Australian Government
The Treasury

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Dear Mr Marinis

Thank you for your correspondence of 20 February 2024 to the Hon Stephen Jones MP, Assistant Treasurer and Minister for Financial Services, concerning death benefit pension fees.

The superannuation system supports individuals to save during their working life for their own retirement, including through generous tax concessions. As you are aware, when a person dies, their superannuation is distributed to their dependants as a death benefit. Subject to the rules of the fund, a beneficiary, such as a spouse, can take a death benefit as either a lump sum or as a death benefit pension.

If the benefit is taken as a lump sum, the beneficiary may choose to contribute it to their own super account subject to the normal contribution rules such as annual contributions caps and age limits. Once in superannuation, those contributions are subject to the transfer balance cap that limits the amount of superannuation for which earnings are exempt from tax.

If a death benefit is taken as a pension, it cannot be rolled over to the beneficiary's account. This is because the trustee needs to keep the death benefit account separate to ensure it is paid out as required under the law and that the original tax status of the components of the superannuation balance continue to apply.

The treatment of death benefit pensions is a longstanding feature of the system that attempts to strike a balance between encouraging individuals to save for their own retirement, timely provision of death benefits, integrity of superannuation tax concessions and flexibility for individuals and their families to manage their savings for retirement.

I would like to thank you for the time you have taken to make suggestions for improvements to the superannuation system. The Government welcomes the public's views and appreciates the consideration that you have given to this matter.

Yours sincerely

Adam Hawkins
Assistant Secretary
Retirement, Advice and Investment Division
03/04/2024