Super savings:
Practical policies for fairer superannuation and a stronger budget

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April 2023

Super is turning into a taxpayer-funded inheritance scheme

- Super tax breaks remain expensive, unfair, and unsustainable
  - Super tax breaks cost $45b+ / yr, and will soon cost more than the Age Pension
  - They mainly benefit Australians that don't need them for a comfortable retirement
- The 2016-17 reforms were a good start but did not go far enough

Contributions tax breaks should be made more progressive and wound back

- Tightening Division 293 (35% with a $220k threshold) and expanding LISTO would make a more progressive system, and raise $620m / year
- The cap on pre-tax super contributions should be lowered further to $20,000 a year, saving $1.6b / yr

Earnings tax breaks should be made fairer and more sustainable

- All earnings in retirement should be taxed at 15%, saving ~$5.3-7.3b / yr today, and more in future
  - *Alternatively,* lower the transfer balance cap in retirement to either $500k or $1m

The Government should lower the threshold for a 30% earnings tax to $2m

- >$300b in super is held in super account balances exceeding $2m, earning $32k+ / yr in earning breaks
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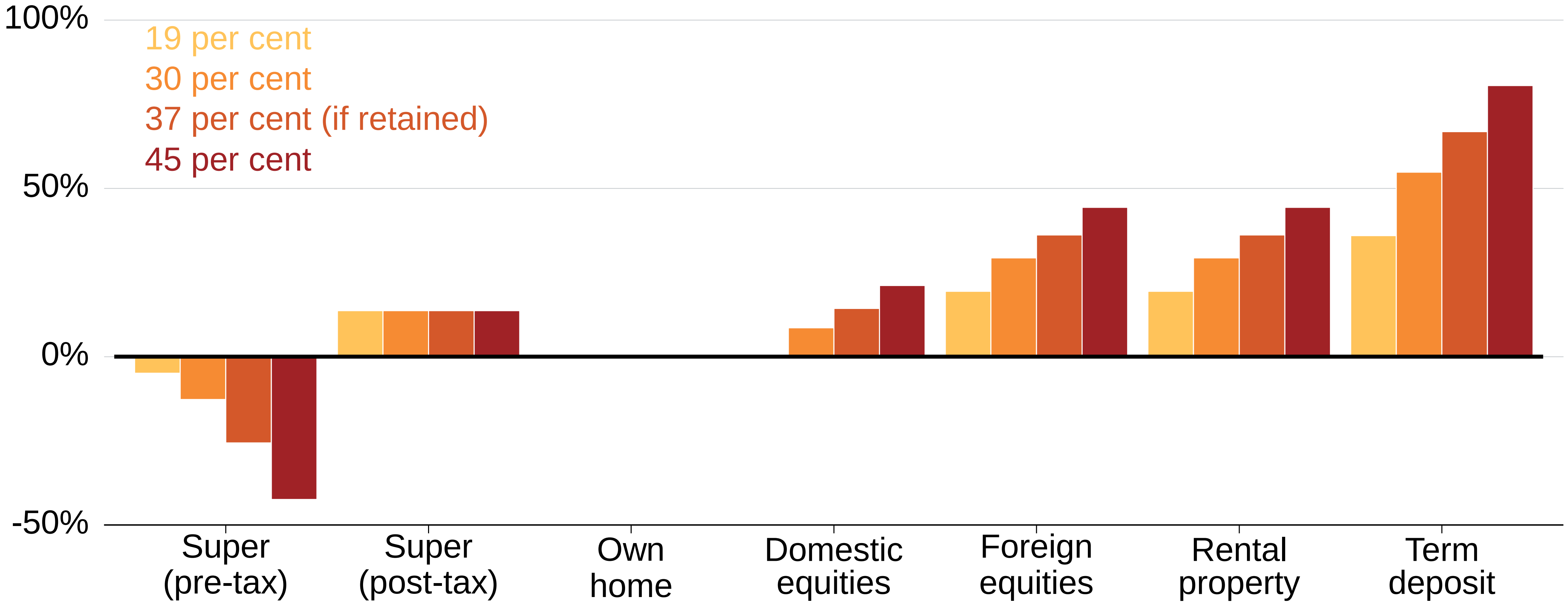
Super benefits from substantial tax breaks

	Accumulation	Retirement
Contributions	• Employers must contribute 10.5 per cent of employees' earnings (rising to 12 per cent by 2025); individuals can make extra voluntary contributions • Contributions are taxed at 15 per cent for contributions up to $27,500, and 30 per cent for people earning more than $250,000 • The Low-Income Superannuation Tax Offset (LISTO) refunds contributions tax paid, up to $500, for people earning less than $37,000 • Further post-tax contributions can be made up to a cap of $110,000 p.a. if younger than 75 and with a balance less than $1.7 million (rising to $1.9 million by mid-2023)	• All contributions allowed until age 74 (pre-tax contributions subject to employment requirements) • Only mandated employer contributions and 'downsizer' contributions allowed if aged 75+
Earnings	• Super funds are invested, earning returns • Those earnings are taxed at 15 per cent in the fund (10 per cent for most capital gains)	• Earnings in retirement are untaxed up to a maximum balance of $1.7 million (rising to $1.9 million by mid-2023)
Withdrawals	• No withdrawals until preservation age (currently 58, increasing to 60 by 2023-24) • Early release for financial hardship is taxed between 17 per cent and 22 per cent if younger than 60	• Payouts are untaxed past preservation age • Bequests taxed depending on the beneficiary, and the share of contributions that were pre-tax

The taxation of super is substantially more generous than the taxation of other savings vehicles

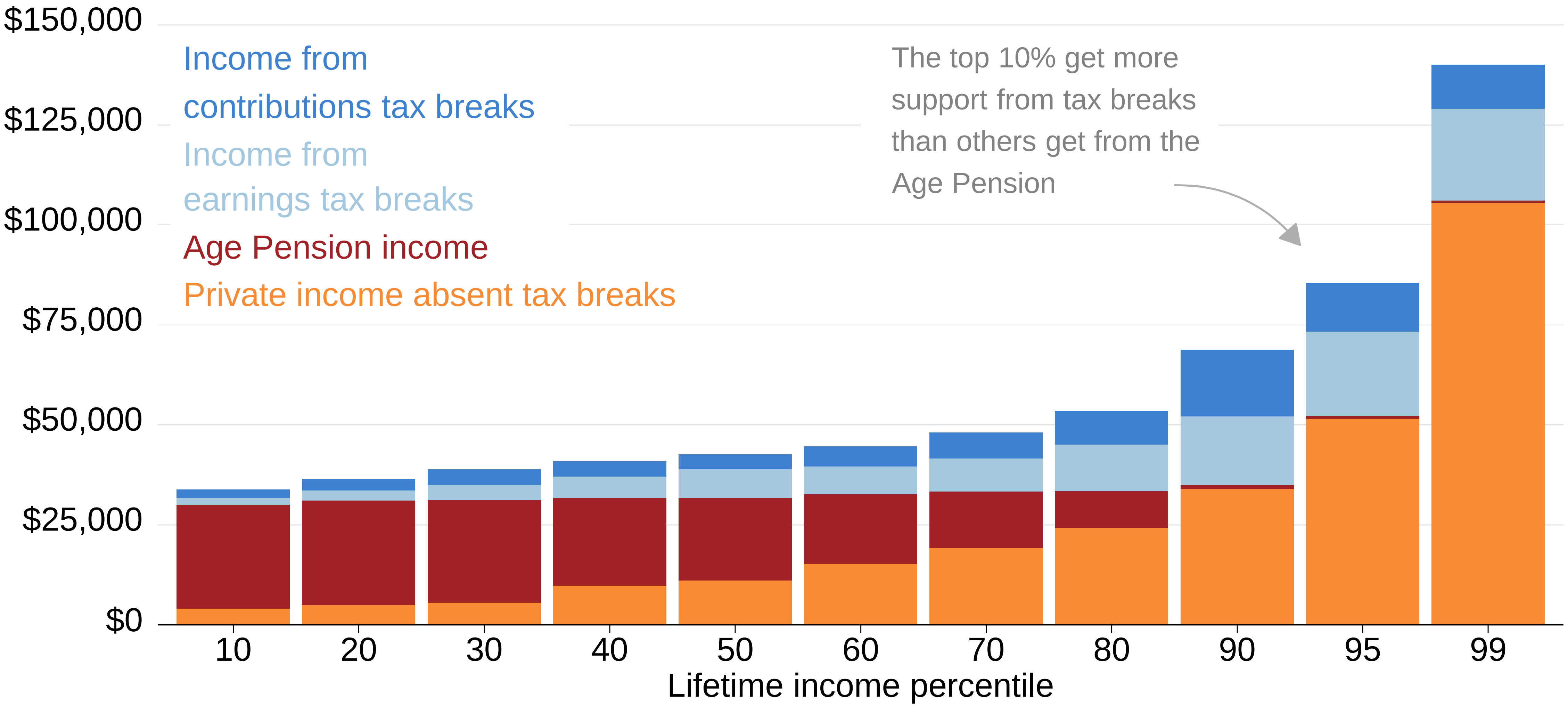
Real effective marginal tax rate on long-term (25 years) savings vehicles by marginal income tax rate, per cent



Notes: Effective marginal tax rates are presented relative to a pre-paid expenditure tax (i.e. TEE) benchmark. Marginal tax rates chosen to reflect Grattan's preference to retain the 37c bracket. Including Division 293 reduces the EMTR for the 45% bracket to just under -20%. Medicare levy added to marginal tax rates. Assumes superannuation earnings are taxed at an average effective rate of 8 per cent in the fund, reflecting the concessional treatment of capital gains (10 per cent tax rate) and dividend imputation for investments in domestic equities. Assumes: 6 per cent nominal return; 2.5 per cent inflation; all investments are held for 25 years; for property and equities capital gains tax is only crystallised and paid at the end of 25 years; for property and equities, 50 per cent of the return is attributable to capital gain and 50 per cent to rental or dividend income; dividends on domestic equities are fully franked. Ignores impacts on qualifying for welfare payments. Approach is consistent with the Henry Tax Review. See Figure 2.3 and Appendix C of Daley, Coates and Wood (2015) - Super Tax Targeting.
Source: Grattan analysis.

Super tax breaks end up boosting the retirement incomes of high-income earners the most

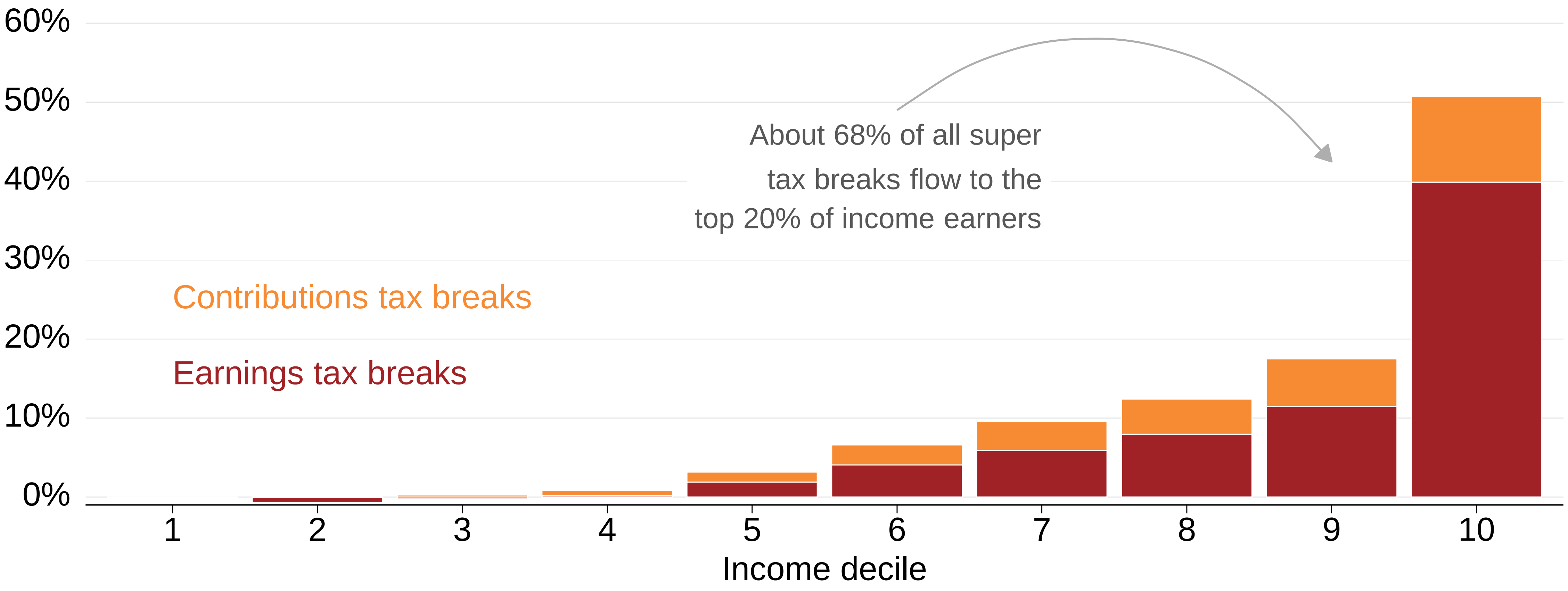
Individual projected annual average retirement income by source and income percentile



