Retirement Income
JOURNAL

Australia’s ‘Super’ DC program faces decumulation problem

By John Mitchem *Thu, Mar 20, 2025*

'While superannuation funds have excelled at accumulating wealth, they have struggled to provide products that deliver reliable income streams throughout retirement,' warns a Jasper Forum spokesperson.

Australia’s superannuation system is at a critical juncture in 2025. While the scheduled increase of the super guarantee to 12% marks a significant milestone, the system confronts a suite of complex challenges around advice and retirement income.

Australia’s Super system has grown to US $2 trillion in assets under management, rising to US$10 trillion over the next 25 years. The system is renowned for its quality asset allocation investing some 40% of AUM globally, with the US as a primary target of both public and private investment.

But while Super, like the US 401(k) system proved wildly successful in accumulation over the past generation the system is ill-equipped for the de-cumulation challenge before it. With the population aging, and robust debate over the fast-rising cost of housing, healthcare and education in Australia, the transition seems fraught with difficulties.

One of the most pressing issues is the persistent advice shortage. As Australians approach retirement, the need for personalized financial guidance intensifies. However, the regulatory landscape, coupled with the rising costs of providing advice, and a collapse in the number of financial advisors in the country from 26,000 in 2019 to 15,000 in 2025 has created a serious policy crunch. Just as the baby boomer Aussies slide across into retirement many feel at a loss to navigate the complexities of retirement planning without professional assistance.

The lack of adequate lifetime income options further exacerbates this problem. While superannuation funds have excelled at accumulating wealth, they have struggled to provide products that deliver reliable income streams throughout retirement. This shortfall leaves retirees vulnerable to longevity risk, the possibility of outliving their savings. Australia has not created a default path to retirement income products, such as variable annuities and other pooled longevity risk solutions.

A significant portion of Australian retirees take their superannuation as a lump sum. While that may be a correct choice for wealthy retirees accustomed to high-fee financial advice, most Australians are not equipped to handle the complexities of managing large sums of money.

Key trends for Superannuation in 2025:

- **Super Guarantee Increase:** The planned increase of the super guarantee to 12% in 2025 is a measurable step towards bolstering retirement savings. However, the effectiveness of this measure will depend on addressing the aforementioned challenges.
- **Regulatory Pressures:** The superannuation sector is subject to intense regulatory scrutiny, which, while necessary, can create compliance burdens and stifle innovation. Finding the right balance between regulation and innovation is essential.
- **Technological Disruption:** Technological advancements, such as digital advice platforms and data analytics, offer potential solutions to the advice shortage and the need for personalized retirement planning. But it remains to be seen whether the Australian retirement market has the necessary scale to fund a generation of fintech solutions.

Australia’s superannuation system in 2025 is a system in transition. It has achieved remarkable success in accumulating retirement savings, but it must now adapt to the challenges of decumulation. Addressing the advice shortage, developing robust lifetime income options, and harnessing the potential of technology are critical to ensuring that all Australians can enjoy a secure and comfortable retirement.

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