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Sasha Zegenhagen  
Inquiry Manager | Philanthropy

Productivity Commission  
Philanthropy Inquiry

Submitted via online portal.

Dear Sasha

### **Super Members Council submission to the Productivity Commission Review of Philanthropy**

Super Members Council welcomes the opportunity to contribute to the Commission's Review of Philanthropy, particularly on the role of superannuation death benefits.

SMC does not support changes that would allow superannuation fund members to nominate charities as beneficiaries in a superannuation death benefit.

These policy reasons for this include misalignment with the purpose of superannuation, equity issues and cost:

- Giving to charities is not the purpose of superannuation death benefits. Section 62 of the Superannuation Industry (Supervision) Act 1993 requires superannuation funds to be maintained solely for the provision of retirement benefits or death benefits. Superannuation death benefits are specifically designed to provide for the financial dependents of deceased members. Allowing death benefits to go to charities would mean that less or no benefits might go to financial dependents.
- Members can direct superannuation to a charity through existing mechanisms. For example, a member who wants to leave all or part of their superannuation to a charity can make a binding death nomination directing the death benefit to their estate and specifying the charity as beneficiary in their will.
- While the process may take some time, this reflects the broader process of distributing an estate and is not a reflection of the superannuation system. Binding death nominations are generally paid quickly by superannuation funds once the required documentation is received, as they do not require the trustee to exercise any discretion in relation to the claim. Any friction that occurs in estate distribution should be managed in that process, not by moving that responsibility to the superannuation trustee.
- If paying directly to a charity became the responsibility of a trustee, they would then be responsible for managing any legal challenges from claimants. University of Queensland research indicates that approximately 50% of wills are disputed. When compared to superannuation death benefits, approximately 10% are disputed. Therefore, it is likely the number of disputed claims would increase, and likely in parallel with the estate dispute. This duplication is unnecessary and would add to the costs of the superannuation system and would be borne by all superannuation fund members.

We also have concerns about the estimates of the value of superannuation assets that will be paid as death benefits sourced from the Retirement Income Review, as they do not reflect change in debt levels at retirement. More than half of retirees retiring today are retiring with debt, including more than 40% that are retiring with



mortgage debt (up from 16% 20 years ago). The average mortgage debt at retirement was around \$250,000. This meant that more than 40% of single households with a mortgage and third of couple households would exhaust their entire superannuation balance paying off this debt, while around 50% of households would deplete more than half their superannuation balance.

In summary, the estimate of the value of death benefits from super is likely to be overstated because the balance at retirement is not what is available to fund retirement once debts are paid off.

Please feel free to contact me should you wish to discuss any points raised further.

Yours sincerely

Mel Birks

Executive General Manager, Policy

#### **About the Super Members Council**

We are the collective voice for more than 10 million Australians who have over \$1.45 trillion in retirement savings managed by profit-to-member superannuation funds. Our purpose is to protect and advance their interests throughout their lives, advocating on their behalf to ensure superannuation policy is stable, effective, and equitable.