

Deloitte modelling of the long-term fiscal costs of early release of super for housing

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Scenarios



SMC Early Release for Housing Scenarios



This analysis estimates the take-up the long-term fiscal cost of allowing first home buyers to access superannuation for housing under two scenarios.

Scenario One:

First-home buyers can withdraw the lower of 40% or \$50,000 of their superannuation for a house deposit. SMC demand assumptions informed by analysis including the New Zealand scheme. Withdrawal amounts estimated based on age, gender, and income (see withdrawal methodology section).

Scenario Two:

No cap on the amount first-home buyers can withdraw from their superannuation for a house deposit. Withdrawal amounts estimated based on age, gender, and income (see methodology section).

The analysis does not assume recontributions on the sale of a first home as the equity would be required to purchase a subsequent property.

The SPROUT Model



The Superannuation, Pension, and other Retirement Outcomes (SPROUT) Model is an actuarial cohort model that outputs yearly movements and total values for the Australian population by superannuation accounts, superannuation assets, income tax, personal and housing wealth, and Age Pension expenditure.

The cohorts are defined by segmenting the Australian population by age, gender, industry sector, account function (primary, secondary and unneeded), membership status (active, inactive and retired) and income quantiles. The allocation of accounts and assets is based on APRA data, ATO data, ABS population and employment projections, budget projections, and Survey of Income and Housing microdata.

SPROUT begins with a population model that projects forward population and labour-force participation over the next 80 years for each age, gender and income-wealth quantile, taking into account births, deaths, migration and entry and exit from the workforce. Each year the starting position and projection assumptions are refreshed by Deloitte. The starting date for each projection year is 1 July, with the baseline projection utilised in this modelling beginning 1 July 2022. The model uses the Deloitte standard assumption set, as detailed in the Assumptions and Methodology Report - Superannuation Market Projections 2022.

All results are presented in real dollars deflated by the CPI assumptions detailed in Section 4.3 Table 9 of the Assumptions and Methodology Report - Superannuation Market Projections 2022. We note that all results are presented at a population level, as such include members who are not assumed to have made any additional withdrawals or contributions.

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Fiscal Impact - System

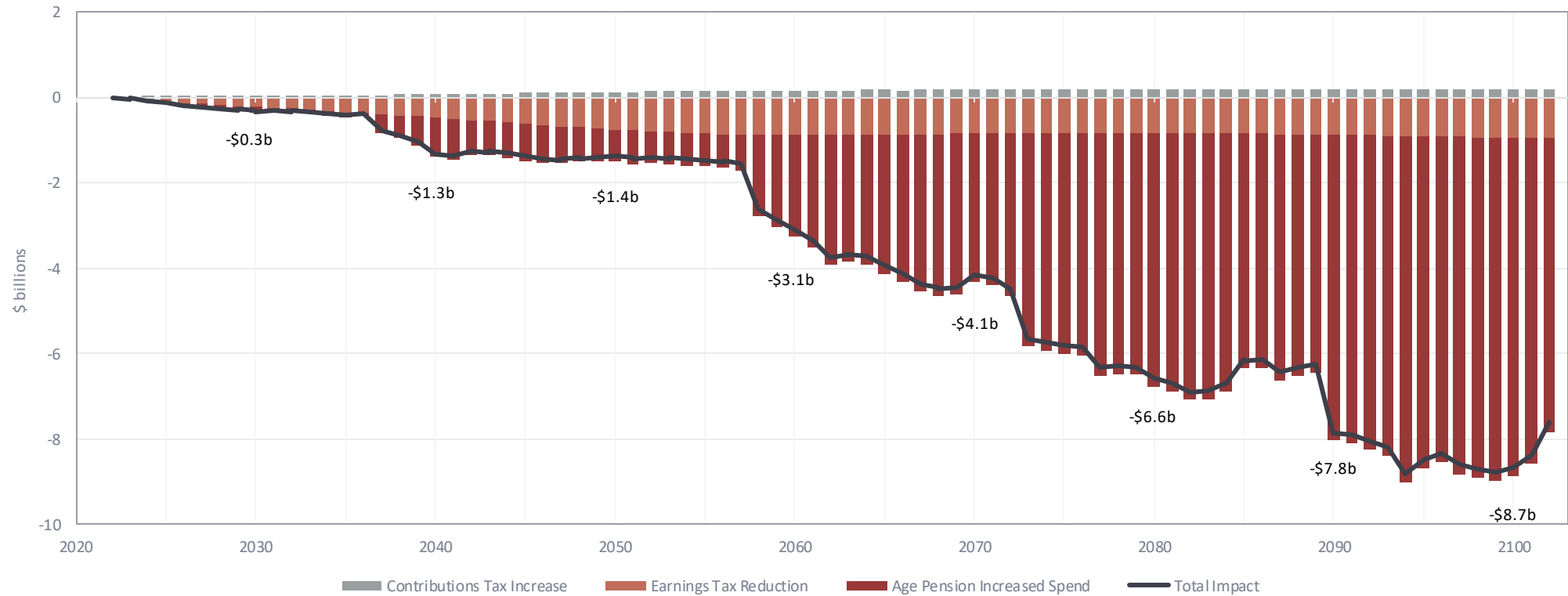




Fiscal Impact (Annual)

