In-depth with The Conexus Institute

Default retirement solutions

Why, what and how

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David Bell

Executive Director, The Conexus Institute

Geoff Warren

Research Fellow, The Conexus Institute

Honorary Associate Professor, Australian National University

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Overview of our main messages

Parts of the superannuation (super) industry are pushing for 'retirement defaults' to be placed on the policy agenda. This report aims to contribute to the discussion. While largely written as a 'scene setter' outlining the issues and possibilities, we also argue that there is a meaningful group of retirees who could benefit from enabling fund trustees to suggest to them what might be described as a 'default retirement solution'. Policymakers should consider how they can facilitate this pathway.

The problem that we are trying to solve

The lack of clarity around what 'default' means in a retirement context is a foundational problem. It is often quite unclear what the super industry is talking about when they invoke the phrase 'retirement default'. We aim to provide some structure to the discussion through offering a framework encompassing the differing forms that 'defaults' (broadly defined) might take.

Problem that the super industry needs to solve

Many super fund members either take no action or accept the most obvious option upon entering retirement, which results in many retirees ending up in sub-optimal retirement solutions. For instance, more disengaged members may inadvertently remain in an accumulation account despite being retired; while those who transfer their balance into the retirement phase often end up investing through an account-based pension (ABP) using the default investment strategy and drawing at the minimum rate with insufficient regard for suitability. The challenge for super fund trustees is to assist these members towards a retirement solution that is more appropriate for their needs, when some are either unlikely to take action or have difficulty engaging effectively with available help, guidance and advice services. 'Retirement defaults' offer the potential to direct these members towards better solutions via providing a nudge and making their decision easy through presenting a ready-made option. The problem is that the existing policy framework does not enable super funds to suggest retirement solutions to members. Thus reliance is placed on members engaging and taking action. Unfortunately, many do not.

Adding clarity around 'retirement defaults'

Our approach to placing structure around the discussion is to describe the mechanisms that might be called a 'default' by their features, leaving the word 'default' as a general term with no specific meaning. The features of 'defaults' may be described along two dimensions. The first is the type of *retirement solution* that is made available as a 'default'. This could be either a single, generic solution or a set of standardised solutions designed for specific member types, rather than a personalised solution. The second dimension is the *pathway* through which members may end up in those solutions. We envisage five possible pathways, including hard default without assent, assigning the member upon their request, suggesting a solution to the member, providing a (baseline) recommendation through a financial advice process, and the member choosing a 'default' solution for themselves from a menu of options. Our main figure presenting these possibilities as a matrix appears over the page.

While it is open to super funds to make available any type of retirement solution, the pathways by which members might end up in those solutions are constrained by the current policy framework. Specifically, hard defaults, assignment and suggestions are unavailable. Meanwhile, super funds conceptually have scope to recommend a 'default' retirement solution under an advice process, which in turn may be further enabled under the *Advice through Superannuation* component of the Delivering Better Financial Outcomes (DBFO) Tranche 2 reforms. It is also open for super funds to make available 'default' retirement solutions that members may choose for themselves. The issue is that both recommendations under financial advice and member self-choice rely on the member engaging with the decision process and taking action. The risk is that many members may fail to do so and accordingly end up falling far short of making the best use of their retirement savings.

Potential types of 'defaults' in retirement

		Retirement solution	
		(A) Single generic solution, made available to all	**(B) Standardised solutions for specific member types**
Pathway	**1. Hard default**, made without prior assent with opt-out available	Defaulting member into a basic solution, perhaps once they reach a certain age and stop contributing	Defaulting member into a standardised solution, perhaps once they reach a certain age and stop contributing, based on (likely limited) member information such as balance
	2. Assignment, made at the request of the member with opt-out provided	Assigning member upon request to a basic solution	Assigning member upon request to a standardised solution based on available personal information
	3. Suggestion, possibly made with intent of spurring engagement	Basic solution presented for consideration, along with invitation to engage	Standardised solution presented for consideration based on any available personal information, along with invitation to engage
	4. Baseline recommendation under an advice process, with encouragement to further engage	Basic solution presented as a baseline to consider, with encouragement to further engage	Presenting a standardised solution as a baseline offer after collecting the personal information required to identify the member's type, with encouragement to further engage
	5. Member self-choice of pre-set solution(s), presented either during the 'join process' or via general communications or fund materials	Making available a basic solution that may be suitable for many members	Standardised solutions made available for members to choose designed for particular member types, while highlighting situations where solution may be unsuitable

Enabling 'suggestions' would be the key policy action

A key policy action – and the one we sense that some in the super industry are calling for – would be to enable super funds trustees to suggest a potential retirement solution to members as a type of nudge or a call to action. Enabling trustees to do so would require addressing the current constraints stemming from the anti-hawking regulations and the proposed limitation on referring to financial products under the *targeted superannuation prompts* component of the DBFO Tranche 2 reforms. While there are some issues with providing trustees with the ability to make suggestions outside of a financial advice process, we consider the benefit of moving many retirees into more appropriate solutions than otherwise would significantly outweighs the risk of a few retirees ending up in unsuitable solutions.

Other important elements

We see three elements as fundamental to delivering retirement 'defaults' in an effective manner:

- **Defaults should be 'smarter' rather than basic** – The industry should be aspiring to deliver 'smarter' defaults that cater for differing member needs, for instance a suite of solutions designed for specific member types. Super funds can do better than single generic defaults. In particular, presenting an ABP with minimum drawdowns as 'the default' would provide little uplift from the current state.
- **Implementing for members** – Super funds need to establish the capacity to deliver integrated 'default' solutions, and then only require members to push a proverbial 'big green button' to have a solution implemented for them. Currently the industry at large is not in the position to do so, which raises the spectre of implementation losses that dilute the benefit from 'defaults' if not addressed.
- **Provide member protections** – 'Default' retirement solutions and the manner in which they are offered should be carefully designed and framed to limit the risk of members ending up in a solution that is unsuitable for their needs. We suggest some procedures in Section 6.2.