Note: Tax breaks are measured against a comprehensive income tax benchmark. Private income includes that from super and non-super savings. The 'income from tax breaks' components were estimated by projecting retirement incomes with contributions and earnings taxed at individual marginal tax rates
Source: 2020 Retirement Income Review (Chart 4A-20)

High income earners get the bulk of super tax breaks

Share of total super tax breaks by type and income decile

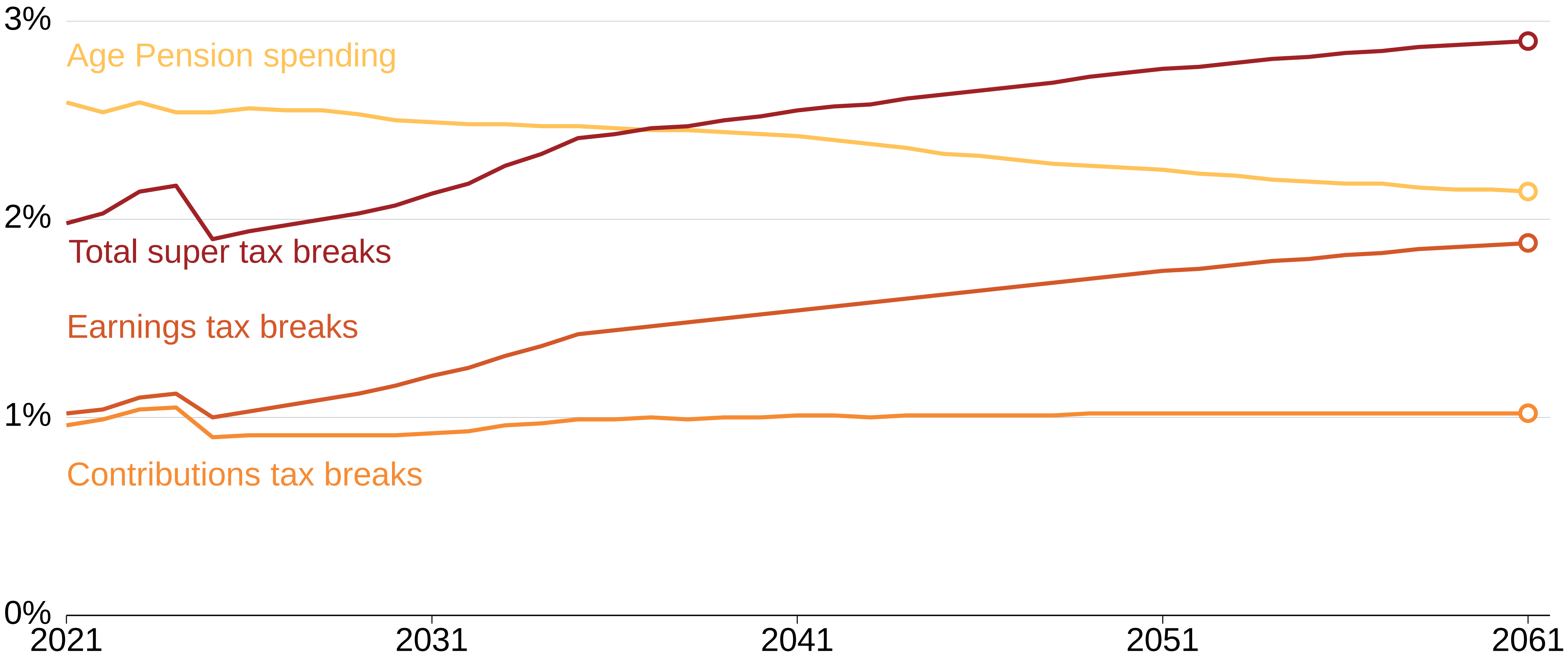


Notes: Estimates are on a revenue foregone basis against a income tax benchmark using the 2024-25 system as legislated. Wages are inflated by actual and expected AWOTE (the latter imputed using Treasury Wage Price Index forecasts). Wage projections include an offset effect for the increases in the SG. Pre-tax contributions are inflated by wages, but with further increases from the increases in the SG, which are offset 20% by reduced voluntary contributions (consistent with the Retirement Income Review). Microdata are benchmarked to ATO-reported aggregates and then scaled to a 2024-25 population-level estimate. Assumes a net of fees return of 6.5% in accumulation and 5.2% in retirement. The tax base is 90% of the return, given some gains go unrealised over the long-term. Assumes an effective tax difference of 13.6% between accumulation and retirement, given the one-third capital gains discount. Super balances are inflated to benchmark to APRA aggregate assets in 2019-20 and then inflated 2025 using system size projections from the 2021 Intergenerational report and expected population growth. Retirement age is 63 as the implied share of assets in retirement in the data are consistent with APRA data at that point. Income excludes super withdrawals and includes deemed super returns.

Sources: ABS 2019-20 Survey of Income and Housing Basic CURF; APRA Quarterly Superannuation Statistics June 2022; Grattan Analysis.

Super tax breaks will soon cost more than the Age Pension

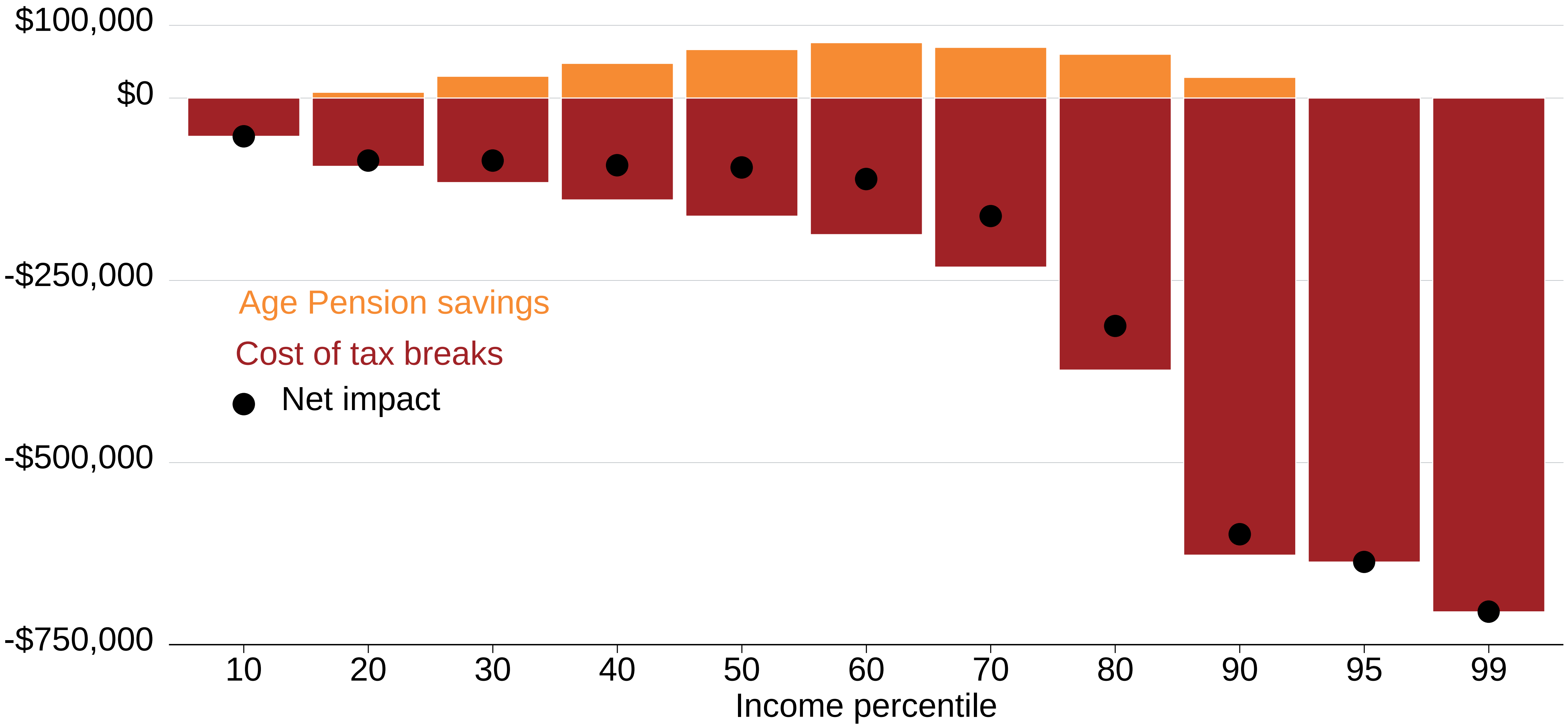
Projected cost of the retirement income system, per cent of GDP



Notes: Tax breaks are measured against a comprehensive income tax benchmark. THey are separately estimated and are not strictly additive. A minor overestimation is produced by adding contributions and earnings tax concessions together. This is because no earnings (and subsequently no earnings tax concessions) can be realised on contributions that are not invested in response to a higher contributions tax. However, this is expected to have only a minor impact. The 2020 Retirement Income Review (p. 381) estimated that trimming the extra tax off the flow of contributions into that stock would result in earnings tax breaks falling by only around 0.5 per cent for any given year.
Source: 2021 Intergenerational Report (Figure 7.4.6).

The cost of super tax breaks far outweighs the corresponding Age Pension savings

Projected value of super tax breaks and Age Pension savings over a lifetime, by income percentile



Note: Tax breaks are measured against a comprehensive income tax benchmark.
Source: 2020 Retirement Income Review (Chart 4A-23)

The vast majority of retirees draw more from the budget than they pay in each year