Scenario One

The reduced asset base leads to a reduction in earnings tax paid on accumulation assets and an increased Age Pension spend later in the projection due to reduced assets in retirement, with a peak of approximately \$8 billion per year in total fiscal impact across the final ten years of the projection.



Figures are deflated to real dollars by CPI.

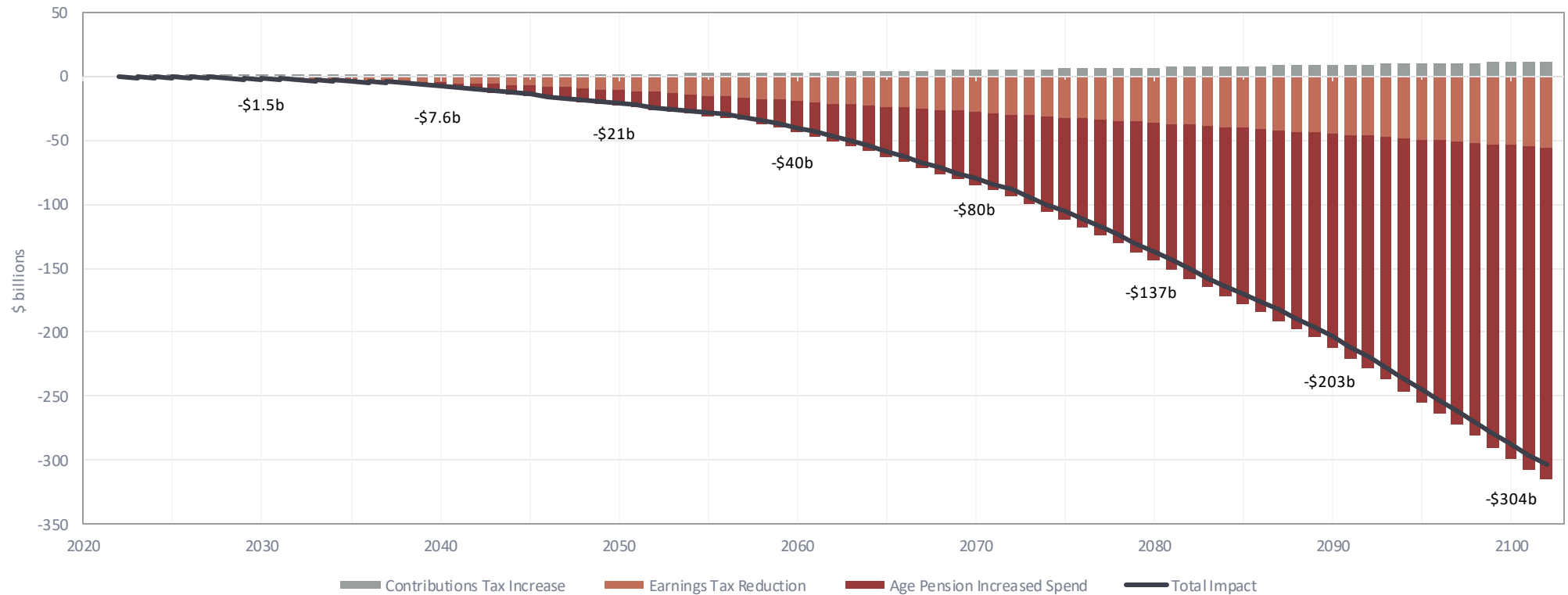
Source: Deloitte SPROUT model, 2024.



Fiscal Impact (Cumulative)

Scenario One

By summing the yearly impacts across the total population, we can determine the cumulative impact across the projection period. For the total projection period, there is a projected \$304 billion cumulative fiscal impact.



Figures are deflated to real dollars by CPI.