1. Introduction

At the 2025 Conexus Retirement Leaders Summit (see our *Review and Reflections* note) the concept of introducing 'soft defaults' in retirement received support from a number of super funds. This follows Australian Retirement Trust stating that they saw "a significant potential role for a 'suggested' product (opt-in soft default)" in their submission to the Government's Economic Reform Roundtable. Further, we detected no signs of resistance to the concept. This was somewhat surprising given prior resistance to the idea of "comprehensive income products for retirement" (CIPRs)[2] that originated from the *Financial System Inquiry* of 2014, as well as Treasury's exploration of a "standardised product" in its *Retirement phase of superannuation*" discussion paper of 2023. The ground appears to have shifted, thus motivating this report which builds on our earlier report "*Pathways for directing members into retirement solutions*" of November 2023.

Perceptions of what 'default' means in a retirement context differ across the super industry. The word may be used to refer to true ('hard') defaults where a member is assigned to a solution without taking action through to 'pre-set' solutions that may be made available to members via various channels that might be described as 'soft' defaults. To further complicate matters, 'default' is sometimes used as a noun, i.e. a 'default' solution; and (less frequently) as a verb, i.e. the action of 'defaulting' a member into a solution. Recognising this, we invoke the word 'default' in inverted commas as a general term that captures the range of mechanisms being discussed under the default banner.

Nevertheless, one of our main aims is to place some structure around the amorphous discussion about 'defaults'. We do so by discussing 'default' mechanisms along two dimensions with the intent of characterising these mechanisms according to their features. The first dimension is the type of *retirement solutions* that are intended to operate as a kind of 'default', which we will at times refer to as pre-set solutions, which span two broad categories:

A. Single generic solution, available for use by all members
B. Standardised solutions designed for specific member types

The second dimension is the *pathway* through which members may end up in those solutions. We identify five pathways through which a pre-set or 'default' solution could be provided:

1. Hard default without prior assent
2. Trustee assignment at member request
3. Suggestion, which would be made outside of a formal advice process
4. Baseline recommendation, arising under an advice process
5. Member self-choice, where the member self-selects a 'default' option

This leads to the question of what super funds trustees can currently deliver, and whether additional policy action is required to enable any of the above default mechanisms. Noting that there are no constraints on the type of retirement solutions that super funds may offer, this question revolves around the pathway one is talking about. It is currently open to super funds to make available pre-set solutions that might be called a type of 'default' for members to self-select (i.e. pathway 5). It is also open for super funds to recommend a pre-set solution as a baseline position under financial advice (i.e. pathway 4). Further, the *Advice through Superannuation* component of Tranche 2 of the DBFO reforms should widen the scope for trustees to make such recommendations to members, which might be presented as a 'first offer' made with reference to personal information of limited scope as proposed under the reforms[3].

The other three pathways do not seem supported and would require policy change. Suggesting solutions as a type of nudge or 'first offer' seems prohibited under the anti-hawking provisions and is not currently facilitated under the proposal for targeted superannuation prompts under DBFO Tranche 2 due to the

[2] See the Treasury consultation of 2016-17 on *Development of the framework for Comprehensive Income Products for Retirement*.
[3] 'Allowed circumstances include household situation, assets outside super, any liabilities and eligibility for government services including the Age Pension.

constraints on referring to product. The capacity to suggest a solution to members (pathway 3) seems to be what ART and some parts of the industry are pushing to be facilitated. Meanwhile, trustees assigning members to solutions at the member's request and hard defaults are also not currently available and face strong information-based hurdles to implementation, in particular hard defaults.

Overall, we support a change in policy to enable pathways under which trustees can suggest pre-set 'default' solutions to members outside of an advice process. Practically this would involve addressing the constraints on doing so under the anti-hawking and targeted superannuation prompts, which we understand to be what ART and some parts of the industry are pushing for. 'Soft defaults' – or perhaps more correctly, nudges – of this type can bring significant benefits especially for members who are not well-placed to engage with retirement decisions on their own behalf and are unlikely to pay a financial adviser. Presenting such members with a potential retirement solution would relieve their decision load, and should lead to many taking action and consequently ending up in a better solution than might otherwise have been the case.

A few things need to happen for retirement 'defaults' to operate effectively. First, 'default' solutions should ideally be built that cater for differing member types, rather than offering a single generic default. The fact that the needs of retirees can vary significantly calls for 'smarter' rather than simpler 'defaults'. Second, the industry needs to develop the capacity to deliver integrated retirement solutions and then implement them for members, i.e. it needs to be easy for members to access solutions comprising more than an ABP with basic drawdowns. Third, 'default' retirement solutions and the manner in which they are offered should be carefully designed and framed to limit the risk of members ending up in a solution that is unsuitable for their needs. This requires having in place appropriate governance and procedures. While we see considerable net benefit in broadening the availability of 'defaults' within the retirement system, it is important to do so in a way that minimises the risk of harm for those members who may be willing to accept a retirement solution that is presented to them purely out of trust or convenience.

2. Why might retirement 'defaults' be beneficial?

Potential benefits of super funds offering retirement 'defaults' of some form include the following:

1. **Catering for members who may not take decisive action** – The primary motivation would be to cater for those members who might not take decisive action around retirement if left to their own devices. We are specifically referring to the type of member who may not engage with their options for retirement, either through failing to make use of help, guidance and advice[4] made available by their fund; or eschewing personal financial advice due to either unaffordability, reluctance to pay or perhaps inertia. Failure to effectively engage may arise for a range of reasons, including very low financial literacy, poor language skills, lack of knowledge, cognitive impairment, inertia or even 'fear of finance'. Some type of 'default' could help to avoid these members either ending up in an inefficient or unsuitable retirement solution, or perhaps inappropriately remaining in accumulation.

2. **Some members might prefer a 'default' offering** – Some members might have high trust in their super fund coupled with limited self-confidence to make financial choices. Some might even expect their fund to provide defaults for retirement, as they do in accumulation. This member type includes the 'please do it for me' members, who could make a choice if required but would prefer not to. Such members may welcome a 'default' as it relieves them of the decision load, and perhaps the complication of having to deal with multiple parties to access a retirement solution (where required by the onboarding process). The existence of this type of member has been well documented by researchers[5]. 'Defaults' would cater for members with these preferences.

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[4] See the Actuaries Institute's *Financial Advice Reform and Help, Guidance and Advice* Discussion Paper of October 2025 for an excellent overview of the current state of help, guidance and advice in the super industry.

