td>$54,500</td>
<td>$80,500</td>
<td>$80,500</td>
<td>$114,500</td>
</tr>
<tr>
<td>40 - 44</td>
<td>$62,500</td>
<td>$104,500</td>
<td>$108,500</td>
<td>$167,500</td>
</tr>
<tr>
<td>45 - 49</td>
<td>$76,000</td>
<td>$129,000</td>
<td>$139,500</td>
<td>$233,500</td>
</tr>
<tr>
<td>50 - 54</td>
<td>$95,000</td>
<td>$168,500</td>
<td>$197,500</td>
<td>$331,500</td>
</tr>
<tr>
<td>55 - 59</td>
<td>$135,500</td>
<td>$198,500</td>
<td>$269,000</td>
<td>$438,000</td>
</tr>
<tr>
<td>60 - 64</td>
<td>$200,500</td>
<td>$273,500</td>
<td>$350,000</td>
<td>$506,500</td>
</tr>
</tbody>
</table>

### Average payouts at retirement, 2007-08$

<table>
<thead>
<tr>
<th>Year</th>
<th>Women</th>
<th>Men</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>$148,500</td>
<td>$287,000</td>
<td>$204,500</td>
</tr>
<tr>
<td>2020-21</td>
<td>$199,000</td>
<td>$330,000</td>
<td>$256,000</td>
</tr>
<tr>
<td>2030-31</td>
<td>$263,500</td>
<td>$432,000</td>
<td>$336,500</td>
</tr>
<tr>
<td>2040-41</td>
<td>$324,000</td>
<td>$485,000</td>
<td>$395,000</td>
</tr>
</tbody>
</table>
Conclusions (1)

• ATO and ABS data sources give very similar average flows and holdings but different aggregates:
  – Both asset aggregates are lower than APRA’s
• As in previous studies employer contributions increase significantly as income rises
  – Median contributions rise up to the 50-54 age range, then decline
• The ‘self-employed’ who do contribute generally make greater provision for retirement than those with employer support, particularly women
• The Government Co- Contribution has provided greater benefits to women than men, both in proportions and median/average amount received

Conclusions (2)

RIMGROUP Projections

• Contribution inflows (ignoring re-contributions) are projected to be a relatively flat 5% of GDP
• Projected superannuation assets rise as a proportion of GDP from around 100% to just under 150% by 2040-41
• RIMGROUP projects aggregate super assets of around $2,800 billion in 2020-21 (nominal)
  – But Rice Warner (and some other) projections are almost 50% higher than corresponding RIMGROUP projections

Conclusions (3)

• A number of projections all confirm that the relative position of women in the superannuation system should improve over time
  – the relative average assets of women compared with men are projected to rise from 63% to 75%
  – women’s age retirement payouts in 2040-41 are 2.2 times those in 2010-11 in real terms, while the corresponding ratio is 1.7 for men
• But differences in superannuation holdings by income decile (within gender) appear to be largely locked in, and in some cases, widened over time.

Questions
The RIMGROUP Model

- Cohorts represent the full Australian population from beginning work to death
  - age 18 to 100 in single years
  - male, female
  - 10 income groups
  - modelled for up to 60 financial years from July 2000 to June 2060

- Labour force composition of each group (FT/PT/own business/UNI/L * Sector) and earnings for those working

- Superannuation accumulations by seven main account types

The RIMGROUP Model (2)

- Increments to super from contributions from employers, employees and personal
- Decrements to super from death, job change, hardship, disability and retirement
- Other savings
- Social security allowances and income tax
- Retirement benefit taxation and investment choice
- Retirement incomes and government pensions and taxation