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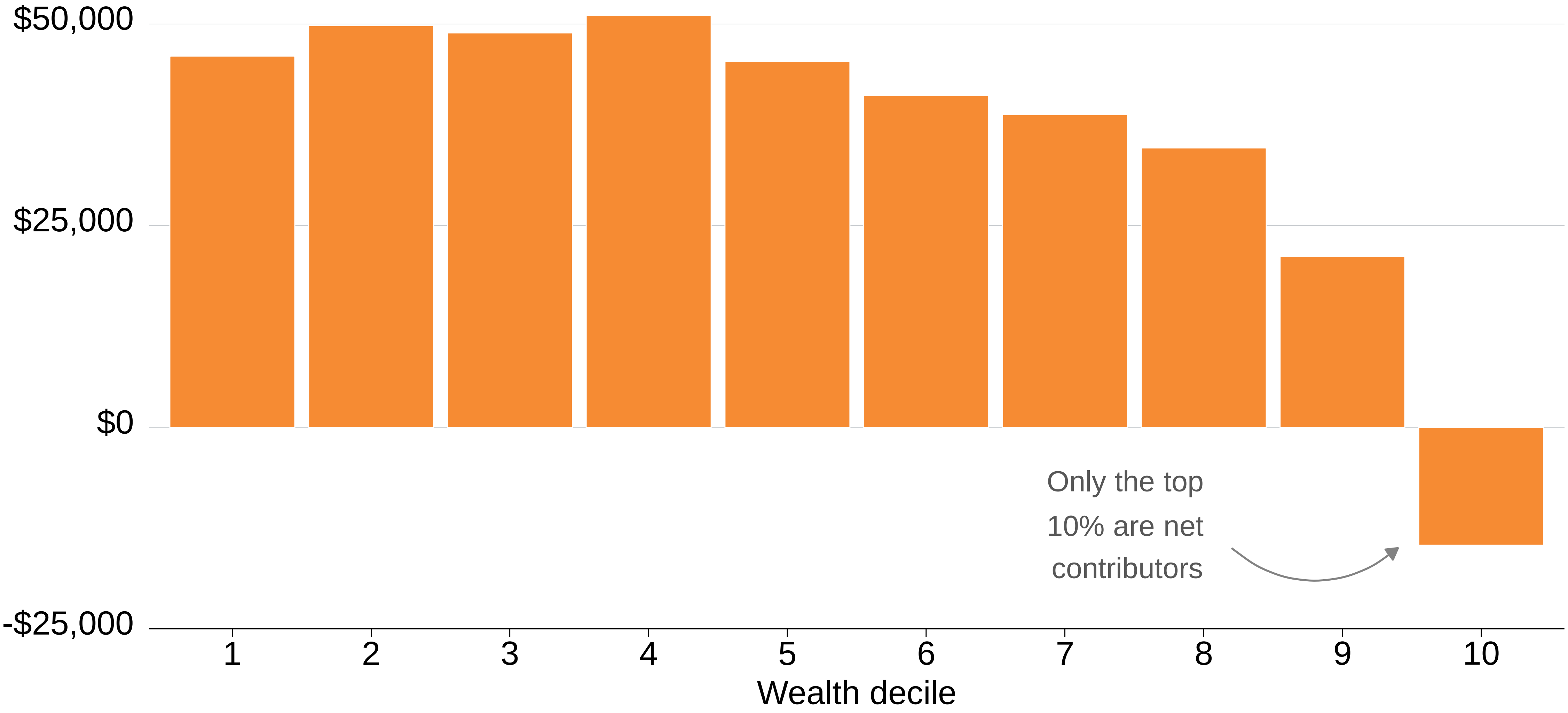
Average net benefits (transfers and services, less taxes paid) for households aged 65+ by wealth decile, 2015-16



Notes: Net benefits are social assistance benefits in cash plus support in kind minus income and sales taxes. Households over 65 are by age of household reference person.
Source: Wood et al (2019, Generation Gap, Figure 5.8).

The 2016-17 super tax reforms only trimmed some tax breaks for very high income earners

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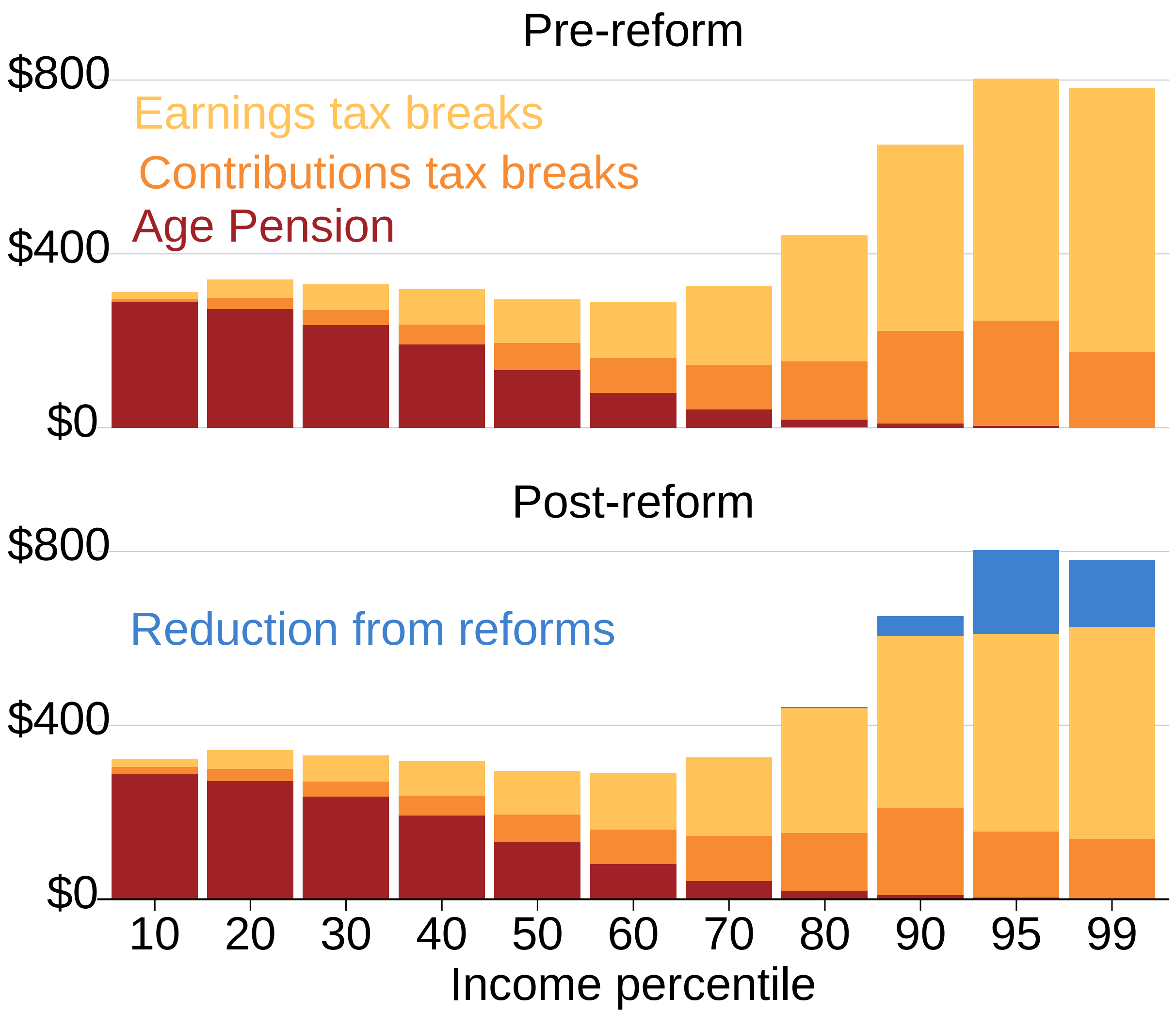
Impact of the 2016-17 reforms on lifetime retirement income support, $2016-17, '$000's



	Change
Pre-tax contributions	• Annual cap lowered from $30,000 p.a. ($35,000 for people aged 49+) to $25,000 p.a. • Concessional contributions taxed at 30 per cent instead of 15 per cent for those with income and super contributions higher than $250,000 (previously $300,000). • Unused cap space allowed to be used for 'catch up' contributions for those with balances lower than $500,000.
Post-tax contributions	• Annual cap lowered from $180,000 to $100,000. • Individuals with balances higher than $1.6 million prevented from making non-concessional contributions
Earnings	• Balance limit for retirement accounts accessing tax-free earnings of $1.6 million – the 'Transfer Balance Cap' (TBC).

Source: Treasury Budget 2016-17: Superannuation fact sheets

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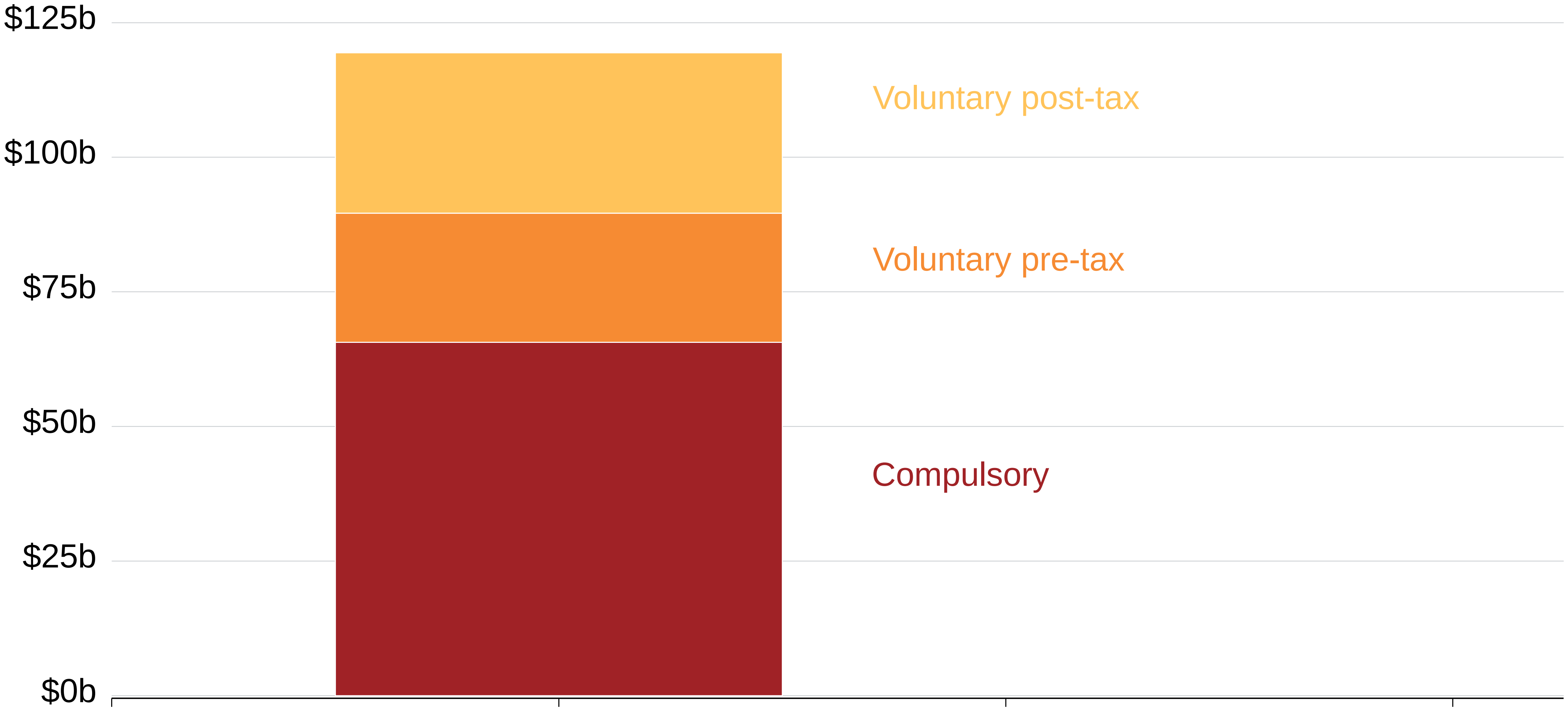
Most super contributions are made from pre-tax income, and just over half of all contributions are compulsory

Total super contributions by type, 2019-20, $ billion



Notes: Compulsory contributions are not directly observed and are imputed. This uses the 2019-20 SG rate of 9.5% and therefore is likely an underestimate as many employees have a higher compulsory contribution rate.
Source: ATO 2019-20 2 per cent sample file.

Several changes are needed to rein in contributions tax breaks

Option	Savings	Distributional impact	Rationale
Tighten Division 293 – 35% with a $220,000 threshold	$1.1 billion	All savings come from top 10 per cent of taxpayers	High-income earners likely to have an adequate retirement regardless
Expand LISTO to a threshold of $45,000 and a max offset $800 (currently $37,000 and $500)	$530 million *cost*	All benefit goes to low- and middle-income earners	To ensure purpose of LISTO keeps up with increased compulsory contributions and changes to the personal income tax system (only after other spending priorities like Rent Assistance)
Reduce the annual pre-tax contribution cap to $20,000 (from $27,500)	$1.6 billion	75 per cent of savings come from top 20 per cent of taxpayers	Contributions above this level are mostly made people who are likely to have an adequate retirement regardless
	$2.2 billion		

Notes: LISTO = Low-income Superannuation Tax Offset. All savings in 2024-25 dollars and assessed against the 2024-25 personal income tax system.