[5] See for instance: Deetlefs, A.J., Bateman, H., Dobrescu, L.I., Newell, B.R., Ortmann, A. and Thorp, S., 2019. "Engagement with retirement savings: it is a matter of trust", *Journal of Consumer Affairs*, 53(3), pp.917-945; FiftyFive5, 2021, "Retirement Planning Survey", *Super Consumers Australia;*

3. **'Defaults' can be beneficial** – The fact that many people often tend to accept options that are presented to them can be used to help members make better decisions and choices. Defaults and recommendations can have a powerful impact on consumer choice: see our Explainer #11 titled '*Behavioural influences on retirement decisions*' for a discussion. 'Defaults' offer an opportunity to direct members toward a more appropriate retirement solution than otherwise, in particular those less capable of making effective financial decisions for themselves.

4. **Call to action** – Presenting or offering a 'default' solution to members can act as a nudge that may prompt engagement that may not have otherwise occurred. A default solution may represent a more tangible and engaging prompt than a general communication or call to action.

Importantly, 'defaults' do not (and should not) represent compulsion. The type of 'defaults' being considered for retirement would be offered on either an opt-out basis or as an opt-in. The ability to opt-out or requirement to opt-in helps guard against the situation where a default is unsuitable, in which case it is open to the member to seek out another retirement solution.

Nevertheless, 'defaults' are something of a two-edged sword as they can still do harm if an unsuitable default is offered. Members may accept 'defaults' even where unsuitable for a variety of reasons including salience, perceiving the default as a recommendation, trust in the offeror and as a way of easing the burden of choice under uncertainty (see Explainer #11). Good choice architecture and member protections are required to help ensure that the benefits are secured without placing members at risk. Section 6.2 offers some thoughts on how to guard against unsuitable offers.

It is worth reflecting on the fact that the super system already embeds defaults by design[6]. Remaining in accumulation is the default for retired members who take no action to transfer their balance into the retirement phase. Further, those that do take action often transfer their assets into an ABP while drawing down at the minimum rate, while being assigned to the default investment strategy if they make no choice. All these settings effectively operate as a form of default. The issue at hand is whether members might end up in a *more appropriate* retirement solution if super funds offered more advanced types of 'defaults', even though such defaults could be unsuitable for some members. We suspect that many members would indeed be better off and that the potential benefits far outweigh the risks, especially if there are procedures in place to minimise the risk of offering unsuitable defaults.

3. What is meant by a retirement 'default'?

Strictly 'default' refers to what happens when no decision or choice is made (see break-out box over for dictionary definitions). Nevertheless, perceptions of what default means in a retirement context differs across the super industry. Ideally the industry should come to a consensus around what constitutes a 'default' in retirement[7]. In the absence of the industry settling on the definitions, the only way through the quagmire is to be clear about exactly what one is talking about. This involves describing any so-called retirement 'default' by its features, rather than focusing on the label. That is, describe retirement solutions being offered in terms of what they are and what they do, as well as the pathway through which members can access those solutions.

[6] Indeed, it might be argued that a system is founded on the concept of defaults given that it is based around compulsory contributions along with default mechanisms in the accumulation phase.

[7] We feel that the word 'default' is better used only in situations where something happens to the member without them needing to do much, in line with the dictionary meaning. Meanwhile, in circumstances where a member is required to put some effort into engaging, deciding or acting, a word like 'recommendation', 'offer', 'suggestion' or similar might be more appropriate. Nevertheless, we acquiesce to the broad use of 'default' here.

Break-out Box: Dictionary definitions of default

Cambridge
the thing that exists or happens if you do not change it intentionally by performing an action

Mirriam-Webster
a selection made usually automatically or without active consideration due to lack of a viable alternative

Oxford Learner's
what happens or appears if you do not make any other choice or change

The Britannica Dictionary
used to describe something that happens or is done when nothing else has been done or can be done

Google Dictionary (Oxford Languages)
a preselected option adopted by (a computer program or other mechanism) when no alternative is specified (by the user or programmer)

Vocabulary.com
an option that is selected automatically unless an alternative is specified

Comment: Default has different meanings in other contexts, e.g. default on a loan, setting in a computer code, failing to field a sports team.

Below we attempt to unpack the issue by exploring various mechanisms that are being described as 'defaults' along the two dimensions: the type of *retirement solution* that might be viewed as a 'default', and the *pathways* through which members may find their way into those solutions.

3.1. Types of 'default' retirement solutions

'Default' retirement solutions are likely be pitched on one of two levels, either of which could be referred to as pre-set retirement solutions:

A. **Single generic solution** – Such solutions might be made available either as a fallback position that is superior to the member remaining in accumulation or investing in an ABP while drawing at the minimum rate, or perhaps presented as a suggestion or first offer with the intent of prompting further engagement from the member. Given the heightened risk of directing members towards a generic solution that may be unsuitable for their needs, any single basic solution should be designed by giving close consideration to potential for harm.

B. **Standardised solutions for particular member types** – These are solutions designed for particular member types, possibly aligned with cohorts or personas. They could be either offered directly to the member as a suitable solution if the trustee is able to secure the personal information[8] required to identify the member's type, or made available as the retirement solutions that are recommended or suggested while leaving it to the member to self-identify their own type. This approach enters the realms of what might be considered 'smart defaults'.

3.2. Member pathways to 'default' retirement solutions

We envisage five pathways through which members may find their way to a 'default' retirement solution of either a generic or standardised nature. Here we are scoping out the range of theoretical possibilities: details on implementation and feasibility of the pathways are discussed in Section 4.

[8] We recognise that the term "personal information" has a specific meaning under the Privacy Act but are using it here nevertheless to described information about the circumstances of individual members.

1. **Hard default** – The trustee places a member in a default retirement solution without their prior assent, most probably accompanied by providing an opportunity to opt-out. This envisages a true default in the sense that it happens to the member without them taking action. This pathway might be considered the retirement equivalent of MySuper in accumulation. Key issues with a hard default include ensuring that defaulting the member is appropriate and that the solution they are defaulted into is suitable. Another key issue is implementing hard defaults in retirement, in particular sourcing the bank account details of members who may not engage so that income may be paid.

