Allowing the early release of superannuation for property purchases: An analysis of individual impact

- ASFA estimates that 5 million of the 5.3 million eligible first-home buyers would not be able to access the maximum withdrawal of $50,000. This is based on the policy allowing for 40% of the balance to be withdrawn, requiring at least $125,000 in an individual's super account.
- The policy would lead to very few additional individuals being able to purchase a property, with the vast majority of eligible first-home buyers remaining unable to afford local property due to a lack of supply
- Those who can afford a home could do so without the scheme.

Homeownership has long been a cornerstone of Australian aspirations. While the nation maintains a relatively high homeownership rate among OECD countries, surging property prices in recent decades have made it increasingly unattainable, particularly for younger people, immigrants, and disadvantaged groups.

Demand-side proposals such as the concept of allowing first-home buyers (FHBs) to withdraw up to 40% of their superannuation, capped at $50,000, to assist with a home purchase have been proposed. By increasing buyers' purchasing power, the policy directly influences demand. However, its effectiveness in improving homeownership remains debatable if there is not a consequent increase in supply. This research note examines whether first-home buyers will truly benefit from the proposed scheme—and, if so, how.

Using individual- and household-level microdata from the Household, Income and Labour Dynamics in Australia (HILDA) survey, ASFA has analysed the profile of potential beneficiaries. According to the proposal, eligibility criteria include:

1. Australian citizenship or permanent residency;
2. First-home buyer status (no prior property ownership);
3. Age between 18 and 59;
4. Hold a superannuation account (withdrawals limited to personal accounts).

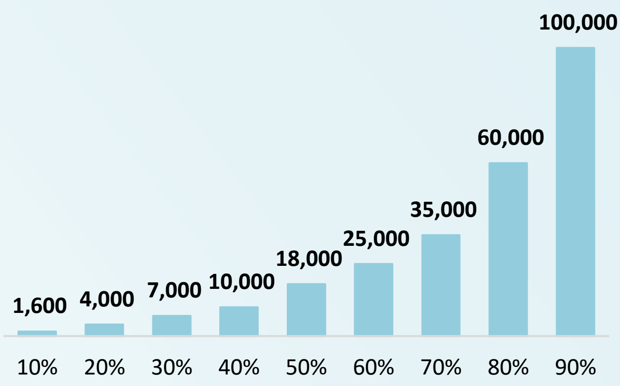
An estimated 5.3 million Australians meet these conditions. However, their ability to benefit hinges on their superannuation balances (Chart 1).

The data reveal that most eligible buyers have modest super balances. Half accumulated $18,000 or less. Given the withdrawal cap of 40%, a balance of at least $125,000 is required to access the full benefit of $50,000. Yet only 4.2% of eligible first-home buyers meet this threshold (Chart 2), representing about 220,571 people out of 5.3 million eligible first-home buyers. In other words, ASFA estimates that over 5 million of the 5.3 million eligible first-home buyers in Australia will not benefit fully from this policy.

To analyse the full impact, ASFA has estimated the purchasing power of first-home buyers by factoring in potential superannuation withdrawals, household private savings, and borrowing capacity. Specifically, Individual super withdrawal is set at 40% of the individual superannuation balance and capped at $50,000 if the balance exceeds $125,000. Super contributions from partners are included if both couples are eligible first-home buyers. In line with the growing trend of parents' contributions, a national average of parental contributions to deposits in 2023 is used as the proxy for such assistance. Household private savings, parents' contributions, and superannuation contributions form the deposit. Household regular disposable income, household regular expenditure, and household current regular loan repayment are considered in estimating borrowing capacity.

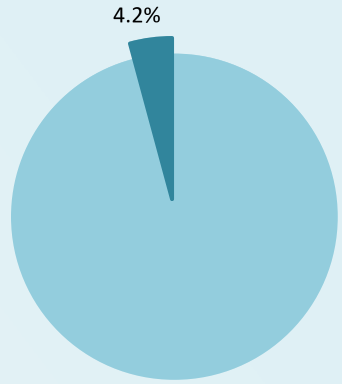
The purchasing power was then compared with the median prices of

Chart 1: Distribution of superannuation balances among eligible first-home buyers



Source: Author calculation by using HILDA data (same for all the charts).

Chart 2: Only 4.2% of eligible first-home buyers can withdraw max benefit of $50k



units and houses in each state capital to determine whether eligible buyers could afford a property at the median price. ASFA examined those who could afford a property under the proposed scheme. 98% of those able to buy a unit would have been able to do so without withdrawing from their superannuation (Chart 3). Similarly, 98% of those able to buy a house would be able to do so without relying on their super contributions. In effect, the policy does little to bring new entrants to home ownership. Instead, it merely enables those already positioned for homeownership to purchase more expensive properties.

A simple comparison reinforces this point and identifies the inequities that would arise. The median disposable household income for those able to afford a local unit was $104,114 – about three times the $34,586 for other first-home buyers.

The proposal would not address the root cause of Australia's housing woes: supply constraints. Without policies tackling structural shortages, housing affordability will remain an unattainable goal - regardless of how much super is pumped into the market.

As highlighted in other ASFA reports, the proposed early release of superannuation for housing is unlikely to achieve its intended goal. Those with higher superannuation balances already attain home ownership, while many low-income individuals have depleted their super through previous early withdrawals. ASFA, therefore, advocates for a more holistic solution to address housing affordability. The current research further proved that the impact would be highly disproportionate, with the benefits of the proposal to overwhelmingly flow to higher-income earners.

Chart 3: 98% of FHBs who can afford a median-price local unit would be able to do so *without* super-for-housing