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THE DEBT NOBODY TALKS ABOUT HECS, HELP, and the Hidden Drag on Household Finances

BY WEALTH ADVISER

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For most of the past three decades, HELP debt was one of those things Australians didn't think about much. You finished university, you got a job, and a small percentage of your income quietly disappeared to the ATO each year until the balance was gone. The interest rate was effectively zero. The repayments weren't large. The debt sat in the background of household finances without really shaping them.

That's no longer true. By the time indexation spiked in 2023 to 7.1 per cent – the highest rate in decades – average balances had grown significantly, and a generation of graduates had noticed, for the first time, that their HELP debt was actually going up rather than down. A political response followed. Over the past two years, the government has restructured how HELP debts are indexed, reduced every outstanding balance by 20 per cent, lifted the income threshold at which repayments start, and changed the repayment system so that most people pay less per year. These are the biggest changes to the scheme in a generation.

The changes don't just affect people who currently hold HELP debt. They affect the parents who've been quietly considering whether to help pay one off, the couples making joint decisions about whether to borrow for a house now or later, and the households trying to work out

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what to do with the cash flow the reforms have freed up. HELP debt has become a genuine household-level planning issue – one that warrants a clearer look than it's typically given.

What actually changed

Two sets of reforms matter. The first tackled the indexation problem; the second restructured the repayment system and reduced every balance.

On indexation, the government legislated in late 2024 to cap the annual indexation rate at the lower of the Consumer Price Index or the Wage Price Index, applied retrospectively to 2023 and 2024 balances. That meant the 7.1 per cent indexation hit from 2023 was recalculated down to 3.2 per cent, and the 4.7 per cent hit from 2024 was recalculated to 4.0 per cent. The ATO credited the difference back to affected accounts. For a graduate with a \$40,000 balance in 2022, this recalculation alone was worth close to \$2,000.

On the balance reduction and repayment reform, the Universities Accord (Cutting Student Debt by 20 per cent) Act 2025 passed in August 2025 and delivered three changes at once. First, every outstanding HELP balance as at 1 June 2025 was reduced by 20 per cent, applied before the 2025 indexation was calculated (so indexation only applied to the reduced balance). Second, the minimum income at which compulsory repayments start rose from \$54,435 in 2024-25 to \$67,000 in 2025-26. Third, the repayment system moved from a flat-rate structure – where crossing an income threshold meant paying a percentage of your entire income – to a marginal rate structure, where you only pay a percentage of the income above each threshold, much like income tax brackets.

Consider what this means for someone with a \$40,000 HELP balance earning \$80,000 in 2025-26. Under the old system, they would have paid roughly \$2,800 a year (3.5 per cent of their full income). Under the new system, they pay 15 per cent of the \$13,000 above the threshold – around \$1,950 a year. Their balance has also been cut from \$40,000 to \$32,000 by the one-off reduction. Combined, they're paying roughly \$850 less per year on a debt that's \$8,000 smaller than it was six months ago. For a couple with two HELP balances, those numbers roughly double. (For reference, the average HELP balance prior to the 2025 reforms was around \$27,600, with approximately 3 million Australians holding some form of student debt as at 2024-25.)

This matters because cash flow in your thirties and forties is the cash flow that shapes most other financial decisions. Extra money freed up from HELP repayments can go toward a mortgage offset, additional super contributions, a child's education fund, or simply household running costs. The reforms have quietly handed back some of that cash flow to a cohort that had been squeezed hardest by the 2023 indexation shock.

The voluntary repayment question

With balances lower and indexation capped, does it still make sense to pay HELP off voluntarily? This is the question most debt-holders are reaching for, and the answer has genuinely shifted over the past two years.

The case for voluntary repayment has weakened. When indexation was running at 7 per cent, voluntary repayments delivered a return equivalent to 7 per cent tax-free – an obvious use of cash for anyone with the capacity. With indexation now capped at the lower of CPI or WPI, and running closer to 3 to 4 per cent, the “return” on voluntary repayment is much lower. That's still not nothing – it's a risk-free, tax-free reduction in future obligations – but it's no longer the easy decision it was when inflation was biting.

The case against voluntary repayment has also strengthened slightly. The voluntary repayment bonus (a 5 per cent discount for early repayment) was abolished in 2012, so there's no longer any incentive beyond the indexation saving itself. Voluntary repayments are not tax deductible. And once money has been paid to the ATO toward HELP, it can't be retrieved – so a household that pays down HELP and then faces an unexpected expense finds itself reaching for a credit card or a redraw facility on the mortgage instead.

For most households, the decision is really about what else the money could be doing. A dollar applied to HELP gives you an effective return equal to the indexation rate – roughly 3 to 4 per cent in the current environment. The same dollar applied to:

A mortgage offset account typically saves you the mortgage rate, which for owner-occupier variable loans at current levels sits around 5.5 to 6 per cent – a better return than HELP indexation for most households with a mortgage.

A salary-sacrificed super contribution gets a 15 per cent tax rate instead of your marginal rate. For someone on a 32 per cent marginal rate, that's a 17 percentage point tax saving upfront, before any investment returns. The trade-off is that the money is preserved inside super until at least age 60, so it's not suitable for households likely to need the cash before then.