2. **Assignment** – The trustee assigns members to a 'default' retirement solution with the prior assent of the member, probably upon request. Capacity to opt-out would be offered. Assignment might involve the member first indicating the willingness to be assigned, with the assignment then implemented after the member does not take up an opportunity to opt-out or perhaps after signing an acceptance form. This is closer to a genuine default to the extent that the member takes a relatively passive role in accepting the assignment. Potentially the assignment might be informed by personal information that could be provided by the member as permitted under DBFO Tranche 2, although this particular case might be viewed as a type of recommendation arising from an advice process (i.e. pathway 4).

3. **Suggestion** – A retirement solution is presented to the member as a 'potential solution', probably with the intent of establishing an initial baseline and spurring further engagement. Indeed, this was envisaged in the CIPR proposal that originated from the *Financial System Inquiry* of 2014, as well as the standardised product explored in Treasury's "*Retirement phase of superannuation*" discussion paper of December 2023. This action has been called a 'first offer' or 'soft' default, but may be better viewed as a type of baseline suggestion or nudge rather than a true default.

4. **Baseline recommendation** – The trustee presents a pre-set retirement solution to the member who may decide to either accept the recommendation or engage over another solution or a variation. Under this pathway we envisage the recommendation constitutes a baseline in the sense that it is formed using limited personal information, potentially as a starting point with the intent of spurring further engagement. The distinguishing feature of this pathway is that the recommendation occurs through a financial advice process, perhaps with the member providing basic personal information such as that proposed to be allowable through an intra-fund process under DBFO Tranche 2. This action might be considered a 'default' only in the sense that the solution offered is a type of first offer involving a generic or standardised solution that is not designed for the particular member, but presented as a point of departure rather than as the best possible solution for that member.

5. **Member self-choice** – This pathway entails the member choosing for themselves an available pre-set 'default' option from a menu. One mechanism could be through the 'join process', whereby either a generic default or set of standardised solutions is made available on the menu of options that the member encounters in filling out an application form. Another mechanism could be the member choosing what might be described as a 'default' solution highlighted through general communications, or via fund materials such as on the website. For instance, a set of pre-set retirement solutions designed for particular member types with which members can self-identify (i.e. persona approach) might be made available as the 'default' solution for that member type.

Figure 1 (see over) brings together these two dimensions in a matrix, with broad descriptions in each cell of the type of retirement solution that could be offered and the pathway through which it may be accessed by members. Appendix 1 illustrates how each pathway might operate.

In practice, it would be beneficial for super funds to offer a combination of pathways towards pre-set retirement solutions in order to cater for differences in how members engage. This raises the question of whether the pathways that are currently permitted and feasible adequately span the range of ways that members may engage with retirement decisions. Our argument is a pathway that caters for members who may not make effective use of help, guidance and advice services is currently missing.

Figure 1: Examples of potential types of 'defaults' in retirement

		Retirement solution	
		(A) Single generic solution, made available to all	**(B) Standardised solutions for specific member types**
Pathway	**1. Hard default**, made without prior assent with opt-out available	Defaulting member into a basic solution, perhaps once they reach a certain age and stop contributing	Defaulting member into a standardised solution, perhaps once they reach a certain age and stop contributing, based on (likely limited) member information such as balance
	2. Assignment, made at the request of the member with opt-out provided	Assigning members on request to a basic solution	Assigning member on request to a standardised solution based on available personal information
	3. Suggestion, possibly made with intent of spurring engagement	Basic solution presented for consideration, along with invitation to engage	Standardised solution for consideration presented based on available personal information, along with invitation to engage
	4. Baseline recommendation under an advice process, with encouragement to further engage	Basic solution presented as a baseline to consider, with encouragement to further engage	Presenting a standardised solution as a baseline offer after collecting the personal information required to identify the member's type, with encouragement to further engage
	5. Member self-choice of pre-set solution(s), presented either during the 'join process' or via general communications or fund materials	Making available a basic solution that may be suitable for many members	Standardised solutions made available for members to choose designed for particular member types, while highlighting situations where solution may be unsuitable

4. How might the pathways be implemented?

We now discuss how selected elements of Table 1 might be implemented, providing examples of existing offerings where available. This section addresses implementation of the five pathways. The design of 'default' retirement solutions is discussed in Section 5 and other implementation matters in Section 6.

4.1. Hard defaults are quite problematic

Hard defaults (pathway 1) are not currently facilitated and would require a change in policy. Further, they give rise to a range of implementation difficulties for reasons that we discussed in some depth in "*Pathways for directing members into retirement solutions*". Three difficulties are most notable:

- *Ensuring that defaulting the member is appropriate* – Remaining in accumulation could accord with the member's desires or be in their best interests. For example, the member may be looking for work, or may wish to use an accumulation account as a source of accessible funds rather than for regular income, and could be content to eschew the tax benefits of a retirement account. Some members may be above the transfer balance cap when their super is aggregated across multiple funds.
- *Risk of defaulting members into an unsuitable retirement solution* – This risk is heightened where the trustee knows little about the member, noting that members who are hard defaulted are more likely to be relying on the trustee either as a consequence of disengagement or trust.
- *Need for bank account details to deliver income to the member* – This can be particularly problematic to the extent that it involves relying on disengaged members to respond and supply their bank account details. We cannot see how bank account details can otherwise be reliably sourced. For instance, if

details were collected from government entities such as the ATO, trustees still may want to double-check that the account is appropriate (e.g. avoid spouse financial abuse).

We do not feel that the industry is calling for some type of genuine hard default, although this is not entirely clear. As hard defaults are quite problematic, they might be left to be addressed at a later date if there is a need for such a pathway to cater for highly disengaged members who are clearly being left behind. Appendix 2 discusses how hard defaults could be enabled if the need arises, including outlining possible pre-conditions and the form that hard default retirement solutions might take.

4.2. Assignments do not seem supported, unless embedded in an advice process

We are less certain about the status of assignment (pathway 2). Trustees assigning members to a retirement solution based on any available personal information, even upon request and with subsequent sign-off by the member, seems quite tenuous under the existing personal financial advice rules and perhaps the anti-hawking provisions[9]. While it could be feasible for an assignment to occur as part of a financial advice process where sufficient personal information is collected to provide the advice followed by provision of a Statement of Advice (SOA), such a process would be splitting hairs with the 'baseline recommendation' (pathway 4) as discussed below.

If an assignment pathway were to be enabled, we envisage that the trustee would then provide an opportunity to opt-out while informing the member what they have assumed about them in making the assignment along with information about the type of member the retirement solution is designed for.

