

2026 HILDA Survey Research Conference

Early Access to Superannuation and Financial Distress: Evidence from Australia's COVID-19 Policy

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Motivation

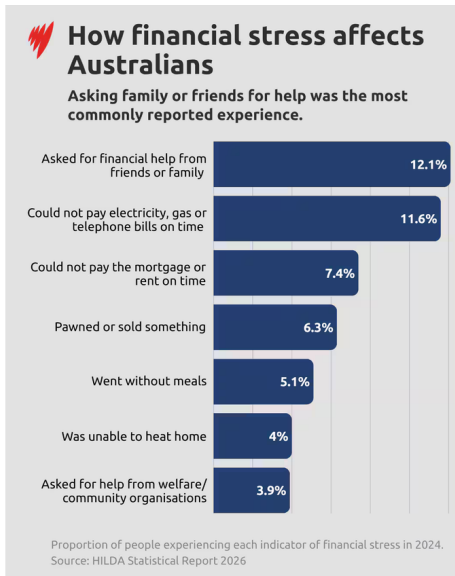
Huge jump in university education, increased financial stress – and we really love our partners



Photo: iStockphoto

Source: Uni Melb News based on Annual Statistical Report of HILDA Survey, 2026

Motivation (Cont...)



Source: SBS News based on Annual Statistical Report of HILDA Survey, 2026

Motivation (Cont...)

Table 10.5: Mean financial wellbeing scores, by sex and age group, 2020 and 2024 (0–100 scale)

	2020	2024
Sex		
Females	60.1	58.5
Males	61.2	60.2
Age group		
15–24	55.7	53.7
25–34	59.0	56.7
35–44	58.9	56.4
45–54	59.0	57.7
55–64	61.9	61.0
65 and over	68.0	68.2

The Annual Statistical Report of HILDA Survey, 2026; Table 10.5

Motivation (Cont...)

- ▷ Financial distress and poorer cognitive function ([Mani et al., 2013](#)).
- ▷ Financial distress and mental health ([Borrescio-Higa et al., 2022](#)).
- ▷ Financial distress and psychological disorder ([Tran et al., 2025](#)).
- ▷ Financial hardship has adverse effects on intergenerational human capital accumulation ([Rege et al., 2011](#)).
- ▷ Financial distress and criminal behavior ([Palmer et al., 2019](#)).
- ▷ 1 in 5 people report financial distress in OECD countries ([OECD, 2024](#)).

What this paper does

- ▶ Uses one-off withdrawals from superannuation in Australia in 2020 as a natural experiment.
- ▶ Assigns treatment status to the individuals who report withdrawals from superannuation in 2020.
- ▶ Assigns PSM using the baseline covariates for the matched counterfactual.
- ▶ Uses the nationally representative Household Income and Labor Dynamics longitudinal data.
- ▶ Employs Difference-in-Differences estimation to measure the causal effects of one-off withdrawal on individual financial distress.
- ▶ Measures overall financial distress and objective hardship.

Preview of Results

- ▶ Overall financial distress decreases by 2-3% in 2022-24.
- ▶ Hardship related to utilities and mortgages decreases by 3-9 p.p.
- ▶ Asking for help decreases by 4-8 p.p.
- ▶ Males, low-income, older, and beneficiaries located in the short-lockdown states observe better improvements.
- ▶ Consumption smoothing is the primary mechanism that drives the impacts.
- ▶ 'Mortgage arrear' and 'liquidity' mediate 3-7% of the treatment effects.
- ▶ Negative effects on balance at retirement.

Background

- ▶ Australian superannuation:
 - ▷ Introduced by the Superannuation Guarantee (Administration) Act, 1992, with compulsory contributions by both employer.
 - ▷ The terms and conditions are regulated by the Superannuation Industry (Supervision) Regulation, 1994.
- ▶ Access to the fund:
 - ▷ A person must reach preservation age and meet the release conditions to access the fund.
 - ▷ Preservation age is 60.
 - ▷ Between 60 and 64, ceases any gainful employment can access the super fund regardless of future employment plans.
 - ▷ After reaching 65, an individual can access the super fund regardless of employment status.

Background (Cont...)