A high-interest savings account earns around 4 to 5 per cent depending on the account – similar to HELP indexation, but the money stays accessible.

Spending it, or leaving it in a transaction account, earns nothing.

For a household with a mortgage, the mortgage offset almost always beats voluntary HELP repayment in pure return terms at current rate levels – though this assumes mortgage rates remain above HELP indexation, which isn't guaranteed over the long term (the 2023 indexation spike to 7.1 per cent was a reminder that HELP indexation can temporarily exceed typical mortgage rates). For a household without a mortgage but with capacity to add to super, super

contributions usually win. Voluntary HELP repayment tends to win the comparison only for households in a specific situation – typically those without a mortgage, without meaningful super catch-up capacity, and with a stable enough income that locking money away in the ATO doesn't create liquidity risk. That's a narrower set of households than the "should I pay it off" question usually assumes.

There's one exception worth flagging: the borrowing capacity question, which is where voluntary repayment can genuinely unlock something the other options can't.

Borrowing capacity and the mortgage question

For households thinking about buying a home, HELP debt has always been an awkward fit in bank serviceability calculations. Banks treat HELP repayments as a compulsory expense that reduces the income available to service a mortgage – so on the margin, a HELP debt reduces how much the bank will lend.

Two recent changes have softened this. The move to marginal repayment rates means the compulsory repayment expense is smaller for most borrowers, which mechanically increases serviceability. And from 30 September 2025, APRA updated its guidance (APG 223) to confirm that it's reasonable for lenders to exclude HELP repayments from serviceability assessments where a borrower is expected to clear the debt in the near term – with "within 12 months" flagged as an example of a reasonable timeframe. The guidance is permissive rather than mandatory: lenders can apply this concession but aren't required to, and individual lenders have implemented it in different ways and on different timelines.

For a borrower near the end of their HELP repayment, these changes combine meaningfully. Someone with a \$6,000 balance and a \$90,000 income who would previously have had that balance treated as ongoing monthly debt can now, at some lenders, have it treated as if it were effectively gone. The borrowing capacity uplift can be tens of thousands of dollars – sometimes more – though the exact figure varies significantly by lender and borrower profile.

This is where voluntary repayment finds its strongest argument. If you're within a year of clearing the debt and about to apply for a mortgage, paying off the remaining balance can unlock borrowing capacity worth many multiples of the amount repaid. The calculation is straightforward: the cost is the immediate outlay of the remaining balance; the benefit is the additional borrowing capacity it creates and the property you're actually able to buy as a result.

For someone with a large HELP balance – say, \$50,000 or more – this calculation doesn't work the same way, because the cost of clearing the debt is too high to justify even a meaningful borrowing uplift. But it's worth considering at any balance where the household can realistically clear it from savings, particularly if a home purchase is actively on the agenda.

One qualifier: lenders apply these rules differently, and not every bank will exclude HELP from serviceability on the same terms. A mortgage broker or the household's adviser is worth consulting before making the voluntary repayment – both to confirm that the specific lender being used will give the borrower credit for clearing the debt, and to weigh up whether a different lender would offer better terms without needing the debt cleared at all.

When parents should help – and when they shouldn't

This is where the household-planning lens matters most. For parents watching adult children grapple with HELP debt, the question of whether to help pay it off is genuinely complex, and the right answer depends on what problem the parents are actually trying to solve.

Helping makes the most sense when HELP debt is specifically preventing something else. The most common version of this is the home deposit problem. An adult child has saved a deposit, has stable income, has found a property, but is being told by the bank that their borrowing capacity is constrained by their HELP balance. A parent-funded voluntary repayment – or even a parent paying off the debt outright – can unlock borrowing capacity that a gift toward the deposit itself wouldn't, particularly if the child is within a year or so of clearing the debt anyway. The arithmetic here can be compelling. Fifteen thousand dollars applied to a remaining HELP balance might unlock fifty or sixty thousand dollars of additional borrowing.

Helping is more questionable when HELP debt isn't the binding constraint. If the child's issue is deposit size rather than serviceability, money toward the deposit itself is a better use of capital than paying off HELP. If the child is early in their career with decades of low indexation ahead, paying off HELP delivers a modest interest saving spread over many years – a less impactful form of help than, for instance, a contribution to a first home super saver balance or an investment property deposit.

Helping also needs to sit within the broader conversation about intergenerational wealth transfer. Parents who help one child clear HELP debt may create expectations or obligations toward other children who didn't ask for the same help, or who don't have HELP debt. These are family-specific conversations, but they're worth having in the open rather than handled ad hoc.

The tax treatment is straightforward. A parent paying off their child's HELP balance is treated as a gift, which is not taxable in Australia for either party. Gifts of this scale may, however, affect the parents' Age Pension entitlements through Centrelink gifting rules – the usual limit is \$10,000 per financial year and \$30,000 over five years before excess gifts are counted as deprived assets for means-testing

purposes. For pensioner parents helping adult children, this is a planning issue worth raising with an adviser.

A final observation: parents often underestimate how much their adult children value being left to solve their own financial problems, and overestimate the value of being handed a solution. The best version of the “should we help” conversation isn’t about whether the parents can afford to pay the debt off. It’s about whether doing so genuinely advances the child’s life in a way other forms of help wouldn’t. For some families, clearing a HELP balance does that. For others, a deposit contribution, or investment seed capital, or simply leaving the child to manage it themselves, serves better.