4.3. Suggestions seem problematic without policy change

Suggestions (pathway 3) seem quite problematic under the prevailing legal framework. The anti-hawking provisions of the Corporations Act prohibit the unsolicited selling or marketing of financial products. This position is reinforced under the proposed legislation covering 'targeted superannuation prompts' in the DBFO Tranche 2 reforms, where the exposure draft states "*It is not intended that targeted superannuation prompts are to be used as methods to advertise particular products. Superannuation-related advice must therefore be strategic advice about the types of superannuation products that are suited to the class of members, rather than specific individual product offerings by the superannuation fund*" (page 14). The exposure draft reinforces this point by stating that targeted prompts are subject to the anti-hawking provisions (see page 17). This would appear to preclude super funds suggesting a retirement solution as a type of first offer or nudge for members to consider[10].

Policy action thus seems required to enable trustees to suggest 'default' solutions, along the lines of that proposed in the CIPR Discussion Paper of 2016[11]. This may require establishing some sort of safe harbour from the anti-hawking provisions and addressing the limitations on referring to specific products under targeted superannuation prompts. As mentioned earlier, the ability to present members with suggestions as a type of nudge seems to be what some in the super industry are currently calling for.

4.4. Baseline recommendations under advice are permitted, may be easier under DBFO

It is currently open to funds to recommend pre-set 'default' solutions as a baseline under an advice process (pathway 4). Recommendations made under collectively-charged advice are currently being implemented by some super funds (including Aware Super, for example) through digital processes under a financial advice license that collects personal information and provides an SOA including a solution recommendation. The *Advice through Superannuation* component of the DBFO Tranche 2 reforms could broaden the availability of this pathway by permitting trustees to collect certain personal

[9] Under the UK's 2025 Pension Schemes Bill default pension benefit solutions have many policy design features in common with the assignment pathway.
[10] Interestingly the UK is permitting product names to accompany general retirement recommendations.
[11] *Development of the framework for Comprehensive Income Products for Retirement* (2016).

information and use it to provide members with financial advice on their interest in the fund[12] on a collectively-charged basis, thus creating a path for trustees to issue recommendations that account for basic member characteristics[13]. Such recommendations might be presented as a baseline offer that constitutes a type of 'soft default' coupled with an invitation to further engage.

4.5. No constraints on members choosing a 'default' solution for themselves

There are no constraints on super funds making pre-set retirement solutions available that members may choose for themself (pathway 5). One existing example is AustralianSuper's Smart Default, which applies higher drawdown than the minimum rate until age 75 and invests in an 88/12 growth/defensive mix. Another is NGS Super's Easy Default, which invests the member in a bucket strategy with 12% in a cash bucket and 88% in a growth bucket with a 70/30 growth/defensive mix while applying higher drawdowns than the minimum rate until age 75. Yet another example is the retirement profiles approach used by CSC and Telstra Super, under which solutions are suggested for differing member types with which members can self-identify – although neither of these funds refers to the highlighted solutions as 'defaults'.

4.6. Duty to members

The duty to members differs across the five pathways discussed above. Super fund trustees may be operating under any of three duties, or some combination thereof. First is as a fiduciary on whom the member is relying. In this case, the trustee will need to consider the benefit to the member base at large as well as for individual members. Second is as a provider of products or services, which implies a duty to provide products, retirement solutions and self-help services that are fit for purpose. Third is as a provider of personal financial advice, which attracts the duties associated with financial advice including acting in the best interest of the member (client). Hard defaults (pathway 1) sit solidly within fiduciary duties, while member self-choice (pathway 5) sees the super fund acting as a provider of products and services. The other three pathways could cross over any of the three duties depending on how they are implemented, although assignment (pathway 2) entails a strong fiduciary element while baseline recommendation (pathway 4) might largely sit under financial advice duties.

5. How might 'default' retirement solutions be designed?

We first touch on what form a single generic solution might take before outlining the case for more standardised solutions that are tailored towards key member characteristics. We conclude the section by putting forward the case for aspiring to deliver 'smarter defaults'.

5.1. Single generic solutions

Although a single generic 'default' solution might comprise an ABP coupled with minimum drawdowns, super funds can do much better. Indeed, directing members into a basic solution of this type would amount to little advancement over where most of the industry currently stands. At the very least, more efficient drawdown rules might be applied within the context of ABPs. For instance, AustralianSuper's Smart Default and NGS Super's Easy Default both apply higher drawdown rates than the minimum until age 75.

We also see a case for considering single generic solutions that combine an ABP with a lifetime income stream (LIS)[14]. Allocating a *portion* of the available balance to a LIS exchanges some of the flexibility supplied by an ABP for an element of income for life (facilitated through mortality credits). This

[12] Allowed topics (i.e. scope of advice) and allowed circumstances (i.e. member information that may be collected and used) will be defined under regulations; see the *Advice through Superannuation* discussion paper.
[13] See *DBFO Tranche 2 fills gap in super fund retirement guidance and advice*, Retirement Magazine, 23 April 2025.
[14] Refer our Retirement Explainer #9 *Lifetime income streams* for an overview of LIS.

combination could be more valuable to many members than investing only in an ABP, notwithstanding that flexibility is constrained to some degree. For instance, combining an ABP with an investment-linked LIS using the same underlying investment strategy can generate higher expected income and provides longevity insurance[15], while flexible access to funds is retained through the ABP and perhaps via any death and exit benefits[16]. Another possibility might be to combine a fixed LIS that supplies a defensive layer of 'guaranteed' income with an ABP that is invested more aggressively in order to buffer expected income. We also note that Treasury's example standardised product that appeared in the *Retirement phase of superannuation* discussion paper of December 2023 ('bundled retirement product') included a deferred annuity as well as a capital reserve (i.e. contingency or rainy day account).

A key question is whether including a LIS in a single generic 'default' solution might be to the detriment of members who accept the default but do not fully appreciate that flexible access to funds and hence their capacity to adjust will be impaired to an extent. The potential for this to occur would be greater under a hard default or assignment where the member is relying on the trustee, and lesser under other pathways under which the member is more likely to be paying greater attention to the suitability of the retirement solution. The associated risks for some members need to be balanced against the benefit for other members, and might be mitigated in part by clear communications and offering solutions on an opt-out (if not opt-in) basis.

