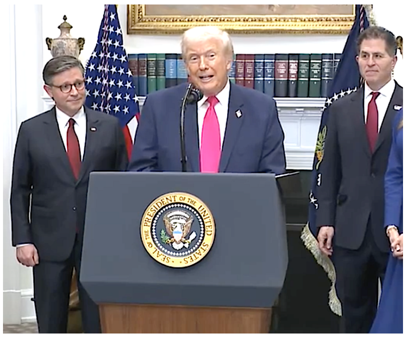
Australia's 'Super' Gets a Presidential Shout-Out

By Kerry Pechter *Tue, Mar 3, 2026*

Australia's mandatory defined contribution retirement savings system is "a 'good' system that has 'worked out well' for Australia, the president said from the Roosevelt Room. Mr. Trump is flanked by House Speaker Mike Johnson (left) and billionaire Michael Dell, a donor to 'Trump Accounts.'



U.S. President Donald Trump caused a reported "retirement savings seismic event" when, during a press conference at the Roosevelt Room of the White House last December, he said, "We're looking at [Australia's Superannuation system, or 'Super'] very seriously" as an option for U.S. retirement system reform.

It's a "good" system that has "worked out well" for Australia, the president said from his official lectern, backdropped by a painting of President Theodore Roosevelt on a black horse rampant. The president glanced at billionaire Michael Dell, who was present to announce his contribution to the Trump Account savings program for children, as if to confirm that description of the Australian system.

Given the perennial suspense in the U.S. over Social Security's looming insolvency and the coverage shortfalls of our defined contribution system, the president's passing comment sparked a flurry of news coverage in the U.S. and in Australia.

But the comment, somewhat glib given the trillions of dollars in savings that hang in the balance, raised as many questions as it answered.

"It remains unclear in January how much significance the retirement industry should attach to the comments," wrote James Van Bramer in PlanSponsor magazine. "Australia, for all its success, really can't help us," wrote Alicia Munnell of the Center for Retirement Research at Boston College, in a new **research paper**.

The bragging point of the Australian retirement system is that Aussies have saved a collective A$4.5 trillion (US$3.15 trillion) worth of assets in 112 diversified **Superannuation ("Super") funds**, of which the two biggest, Australian Retirement Trust (ART) and AustralianSuper (AusSuper), dwarf the rest. About 20% of Australia's Super savings is invested in the U.S.

Much to the frustration of the Australian government, the sponsors of Super funds have been slow to develop and offer tools—annuities or annuity-like “decumulation” products—with which retired participants can they don’t spend their savings too fast (and run low in old age) or too slow (and deny themselves pleasures).

Compare and contrast

The Australian system mashes up features of our Social Security system and our 401(k) defined contribution system. In the U.S., we have a mandatory 12% payroll tax for Social Security. In Australia, employers are required to contribute 12% of each employee’s pay to a Super fund.

As in our 401(k) system, each worker has an account in one or more Super, and the values of their accounts rise or fall with the performance of their investments. Unlike 401(k) participants, Australians can’t choose their own funds or get unrestricted access their money before age 65. Like Americans, Australians get a tax break (a flat 15%) on their contributions. There’s a 15% tax on the earnings of the Super funds during the accumulation stage. There is no tax on withdrawals after age 60. In retirement, they have to take a rising percentage of their savings (ranging from 4% at age 60 to 14% at age 95) out of their Supers each year.

Australia has an Age Pension that goes to retirees who demonstrate need. The maximum Age pension is the equivalent of about US$21,500 for single people and US$32,300 for couples. About 42% of Australians qualify for a full Age Pension and an additional 28% qualify for a partial Age Pension. Surveys have shown that middle-class Australians estimate that they need an income in retirement that’s at least US$7,000 to US$10,000 in excess of their Age Pension.

Australia is of several countries that followed economists’ recommendations in the 1990s to gradually switch from tax-financed “pay-as-you-go” government-run retirement systems like Social Security to mandatory (not voluntary, as in the U.S.) defined contribution (DC) systems where savings are pooled into large investment funds (non-profit or profit-seeking). These funds hire professional managers. Boards of trustees (not employers, as in the U.S.) serve as the fiduciaries. President Trump seems to think Australia’s version of this would work well in the U.S.

Vanguard offers a superannuation fund in Australia, with a sliver of the market.

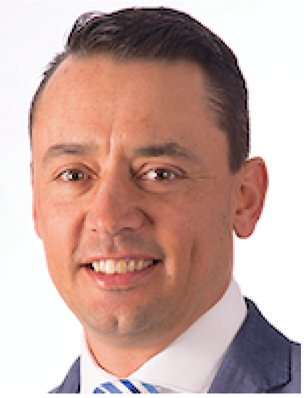
Guaranteed or not

In February, a **notice** from the Australian government nudged, and not for the first time, Super fund sponsors to start offering their participants optional decumulation tools that would help them spread their CDC assets across their entire lifetimes—as opposed to over-spending and possibly running out of money or underspending and not enjoying retirement as much as they could.