Most people get at least a 15 percentage-point tax break on their pre-tax super contributions

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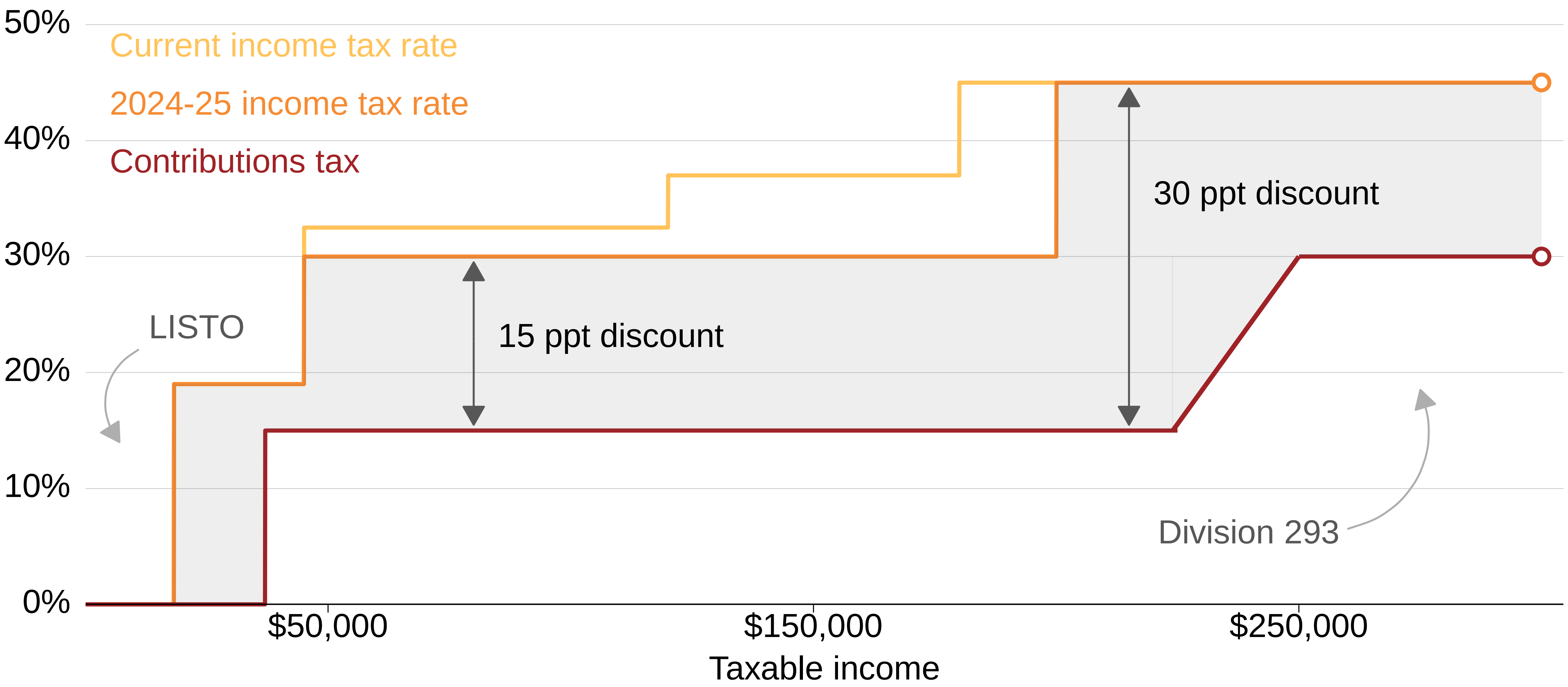
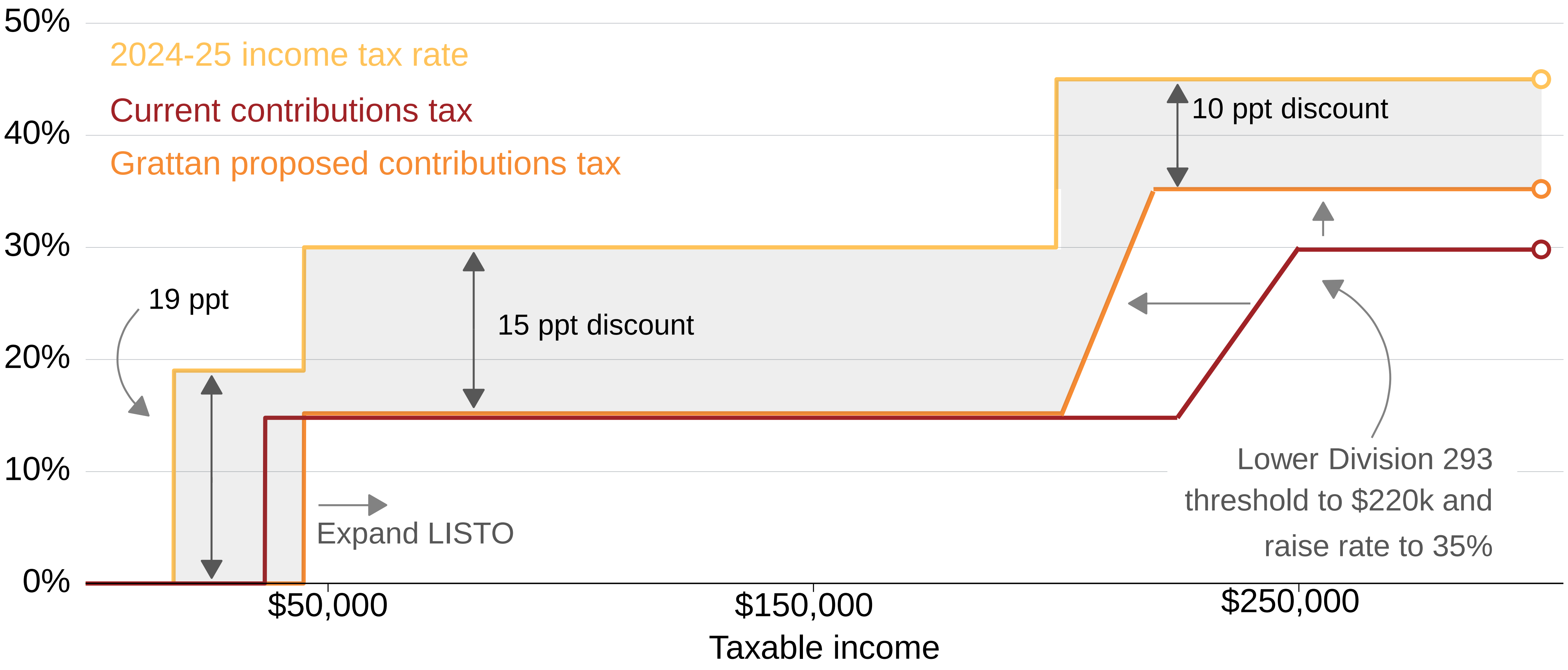
Personal marginal income tax rates and current super contributions tax rates



Notes: LISTO = Low-Income Superannuation Tax Offset and 'ppt' = percentage point. Contributions tax are average not marginal. The angled line for contributions tax from $220,000 represents the phase-in of Division 293 due to assessable income for Division 293 purposes including pre-tax contributions (we assume pre-tax contributions made at a 12 per cent Superannuation Guarantee). Excludes additional levies, surcharges, and offsets, for simplicity.
Sources: Grattan Analysis.

Tightening Division 293 and expanding LISTO would make for a more progressive system

2024-25 personal marginal income tax rates, current and Grattan proposed super contributions tax rates



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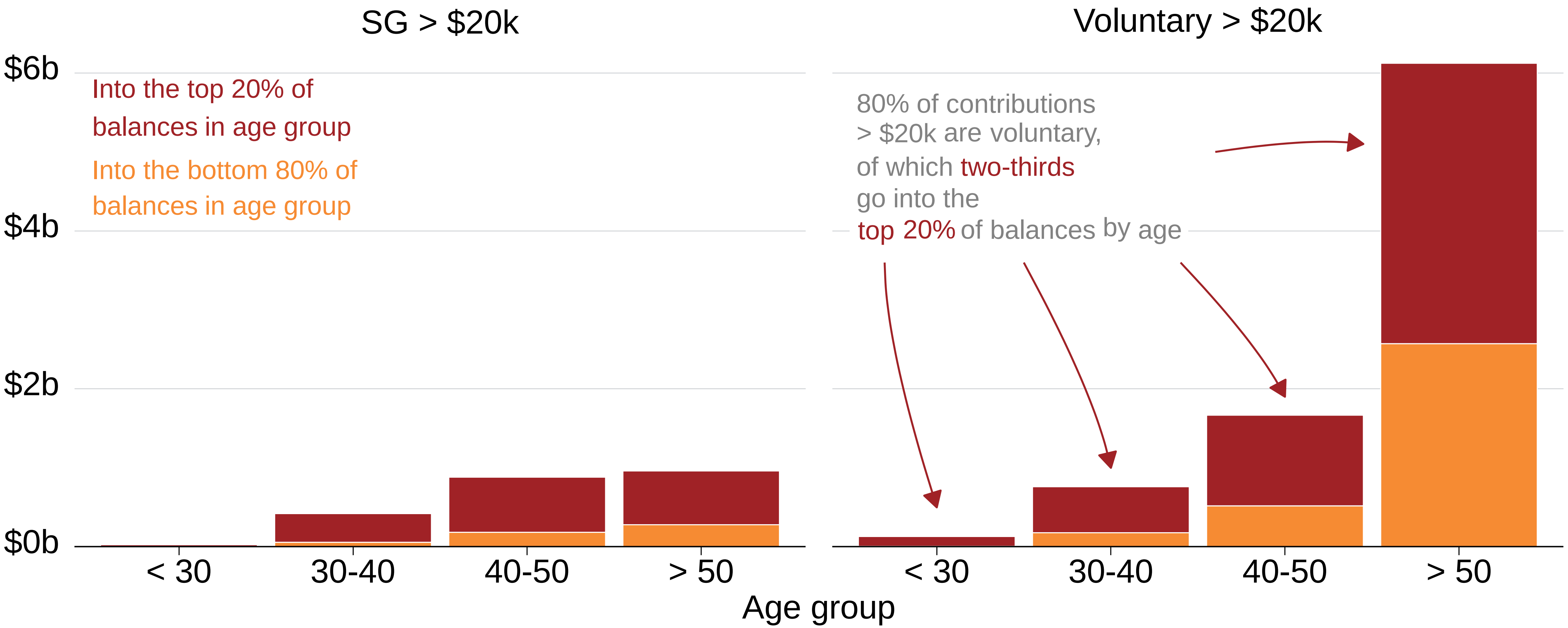
Sources: Grattan Analysis.

Contributions above $20k tend to be voluntary ones into already high balances

Projected total pre-tax contributions above $20k by type, age and balance, $2024-25b



Notes: Pre-tax contributions and balances are projected to 2024-25. Excludes post-tax contributions. Pre-tax contributions are inflated by wages, but with further increases from the increases in the SG, which are offset 20% by reduced voluntary contributions (consistent with the Retirement Income Review). Wages are inflated by actual and expected AWOTE (the latter imputed using Treasury Wage Price Index forecasts). Wage projections include an offset effect for the increases in the SG. SG is not directly observed in the data and is imputed. Balances are inflated using IGR system assets projections and expected membership growth.

