



Curtin University



Women in Social & Economic Research

# Survivor Benefits in Superannuation

Inside the black box: Intra-household resource allocations  
of older couples (*ARC DP170103297*)

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*Helen Hodgson, Siobhan Austen, Monica Costa, Rhonda Sharp,*

# Scope of the ARC Project

- Examining how older couples make decisions about the use of household resources
  - Patterns of ownership
  - Control of resources
- Policy implications
  - Superannuation individualised
  - Women live longer but have less superannuation
  - High personal contribution to aged care
- Superannuation is individualised but policy settings assume it is shared
  - Cf: Superannuation splitting in Family Law
  - Means testing for access to aged care/ aged pension
  - Adequacy assumptions based on joint income

# Intra-Household Equalisation

- Accumulation Phase strategies include
  - Contribution Splitting
  - Spouse Superannuation Tax Offset
  - Concessional Contributions: which partner?
  - Non-concessional contributions: moving investments to tax sheltered environment
  - Ownership of non-superannuation investments
- Require an understanding of the intra-household implications
  - Transfer of funds gives control to other party (through trustee)
- Now a strategic issue for couples approaching various caps

# Survivor Benefits

- Access to superannuation individualised
  - Agreement of spouse not required for withdrawals
  - BUT – long term consequences for spouse
- Death Benefit Nominations
- Insurance Benefits
- Income Streams

# Death Benefit Nominations

- **Death Benefits**
  - Life Insurance
  - Balance in accumulation account
- **Preference to spouse & dependant children**
  - Higher tax rate applied to non-tax dependant beneficiaries
- **Binding/non-binding death nominations**
  - Reviewable every three years
  - Non-lapsing binding death nominations??
- **Should spouse be a party to changes in a BDN**

# Insurance

- **Trustee must consider insurance**

  - Opt out (Mysuper) v opt in

  - No requirement for spouse to be party to decisions regarding insurance

  - Arguably spouse has an interest in decisions around insurance

- **Productivity Commission Report**

  - Insurance erodes balance in superannuation

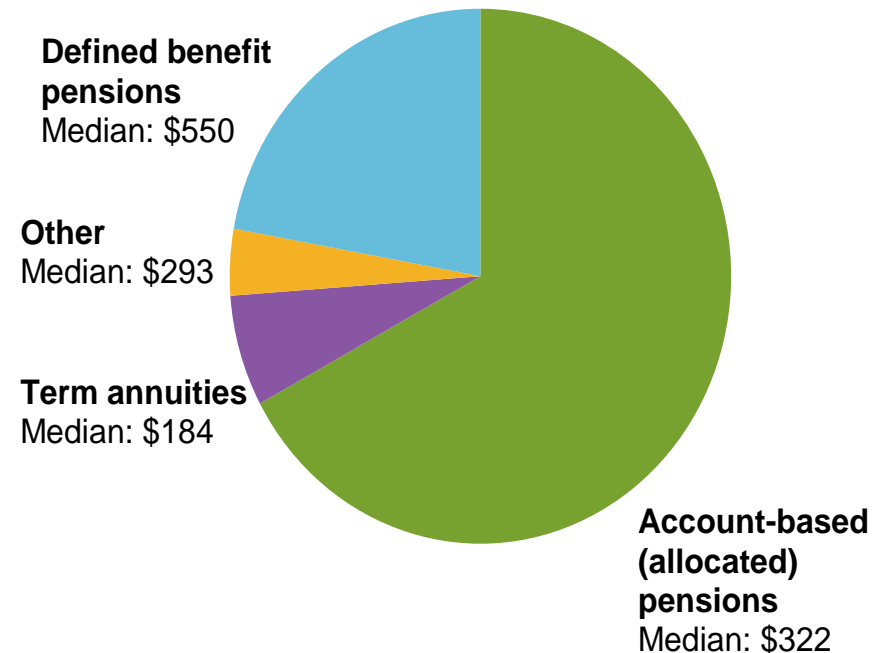
  - Duplicate MySuper accounts multiply erosion

- **Are spousal entitlements relevant in designing policy around insurance in superannuation?**

# Income Streams

- Lump sums v Pensions
  - Commutations and withdrawals
  - Decisions the recipient makes will affect any reversionary entitlements or death benefits
  - Different rights based on the type of pension
  - About 2/3 of income streams are account based pensions
- Should a spouse have a right to be consulted?
- Transfer Balance Account
  - Treatment of reversionary pension