There’s an “ever-present conversation in Australia about how to produce annuitized income from piles of assets and protects retirees from the financial risks associated with holding stocks and bonds,” writes Alicia Munnell of the Center for Retirement Research in a new working paper.

So far, the second largest Super fund, Australia Retirement Trust (ART) has begun offering its participants a kind of “tontine.”

ART’s product is called “**Lifetime Pension**.” It works like a tontine—a pooled investment fund that offers a variable income to retirees that aims to, but isn’t guaranteed to, furnish its members with an income for life. The underlying assets are professionally managed and invested in a diversified portfolio.



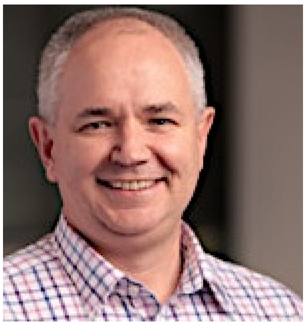
Brnic Van Wyk

The purest kind of tontine lets a group of contemporaries share their investment risk during the accumulation stage by pooling their savings and then, in retirement, lets them pool their longevity risk by having the members who die relinquish their still-undistributed savings to the survivors.

Lifetime Pension is a variation on that theme. Unlike a pure tontine, its members don't forfeit their savings when they die. "Our product has a death benefit feature. Without the DB we could give more income. But without the DB we couldn't sell the product at all. If a bus hits you, your family gets your unpaid balance back," an ART spokesperson, Brnic Van Wyk, told *RIJ* recently.

The largest Super, AustralianSuper (AusSuper) announced in 2024 that it was developing a guaranteed income product with TAL, a subsidiary of Japan's Dai-Ichi Life. Some funds are looking at "longevity risk swaps" where, for a fee, an insurer assumes the risk that some members of a given population of retirees might live longer than expected and run out of savings.

According to the Australian regulators' industry-wide survey, Van Wyk said, 84% of Australian retirees' assets are in "account-based pensions" outside the Super funds. These aren't actually pensions but consist of accounts that are providing retirement income. Money in account-based pensions is subject to required annual minimum withdrawals ranging from 4% at age 60 to 14% at age 95. Of the 16% of retirees who own insured annuities, most own fixed-term annuities.



Aaron Minney,
Challenger

"If there were no Age Pension, more people would be asking for guaranteed income products," said Aaron Minney, head of Retirement Income Research at Challenger, Australia's dominant underwriter of annuities.

Slow-walking lifetime income

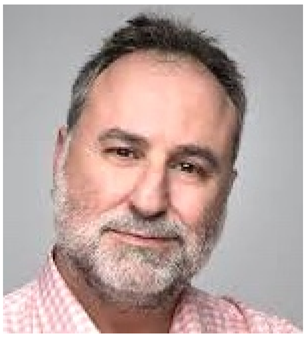
Australia's Superannuation system "is a good accumulation system but not much thought has been given to the architecture for decumulation," said Stephen Huppert, actuary and retirement income specialist at Optimum Pensions which has designed an investment-linked annuity for the Australian market.

"The timing needs adjustment," Huppert told *RIJ*. The government proposed a Comprehensive Income Products for Retirement (CIPR) in December 2016 and dropped it by 2019. Pushback came from the superannuation fund trustees. The government's Retirement Income Covenant of 2022 requires trustees to help members manage longevity risk. But it doesn't mandate products. In February of this year, the government published a Best Practice Principles that recommends lifetime income products as a voluntary best practice."

Explanations for the low adoption of income solutions—by Super sponsors and retirees—are several. Like Americans, Australian prefer to keep their savings liquid rather than committing them to an illiquid annuity contract.

The Super fund sponsors have thin budgets for new product development and see little participant demand. Sponsors have been slow-walking the adoption of lifetime income tools for several years. They have a natural disincentive to seeing their AUMs shrink by decumulation—especially when there's little demand for lifetime income products.

"It's hard to make a business case for developing and launching a new product that won't have a good take-up rate,” said Van Wyk of ART. Financial advisers in Australia are no more keen than their U.S. counterparties to surrender assets to an insurance company. Then there’s moral hazard: If Australian retirees run low on income in old age, they can fall back on the means-tested taxpayer-funded Age Pension.



Stephen Huppert

“Despite a clear demographic need ahead, [lifetime income products] aren’t a priority for most funds,” Huppert said.

“Our surveys show that 58% of Australians are not even aware of annuities,” Challenger’s Minney told *RIJ*. “Once they become aware, I expect at least 10% of flows (out of Supers) to go into lifetime income streams, with about 3% to 4% into guaranteed life annuities. If we have another ‘black swan’ event like 2008, then I think we’ll see a big switch from investments to guaranteed solutions.”