What to do with the cash flow

For households where HELP repayments have dropped – which is most of them under the new marginal rate system – the other question is what to do with the money that’s no longer going to the ATO. This is the less dramatic question, but it’s the one that matters over time.

For a typical borrower earning \$80,000 with a HELP balance, the cash flow improvement is in the order of \$70 to \$80 per fortnight. That’s not enormous, but it compounds. Redirected to a mortgage offset, it saves mortgage interest. Redirected to additional super contributions, it grows tax-advantaged for decades. Redirected to a child’s education fund, it changes the options the next generation will have. Redirected to nothing – absorbed into regular household spending without conscious decision – it disappears without trace.

The specific direction doesn’t matter as much as the act of deciding. Households that treat the reform cash flow as “found money” for discretionary spending will see their overall position largely unchanged. Households that redirect the cash flow consciously to a higher-priority purpose will see a meaningful long-term benefit, from what was genuinely a windfall rather than a permanent income increase.

This is the conversation worth having with an adviser now – while the cash flow improvement is fresh and the redirection is easy, rather than a year later when the money has quietly been absorbed into everyday spending.

Worth thinking about

A few questions worth raising with your adviser at your next review:

- What’s my (or my family member’s) current HELP balance after the 20 per cent reduction, and what’s the current indexation outlook for the next few years?
- Under the new marginal repayment system, what’s my annual HELP repayment expected to be in 2025-26 and beyond?

- If I’m considering voluntary repayment, how does the return compare with using the same money for mortgage offset, super contributions, or debt reduction elsewhere?
- If I’m close to paying off HELP and considering a home purchase, would clearing the debt unlock meaningful additional borrowing capacity – and would the specific lender I’m using give me credit for doing so?
- If I’m a parent thinking about helping an adult child, what specifically is the HELP debt preventing them from doing, and would clearing it achieve that – or would a different form of help be more effective?
- How should I redirect the cash flow that’s been freed up by the reforms – into the mortgage, into super, into savings, or somewhere else – and what’s the most useful approach for my situation?

The HELP reforms are genuinely helpful. They’re also an invitation to reconsider a part of household finances that most of us had stopped thinking about. That reconsideration is the valuable thing – more so than any single decision about whether to pay off the debt, help a family member, or redirect the savings elsewhere.

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WHEN ONE OF YOU DIES WHAT SURVIVING SPOUSES ACTUALLY HAVE TO DEAL WITH

BY WEALTH ADVISER

Two weeks after her husband died, Margaret sat at the kitchen table with a pile of paperwork she didn't understand and a list of phone numbers her daughter had written out for her. The funeral was done. The condolence cards had stopped arriving. And now she had to work out what to do about his superannuation, the mortgage on the family home, her Centrelink entitlements, the car registered only in his name, and a life insurance policy nobody in the family could find the paperwork for.

She wasn't alone in this. Tens of thousands of Australians are widowed each year, most of them aged over 65, most of them women, and most of them navigating the first few months on their own with very little preparation for what the administrative and financial reality actually looks like. The grief is one thing. The grief on top of a multi-month administrative process with consequential decisions at each step is another.

This article is about the second thing. It's about what actually happens – or what has to be made to happen – in the first six months after a spouse dies, and why so many of those moments are ones a couple should think through while both of them are still alive to do so.

The first few weeks

The immediate aftermath of a death is mostly about notifications and documents. The death certificate, which often takes around one to several weeks to issue depending

on the state and the circumstances (longer where a coroner is involved), is the key that unlocks almost everything else. Without it, banks won't release funds, super funds won't start processing claims, and Centrelink won't update its records. Most funeral directors lodge the death registration on the family's behalf, which is one less thing to manage – but it's worth confirming they're doing it.

Once the death certificate arrives, the notifications begin. Services Australia (which runs Centrelink) needs to know within 28 days if the deceased was receiving any payment. The superannuation fund needs to be told. Banks holding joint or individual accounts need to be notified. The ATO needs to be formally notified so the deceased's tax affairs can be finalised, including any final tax return and any ongoing tax obligations of the estate. Utilities, insurers, subscriptions, motor registries, Medicare – each requires a separate notification, each asks for the death certificate, and each has its own form.

The practical observation from this stage: almost nothing can be started until the death certificate is issued, and almost nothing moves quickly even after it is. Surviving spouses often describe this phase as “hurry up and wait” – a dozen things need doing urgently, but the institutions involved respond in weeks rather than days. Starting lists, keeping copies of every document sent, and getting help with the administrative load from a family member or adviser makes the difference between a manageable process and an overwhelming one.

The choice between a lump sum and continuing the money as a pension is genuinely consequential. Keeping the money inside super means the earnings remain in a concessional tax environment (zero tax on earnings in the pension phase, subject to the transfer balance cap rules covered in detail in a separate article in this series)

Super: the most consequential decision

The deceased's superannuation is, for most couples, the largest single asset after the family home. It's also the most technically complex thing the surviving spouse has to make decisions about – and the decisions have to be made in a specific window, often while grief is still fresh.