- ▶ Withdrawal options (\$1000-\$10000):
 - ▷ Government income support for 26 weeks.
 - ▷ Medical treatment for the member or a dependent,
 - ▷ Mortgage or council rate arrears to prevent foreclosure,
 - ▷ Palliative care, or funeral expenses for a dependent.
 - ▷ Terminal medical condition to be certified by two registered medical practitioners; in such a case, the full balance can be withdrawn tax-free.
- ▶ Policy to address COVID-19:
 - ▷ Self-assessment of economic adversity (such as reduced work hours and unemployment).
 - ▷ 20 April- 30 June, 2020: \$10000.
 - ▷ 01 July- 31 December: a further \$10000.
 - ▷ 3.5 million initial applications, 1.4 million repeat applications approved.
 - ▷ Avg value of \$ 7634 per application, a total value of \$36.4 billion.

Literature

- ▶ Early access to retirement wealth smooth consumption ([Agarwal et al., 2020](#)), improve health ([Kim and Koh, 2020](#)), increase labor force participation ([Moreno and Slavov, 2024](#)).
- ▶ One-time withdrawal may smooth consumption ([Catherine et al., 2020](#)).
- ▶ One-time withdrawal has negative effects on balances at retirement ([Lorca, 2021](#); [Kapoor et al., 2023](#)).

Australian context:

- ▶ [Wang-Ly and Newell \(2022\)](#) reports better financial well-being of the participants.
- ▶ [Bateman et al. \(2023\)](#) reports that the majority of participants withdrew funds to meet immediate consumption needs.

Gap in literature:

- ▶ Rigorous evidence on comprehensive measures of *financial distress*, including objective hardship outcomes, remains limited..
- ▶ Short-term effects, but persistent, medium-run effects have rarely been examined.

Contribution

- ▶ We document sustained declines in distress through 2024, with objective hardships falling and requests for financial help falling, closely related to [Wang-Ly and Newell \(2022\)](#).
- ▶ The primary mechanism was liquidity-driven consumption smoothing. Mediation analysis also indicates that reductions in mortgage arrears and liquidity options in households explain about 3-7% of the treatment effects.
- ▶ A cost-benefit analysis that contrasts these medium-term welfare gains with the long-term costs of diminished retirement balances, closely related to [Lorca \(2021\)](#) and [Kapoor et al. \(2023\)](#).

Data and Sample

► Data

- ▷ HILDA data for outcome, control, and mechanism variables.
- ▷ ABS data for lockdown duration in different states.
- ▷ 2019–2024 waves for the main analysis.
- ▷ Waves 2015–2019 for parallel trends test.

► Sample:

- ▷ Withdraw from super in 2020 and/ or 2021.
- ▷ PSM for counterfactual.
- ▷ Aged between 15 and 64.

Data and Sample (Cont...)

Table: Balance Test before and after Matching

	Mean Control	Mean Treatment	Mean Diff	P-value
	(1)	(2)	(3)	(4)
<i>Panel A: Before Matching</i>				
Age	39.49	37.45	2.05	0.000***
Sex (Male=1)	1.53	1.47	0.05	0.000***
Education	1.91	1.76	0.15	0.000***
Marital Status	1.69	1.73	-0.04	0.018**
Household Income (Annual)	71819.84	61246.59	10573.25	0.000***
Investment (Annual)	3056.91	1652.81	1404.10	0.024**
Receives Govt. Benefits (Yes=1)	0.19	0.22	-0.03	0.002***
Obs	11,761	1605		
<i>Panel B: After Matching</i>				
Age	37.15	37.45	-0.30	0.513
Sex (Male=1)	1.47	1.47	0.0008	0.965
Education	1.75	1.76	-0.004	0.864
Marital Status	1.70	1.73	-0.028	0.282
Household Income (Annual)	59301.63	61246.59	-1944.96	0.298
Investment (Annual)	2268.38	1652.81	615.57	0.490
Receives Govt. Benefits (Yes=1)	0.23	0.22	0.002	0.883
Obs	1444	1605		

Key Variables

► Key variables

- ▷ Overall Financial Distress.
- ▷ Difficulty Paying Electricity Bills.
- ▷ Difficulty Paying Mortgage.
- ▷ Sold or Pawned Household Items.
- ▷ Went without Meals.
- ▷ Unable to Heat Home.
- ▷ Asked Family/Friends for Help or Assistance.
- ▷ Received Community Assistance.

Questions

► Covariates

- ▷ Age.
- ▷ Sex.
- ▷ Education.
- ▷ Marital Status.
- ▷ Household Annual Income.
- ▷ Household Annual Investment.
- ▷ Receive Govt. Benefits.

