



# One size doesn't fit all

Is the super system failing vulnerable members?

Katja Hanewald, Fei Huang, Scott Donald

**A**ustralia's superannuation system faced a stark reality check when the Australian Securities and Investments Commission (ASIC) released their report: *From superficial to super engaged: Better practices for trustee retirement communications* (Report 818) in October 2025, about retirement communications.

The regulator's review revealed that some superannuation funds, collectively responsible for millions of members' savings, lacked urgency in improving how they communicated with retirees, despite over 1.5 million members already in the retirement phase holding approximately \$575 billion in assets. With more than 2.5 million Australians set to enter retirement over the coming decade, the stakes are significant.

ASIC Commissioner Simone Constant delivered a clear message to the industry, noting that only one-third of Australians approaching retirement felt confident about their financial future. The review found that some trustees offered one-size-fits-all retirement communications aimed at pre-retirees, thus missing critical opportunities to engage with members throughout retirement. Most concerning was the absence of specific retirement communications for vulnerable members across all reviewed trustees.

The regulatory scrutiny arrived more than three years after the Retirement Income Covenant obligations commenced in July 2022,

yet some funds had failed to address identified gaps. This represented not just a compliance failure, but a fundamental breakdown in serving members at their most vulnerable life stage.

## Redefining vulnerability in Australia's retirement system

The traditional understanding of vulnerability in superannuation is far too narrow, according to experts who have studied the system's shortcomings. Associate Professor in the School of Risk and Actuarial Studies at UNSW Business School, Katja Hanewald, said retirement circumstances vary significantly from individual to individual.

"People differ widely in wealth, health, and family situations and must navigate complex decisions as they enter and move through retirement," explained A/Prof. Hanewald, who explained that this complexity extends beyond simple demographics. Retirees, for example, need to coordinate superannuation with the Age Pension, aged care, or family transfers, while she noted that unexpected health shocks or cognitive decline can make these decisions exponentially harder.

Industry research has found that unexpected health shocks, such as hospitalisation or the onset of chronic illness, can rapidly undermine financial decision-making capacity, particularly for retirees with declining cognitive ability. Furthermore, cognitive decline significantly increases the risk of suboptimal investment and withdrawal decisions as early impairments reduce confidence in managing finances.

Professor in the School of Private & Commercial Law at UNSW Law & Justice, Scott Donald, also highlighted the vulnerability of superannuation fund members experiencing declining cognitive ability or practical autonomy. Many lacked the ability to use the internet or access online banking services, which he said creates barriers to managing their retirement savings.

For example, the Australian Bureau of Statistics has found 38.4% of Australians aged 65 and over (around 1.4 million people) did not use the internet in the previous three months, citing lack of confidence or knowledge as the key barrier.

Prof. Donald identified other vulnerable groups that the system routinely overlooked. Significant categories included those working in the cash economy or casualised roles, or those living in Indigenous or remote communities.

“These are people for whom the superannuation system does not work. It’s neither designed in a way that really supports them, nor has the way it’s been rolled out or the infrastructure in the system, the way the superannuation system actually works, helped,” said Prof. Donald, who previously worked in the funds management industry advising governments, superannuation funds, insurance companies and fund managers on investment strategy, governance and regulation.

A/Prof. Hanewald expanded on the systemic nature of vulnerability, highlighting how the system’s complexity itself created vulnerable members. “To access their superannuation savings, individuals need to transfer part or all of their accumulation-phase balance into a retirement account and then decide how to draw down their superannuation,” explained A/Prof. Hanewald, whose research focuses on longevity trends, healthy ageing, and insurance strategies for ageing populations.

This involves choosing between account-based pensions, lump-sum withdrawals, or annuities, each with distinct rules, tax treatments, and effects on Age Pension eligibility. The system also requires minimum annual withdrawals that increase with age, adding further confusion for another potential category of vulnerable members: those with limited financial literacy.

This issue also highlights the important concept of dignity in retirement, added Prof. Donald, who argues that dignity is about more than merely the amount of money you have when you retire.

The concept of dignity, which involves avoiding humiliation, proves especially relevant for vulnerable members. Prof. Donald warns that over-zealous imposition of default settings—perhaps justified on the basis of cognitive limitations older Australians may develop—could treat older members like children who cannot be trusted to make their own decisions.