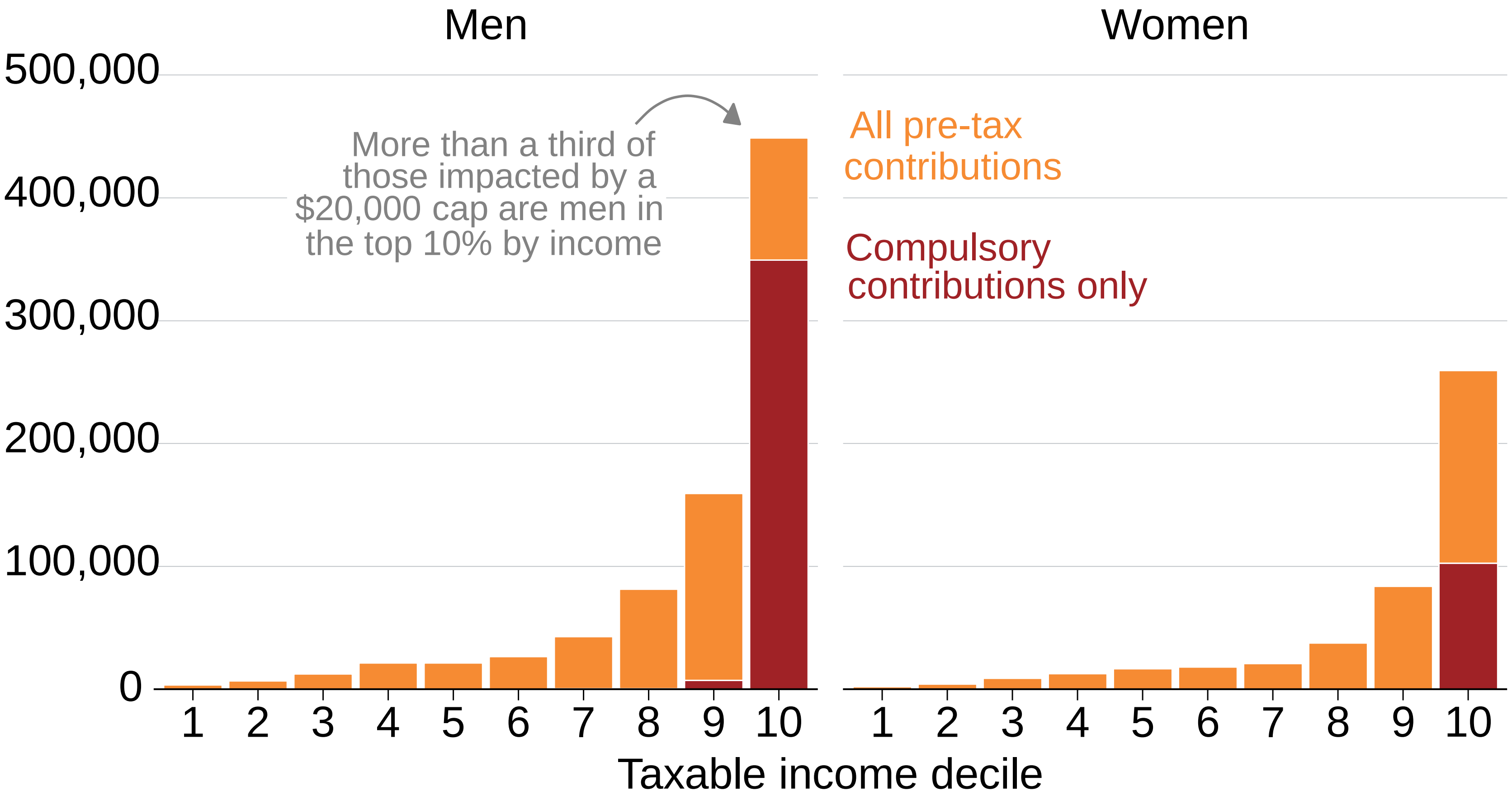
Sources: ATO 2019-20 2% sample file; ABS Average Weekly Earnings and National Population; Treasury 2022-23 (October) Budget Paper 1 for wage and population projections; Grattan Analysis.

A $20k pre-tax contribution cap would mostly impact high-income men

Projected number of individuals making pre-tax contributions above $20k, by gender and taxable income decile, 2024-25

Just **4.4%** of men are expected to make SG contributions > $20k / yr

Under **10%** of men are expected to make total pre-tax contributions over $20k, with an avg. taxable income of around $182,000



Just **1.3%** of women are expected to make SG contributions > $20k / yr

Less than **6%** of women are expected to make total pre-tax contributions over $20k, with an avg. taxable income of around $125,000

Notes: Taxable income deciles are computed separately for each age-gender cohort. Excludes post-tax contributions. Compulsory contributions are not directly observed and are imputed using the 2024-25 SG of 11.5% on projected wages accounting for the projected maximum SG base. Wages are inflated by actual and expected AWOTE (the latter imputed using Treasury Wage Price Index forecasts). Wage projections include an offset effect for the increases in the SG. Pre-tax contributions are inflated by wages, but with further increases from the increases in the SG, which are offset 20% by reduced voluntary contributions (consistent with the Retirement Income Review). Number are inflated for realised and projected population growth from 2019-20 to 2024-25.

Sources: ATO 2019-20 2% sample file; ABS Average Weekly Earnings and National Population; Treasury 2022-23 (October) Budget Paper 1 for wage and population projections; Grattan Analysis.

Our package redistibutes tax breaks from high-income earners to lower-income earners

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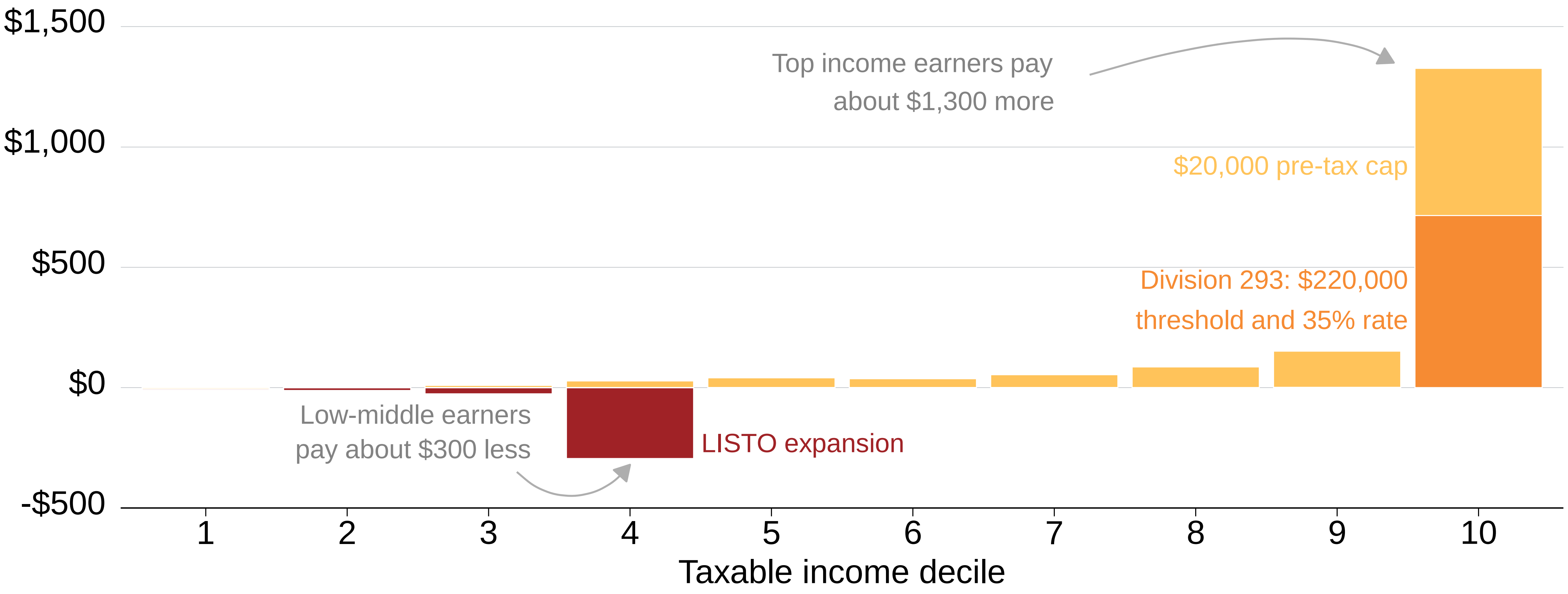
Average extra tax under by reform and income decile, $2024-25

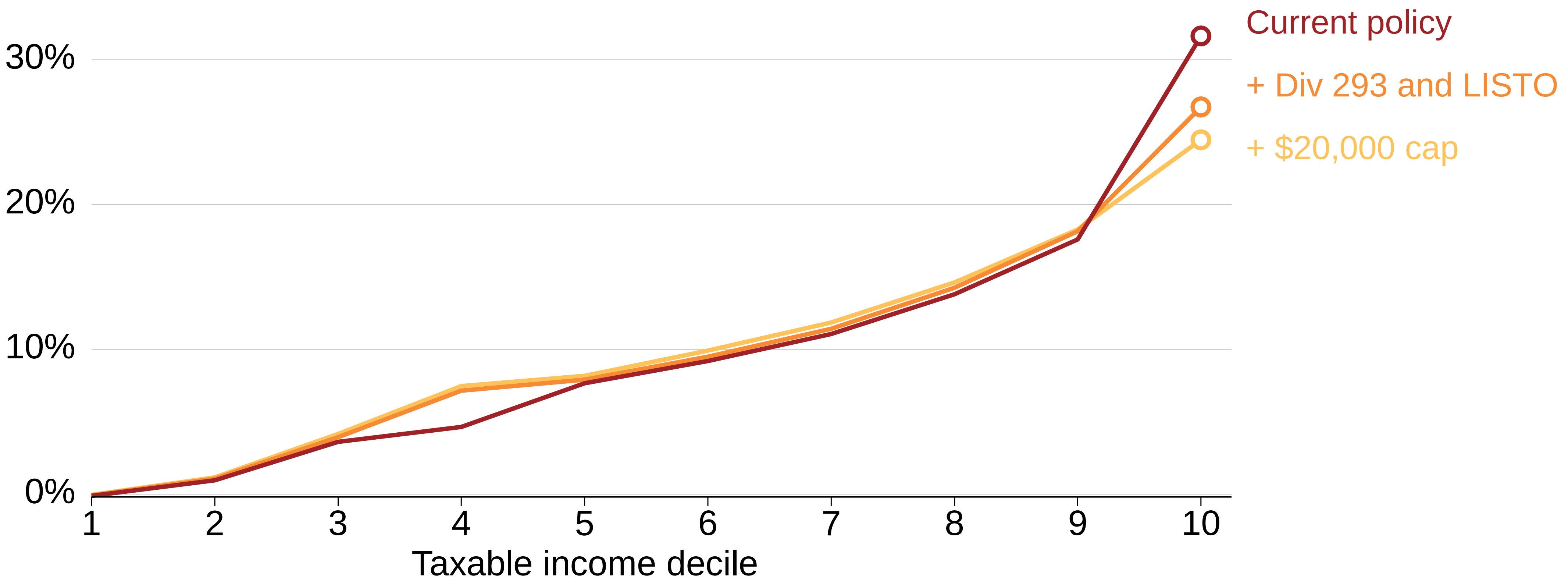


Notes: Estimates are on a revenue foregone basis against a income tax benchmark using the 2024-25 system as legislated. Wages are inflated by actual and expected AWOTE (the latter imputed using Treasury Wage Price Index forecasts). Wage projections include an offset effect for the increases in the SG. Pre-tax contributions are inflated by wages, but with further increases from the increases in the SG, which are offset 20% by reduced voluntary contributions (consistent with the Retirement Income Review). Microdata are benchmarked to ATO-reported aggregates and then scaled to a 2024-25 population-level estimate. LISTO = 'Low-Income superannuation tax offset'. The expansion involves the threshold rising to $45,000 and the maximum offset rising to $800. The effect of the lower contribution cap is estimated by transferring the difference between the current cap and the simulated cap into taxable income. About 2.5% of individuals report 'breaching' the current cap due to carry-forward provisions. Our method allows this to continue. The lower Division 293 threshold is estimated with the lower cap in place to account for the interaction between the two.

Sources: ATO 2019-20 2% sample file; ABS Average Weekly Earnings and National Population; Treasury 2022-23 (October) Budget Paper 1 for wage and population projections; Grattan Analysis.

Contribution tax breaks will still mainly benefit high-income earners even after our proposed reforms

Share of contributions tax breaks by income decile, 2024-25



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Other changes to improve contributions tax breaks

Proposal	Rationale and savings
Reduce the post-tax contribution cap to $50,000	Current cap is too high and facilitates tax planning – 88 per cent of post-tax contributions are made by those with the largest 20% of balances, typically older individuals closer to retirement unlikely to quality for the Age Pension. ~ > $2b over 10 years
Remove co-contributions	Those normally in the top 25 per cent of income earners are four times more likely to use scheme than those normally in the bottom 25 per cent ~ $100m over 4 years
Remove carry-forward provisions	Provisions mostly used by high-income men or women with high-balance partners. ~$10.4b over 10 years
Prevent the re-contribution strategy with a debiting system	Record debits on lump-sum withdrawals to ensure ‘taxable’ components of super are not artificially transformed into tax-free components via re-contributions.
Review small business concessions	Appear to be excessively generous. Review to ensure they are consistent with the objective of the superannuation system.