Summary Statistics

Table: Summary Statistics in 2019

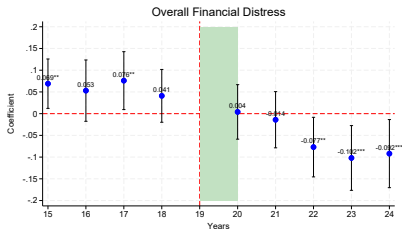
	Obs	Mean	SD	Min	Max
	(1)	(2)	(3)	(4)	(5)
<i>Panel A</i>					
Overall Financial Distress	2648	3.33	0.84	1	6
Difficulty Paying Electricity Bills	2648	0.21	0.40	0	1
Difficulty Paying Mortgage	2648	0.12	0.32	0	1
Sold or Pawned Household Items	2648	0.12	0.33	0	1
Went without Meals	2648	0.08	0.26	0	1
Unable to Heat Home	2648	0.05	0.21	0	1
Asked Family/Friends for Help	2648	0.23	0.42	0	1
Received Community Assistance	2648	0.06	0.24	0	1
<i>Panel B</i>					
Age	3049	37.31	12.50	15	64
Sex	3049	1.47	0.50	1	2
Male	3049	0.53	0.50	0	1
Female	3049	0.47	0.50	0	1
Education	3049	1.75	0.70	0	3
HSC or Equivalent	3049	0.40	0.49	0	1
Diploma	3049	0.45	0.50	0	1
Graduation	3049	0.15	0.36	0	1
Marital Status	3049	1.72	0.73	1	3
Unmarried	3049	0.45	0.50	0	1
Married	3049	0.39	0.49	0	1
Separated	3049	0.16	0.37	0	1
Household Income (Yearly)	3049	60325.46	51556.87	50	760960.00
Investment (Yearly)	3049	1944.34	24587.45	0	886237.00
Receive Govt. Benefits	3049	0.23	0.42	0	1

Empirical Approach

$$Y_{it} = \beta_0 + \beta_1 T_i + \beta_2 P_t + \beta_3 (T_i \times P_t) + \gamma X_{i,2019} + \delta Z_s + \varepsilon_{it}, \quad (1)$$

- ▶ Y_{it} represents the main outcome variable: measures of 'financial distress' of individual i in year t .
- ▶ T_i is the treatment status of individual i .
- ▶ P_t represents the post-treatment year t .
- ▶ X_i presents individual-level control variables.
- ▶ Z_s presents state fixed effects.
- ▶ ε_{it} is the error term clustered at the individual level.
- ▶ β_3 is the parameter of interest, representing the causal effects of the EAS program on the participants in the post-treatment periods.
- ▶ Parallel trends. [Parallel Trends](#)
- ▶ Baseline balance. [Balance Table](#)

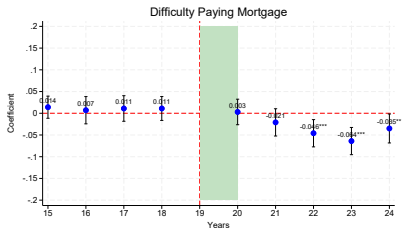
Results



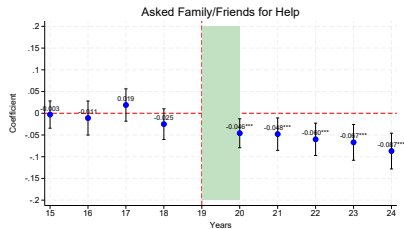
Overall Financial Distress



Difficulty Paying Electricity Bills



Difficulty Paying Mortgage



Asked Family/ Friends for Help

[Results Table](#)

Results (Cont...)

- ▶ Overall financial distress decreases by 2.22%–2.82% in 2022–2024.
- ▶ Persistent decrease in financial distress related to paying electricity bills and mortgages in all post-policy years.
- ▶ Difficulties in paying electricity bills decrease by 4-9 p.p. in the post-policy period.
- ▶ Difficulties in paying mortgages decrease by 3-6 p.p. in the post-policy period.
- ▶ Asking family or friends for help decreases by 4-8 p.p. in the post-policy period.

Heterogeneity

- ▶ **Male vs Female:** Males observe improvements across all post-treatment years, while females observe improvements in the last two years.
- ▶ **High vs Low Income:** Low-income beneficiaries observe significant improvements in last two years compared to the high-income beneficiaries.
- ▶ **Long vs Short Lockdowns:** The beneficiaries located in the short-lockdown states observe higher improvements in distress reductions.
- ▶ **Young vs Aged:** The aged beneficiaries observe greater improvements compared to the young beneficiaries.