Super isn't automatically part of a person's estate. It's held in trust by the fund, and on the member's death the fund's trustee decides who receives the death benefit – guided by the member's binding nomination if one was in place and valid, or by their discretion if there wasn't. For most married or de facto couples, the surviving spouse is either the named beneficiary or the obvious recipient, but "obvious" is not the same as "automatic." The process of claiming and being paid a super death benefit can take several months, occasionally longer, and ASIC's 2025 review of death benefit claims handling found significant variation in how quickly trustees process them – from under 90 days at the fastest funds to many months at the slowest.

Once the fund has identified the beneficiary, the next decision is how to take the benefit. If the surviving spouse is a tax dependant – which a spouse almost always is under tax law – a super lump sum death benefit is paid tax-free, regardless of the deceased's age or the balance's composition. This is a significant concession. It means a spouse can receive, say, \$800,000 as a lump sum into their bank account without paying a cent of tax on it.

But the lump sum is only one option. If the deceased had a super pension running at the time of death and it was set up as a reversionary pension – meaning the pension automatically continues to be paid to a nominated beneficiary – the surviving spouse can keep receiving that pension, with the balance remaining inside super's tax-favoured environment. Alternatively, a non-reversionary death benefit can sometimes be used to start a new death benefit income stream for the spouse, again keeping the money inside super.

The choice between a lump sum and continuing the money as a pension is genuinely consequential. Keeping the money inside super means the earnings remain in a concessional tax environment (zero tax on earnings in the pension phase, subject to the transfer balance cap rules covered in detail in a separate article in this series). Taking it as a lump sum puts the money into the spouse's own hands

– available for any purpose, but exposed to their marginal tax rate on any future investment earnings, and potentially affecting their Centrelink assessment.

Consider a condensed example. A 70-year-old widow receives her late husband's \$600,000 super as a death benefit. If she takes it as a lump sum and parks it in term deposits earning 4.5 per cent, the \$27,000 of annual interest is assessable income in her hands – and depending on her other income, she may lose some of her SAPTO entitlement and pay meaningful tax on the excess. If instead she continues it as a death benefit pension (subject to the transfer balance cap) or starts a new account-based pension, the earnings on that balance are tax-free inside super. Over a decade, the difference compounds into tens of thousands of dollars. That's not always the right answer – there are reasons a lump sum makes sense, including immediate debt clearance, paying for home modifications, or simplifying affairs – but it's a decision that warrants thinking about carefully rather than defaulting to whichever option the fund presents first.

The practical observation from this stage: the default path a super fund offers isn't always the optimal path for the surviving spouse. The time to consider the options isn't after the death benefit form arrives – it's before, when both spouses can think about it together and make sure the right beneficiary nominations and pension structures are in place.

The estate, the will, and what goes where

Super aside, the rest of the deceased's assets generally pass through the estate – either directly under a will, or via joint ownership arrangements that transfer automatically.

Jointly owned assets (a family home held as joint tenants, joint bank accounts) typically pass to the surviving owner automatically, outside the will. The name change process is administrative but straightforward, and the surviving spouse doesn't have to wait for probate to access the money. Assets held solely in the deceased's name, by contrast, form part of the estate and are distributed according to the will.

For most families, the will is reasonably straightforward and the executor (often the surviving spouse, sometimes an adult child or solicitor) handles the process. Probate – the court confirmation that the will is valid and the executor has authority to act – is often required for substantial assets held solely in the deceased's name, particularly real property, but isn't always needed for smaller balances – some

banks and institutions will release modest sums without requiring it. Probate application is paperwork-heavy but not technically difficult, and many surviving spouses use a solicitor to handle it. Turnaround times vary by state but six to twelve weeks is typical.

Complications arise in three common scenarios. The first is where the deceased died without a will – intestate – in which case state-based intestacy rules determine who receives what, and the outcome may not reflect what the couple intended. The second is blended families, where the will needs to balance provision for a current spouse against children from a previous relationship, and where a family provision claim from a disgruntled child can hold up finalisation for months or years (covered in more detail in Issue 130). The third is where significant assets sit in structures like family trusts or companies, which don't pass through the will and need to be handled separately.

The practical observation: the quality of the deceased's estate planning largely determines how painful or straightforward the estate administration is. A couple with a current, properly drafted will, clear beneficiary nominations on super, and well-organised records makes the process manageable. A couple without those things leaves the surviving spouse – already grieving – to untangle the mess.

Centrelink and the transition to single

For couples receiving the Age Pension, the surviving partner's entitlement changes significantly when their spouse dies. The couple rate ceases. The survivor moves onto the single rate, which as at 20 March 2026 is \$1,200.90 per fortnight – higher than each partner received as a member of a couple (\$905.20 per fortnight each, or \$1,810.40 combined), but lower than the couple's previous combined income.

There's a bereavement provision to soften this transition. If both partners were receiving an eligible income support payment (including the Age Pension) for at least 12 months before the death, the surviving spouse receives a lump sum bereavement payment calculated over a 14-week period, broadly equal to what they would have received as a couple minus their new single entitlement. The practical effect is that the household income doesn't collapse overnight – it tapers over roughly three months while the survivor adjusts.