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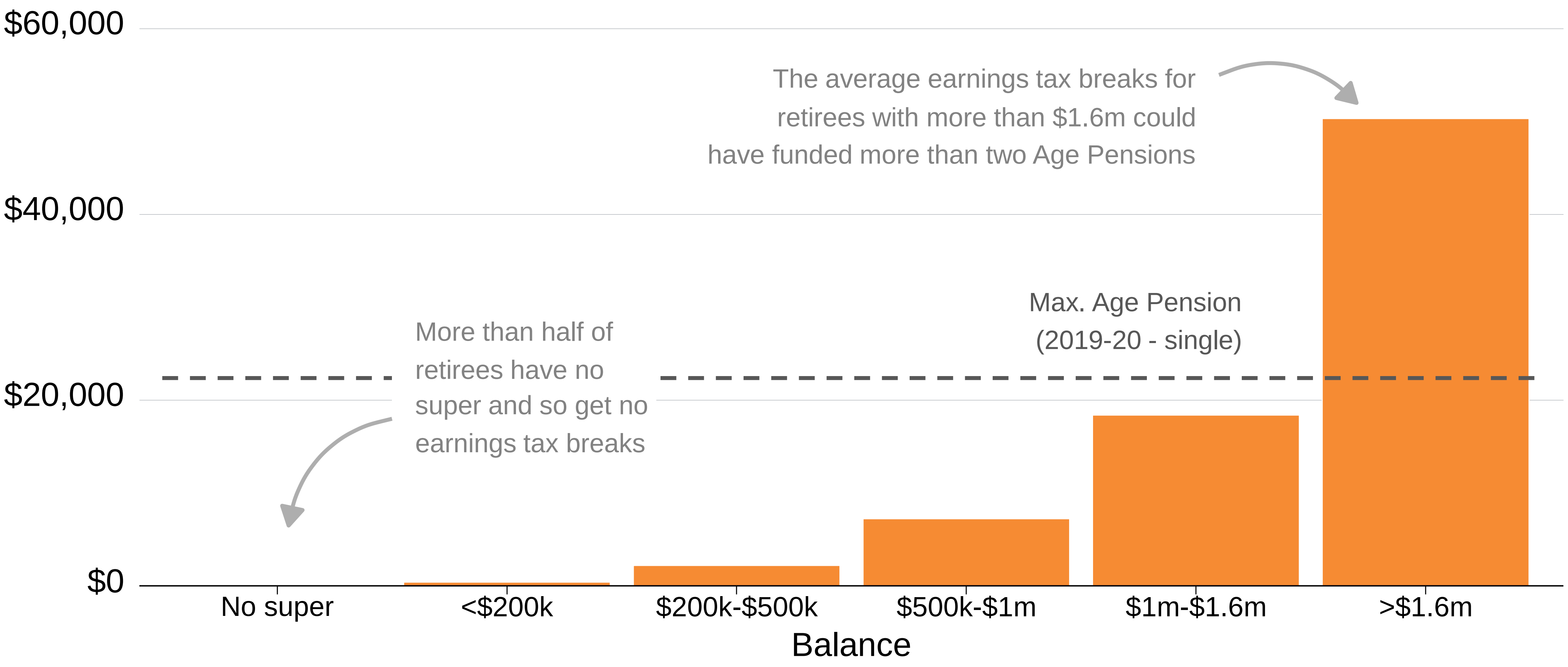
Few retirees have large balances, and those that do get substantial earnings tax breaks

Average earnings tax breaks by balance, individuals aged 63 and over, 2019-20

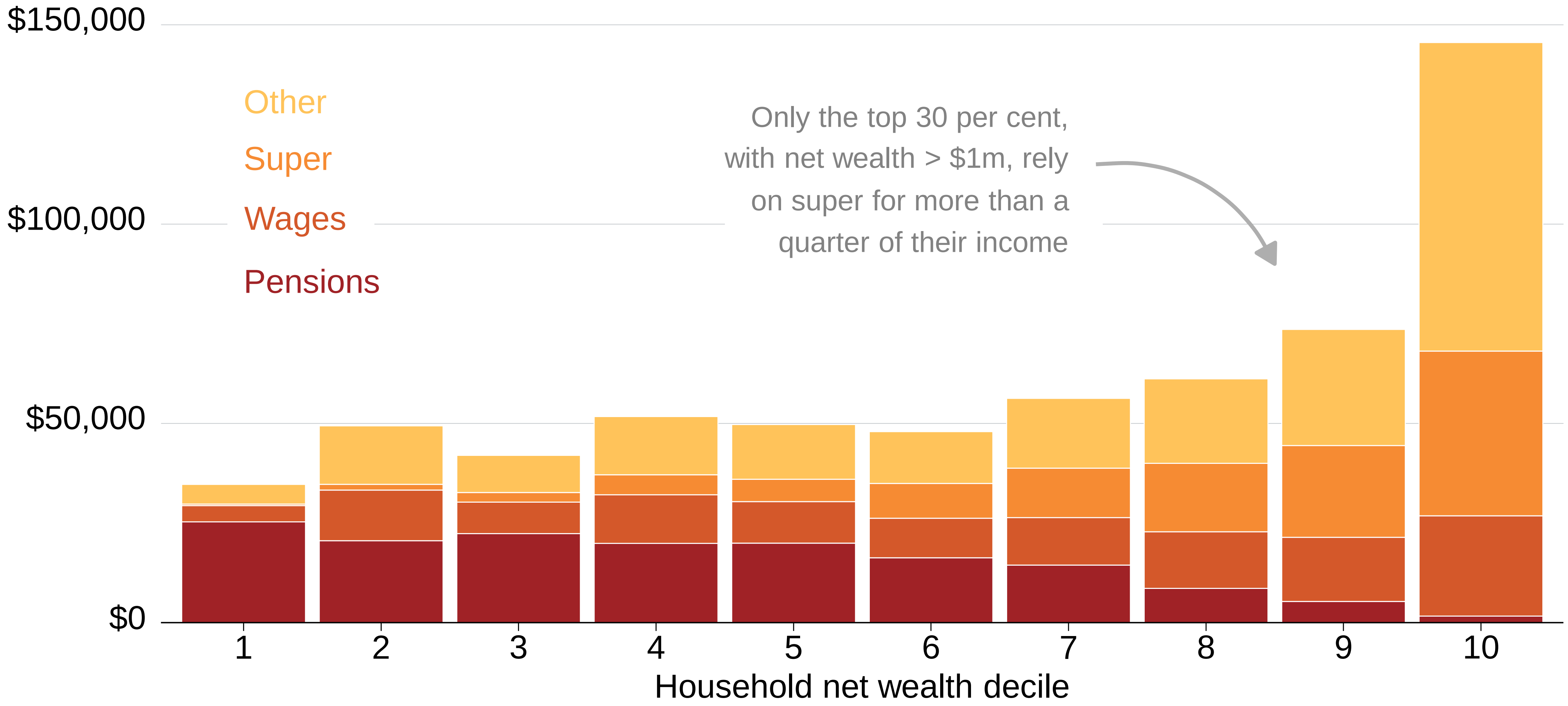


Notes: Assumes a net of fees return of 5.2% in retirement. The tax base is 90% of the earnings due to some gains not being realised over the long-term. Retirement age is 63 as the implied share of assets in retirement in the data are consistent with APRA data at that point. Earnings tax breaks calculated against an income tax benchmark on a revenue foregone basis.

Sources: ABS 2019-20 Survey of Income and Housing Basic CURF; APRA Quarterly Superannuation Statistics June 2022; Grattan Analysis.

Only wealthy retirees currently rely on super for income

Average annual income by source and wealth decile, households aged 63+, 2019-20



Notes: 'Other' includes non-super investment and business income. 63 is the age that triangulates retiree assets in the ABS SIH with reported aggregates from APRA and and the ATO.
Source: ABS 2019-20 Survey of Income and Housing Basic CURF.

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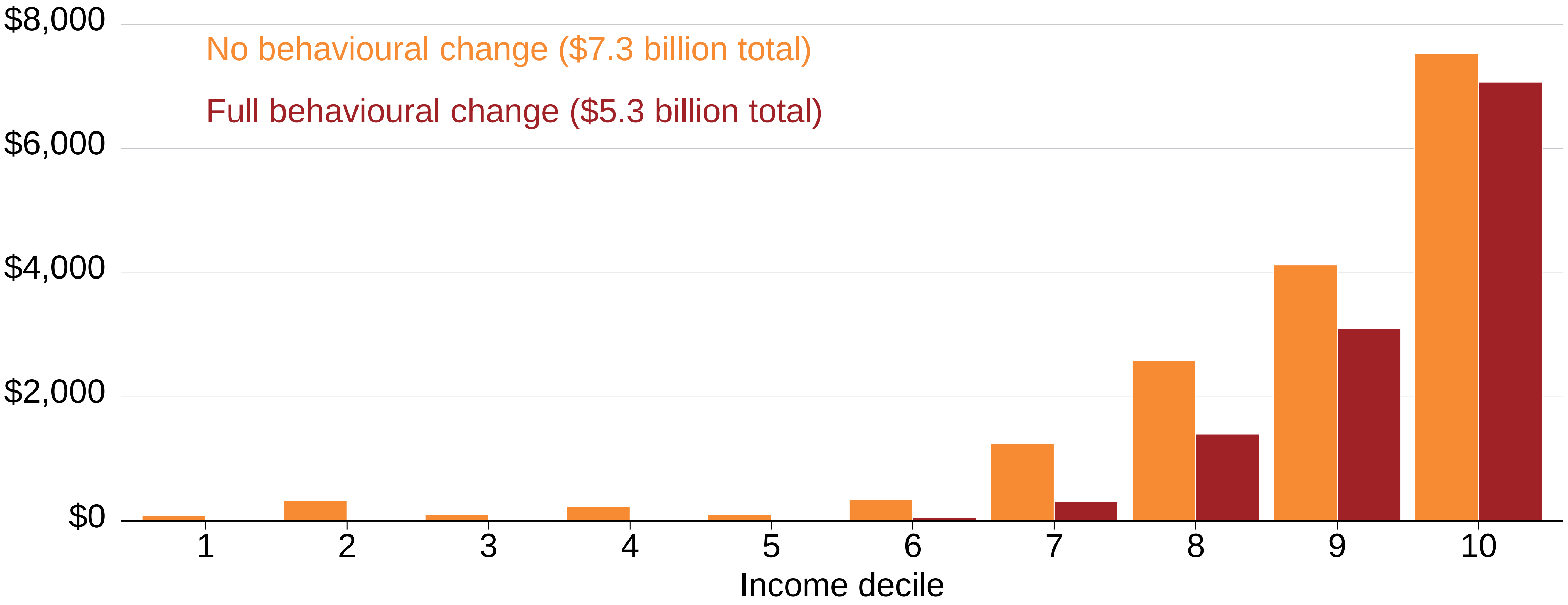
There are several options to fix earnings tax breaks

Option	Savings (estimated range)	Distributional impact	Rationale
Tax all retirement earnings at 15%	$5.3b to $7.3b	• 70% of savings come from top 20% of retirees	• Tax-free earnings in retirement is unfair and unsustainable • Eliminates tax distinction b/w accumulation & retirement
Other options			
Reduce Transfer Balance Cap to: • $500k • $1m	**$500k:** $2.3b to $3.4b **$1m:** $1.1b to $1.6b	• All savings from top 20-30% of retirees (vast majority from top 20%)	• $500k cap exempts all max-rate Age Pensioners • $1m cap excludes all Age Pensioners (incl part-rate)
Introduce a 3% Older Australians Care Guarantee Levy on all earnings	$5.4b to $5.8b	• 50% of savings from top 20% by income	• Help pay for future aged care and health care costs
Reduce super funds CGT discount from one-third to 25%	$450m	• Impacts high-balance accounts more	• One-third likely to overcompensate for inflation over long-term • Grattan recommends 25% for individuals

Notes: All savings in 2024-25 dollars.