In summary, there exists a number of potential 'smarter' designs for single generic retirement solutions that could deliver better expected outcomes for a majority of members than a standard ABP with the minimum drawdown rules.

5.2. Suite of standardised solutions desirable as it supports some tailoring

Standardised solutions designed for particular member types might be considered as 'smart defaults', and are preferable to single generic solutions. This approach can facilitate the provision of tailored solutions to members with differing needs on some level, and can do so at scale and relatively low cost to a super fund and its members. While we consider individual tailoring as the gold standard (on the proviso it is done well), a suite of pre-set standardised solutions may offer a way of providing a degree of tailoring for members who do not seek paid financial advice.

Tailoring for members based around their member type needs to be informed by personal information. Our *Explainer #4 Member characteristics: What matters for retirement solution design?* identifies the key characteristics that are required for effective tailoring. These include age, financial assets inside and outside of super, homeownership, partnered situation and an understanding of objectives and preferences. These items all appear on the draft list of allowed circumstances being proposed under the *Advice through Superannuation* component of DBFO Tranche 2, with the exception of preferences (which we advocate for in our submission). Our *Explainer #7 Building retirement solutions* describes how this information may be used to construct tailored retirement solutions. The passing of the DBFO Tranche 2 legislation should fully enable trustees to collect the required personal information and use it to design tailored solutions for member types (or individual members,) which might then be delivered as pre-set solutions that could be presented as 'defaults'.

5.3. Case for moving towards smarter 'defaults'

The facilitation of 'defaults' of some kind offers the potential to transition retirees from accumulation into a retirement solution that provides retirement income. The discussion above alludes to differing degrees of sophistication that could be embedded into 'defaults'. Our stance is that smarter defaults are preferred in order to tailor for the significant differences that exist in retiree circumstances, needs and

[15] ART's Lifetime Pension Estimator shows how expected income is higher when Lifetime Pension is combined with an ABP using the same underlying investment strategy.
[16] Death and exit benefits are limited under the capital access schedule (to life expectancy), and will reduce the income delivered by the LIS. Their value is hence debatable.

wants. Although a 'default' in the form of single generic solutions may raise the floor, tailoring offers the potential to raise the ceiling on assisting members towards a better retirement.

Figure 2 sets out a spectrum of potential 'default' solutions by degree of sophistication. For simplicity, the diagram focuses on where assets are allocated and the nature of drawdowns, while putting aside finer details such as the investment strategy within the ABP, the type of LIS and drawdown strategy design. The aspiration in offering retirement 'defaults' should be to move retired members as far to the right of Figure 2 as possible, i.e. towards standardised solutions for member types. Conceptually sitting to the right of Figure 2 (but not shown) would be individual tailoring for members through a personal recommendation arising from an advice process such as comprehensive financial advice, which offers scope to provide solutions to members that may be even more suitable for their needs.

Figure 2: 'Default' solutions for retirees by degree of sophistication

Default if no action taken	**Retirement 'defaults'**			
(Starting point)	**Single generic solution**			**Standardised solutions**
Retiree remains in accumulation, with potential for lump sum drawdowns	ABP with minimum drawdowns	ABP with more efficient drawdowns	ABP + LIS with efficient drawdowns	Tailored for member types, comprising an ABP and possibly a LIS with efficient drawdowns

We believe there are two different interpretations around existing retirement 'default' settings, both of which sit at the far left of Figure 2. First is where a retired member takes no action to move into the retirement phase and hence remains in an accumulation account. This might be strictly considered the baseline retirement 'default', especially for the highly disengaged. While there appears to be a significant cohort of retired members still sitting in accumulation accounts, the extent to which some are doing so inadvertently is unclear. Remaining in accumulation may be an active choice for some members, possibly with the intent of preserving their super savings as a lump sum for accessing when required or because they are hoping to re-enter employment. 'Defaults' may help to move some members who are inadvertently remaining in accumulation into the retirement phase. Second, an ABP with minimum drawdowns may be considered the existing retirement 'default' setting for those who move from accumulation into retirement. This reflects that many members who take up an ABP remain in the trustee-directed investment strategy with drawdowns based on the minimum drawdown rules.

Moving retired members further towards the right of Figure 2 should benefit the *majority*. Within the context of a single generic solution, an ABP with more efficient drawdowns will generate higher expected income. Adding a LIS (as discussed in Section 5.1) should leave most members better off by boosting expected income while providing longevity protection, notwithstanding that it entails a degree of reduced access to capital. Standardised solutions support a level of tailoring has potential to deliver even more suitable solutions to a majority of members, provided that the design of those solutions and the pathways through which they are offered assist members towards a solution that is broadly appropriate for their needs.

Super fund trustees and policymakers should be aspiring towards moving as many retirees as possible to the right of Figure 2. 'Defaults' consisting of an ABP with minimum drawdowns would provide only a modest uplift relative to current settings, with the main benefit being shifting some retirees who might inadvertently be remaining in accumulation into the second box in Figure 2. The industry can do better through offering a 'smarter' single generic default, but can do much better by moving members into much 'smarter' tailored defaults. Given that super funds should in any event be working towards greater personalisation through both their retirement solution offerings and help, guidance and advice services, the delivery of more tailored 'defaults' might be seen as part of that effort.

6. How can super funds deliver 'defaults' effectively?

We now discuss two further aspects of how super funds can deliver retirement 'defaults' in an effective manner. Section 6.1 highlights the need for the industry to build out its ability to offer and implement integrated retirement solutions. Section 6.2 addresses establishing governance and procedures to limit the risk of offering 'defaults' to members that are unsuitable for their needs.

6.1. Integration and implementation (the two 'i' words)

The 2025 Conexus Retirement Leaders Summit and our associated preparation meetings with super funds brought to light two '*i*' words that amount to key development areas for the industry:

- ***Integration*** – Retirement solutions need to *integrate* an ABP and possibly a LIS with drawdowns from the ABP to 'shape up' the income stream, with the ABP drawdown strategy allowing for other income sources including the Aged Pension and any LIS. The ability to do so is important for moving towards smarter solutions than an ABP with basic drawdowns[17].
- ***Implementation*** – Super funds should be able to implement retirement solutions *on behalf of members*. Presenting a 'default' retirement solution to members and then sending them off to fill in a range of forms and manage the drawdowns for themselves[18] would be quite ineffective, especially given that a key motivation of introducing 'defaults' would be to make it easy for members to access a more suitable retirement solution. The idea of implementing solutions for members has been referred to as 'a big green button' concept.

