

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2016 - 2017

**Department/Agency: Treasury**

**Question: BET136-139**

**Topic: \$1.6 million Balance Cap**

**Reference: Written - 5 May 2016**

**Senators: Ketter and McAllister**

**Question:**

"136. How many Australians have retirement income balances of over \$1.6 million?

137. Of these, what proportion are in accumulation phase and what proportion are in drawdown phase?

138. Please detail the assumptions contained in the statement that a superannuation balance of \$1.6 million provides an income stream in retirement of around four times the level of the single age pension?

139. FSC has argued: "The new caps and thresholds limit the capacity for Australians to save for their own retirement and will restrict retirees to an income of around \$80 000 per annum from their superannuation. An \$80 000 limit will fail to cover the costs of retirement for many Australians, when you include healthcare, aged care and a comfortable standard of living."

Does Treasury agree with that assessment?"

**Answer:**

136 and 137. Less than 1 per cent of fund members have balances above \$1.6 million.

Of these our latest available data indicates that in 2013-14 around 40 per cent had only accumulation phase accounts, 47 per cent had only pension phase accounts, and around 13 per cent had accounts in both the pension and accumulation phase.

138. A range of different assumptions about investment strategy, returns and drawdown strategy can deliver outcomes consistent with the statement. One specific example is that if savings of \$1.6 million are drawn as a constant real annual income stream over 25 years, and earnings are three per cent above inflation, an annual real benefit of around \$90,000 would be generated, which is around four times the current maximum single annual Age Pension payment rate.

139. No.

The transfer balance cap does not introduce a limit on the income a member can derive from superannuation. The transfer balance cap limits the amount of assets that can be held in tax-free retirement accounts.

Individuals can continue to support their retirement incomes with assets held in accumulation superannuation accounts or outside the superannuation system.

Furthermore, Treasury notes that a superannuation income stream of \$80,000 is equivalent to a pre-tax income of around \$110,000. In 2013 14, approximately 10 per cent of individuals lodging a tax return had a taxable income greater than \$110,000.