Most current retirees would pay little extra if there was a 15 per cent tax on retirement earnings

Average extra tax paid by income decile, individuals aged 63 and over, $2024-25



Notes: Assumes a net of fees return of 6.5% in accumulation and 5.2% in retirement. The tax base is 90% of the return, given some gains go unrealised over the long-term. Assumes an effective tax difference of 13.6% between accumulation and retirement, given the one-third capital gains discount. Super balances are inflated to benchmark to APRA aggregate assets in 2019-20 and then inflated 2025 using system size projections from the 2021 Intergenerational report and expected population growth. Retirement age is 63 as the implied share of assets in retirement in the data are consistent with APRA data at that point. Income excludes super withdrawals and includes deemed super returns. Behavioural change scenario assumes individuals respond to the tax by withdrawing assets from super until the expected returns (invested similarly to super) max out their effective tax-free threshold (including SAPTO) in the personal income tax system. Other potential tax minimisation strategies are not factored in.
Sources: ABS 2019-20 Survey of Income and Housing Basic CURF; APRA Quarterly Superannuation Statistics June 2022; Grattan Analysis.

Lowering the Transfer Balance Cap would raise taxes almost exclusively from the top 20 per cent of retirees

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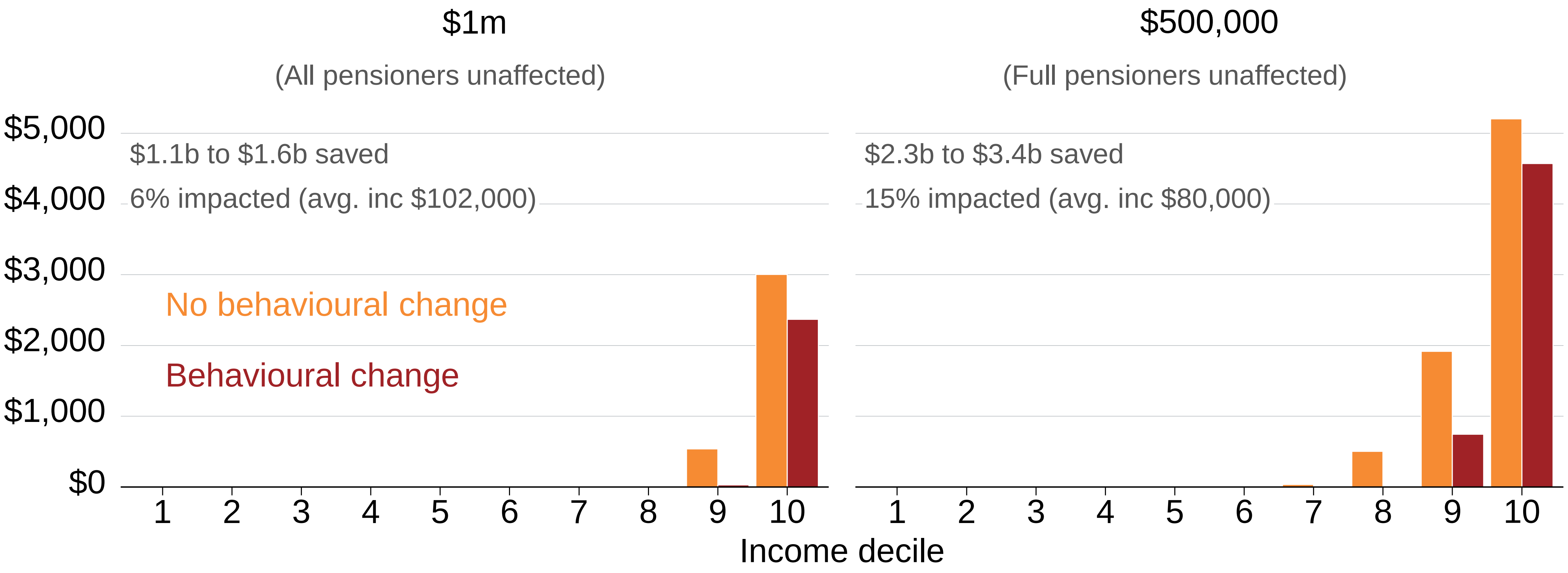
Average extra tax paid by income decile and potential Transfer Balance Cap, $2024-25

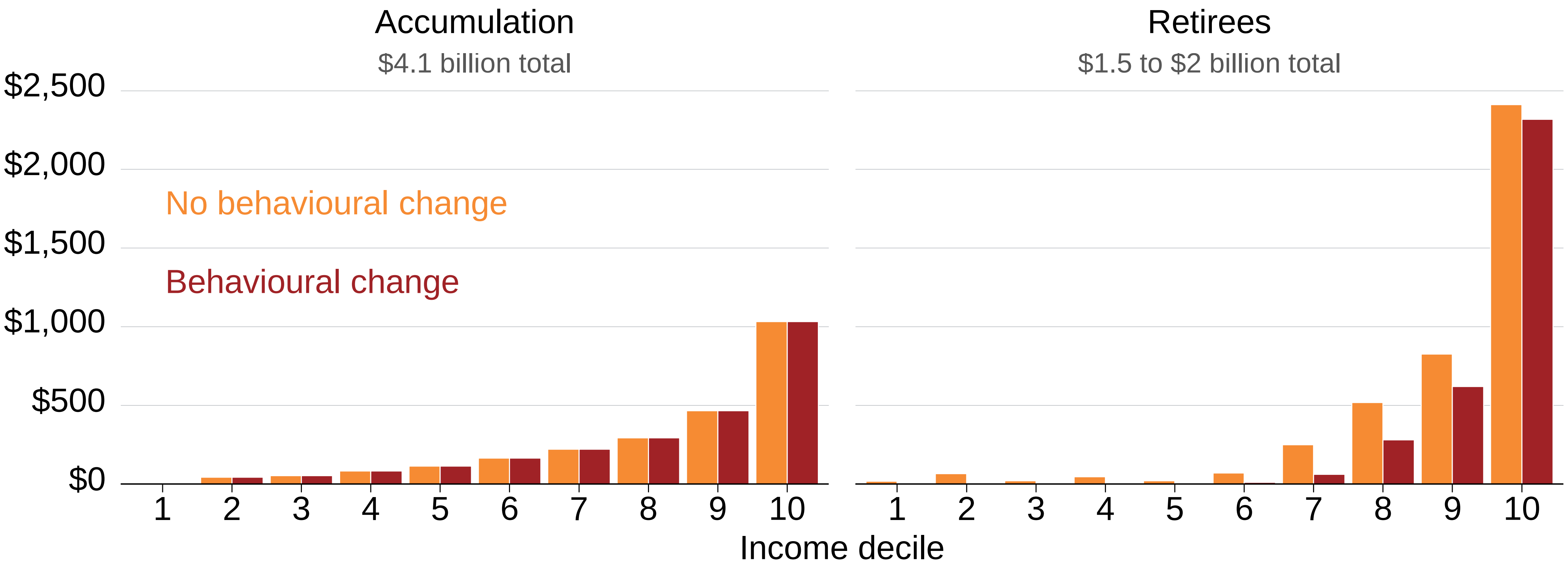


Notes: Average incomes are projected for 2024-25. Assumes a net of fees return of 6.5% in accumulation and 5.2% in retirement. The tax base is 90% of the return, given some gains go unrealised over the long-term. Assumes an effective tax difference of 14% between accumulation and retirement, given the one-third capital gains discount. Super balances are inflated to benchmark to APRA aggregate assets in 2019-20 and then inflated 2025 using system size projections from the 2021 Intergenerational report and expected population growth. Retirement age is 63 as the implied share of assets in retirement in the data are consistent with APRA data at that point. Income excludes super withdrawals and includes deemed super returns. TBC thresholds represent the (roughly) expected asset test cut-offs for single full- and part-rate pensioners by 2024-25, rounded to the nearest $100k. The behavioural response assumes the assets individuals have to remove from super are first invested (in a similar fashion) outside super until the expected returns max out their effective tax-free threshold in the personal income tax system, and then put into an accumulation account. Other potential tax minimisation strategies are not factored in.

Sources: ABS 2019-20 Survey of Income and Housing Basic CURF; APRA Quarterly Superannuation Statistics June 2022; Grattan Analysis.

A 3 per cent Older Australians Care Guarantee Levy would mostly raise taxes on high-income earners

Average extra tax paid by income decile and phase, $2024-25



Notes: Assumes a net of fees return of 6.5% in accumulation and 5.2% in retirement. The tax base is 90% of the return, given some gains go unrealised over the long-term. Assumes an effective tax difference of 14% between accumulation and retirement, given the one-third capital gains discount. Super balances are inflated to benchmark to APRA aggregate assets in 2019-20 and then inflated 2025 using system size projections from the 2021 Intergenerational report and expected population growth. Retirement age is 63 as the implied share of assets in retirement in the data are consistent with APRA data at that point. Income excludes super withdrawals and includes deemed super returns. 3% is added to the headline accumulation and retirement tax rates and compared to tax collected against those headline rates alone, then adjusted downward to factor in the capital gains tax discount. Behavioural change scenario assumes retired individuals respond to the tax by withdrawal assets from super until the expected returns (invested similarly to super) max out their effective tax-free threshold in the personal income tax system. Other potential tax minimisation strategies are not factored in. Income deciles are calculated separately for retirees and accumulation members.
Sources: ABS 2019-20 Survey of Income and Housing Basic CURF; APRA Quarterly Superannuation Statistics June 2022; Grattan Analysis.

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Super is turning into a taxpayer-funded inheritance scheme

- Super tax breaks remain expensive, unfair, and unsustainable
  - Super tax breaks cost $45b+ / yr, and will soon cost more than the Age Pension
  - They mainly benefit Australians that don't need them for a comfortable retirement
- The 2016-17 reforms were a good start but did not go far enough

Contributions tax breaks should be made more progressive and wound back

- Tightening Division 293 (35% with a $220k threshold) and expanding LISTO would make a more progressive system, and raise $620m / year
- The cap on pre-tax super contributions should be lowered further to $20,000 a year, saving $1.6b / yr

Earnings tax breaks should be made fairer and more sustainable

- All earnings in retirement should be taxed at 15%, saving ~$5.3-7.3b / yr today, and more in future
  - *Alternatively,* lower the transfer balance cap in retirement to either $500k or $1m

The Government should lower the threshold for a 30% earnings tax to $2m

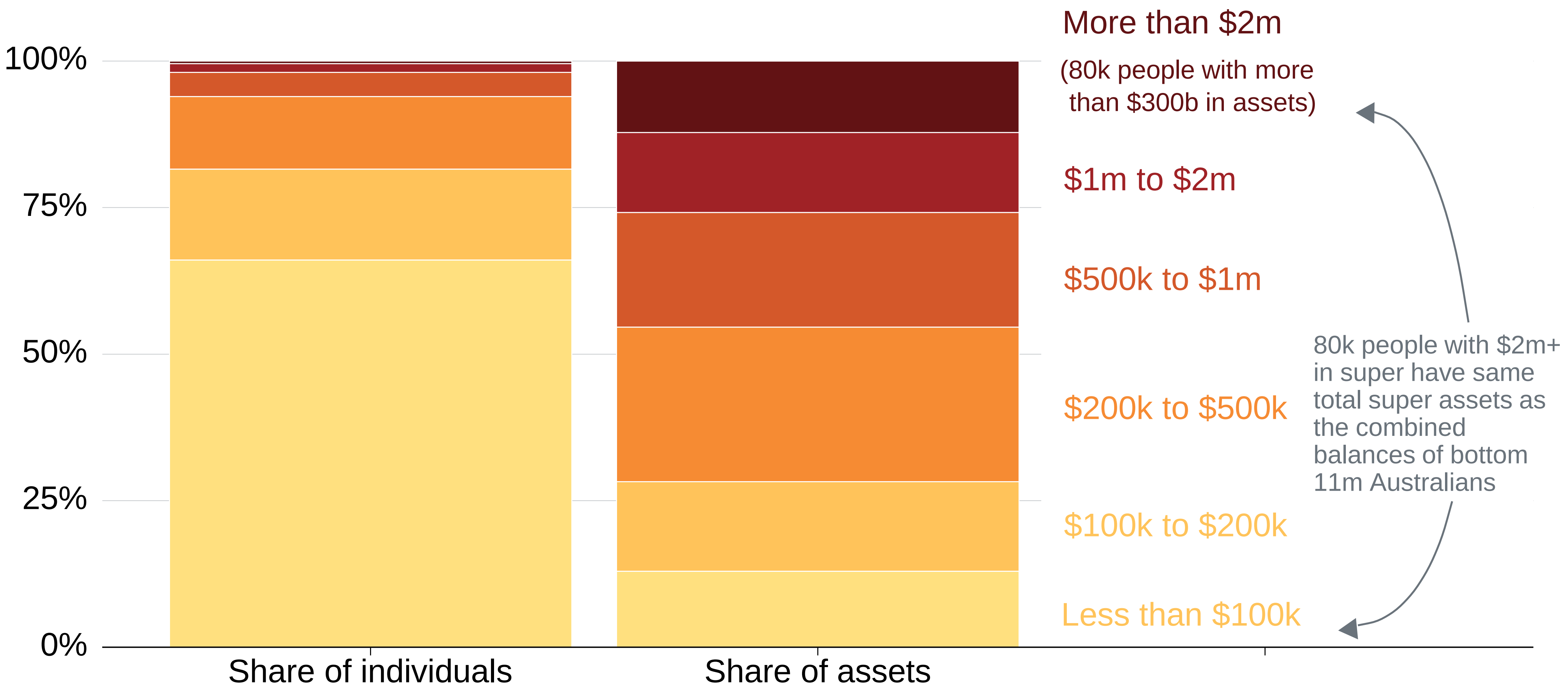
- >$300b in super is held in super account balances exceeding $2m, earning $32k+ / yr in earning breaks
- Balances between $2m and $3m don't need generous earnings tax breaks. They simply end up subsidising bequests.