Reflection on both these '*i*' concepts highlights how the industry at large is currently not positioned to offer anything beyond very basic 'default' retirement solutions, e.g. an ABP with simple drawdown rules. We are not aware of any super fund that can currently offer members integrated retirement solutions *and* implement those solutions for members at scale – although we understand some funds have this goal within sight. Currently members are required to use either a financial adviser (or an implementation service, which a few funds offer) to access and implement integrated retirement solutions that are more complex than an ABP with basic drawdowns. The industry has much to do if anything beyond very basic 'default' retirement solutions are to be successfully enabled.

6.2. Limiting potential for offering unsuitable 'default' retirement solutions

Well-framed choice architecture and member protections will be required to help mitigate the risk of offering 'default' retirement solutions to members that are unsuitable for their needs and maximise the potential benefits from retirement 'defaults'. While this risk applies most acutely to hard defaults, assignments and suggestions, it also applies under baseline recommendations and member self-choice. Offering solutions on an opt-out (if not opt-in) basis is fundamental. However, opt-outs alone may not suffice, especially when many members may tend to accept the retirement solution highlighted by their super fund either based on trust and/or convenience. Some procedures to ensure that suitable retirement solutions are offered to members include the following:

- Establishing strong governance and oversight of the design and offering of 'defaults' is fundamental
- Always providing an opt-out
- Outlining the assumptions about the member type that underpins the design of the retirement solutions, so the member can gauge whether they fit within that member type

[17] Many super funds currently offer only the minimum drawdown rules and the capacity to nominate a fixed drawdown amount within their ABPs, as outlined in the Conexus Institute 'In-brief' *Account-based pensions: Limited drawdown options, but no limits on terminology* of 25 June 2025.

[18] The 'In-brief' referred to in the prior footnote also notes that ABPs are currently offered in a way that does not facilitate members easily implementing a recommended retirement solution for themselves.

- Ensuring any offering is informed by adequate knowledge of the member's personal circumstances, so that the offer is made with high confidence that it is suitable
- Providing members with flexibility to make subsequent adjustments if they find the solution to be unsuitable, e.g. either avoid significant lock-in of capital embedded in a LIS design, or limit the amount of capital that is allocated to the LIS
- Adopting solution design principles aimed at minimising risk of harm
  - Applying member-friendly labels and well-crafted communications to maximise the chance that members understand their options
  - Assessing the value added by the solution, e.g. comparison against an ABP with default investment strategy applying minimum drawdowns (which requires quantitative modelling)[19]
  - Undertaking analysis of member outcomes and behaviour to check that retirement solutions are working as they were intended

There may be a role for the regulators to monitor and review the operation of retirement 'defaults' (broadly defined), ideally incorporating the procedures through which such retirement solutions are designed and presented to members into regulatory standards or guidance in due course.

7. Concluding thoughts

Since 2021 we have been arguing[20] that many members would benefit from super funds having the capacity to guide members towards suitable retirement solutions, and that some form of 'trustee direction' was a missing piece in the retirement system architecture. We welcome the concept of super funds offering 'default' retirement solutions as a way of facilitating this occurring. Nevertheless, we view it as unhelpful to anchor too strongly on the word 'default' as it tends to confuse matters given differing conceptualisations of what 'default' means. Focus needs to shift to the substance of what is being offered, i.e. the nature of the retirement solution and the pathway through which these solutions are delivered to members. Arguably one should be unfussed over what the retirement solutions or processes involved are called. The main thing is that many members end up in a better place than otherwise, and that the risk of offering unsuitable solutions is minimised.

The *Advice through Superannuation* component of DBFO Tranche 2 appears to enable super funds to present a 'default' (pre-set) retirement solution to members as a baseline recommendation under an advice process, while being informed about the key member attributes required to minimise the risk of presenting members with an unsuitable retirement solution. It is also open for trustees to make pre-set standardised retirement solutions available for members to choose if they wish. The industry should get cracking in these areas at the very least.

Policymakers should consider whether *Advice through Superannuation* under DBFO Tranche 2 suffices. ***In particular, creation of a policy framework to facilitate super fund trustees suggesting retirement solutions to members should be considered.*** Nudges of this type could benefit those members who are reluctant to engage with help, guidance and advice services[21] in any meaningful way, which we suspect may be a significant group. Any policy development around 'defaults' should be designed with a view towards facilitating and encouraging super funds to offer more sophisticated defaults, ideally solutions tailored for particular member types. Policymakers might also consider investigating whether there could be benefit in facilitating trustee assignments and/or hard defaults … although we view hard defaults as quite problematic and better addressed at a later date if the need

[19] We discuss quantitative modelling of retirement solutions in *How to Approach Quantitative Assessment of Retirement Income Strategies* (22 June 2023).
[20] See *Ensuring all retirees find a suitable retirement solution*, Conexus Institute Thought Piece, *13* August 2021.
[21] See the Actuaries Institute's *Financial Advice Reform and Help, Guidance and Advice*, October 2025 for an excellent overview of the current state and policy implications.

becomes apparent. The concept of 'retirement defaults' also has relevance for regulators as it is connected to the delivery of member outcomes and the representations being made to consumers.

A significant opportunity facing the industry is to move beyond the existing defaults within the system, which include either the member inadvertently remaining in accumulation or transferring into an ABP with minimum drawdowns. Tailoring is the best way forward. The industry should be aspirational and look to raise the ceiling through better tailoring, rather than settle for some form of basic 'default' as a way to establish a floor. That is, 'defaults' should be as smart as possible: to this extent, single generic solutions seem inadequate. What is required is a capability to develop integrated retirement solutions that cater for members with differing circumstances and needs, ensure that retirement solutions put in front of members are suitable for their needs, and then implement those solutions for members. And be able to do so at scale and low cost to the business and members.

The risks related to offering unsuitable retirement solutions that members accept without question are often raised but seem overstated. The issue is whether provision and acceptance of what might be sub-optimal 'default' offerings would leave many members better off than either remaining in accumulation or investing in an ABP with minimum drawdowns. We suspect that this would be the case, and that only a minority of members taking up the 'default' would be worse off than otherwise. We have also highlighted some procedures to limit the possibility of this occurring.

