

# **Bad Choices are No Real Choice - Protecting Strong Defaults & Informed Choice.**

Submission by the Australian Council of Trade Unions to  
Senate Economics Legislation Committee Inquiry into the  
*Treasury Laws Amendment (Supporting Choice in  
Superannuation and Other Measures) Bill 2025*

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## Executive Summary

The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way for all workers. This must be the benchmark against which all policy settings - including choice, defaults, onboarding and stapling - are assessed.

Australia's superannuation system delivers its strongest retirement outcomes when it combines:

- High-quality default funds, selected through informed industrial processes which are focused on members' industrial and occupational needs and which prioritise members' long-term outcomes including through returning all profits to members
- Genuine, informed choice supported by clear information and education
- Appropriate insurance, aligned to the risks workers face in their chosen industry and occupation

Policies that weaken default arrangements, distort choice architecture, or undermine access to appropriate insurance, are inconsistent with the legislated objective of superannuation and will lead to worse retirement outcomes, particularly for women, lower paid workers and those in insecure or high-risk employment.

## Introduction

Since its formation in 1927, the Australian Council of Trade Unions (ACTU) has been the peak trade union body in Australia. There remains no other national confederation representing Australian unions. Together with its affiliate unions, the ACTU represents over 1.7 million trade union members around Australia who work across a broad spectrum of industries and occupations in both the public and private sectors.

For nearly 100 years, the ACTU has played the leading role in advocating on behalf of working people to improve working and living standards, improve safety at work, eliminate inequality and secure a better future for all Australians. The ACTU was instrumental to the creation of the Accord which introduced universal and compulsory superannuation through the legislation of the Superannuation Guarantee (SG) by the Keating Labor Government.

In the 30 years since the establishment of universal superannuation, the ACTU and affiliates remain dedicated to ensuring that all workers live and retire in dignity. To do so, unions remain active contributors to the superannuation system. Member-representative trustee directors, nominated by the ACTU and affiliates, ensure that members' interests are the priority of superannuation funds and that these funds continually demonstrate industry-leading, best-practice governance, investment performance and administration.

The objective of superannuation is not abstract choice between financial products – it is the delivery of secure and adequate retirement income for working people. Where policy settings labelled as 'choice' undermine retirement outcomes, increase inequality, or strip workers of core protections, they are inconsistent with the objective of superannuation and must be corrected.

## Superannuation Is a Universal, Industrial Entitlement

Superannuation is a universal, industrial entitlement. This distinguishes superannuation from financial products and consumer markets and demands a higher standard of system design.

Most workers do not have the time, resources, or specialist knowledge required to actively compare available options. As a result, default settings and choice architecture play a decisive role in determining members' retirement outcomes. Policy frameworks that assume high engagement or perfect information are unrealistic and risk systematically undermining the legislated objective of superannuation.

## Default Funds are the Backbone of the System

Default superannuation funds are the backbone of Australia's successful superannuation system as they protect workers' from being siphoned into opaque, predatory products like Shield and First Guardian.

Award-nominated, default funds are selected through rigorous industrial processes that prioritise the interests of members and return all profits to members, not shareholders. Any policy that weakens default arrangements directly threatens workers' retirement outcomes. The union movement strongly rejects the proposition that expanding nominal choice justifies undermining high-quality defaults. Choice that leads workers into poorer outcomes is not genuine choice.

If policy settings allow workers to be encouraged to choose poor performing products with inappropriate insurance, the system will fail to deliver the legislated objective of superannuation. The Committee should therefore ensure that default funds are reinforced to safeguard member outcomes.

## Informed Choice Requires Information and Education

Where workers do make a choice, that choice should be informed. Information and education are essential if choice is to improve, rather than undermine, retirement outcomes.

Onboarding and induction are critical moments in a worker's employment relationship. They are often one of the only points at which workers receive information about superannuation. If information is unclear, incomplete, or framed in a way that directions decisions towards underperforming products, the resulting 'choice' is illusory.