Notifying Services Australia is important, both to trigger this bereavement support and because continuing to receive payments intended for a deceased partner can create overpayment debts that have to be repaid later. Notification can be done online, by phone, or through a visit to a service centre. The key document, again, is the death certificate.

For couples where one partner was self-funded and not on any Centrelink payment, the surviving spouse may become eligible for the Age Pension for the first time after their

spouse's death, because the household's asset and income profile changes significantly when one person dies and the other is left with a reduced asset base relative to the single thresholds. This is often missed. A surviving spouse with, say, \$700,000 in assessable assets who was never eligible as a member of a couple may now be eligible for a part Age Pension as a single homeowner (cut-off approximately \$722,000 as at March 2026). It's worth checking, even if the answer seems obvious.

The practical observation: the Centrelink transition is one of the few things in this process that happens reasonably quickly if the right steps are taken – but only if the survivor knows to take them. Silence doesn't trigger bereavement payments; notification does.

The tax cliff

This is the dimension of widowhood most commonly overlooked and most commonly regretted.

A couple's household tax position often deteriorates significantly when one spouse dies, because the tax and transfer system is built around the assumption that income can be split between two earners each entitled to a tax-free threshold, a suite of offsets, and their own Medicare levy thresholds. When the household becomes a single-person household, some of those benefits compound – but others simply disappear.

Consider a retired couple, both aged 70, with combined income of around \$80,000 split fairly evenly between them. Each has a taxable income of \$40,000. Each receives SAPTO and the low income tax offset. Between the two of them, after the offsets and the tax-free threshold, they pay relatively modest combined income tax – in the order of a few thousand dollars a year.

Now assume one partner dies, and the surviving spouse inherits all of the household's income-producing assets. The survivor's taxable income jumps to \$80,000. They still receive SAPTO – but SAPTO for a single person shades out at \$34,919 and cuts out entirely at \$52,759, so at \$80,000 they get none of it. The low income tax offset also disappears. The tax-free threshold (\$18,200) is used once, not twice. Medicare levy applies in full. The total income tax bill on \$80,000 of taxable income for a single senior is materially higher than the combined tax that two seniors paid on \$40,000 each.

The numbers above are illustrative rather than precise – the exact differential depends on the income mix, whether the surviving spouse is receiving the Age Pension, and what share of the income is tax-free (for example, super pension income for a recipient over 60). But the direction is consistent: on a given household income, a sole survivor pays more tax than the couple did on the same income. The household has less money coming in (one Age Pension

rather than two; one set of super drawdowns; one return on assets), and a larger share of what's coming in gets taxed.

There are strategies that can soften the cliff – timing asset realisations before death to minimise future capital gains, managing super balances so that income stream structures produce tax-free income for the survivor, ensuring insurance proceeds don't push the survivor into a higher bracket, and structuring assets with the single-person tax environment in mind. Almost all of these are more effective if they're done before the death rather than after. That's the argument for raising this conversation long before there's any urgency.

The practical observation: the tax cliff is not a loophole in the system and not something anyone can eliminate. It's the predictable consequence of going from two taxpayers to one. But its size can be reduced by planning ahead, and its existence can be factored into decisions the couple is still making while both are alive – including decisions about super pension structures, where assets are held, and who owns what in a household.

For both audiences

Some readers of this article are reading it ahead of time, as a prompt to have conversations with their spouse and adviser while there's no urgency. The best time to think through super death benefit structures, beneficiary nominations, and the single-person tax position is well before those decisions have real stakes.

Other readers will be reading it after the event – having lost a partner recently, or months ago, and trying to make sense of what needs to happen next. For you, the specific actions that matter now are getting the paperwork in train (death certificate, Centrelink notification, super fund contact, bank and utility notifications), avoiding rushed decisions on the super benefit structure, and getting professional advice before committing to a path. Most of the decisions that feel urgent in the first month aren't actually urgent. The super fund isn't going anywhere. The tax consequences of choices made now can be significant, and they reward careful thought more than speed.

Whichever audience you're in, your adviser is a natural person to bring into the conversation – not to prescribe an outcome, but to help think through the options against your specific situation.

Worth thinking about

A few questions worth raising with your adviser, ideally while both spouses are alive to participate:

- Do we each have a current, valid, binding beneficiary nomination on our super accounts, and when do those nominations lapse?
- If one of us predeceases the other, how would the survivor take the super death benefit – as a lump sum, or as a

continuing pension? What structures need to be in place now to make the preferred option available then?

- What does our household tax position look like if one of us dies? Are there strategies – asset ownership, super pension structures, timing of realisations – that would reduce the single-person tax impact?
- If one of us died today, would the survivor be eligible for Age Pension or a part pension they're not currently receiving? How would the asset and income tests apply differently?
- Are our wills current, and do they reflect our actual wishes – particularly if there are children from previous relationships, or complex assets like a business, family trust, or investment property?
- Is there a single document – physical or digital – that the surviving spouse could refer to in the first few weeks, listing account numbers, advisers, insurers, and passwords?

Most of these questions don't have urgent answers.

That's exactly why they're the ones worth raising now, before the urgency arrives.