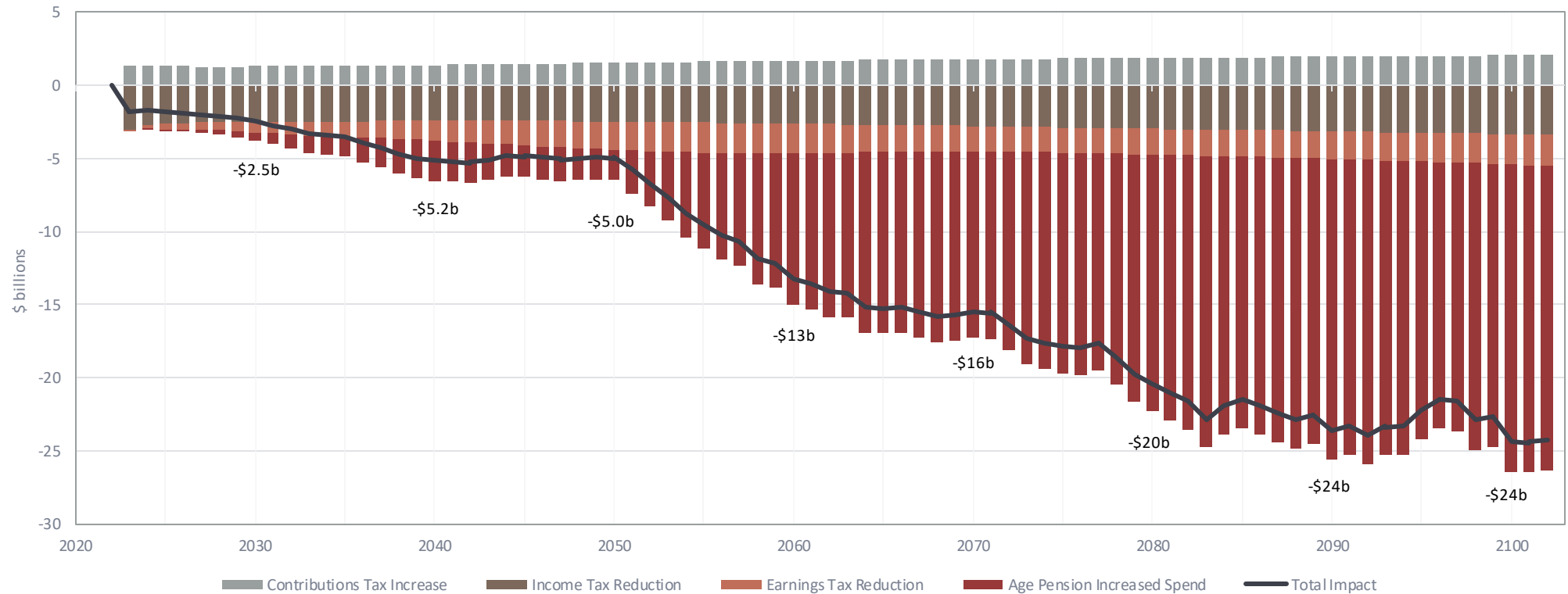
Source: Deloitte SPROUT model, 2024.

Fiscal Impact (Annual)



Scenario Two

The reduced asset base leads to a reduction in earnings tax paid on accumulation assets and increased Age Pension spend later in the projection due to reduced assets in retirement, with a peak of approximately \$24 billion per year in total fiscal impact across the final ten years of the projection.



Figures are deflated to real dollars by CPI.

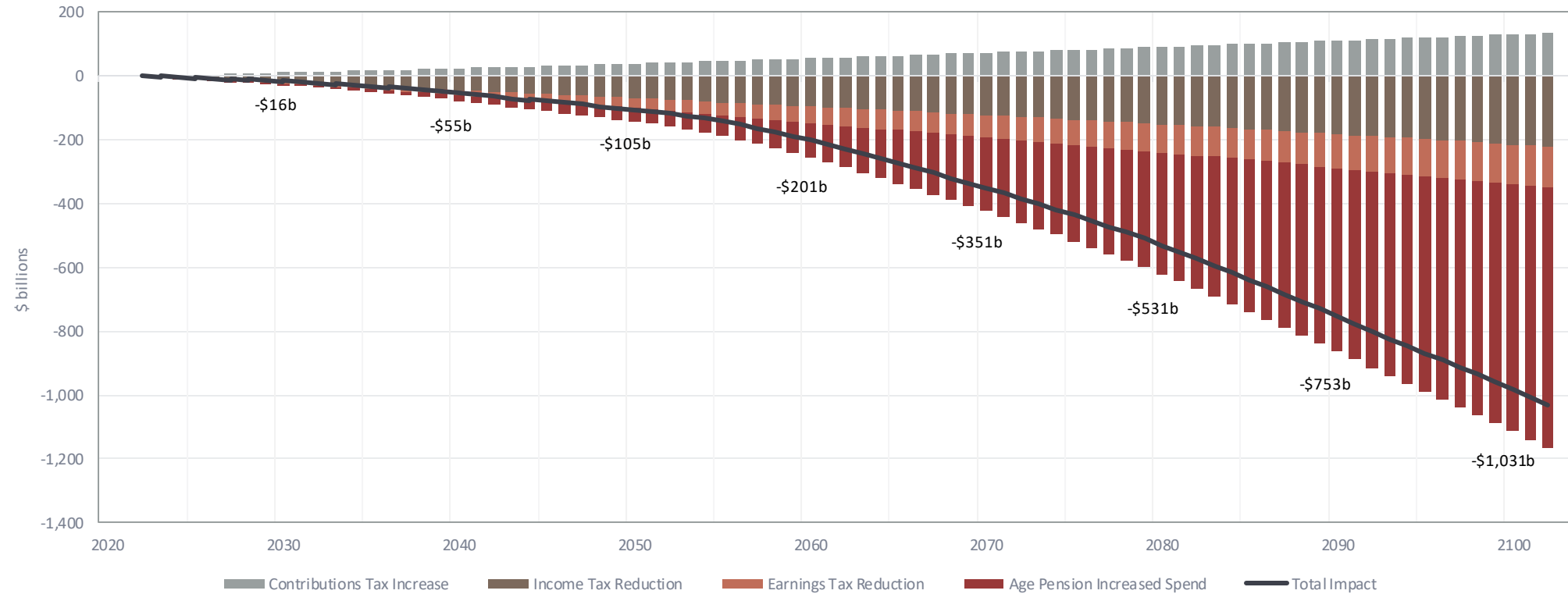
Source: Deloitte SPROUT model, 2024.