### The hidden inequality of life expectancy

Perhaps the most confronting revelation came from research into socio-economic longevity gaps, which exposed deep structural inequalities within the retire-

ment system. Associate Professor in the School of Risk and Actuarial Studies at UNSW Business School, Fei Huang, presented stark findings from linked national data from the Australian Bureau of Statistics.

“At age 60, males in the least advantaged socio-economic groups on average live 11.5 years fewer, and females 9.1 years fewer than their most advantaged peers,” revealed A/Prof. Huang. These gaps closely correlate with area-level disadvantage, income, homeownership, and marital status, meaning members who are single, renting, on lower incomes, and living in disadvantaged areas face systematically shorter retirements despite contributing for decades.

Industry research confirms that income inequality persists into retirement, with homeowners over 65 enjoying disposable incomes 2.5 times higher than renters, and over one-third of non-homeowners requiring social housing support in retirement. The Treasury has also noted that these disparities amplify inequity when uniform superannuation product pricing ignores variations in housing wealth, health, and life expectancy.

This longevity inequality represents more than marginal differences; it constitutes a key indicator of vulnerability that should fundamentally inform how funds communicate with members and design retirement solutions. Uniform pricing and product design, while appearing neutral, actually exacerbate inequality and undermine confidence in retirement income products, according to A/Prof. Huang, whose research focuses on responsible artificial intelligence (AI) and data-driven decision-making, with particular emphasis on insurance, risk management, and actuarial applications.

“Funds should not assume that members are homogenous – financially literate, healthy, and equally long-lived. Our research shows this assumption can produce structurally unfair outcomes,” A/Prof. Huang explained. The practical implications proved significant: disadvantaged individuals could potentially receive 43-89% more annual income than advantaged members for the same investment when longevity differentials were properly considered in product design.

### Where superannuation funds continue to fall short

A/Prof. Hanewald observed that some funds still rely on generic, product-focused messages timed around pre-retirement, rather than addressing the ongoing needs of already-retired members or those facing difficult personal circumstances.

This point was noted in ASIC Report 818 which found that, among 12 major superannuation trustees – responsible for 9.3 million accounts and \$1.14 trillion in assets – none had developed specific communications for vulnerable or culturally diverse members.

A key challenge facing super funds involves member information, such as incomplete or unavailable data about relevant life or financial affairs. The Super Members



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### The quote

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Council recently noted that targeted government data sharing would help funds identify potentially vulnerable members.

Another barrier facing superannuation funds is the delay in introducing the Delivering Better Financial Outcomes legislation to Parliament. When enacted, this will help empower super funds to deliver better information, guidance and advice to members as they retire.

A/Prof. Hanewald noted that one ongoing challenge facing superannuation funds was highlighted in ASIC’s death benefit review: *Taking ownership of death benefits: How trustees can deliver outcomes Australians deserve*, (Report 806) March 2025, which revealed slow and inconsistent claims handling, with members in some funds waiting months (or even years) for resolution. To illustrate, industry superannuation fund Cbus recently agreed to pay \$55 million to 7,402 beneficiaries as part of a compensation program following an ASIC investigation.

This was a case in point regarding superannuation funds that failed to follow up effectively when issues—such as death benefit payouts—arose, while A/Prof. Hanewald also noted many funds lack systems to identify members needing additional support, such as those with language barriers, low digital literacy, or limited access to advice.

The assumption that everyone can use websites or has ready access to online services is particularly problematic. While this might work for superannuation fund members aged between 25 to 55, it is increasingly unrealistic for older members. “This isn’t necessarily the funds’ fault, but we’ve got a system in which some key decisions get made at times when we’re not really very well, and/or not very capable of making them,” Prof. Donald observed, noting how important choices coincided with emotional upheaval from a spouse’s death, impending retirement, or declining health.

Language barriers compound these challenges. While some funds offered multilingual materials, many did not, forcing non-native English speakers to grapple with complex terminology like ‘commutation’ that even native speakers might find challenging.

The regulatory environment inadvertently worsened vulnerability when the Australian Prudential Regulation Authority’s (APRA) performance test had the potential to create discourse around ‘dud funds’, which Prof. Donald said gave unscrupulous operators ammunition to convince people to migrate from good funds that may not have performed well in recent times, into questionable schemes that promise better performance.

The National Anti-Scam Centre has warned that retirees are increasingly targeted through investment scams aimed at their superannuation, often triggered by misleading narratives around underperforming funds. Furthermore, The Australian Financial Complaints Authority (AFCA) reported that the average loss from scam-related complaints in superannuation in the 2023/2024 financial year was \$88,736 and ranged as high as \$344,000 – a potentially life-changing sum.