The union movement is concerned that some onboarding practices, particularly digital platforms, obscure default fund information, over-emphasise alternative options or present choice in a way that worsens member outcomes.

To align choice with the objective of superannuation:

- Workers must be clearly informed of the default fund/s specified in the relevant Modern Award or Enterprise Agreement and they must be clearly labelled as such
- Workers must be clearly informed of what a default fund is and that it has been determined by industrial parties to be the most appropriate fund for the industry or occupation
- Default fund information must be clearly disclosed through the use of the fund's full name and trading name

- Digital onboarding platforms must not present non-default funds in a way that suggests that they are superior to default funds or obscures which are the default funds and which are the non-default funds. Without these requirements, onboarding platforms cease to be administrative tools which facilitate choice and instead remove informed choice
- Clarity must be provided that inductions are not impacted by the proposed changes to the onboarding process. New employees often undertake inductions where they receive information on their rights from trade union/s and the default superannuation fund/s. These inductions are a critical component of onboarding where employees are provided with information on their legal rights and financial information and education about their superannuation.

## Choice Architecture, Equity and Outcomes

Choice architecture alone does not ensure good retirement outcomes. The way options are framed, ordered, disclosed and explained has a material impact on the choices workers make and therefore, their long-term retirement outcomes.

Furthermore, the consequences of poor choice architecture are not evenly distributed. Those most reliant on default settings and workplace provided information - often many younger workers, migrant workers, casual and insecure workers and lower paid workers - are also the least able to absorb the financial consequences of poor superannuation outcomes.

Where choice architecture weakens defaults, obscures information, or steers workers away from high-quality products, inequality in retirement outcomes increases. This is inconsistent with the objective of superannuation. A system that systematically delivers poorer outcomes to those with less capacity to undertake self-directed research, less bargaining power or lower financial literacy, is not functioning as intended.

High-quality default funds protect members who do not actively choose, while informed choice mechanisms enable those who wish to engage to do so without sacrificing long-term performance or insurance protection. Therefore, policy settings that reinforce high-quality defaults, regulate choice architecture and ensure access to information and education do not limit meaningful choice, they ensure that choice operates in service of better retirement outcomes. Aligning choice architecture with the legislated objective of superannuation is essential if the system is to deliver fairness, adequacy and sustainability over the long term.

## Stapling and the Impact on Insurance and Retirement Outcomes

Within the right to superannuation is a worker's right to have their super paid to a profit-to-member fund that offers industry appropriate insurance. As such, default funds provide insurance coverage to align with the risk profiles of their members.

When workers entering high-risk industries are stapled to their previous fund, they will often no longer have appropriate insurance for their new industry's heightened level of risk.

Therefore, the union movement continues to advocate for an exemption to stapling for workers entering high-risk industries to ensure that they can easily access industry appropriate insurance to prevent their balances being inappropriately eroded to pay for inadequate insurance.

## Recommendations

The union movement recommends that the Committee:

1. Explicitly reaffirm that high-quality, award-nominated default funds are central to delivering retirement outcomes consistent with the legislated objective of superannuation
2. Reject any policy approach that weakens default fund arrangements in the name of expanding nominal choice
3. Mandate clear, prominent disclosure of default fund details during all onboarding processes, including by digital platforms
4. Protect and support the delivery of industrial relations and superannuation information and education during workplace onboarding and induction
5. Introduce clear exemptions from stapling for workers entering high-risk industries to guarantee access to appropriate insurance and protect long-term retirement outcomes.

## Conclusion

Choice in superannuation must be assessed by whether it improves retirement outcomes for members and therefore, advances the objective of super. Where policy settings distort decision making, lead workers to poor performing funds which siphon workers' investment earnings into the pockets of shareholders or which deprive workers of appropriate insurance, they are inconsistent with the objective of superannuation.

Protecting high-quality defaults, ensuring informed choice and correcting the failures of stapling will strengthen the system and deliver better outcomes for members in retirement.

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