Fiscal Impact (Cumulative)

Scenario Two

By summing the yearly impacts across the total population, we can determine the cumulative impact across the projection period. For the total projection period, there is a projected \$1 trillion cumulative fiscal impact.



Figures are deflated to real dollars by CPI.

Source: Deloitte SPROUT model, 2024.

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Modelling Assumptions



Withdrawal assumptions



The take up and withdrawal of super savings under the respective schemes (capped and uncapped) is estimated using renter and first home buyer (FHB) characteristics from the 2019-20 ABS Survey of Income and Housing (SIH); existing FHB finance commitments from the ABS 5601.0; and take up assumptions from the New Zealand KiwiSaver scheme. Over the long term, in a steady state, it is assumed demand grows with population and wages once the scheme is mature.

SIH Renter And First Home Buyer Characteristics

The SIH contains detailed information on income, wealth, personal characteristics, and housing status of individuals, income units and households, including whether households are FHBs. We estimate the initial bring-forward of FHB purchases by identifying the pool of non-homeowner income units with sufficient income to service a FHB mortgage based on geographical location and an 85% loan to valuation ratio (based on analysis by the RBA). The probability of non-homeowners purchasing a house based on a range of personal characteristics (such as marital status and family size), income and wealth is then estimated. Those with insufficient savings for a deposit are assumed to meet any deposit shortfall from their super subject to the rules of the capped or uncapped scenario. Initial take-up of the scheme is limited to those who are currently credit constrained, that is, income units with insufficient financial wealth outside of super to meet the required deposit but can do so with a release of superannuation. Ongoing demand for the scheme is estimated by analysing the characteristics of recent FHBs (from the SIH), and benchmarking to aggregate demand for FHBs (from ABS Lending Indicators). In the case of the uncapped scheme, additional salary sacrifice contributions are assumed as FHBs save for a deposit through the superannuation system. This results in lower personal income tax collections.

ABS Lending Indicators

The average deposit required for FHBs by jurisdiction is estimated using ABS housing finance statistics for owner occupied first home buyers (ABS Cat. No. 5601.0, table 24) and an average loan-to-valuation ratio for FHBs of 85%. This gives a lower price-point for entering the housing market than median property prices. Current standard variable mortgage rates are used to assess whether income units can service the loan repayments without going into financial stress (ie mortgage repayments must be less than 30% of disposable income). Ongoing demand for the scheme is estimated by benchmarking to aggregate demand of FHBs. FHBs currently comprise around 31% of owner-occupied housing finance commitments. Demand for the scheme is endogenous with price increases - this is taken into account when estimating demand for the scheme.

KiwiSaver take up

Over the medium to long term, the propensity of individuals to access their superannuation for a house deposit is based on the KiwiSaver scheme. Over the period 2019-2022, around 87% of FHBs in New Zealand accessed their KiwiSaver account to purchase their first house. This assumption is adopted for the Australian scheme.

Initial demand

Average super withdrawals for eligible FHB income units is, with the above source data and assumptions, estimated to be around \$60,000 under the capped scenario (with an average of 1.7 persons per FHB income unit) and \$140,000 under the uncapped scenario.