Our preferred package could raise over $11.5 billion / yr without impacting comfortable retirements

- All workers are projected to have adequate incomes in retirement with our proposals in place

There are very few people with balances above $2m, but they hold a significant share of system assets

Share of individuals with super and system assets, by balance range, 2019-20



Notes: Only includes people with super.
Source: ATO bespoke request

The Government's proposal is a good start, but the threshold should be lowered to $2 million

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Current policy	• From 2025-26, the earnings on balances in excess of $3 million (unindexed) will be subject to an extra 15% tax, which can be paid from inside or outside super • The earnings are calculated using the change in the account balance, accounting for contributions and withdrawals • Estimated to raise $2 billion a year when fully operational • Estimated to impact 80,000 people (0.5% of people with super)
Why $2 million is a better threshold	• Better reduces tax-payer subsidised inheritances ➢ Earnings tax breaks on $2m to $3m are not needed for a dignified retirement; will just end up as bequests ➢ These balances have already benefitted enormously from previous changes • Saves the budget a further ~$1 billion, without compromising adequate retirements • Can be indexed straight away; $3m has to wait until ~2040 for appropriate indexation • Can make the Transfer Balance Cap redundant ➢ The TBC is complex and difficult to administer ➢ A $2m threshold can be matched to the TBC by 2025-26 ➢ Retirees can have a single account with earnings above the threshold taxed at 23.5 per cent to get symmetrical treatment with accumulation members

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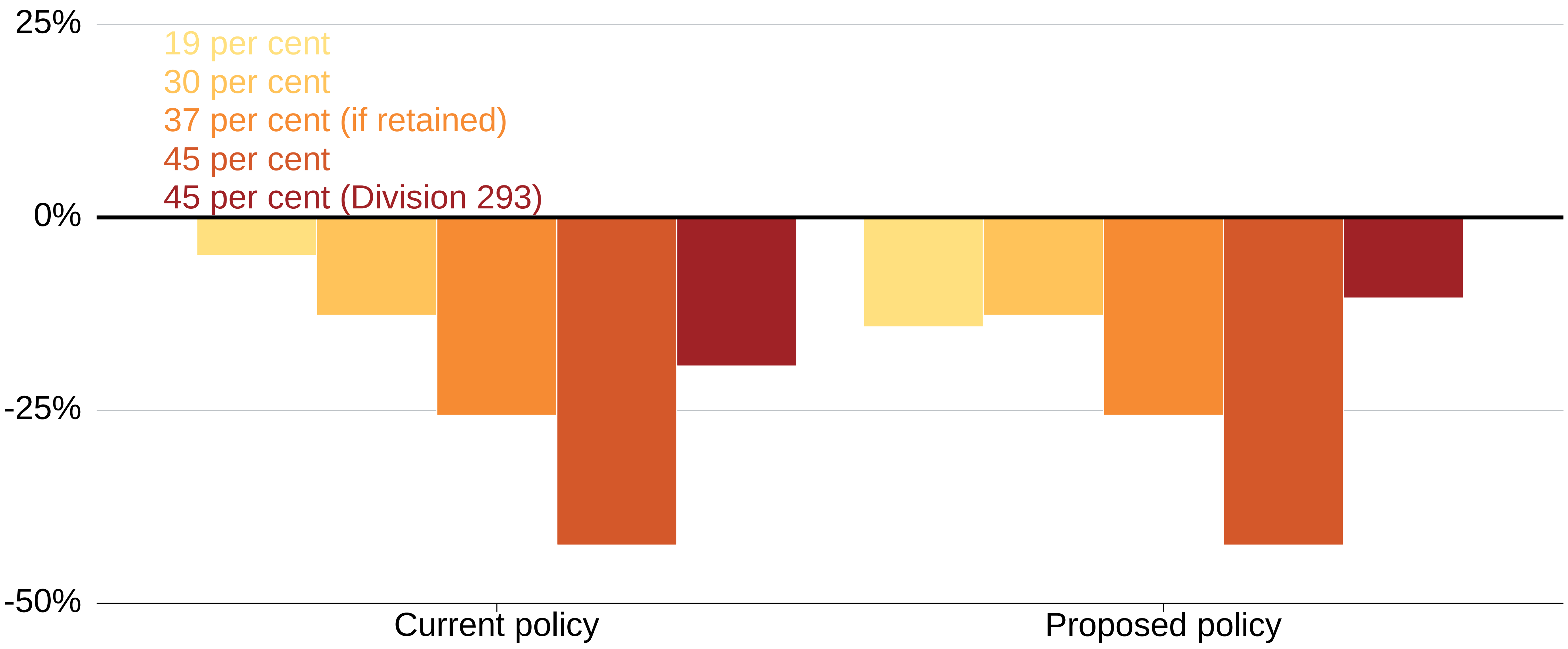
Our proposals would increase fairness and help repair the budget

Option	Savings
Tighten Div 293 – 35% with a $220,000 threshold (currently 30% with a $250,000 threshold)	$1.1 billion
Expand LISTO to a threshold of $45,000 and a max offset $800 (currently $37,000 and $500)	-($530 million)
Reduce the annual pre-tax contribution cap to $20,000 (currently $27,500)	$1.6 billion
Eliminate co-contributions, carry-forwards and reduce the post-tax cap to $50,000 (currently $110,000)	~$1.1 billion+
Raise the 30% earnings tax threshold to $2m	~$3 billion
Tax all retirement earnings at 15%	$5.3 to $7.3 billion
Total	**$11.5-to-$13.5 billion**

Notes: LISTO = Low-income Superannuation Tax Offset. All savings in 2024-25 dollars and assessed against the 2024-25 personal income tax system, aside from the $2m threshold for the 30% earnings tax, which is when the Government's proposal is fully operation after 2025-26. .

Effective tax rates on super savings would still be low after our reforms

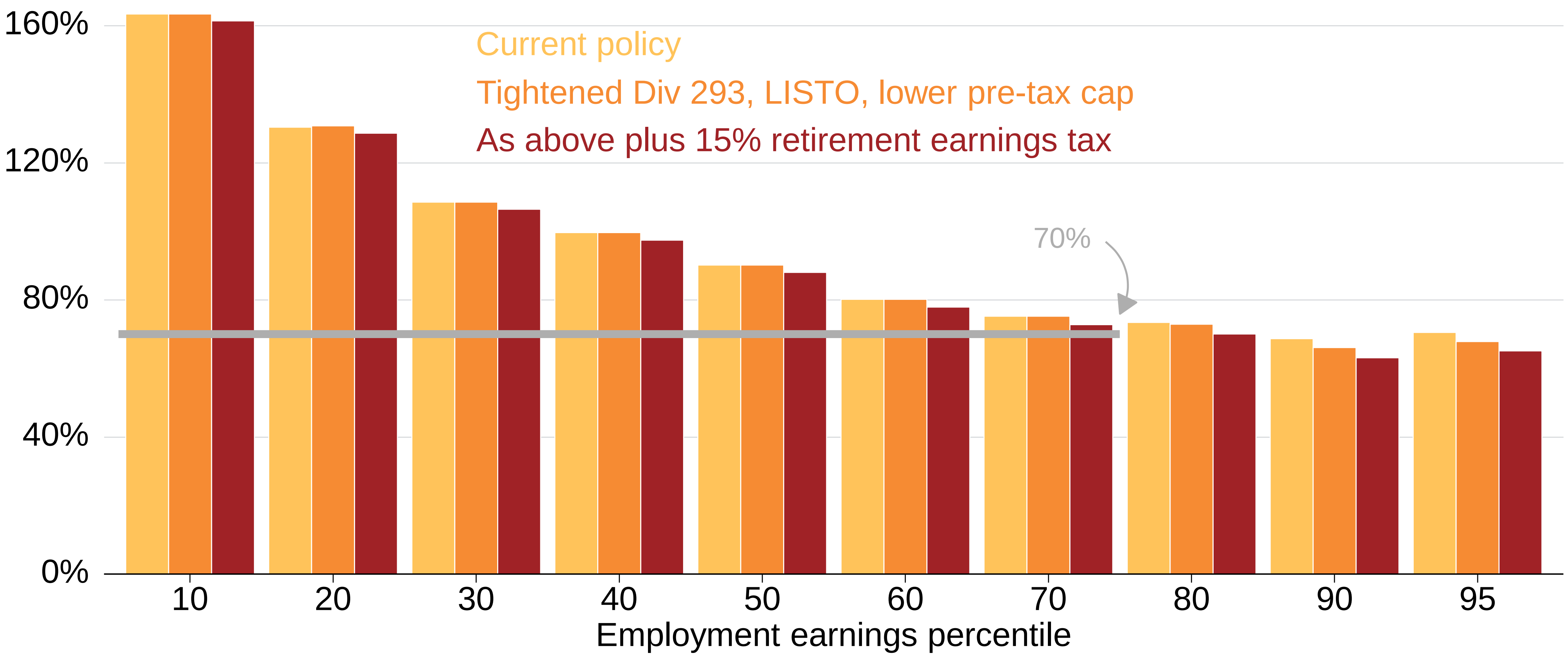
Current and proposed long-term effective tax rates on super savings



Notes: Effective marginal tax rates are presented relative to a pre-paid expenditure tax (i.e. TEE) benchmark. Marginal tax rates chosen to reflect Grattan's preference to retain the 37c bracket. Medicare levy added to marginal tax rates. Assumes superannuation earnings are taxed at an average effective rate of 8 per cent in the fund, reflecting the concessional treatment of capital gains (10 per cent tax rate) and dividend imputation for investments in domestic equities. Assumes: 6 per cent nominal return; 2.5 per cent inflation; all investments are held for 25 years. Ignores impacts on qualifying for welfare payments. Approach is consistent with the Henry Tax Review. See Figure 2.3 and Appendix C of Daley, Coates and Wood (2015) - Super Tax Targeting.
Source: Grattan analysis.

Our package of reforms would not stop Australian workers enjoying a comfortable retirement in future

Projected replacement rates, by employment earnings percentile, CPI deflated



Notes: Estimates derived from the Grattan Retirement Income Projector (GRIP). See Coates and Nolan (2020), 'Balancing Act: managing the trade-offs in retirement incomes policy' for details on the model. The policies modelled include lowering the Division 293 threshold to $220,000 and raising the rate to 35 per cent, expanding LISTO to a threshold of $45,000 and a maximum offset of $800, lowering the pre-tax contributions cap to $20,000, taxing all retirement earnings at 15 per cent, and taxing earnings on assets above $2 million at 30 per cent (which does not affect any percentile modelled once indexed). Other policy indexation arrangements remain as they are.

Sources: Grattan Retirement Income Projector, Coates and Nolan (2020).

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