Mechanism

- ▶ Trends in (a) household expenditure, (b) household income, and (3) wages suggest that 'consumption smoothing' is the primary mechanism.



Annual Household Expenses



Annual household Income

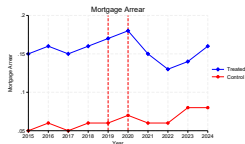


Annual Wage (Individual)

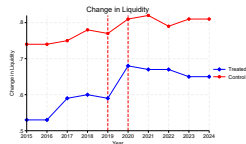
Mechanism (Cont...)

- ▶ An improvement in 'Arrear in mortgage' and 'Liquidity options' in the post-policy period.
- ▶ Mixed results in 'Mental and general health' in the post-policy period.

Mechanism



Mortgage arrears



Liquidity options



Mental health



General health

Mechanism (Cont...)

Table: Average Causal Mediation Analysis (ACME) results

	2020	2021	2022	2023	2024
	(1)	(2)	(3)	(4)	(5)
<i>Panel A: Overall Financial Distress</i>					
Mortgage arrears	0.015	-0.012	-0.031***	-0.043***	-0.025**
Emergency liquidity	-0.029**	-0.024**	-0.039***	-0.026*	-0.024*
<i>Panel B: Difficulty Paying Electricity Bills</i>					
Mortgage arrears	0.014	-0.014	-0.030***	-0.043***	-0.028**
Emergency liquidity	-0.012**	-0.010**	-0.016***	-0.011*	-0.011*
<i>Panel C: Difficulty Paying Mortgage</i>					
Mortgage arrears	—	—	—	—	—
Emergency liquidity	-0.009**	-0.006**	-0.010***	-0.007*	-0.008*
<i>Panel D: Asked Family/Friends for Help</i>					
Mortgage arrears	0.009	-0.009	-0.020***	-0.029***	-0.018**
Emergency liquidity	-0.015**	-0.012**	-0.019***	-0.013**	-0.013*
Controls	✓	✓	✓	✓	✓

- ▶ 'Arrear in mortgage' and 'Liquidity crisis' mediate approximately 3-7% of treatment effects.

Long-run Cost

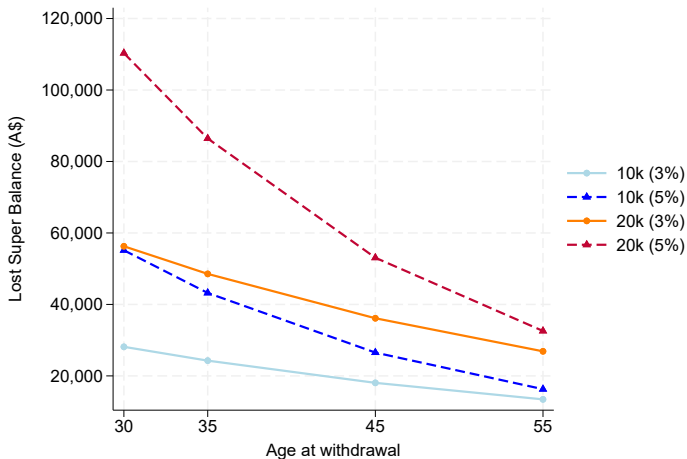


Figure: Impact of EAS (Retirement Age 65; Withdrawal Not Replenished)

Policy Implications

- ▶ **Rapid liquidity in a crisis:** Early access to otherwise illiquid super balances gave individuals fast liquidity during the shock.
 - ▷ Requests for help from family/friends fell immediately in the withdrawal year.
 - ▷ It complements income support at low immediate public cost.
- ▶ **Intertemporal trade-off:** Short-run relief comes at the cost of retirement adequacy.
 - ▷ Younger members lose more to compounding.
- ▶ **Heterogeneous effects:** Improvements differs based age, income, and gender.
 - ▷ Future schemes could add age-specific guidance and contribution arrangements that help members rebuild their balances.

Conclusion

- ▶ We study the Australian one-time early access to superannuation policy.
- ▶ Access to superannuation wealth significantly decreases financial distress.
- ▶ We report significant heterogeneity across different sub-groups.
- ▶ Arrear in mortgage, liquidity options mediate approximately 3-7% of the indirect effects.
- ▶ The program has negative effects on retirement super balance.
- ▶ A policy that improves well-being without incurring cost to the government.

THANK YOU