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THE INSURANCE INSIDE YOUR SUPER

What You're Paying For and Whether It's Enough

BY WEALTH ADVISER

Millions of Australians have life insurance they've never thought about.

Around ten million superannuation accounts come with insurance cover attached – a mix of life insurance (paid to your family if you die), total and permanent disability cover (paid if illness or injury stops you working for good), and in many cases income protection (paid monthly if you're unable to work for a period). If you're a working-age Australian with a super balance above a few thousand dollars, you probably have at least some of it. You probably haven't thought about it since the day you joined your fund. And depending on how your super account has behaved over the past year and a half, you may not have it anymore.

Default cover inside super is one of the quiet pillars of Australia's insurance system. For most working Australians, it's the only life and disability cover they'll ever hold. It's cheap, it's automatic, it requires no medical assessment, and the premiums come out of the super balance rather than the household cash flow. That's the case for it. The case against it is that default means generic – the cover you have is designed for a typical member of your fund, not for your mortgage, your dependants, your debts, or your actual income. And there are enough traps in how the rules work

that even people with good intentions can lose cover they thought they had, exactly when they need it most.

The point of this article isn't to tell you whether you have the right cover. That's a conversation for your adviser, who can look at your circumstances and tell you what fits. The point is to help you understand what you probably have, so that conversation can actually be useful.

The starting point: what are you likely to have?

When you join a superannuation fund as an accumulation member – meaning you're still working and contributing rather than drawing a pension – you're generally given default insurance cover automatically, provided you meet the eligibility rules. The cover is bundled into your membership without a separate application, and the premiums are deducted from your super balance each month. For most fund members, this cover comprises two or three components.

Life cover, sometimes called death cover, pays a lump sum to your beneficiaries if you die, including in most cases a terminal illness benefit if you're diagnosed with a condition likely to cause death within a defined period. Total and permanent disability (TPD) cover pays a lump sum if illness or injury leaves you unable to work again, though the definitions of "unable to work" vary considerably between funds and can be surprisingly strict. Income protection, where

it's included by default, pays a monthly benefit – typically around 75 per cent of your pre-disability income – after a waiting period of 30, 60, or 90 days, for a defined benefit period such as two years.

The first practical question is whether you have all three, two of three, or just one. Most large funds provide default life and TPD cover but only a subset provide income protection automatically – you often need to apply for it. You can check what you have by logging into your super account online and looking at the insurance section, or by checking your most recent annual statement. If you have more than one super account, you probably have more than one set of cover, and you may be paying duplicate premiums for something you'd only be able to claim once on.

The amounts vary enormously. Analysis by Super Consumers Australia has found that default cover across the ten largest funds can differ by an order of magnitude at the same age. At age 60, combined death and disability premiums ranged from around \$114 to over \$1,000 per year depending on the fund; at age 65, some funds were charging more than sixteen times the premium of a competitor for comparable cover. The sum insured varies just as widely – a 60-year-old claiming permanent disability might receive \$5,000 from one large fund or ten times that from another.

This isn't a reason to immediately switch funds. Default cover is designed around the demographics and working lives of each fund's typical member, and what looks expensive for one person may be appropriate for another. But it is a reason to understand what you've actually got.

Is it enough?

The default cover most funds provide is calibrated to a hypothetical average member – not to you. Whether it's enough depends on what the cover is supposed to do for your household if something goes wrong.

For life cover, the test is whether the sum insured would clear your debts and provide meaningfully for the people who depend on your income. A common rule of thumb is that life cover should be enough to pay off the mortgage, cover your children's education or immediate living costs, and provide a capital base that can generate replacement income for your partner. Most default cover doesn't come close to this. Industry research over many years has consistently found median cover through super well below the level needed to replace lost income for a family with young children, particularly in the middle age brackets where responsibilities are highest. The specific shortfall varies by age, household composition, and debt load, but the direction is consistent: default cover is a floor, not a finish line.

TPD cover is harder to estimate because the consequences of permanent disability are more variable. Someone who becomes unable to work at 40 needs enough capital to

cover decades of lost income, medical costs that may not be covered by Medicare, and potentially significant home modifications. The same event at 60 has a shorter income replacement horizon but may still involve substantial care and modification costs. Most default TPD cover is some multiple of an annual salary – enough to help, not usually enough to fully replace what's lost.

Income protection is the simplest to assess. If your default cover pays 75 per cent of your income up to a capped maximum, the question is what that cap is, how it compares with your actual income, and how long the benefit period runs for. A two-year benefit period is common, but someone with a condition preventing work for longer than that would lose cover at the two-year mark.

There's also the question of what the cover excludes. Pre-existing condition exclusions are common, particularly for cover that's been recently taken out or increased. TPD definitions have tightened in recent years, with some funds applying more restrictive tests once members reach 65. Limited cover applies in some funds for the first months after joining, meaning conditions that pre-date your joining the fund aren't covered. None of this is hidden – it's in the fund's insurance guide – but very few members read those guides.

When cover cancels and you don't notice

This is the part of the article most readers skip, assume doesn't apply to them, and then pay for later. A series of federal reforms passed in 2019 and 2020 – bundled together as the Protecting Your Super package and the Putting Members' Interests First legislation – significantly changed how default insurance works. The reforms were designed to stop super accounts being eroded by premiums for unwanted cover, but they created several scenarios in which members lose cover without understanding why.