In summary, we feel that the potential benefits from using 'default' offerings to help lead members toward better (although not necessarily) optimal retirement solutions far outweighs the risks that a few members end up in an inappropriate place.

Appendix 1: Illustrating the five 'default' actions

Action	Possible process	Example member communication	Feasibility
1. Hard default[22]	Trustee-led actions: 1. Determines if conditions for default are met 2. Informs member they will be defaulted unless opts-out 3. Seeks information required to implement the default, e.g. request bank account details 4. Places member in solution	*Based on the information we have, it appears that you may have retired. We intend to place you in (this solution) unless you decide otherwise. We invite you to indicate your agreement or disagreement with us doing so. If you agree, can you please supply your bank account details.*	Not supported under current legislation
2. Assignment	1. Member requests trustee to assign them to a solution, perhaps by choosing the 'assignment' option on a menu 2. Trustee advises member of the solution to which they will be assigned, and provides an opportunity to opt-out 3. Trustee makes assignment	*As per your request, and based on our understanding of your circumstances, we propose placing you in (this solution). If you disagree with us doing so, please inform us (via this process).*	Assignment probably not supported under current frameworks, although elements of the process may be possible if embedded in an advice process under DBFO Tranche 2, Advice through Superannuation
3. Suggestions	1. Trustee determines member is entering retirement 2. Trustee highlights and suggests available solution(s) with reference to what they know about the member, inviting further engagement 3. Member may take up solution, engage, or do nothing	*We understand that you are entering retirement. Based on our understanding of your circumstances, you might want to consider (this solution). As we do not fully understand your circumstances, it is quite possible that another solution may be more suitable for your needs. We hence encourage you to engage through our (guidance services).*	Appears prohibited under the anti-hawking provisions, and the restriction on referring to product directly under targeted super prompts per DBFO Tranche 2 reforms
4. Baseline recommendation	1. Member commences financial advice process 2. Member provides trustee with basic personal information as permitted per DBFO Tranche 2, Advice Through Superannuation 3. Trustee recommends a baseline pre-set solution based on information supplied and provides a SOA, and invites the member to further engage over a better solution 4. Member decides whether to accept recommendation, further engage, or do nothing	*We thank you for your request for a recommendation of a retirement solution and the information you have supplied. Based on what you have told us, (this solution) might be suitable. However, as the information you have provided is limited in scope, this solution should be considered a basic recommendation that may not be suitable for your needs. We hence encourage you to engage through our (guidance services) to identify whether another solution may be more suitable.* *A Statement of Advice with respect to this initial suggestion is attached, which sets out the limits of the advice.*	Currently possible under a financial advice license; and should be further facilitated under DBFO Tranche 2, Advice through Superannuation
5. Member self-choice	1. Trustee makes solutions available for members to choose, possibly standardised solutions designed for a range of member types 2. Member chooses pre-set solution, perhaps through selecting the 'default' option on the application form or self-identifying their member type 3. Member fills in application form	*Thank-you for choosing (this solution). Your application is being processed.*	Currently facilitated.

[22] Assumes no government-supported access to bank account details.

Appendix 2: Enabling hard defaults in retirement

As discussed, we consider hard defaults as quite problematic and better addressed at a later date if it becomes clear there is a need. Nevertheless, we discuss how hard defaults might be enabled by outlining some potential pre-conditions and the form that hard default solutions might take.

Potential pre-conditions

The following set of conditions[23] may need to be satisfied to enable hard defaults in retirement:

1. A mechanism is needed through which the trustee can identify that the member has retired. A possible approach might be for trustees to receive confirmation from government agencies, either advice from Services Australia (Centrelink) that the member is an Age Pensioner or via the ATO.
2. A mechanism is needed through which the trustee can make payments to the member. Bank account details could be made available by Services Australia or the ATO. (An alternative might be to transfer the funds of members who do not engage by some age to the Government to be managed similar to the treatment of lost super.)
3. Wind-back provisions might be introduced where the member is restored to their previous position within a reasonable cooling-off period upon request, with payments either contributed back into super or placed in an alternative retirement solution. The unwind of any LIS should be exempted from the capital access schedule during the cooling-off period.
4. Multiple communications to the members should be sent prior to and at commencement of any hard default, as well as towards the end of the cooling-off period, advising the member that the default has occurred and offering an opt-out.
5. Some kind of safe harbour would be required to enable trustees to hard-default members.

Design of retirement solutions provided as a hard default

The question arises over what form a hard retirement default might take. There is a case for being wary about lock-ins, as members should be given the opportunity to redeploy their assets if they become engaged and then discover they have been defaulted into an unsuitable solution. The need to avoid unreasonable lock-ins should be accounted for in solution and product design, given the need to facilitate more flexibility than can be provided through a (probably relatively short) cooling-off period.

The idea of avoiding undesirable lock-ins suggests that any *single generic solution* provided as a hard default should be invested entirely in an ABP, perhaps accompanied with drawdowns set at either the minimum allowable rate or something a bit more efficient, or with exit benefits if any LIS is involved to avoid irrevocable lock-in. We also wonder whether a small number of standardised solutions of different design might be applied as hard defaults with reference to retirement balance. For instance, low balance members might be placed in an ABP with minimum drawdowns to allow them maximum access to their assets as a source of funds as desired. Meanwhile, members with medium-high balances might be defaulted into a solution with higher drawdowns, perhaps even involving a LIS coupled with exit benefits.[24].

Another idea that has been suggested by Dr David Knox, advisory board member of The Conexus and ex. Mercer partner, is defaulting all members into some form of income stream from age 75 with opt-out, possibly in the form of an ABP. This approach would limit the risk of defaulting members with good reasons for remaining in accumulation, as it is highly likely that most members would be retired by age 75. Requiring members to convert their super savings into income at some stage also accords with the objective of super to provide income in retirement. Nevertheless, this idea still runs into issues around securing bank account details.

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[23] We thank Estelle Liu for motivating this addition and some draft framing, which we have adjusted.

[24] Adding a LIS can deliver higher expected income than investing only in an ABP, as discussed in Section 5.1 (also see Explainer #9, *Lifetime income streams*).