**Income from superannuation**  
percentage of members drawing income and  
median weekly income, 2015-16



Productivity Commission 2018: Superannuation:  
Efficiency and Competitiveness draft report

Figure 1.3

# Retirement Equity Act - US

- 1984 amendments to the 1974 Employment Retirement Income Security Act (ERISA)

ERISA provided minimum standards for pension plans

REA improved vesting provisions: including participation and PPL credits

- REA requires

ERISA: fund provided survivor benefits on opt-in basis

REA: required provision can only be waived with written consent of spouse

Also applies to benefits for survivor of deceased pre retirement

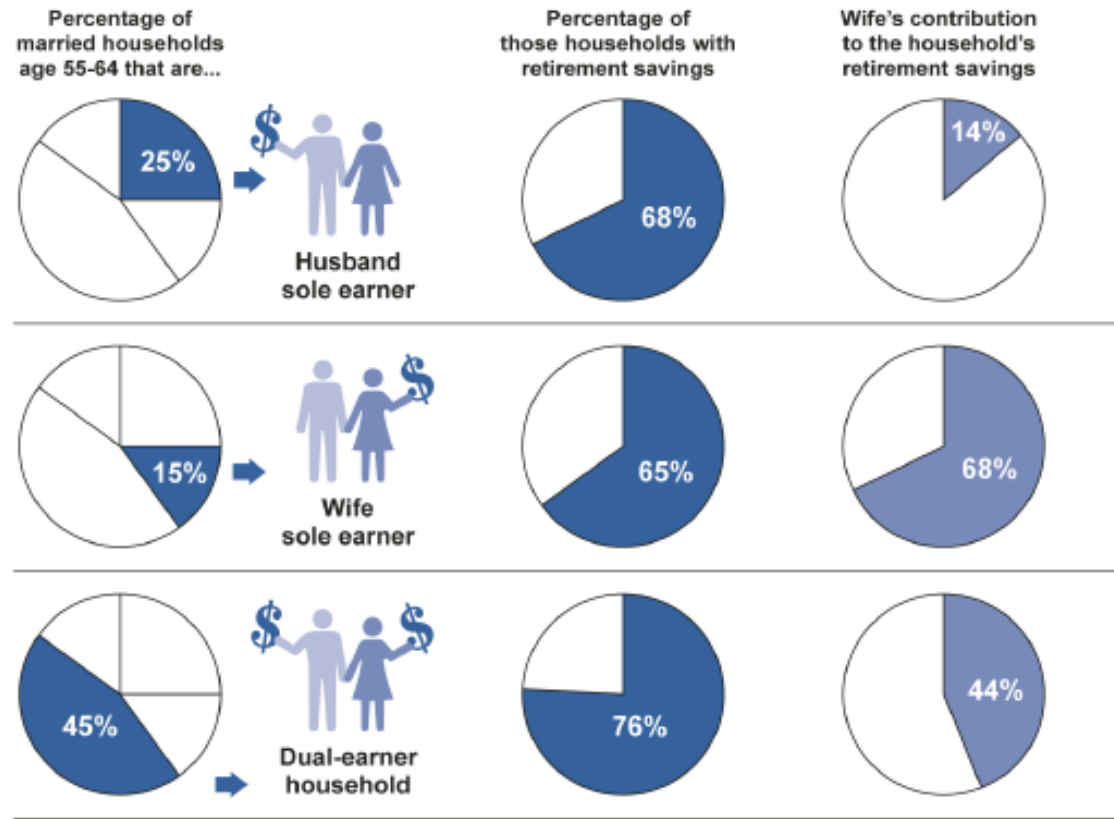
Spousal consent for lump sum in excess of “cash-out” limit but may be able to roll over from Defined Contribution account to IRA

Independent Retirement Accounts not covered



# US Trends

**Figure 16: Among Married Households Age 55-64 Years Old, Average Proportion of Household Retirement Savings (Defined Contribution Plans and Individual Retirement Accounts) Contributed by Each Spouse: 2010.**



Source: GAO analysis of 2010 Survey of Consumer Finances data.

Changes in workforce participation trends have resulted in fewer women receiving survivor benefits and women contributing more to household savings

US Government Accountability Office 2014: Retirement Security

# Policy questions

- How do we prompt members to review opt-in insurance in superannuation?
  - Lifestage?
  - With BDN?
- Should changes to the BDN require spousal consent?
- Should changes to income streams require spousal consent?
  - Lump sum withdrawals?