From 1 July 2019, any super account that hasn't received a contribution or rollover for 16 continuous months is deemed inactive, and the fund is required to cancel the insurance cover attached to it unless the member has actively opted in to keep it. From 1 April 2020, funds can no longer provide default cover to members under 25 or to members with balances below \$6,000 unless the member actively requests it.

The practical effect is this: if you stop receiving super contributions for any reason – a career break, parental leave, a period between jobs, starting a business – your cover is on a countdown. Sixteen months is not long. The fund is required to write to you before cancellation, but those notices often arrive at old addresses, go to email accounts people no longer check, or get lost among the other communications funds send. Many people who've lost cover this way only discover the loss when they try to claim.

Consider a practical case. A primary-income parent, age 38, takes 15 months of unpaid parental leave after a difficult pregnancy, intending to return to work shortly afterwards. The family's financial plan assumes the TPD cover in the parent's super will be there if something goes wrong – a serious illness, a disabling accident. Because no contributions have been made for 15 months, the cover is still active. But the return to work is delayed. At 17 months, the fund cancels the cover under the inactivity rule. Four months later, a diagnosis of a degenerative condition makes returning to work impossible. The cover is gone, and because the condition has now been diagnosed, replacement cover either isn't available or carries exclusions that make it effectively worthless for this condition.

This isn't an edge case. It's a scenario that unfolds regularly in claims disputes. The fix – opting in to keep cover during a period of no contributions, or making a small voluntary contribution to keep the account active – is simple if you know to do it. The problem is knowing.

The under-25 and low-balance rules catch a different group. Younger workers who've started their first job and don't meet the \$6,000 balance threshold have no default cover unless they've actively opted in. Most don't even know the option exists. Parents of young workers often assume the cover they had at that age is the same cover their children now have; it isn't.

Switching funds is another moment of exposure. If you consolidate multiple super accounts into one, you may lose the insurance cover attached to the accounts you close. This can be intentional – you don't want to pay for duplicate cover – but it can also be accidental if you didn't realise the cover was there in the first place. Before consolidating, it's worth checking what cover exists in each fund and whether transferring cover is an option.

What to consider when life changes

Default cover is set once and updated automatically based on things like your age. It doesn't know that you've just bought a house, or had a child, or taken on a business loan, or watched your spouse stop working to care for a parent. All of these events change what your insurance needs to do, and none of them will trigger any change in your default cover.

A useful habit is to treat major life events as prompts to review cover. Buying property typically increases the sum needed to protect dependants; having children extends the period over which income protection matters; changes to a spouse's earning capacity affect how much life and disability cover is needed in the household overall; starting a business changes the mix of cover that's available and affordable. Divorce, remarriage, and blended family arrangements all affect who the beneficiaries of any payout should be – and

beneficiary nominations inside super don't update automatically when circumstances change.

Age matters too. TPD cover typically ends at 65 in most large funds, and life cover usually ends at 70, though this varies – some funds extend TPD cover to 70 or beyond and death cover to 68 or later. If you're planning to work past 65, or have dependants who'll still need protection past that age, default cover may not cover you for the years when it matters most.

Beneficiary nominations are another area where assumptions and reality often diverge. A binding death benefit nomination tells your super fund exactly who should receive your super when you die and, provided it's valid and current, removes the trustee's discretion. A non-binding nomination is a preference the trustee can consider but doesn't have to follow. ASIC's 2025 review of death benefit claims (Report 806) found that, across the ten trustees reviewed, only 12 per cent of living members in the sample had a valid binding nomination – and that most claims involved either a non-binding nomination, no nomination at all, or a lapsed one. Separate research by Super Consumers Australia found that around 36 per cent of members hadn't made any nomination, and only about a quarter were sure they had a binding one. These aren't identical measures, but the combined picture is clear: the proportion of super members with a current, valid binding nomination in place is far smaller than most people assume. Most binding nominations also lapse after three years unless renewed, which catches many people out.

What an audit typically turns up

If you sit down with your adviser and work through what you actually have, a few patterns are common.

Duplicate cover is one of the most frequent. People with multiple super accounts are often paying for life and TPD cover in each, and the premiums are quietly eroding balances they could otherwise be investing. For life and TPD, it's generally possible to claim on multiple policies for the same event – these policies pay agreed lump sums rather than indemnifying actual loss – though some newer policies contain clauses that restrict multiple claims, so this is worth checking. Income protection is different: offset clauses usually limit total benefits to a percentage of pre-disability income, so duplicate income protection cover often means paying two premiums for benefits you can only receive once. Consolidating accounts – carefully, with attention to the cover attached – can save hundreds of dollars a year without reducing genuine protection, particularly where income protection is involved.

Gaps are the second common finding. A household with one high-earning partner often has adequate cover for that partner but inadequate cover for the lower-earning spouse,

whose contribution to the household (particularly unpaid care work) would be expensive to replace. Or the cover is sized for income replacement but not for debt repayment, leaving the surviving partner with both a mortgage and reduced household income. Or the cover is adequate now but hasn't been reviewed since a child was born.