## Building solutions within regulatory boundaries

Despite systemic challenges, superannuation funds possess considerable scope for improvement within existing regulatory frameworks. A/Prof. Hanewald stressed the importance of timely and responsive communication, noting that improving response times required stronger internal systems, clear service standards, and better oversight of outsourced administrators.

“Funds should also invest in staff training and ensure communication is accessible, culturally appropriate, and written in plain language,” A/Prof. Hanewald advised. Over time, trustees need to build better data and feedback systems to understand member needs and evaluate whether their support and communication processes prove effective.

Prof. Donald also said multilingual materials need to address linguistic barriers, while funds should also employ alternative engagement methods for older Australians to avoid the technological challenges of multi-factor authentication processes. Advisory services should help people understand their choices – well in advance – regarding power of attorney and future decision-making, ideally in their fifties or early sixties.

Some funds have also taken a proactive approach to helping members targeted by questionable schemes, warning about potential scams while carefully navigating defamation and advice restrictions, Prof. Donald added. Even seemingly peripheral activities like sports sponsorship can serve a purpose, as he said this reminds members of their fund membership and potentially prompts more active engagement.

A/Prof. Huang advocated for embedding cohort-based longevity insights into communication and retirement strategies. “Rather than treating all members identically, trustees could develop tailored longevity assumptions and retirement income options,” A/Prof. Huang suggested. This approach could make product value more transparent and build trust by acknowledging real diversity among retirees.

## The consequences of inaction

The risks of superannuation funds maintaining the status quo extend beyond regulatory compliance. A/Prof. Hanewald warned that without timely and clear information, retirees might make poor drawdown or investment choices, miss insurance entitlements, or delay critical financial decisions. “Prolonged uncertainty about retirement income can cause significant stress and reduce confidence in managing money later in life,” she observed.

For bereaved families, slow or inconsistent communication around death benefits compounds grief and creates financial hardship at vulnerable times. She said these experiences erode trust in the superannuation system, particularly among members already facing barriers such as language, health, or digital access challenges.

Prof. Donald highlighted elder abuse as a clear and growing risk, manifesting in other ways beyond simple asset transfers. More subtle manifestations included not taking advantage of social security benefits or making arrangements to inherit superannuation, while parents miss out on retirement savings benefits. He explained that the challenge lies in addressing individual circumstances with multiple dimensions, requiring a holistic understanding beyond a super fund's typical scope.

The Aged Care Quality and Safety Commission, for example, has reported a growing incidence of elder abuse in relation to financial neglect and exploitation, often linked to poor understanding of social security entitlements and inheritance arrangements. To illustrate, the National Elder Abuse Prevalence Study found that one in six older Australians experienced elder abuse in a given year, with financial abuse affecting 2.1% of community-dwelling people aged 65 and older annually.

System-level consequences are also a concern, according to A/Prof. Huang, who said uniform design perpetuates hidden cross-subsidies where vulnerable members effectively subsidise wealthier, healthier ones. "Over time, this undermines trust in the superannuation system, amplifies inequality, and weakens policy goals such as retirement adequacy and sustainability," A/Prof. Huang said. Without fairness built into product design and communication, the retirement system itself becomes a driver of inequity rather than a remedy.

Regulatory and compliance risks are also very real for superannuation funds. A/Prof. Hanewald emphasised trustees' clear obligations under the Retirement Income Covenant to consider members' retirement needs and communicate effectively. "ASIC and APRA have both indicated that poor retirement communications, inadequate governance, and weak oversight of service providers may lead to regulatory action," warned A/Prof. Hanewald.

Importantly, she affirmed that regulatory compliance represents merely the floor of action for superannuation funds, and not the ceiling. Addressing vulnerable members' needs is "not only a legal and ethical responsibility but also essential for maintaining trust and long-term sustainability of the superannuation system", she said.

Finally, superannuation industry professionals need to recognise that solutions require investment. Prof. Donald cautioned against simplistic cost comparisons with international systems, noting that providing meaningful services to help vulnerable members understand their options and establishing protective frameworks requires resources. "It's a big deal, and it is going to cost money," he acknowledged, but the alternative – a system failing its most vulnerable at their time of greatest need – will prove far costlier for society. **FS**

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