Outdated details are the third. Beneficiary nominations made decades ago that no longer reflect the person's wishes. Cover structured for a job the person no longer holds. Work ratings – the classification funds use to price cover, typically “professional,” “white collar,” or “blue collar” – that don't match the person's current role, meaning they're paying for a higher-risk classification than they need.

And finally, there's the cover that isn't there at all – cancelled under the inactivity rules during a career break, lost in a fund consolidation, or never opted into because the member was under 25 when they started work.

None of these are catastrophic on their own. Catastrophe is what happens when one of these gaps overlaps with a claim event, and the family discovers in the worst possible week that the cover they thought they had isn't there.

Worth thinking about

A few questions worth raising with your adviser at your next review:

- What insurance do I currently have across all my super accounts – life cover, TPD, income protection – and what are the sum insured amounts?
 - Is the cover appropriate for my current circumstances: mortgage, dependants, income, and what the household would need if I died or couldn't work?
 - Are any of my accounts at risk of having cover cancelled due to inactivity, and is there a reason to actively opt in to keep cover during any planned break from work?
 - If I've consolidated super accounts recently, have I lost any cover in the process? Can any of it be replaced, and at what cost?
- Do I have valid binding beneficiary nominations in place for each super fund, and do they reflect my current wishes?
 - What happens to my cover as I approach 65 or 70, and do I need to plan for replacement cover outside super? Default cover inside super is a starting point, not an endpoint. It's there because most Australians wouldn't have any cover otherwise, and for many people the default is genuinely enough. But “enough” is a specific question about a specific household, and the only way to answer it is to look.

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Q&A: Ask a Question

Question 1

When my wife passed away, I was surprised to see how much my tax position changed. Why does the tax burden increase so much when you go from a couple to a single person?

This is one of the most overlooked aspects of losing a spouse. The Australian tax and transfer system is built around the idea that household income is split between two people, each with their own tax-free threshold, offsets, and Medicare levy thresholds. When a household becomes a single-person household, the survivor often inherits the income-producing assets but only has access to one set of those benefits.

For seniors, the shift is especially sharp. The Seniors and Pensioners Tax Offset (SAPTO) shades out at lower income levels for a single person than for a couple combined, and can cut out entirely once income rises modestly above the single threshold. The low income tax offset also disappears at higher incomes, the tax-free threshold is used once rather than twice, and the Medicare levy now applies under single-person thresholds. In practice, total income may also fall after a spouse's death – through the loss of a pension or a reduced investment base – but even where it doesn't, the tax payable on a given income typically rises.

This isn't a loophole – it's a built-in feature of a tax framework designed around couples. Its impact can be softened with forward planning, ideally before the event. Your adviser can help model what the single-person tax position would look like and identify strategies to reduce the cliff.

Question 2

I'm about to take extended parental leave. Does my super insurance keep running while I'm not getting paid?

Not necessarily – and this is a trap that catches a lot of people. Under rules introduced in 2019, if a super account doesn't receive any contributions or rollovers for 16 continuous months, the fund is required to cancel the insurance cover attached to it unless you've actively opted in to keep it. The rule was designed to stop inactive accounts being eroded by premiums, but it can quietly remove cover at exactly the time some people need it most.

The risk is particularly relevant during extended parental leave,

career breaks, time spent caring for a family member, or periods between jobs. Sixteen months passes more quickly than most people expect. Funds are required to write to you before cancelling cover, but those notices often arrive at old addresses or get missed among other super correspondence.

There are two straightforward ways to keep cover active. The first is to formally opt in with your fund to retain insurance despite inactivity. The second is to make a small voluntary contribution periodically, which resets the inactivity clock. Either approach works, but both require you to act – silence is what triggers the cancellation.

If a break from paid work is on the horizon, it's worth raising with your adviser before it starts, so your cover isn't quietly lost at the wrong moment.

Question 3

I've heard my HELP balance was cut by 20% and that repayments work differently now. Should I still pay it off voluntarily, or is my money better used elsewhere?

The HELP landscape has shifted significantly. Legislation passed in 2025 reduced every outstanding HELP balance by 20% as at 1 June 2025, lifted the minimum repayment threshold to \$67,000 for 2025-26, and moved repayments to a marginal rate structure – meaning you only pay a percentage of income above each threshold, rather than a percentage of your whole income. Separately, annual indexation is now capped at the lower of CPI or the Wage Price Index, so the “return” from voluntary repayment is much lower than it was during the 2023 indexation spike.

At current indexation levels of roughly 3 to 4%, voluntary HELP repayment delivers a modest, risk-free saving. But the same dollar applied to a mortgage offset typically saves you the mortgage rate, which for most owner-occupier loans is higher. A salary-sacrificed super contribution can deliver a substantial upfront tax saving for those on higher marginal rates, though the money is preserved until at least age 60.

There's one scenario where voluntary repayment still shines: if you're close to clearing your balance and about to apply for a home loan, paying it off can unlock meaningful additional borrowing capacity under updated APRA guidance. For most other households, the decision isn't as clear-cut as it once was. A conversation with your adviser can help weigh the trade-offs against your broader goals.

With all these topics, there is no single “right” choice. Your personal situation matters, and you should seek advice from a licensed financial adviser to understand what is most appropriate for you.