

Looking ahead – the financial picture

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The Voice of Super

Super of the future

- Compulsory superannuation not in place for long
- Award superannuation in the late 1980s
- Superannuation Guarantee started in 1992, only reached 9% of wages in 2002
- System will take some decades to mature

Projected superannuation assets

| Year | \$ billion | % of GDP |
|------|------------|----------|
| 2010 | 1,060 | 95 |
| 2020 | 2,280 | 122 |
| 2030 | 4,000 | 132 |
| 2040 | 6,350 | 129 |

Current averages for those with super

| Age group | Average balance men | Average balance women |
|-----------|---------------------|-----------------------|
| 15 to 24 | \$6,800 | \$4,300 |
| 35 to 44 | \$65,400 | \$37,600 |
| 55 to 64 | \$183,600 | \$94,700 |
| Total | \$78,700 | \$43,300 |

Projections of superannuation balances

- Those on average earnings might achieve \$200,000 to \$250,000 if they have 30 or more years of contributions
- High current income and lots of years of contributions needed to generate benefit of \$500,000
- Those with career breaks might end up with \$100,000 to \$150,000 (or less)

Groups most at risk of inadequate retirement savings

- Only 53% of women aged over 55 have super, compared to 69% of men
- Low income compounds effects of career breaks
- However, high income women aged over 55 still have on average much lower balances than high income men

Widows, widowers and divorcees

- Most retiree households are couples – around 70%
- More divorcees and fewer widows these days, with percentage staying constant
- Up to 40% of couples divorce, but mostly in first few years and many are serial offenders in matrimony

How much do you need to spend in retirement?

- 7 out of 10 people say they would need at least \$30,000 a year, with 8 out of 10 of those under 40 saying this
- Westpac/ASFA Retirement Living Standard indicates \$33,800 for single and \$45,280 a year for couple for comfortable retirement
- Modest lifestyle - \$17,300 for single, \$24,300 for couple

How much does a couple need to spend to be comfortable?

- \$162 a week on food, \$80 on housing, \$36 personal care, \$90 on household goods and services, \$57 on clothing, \$100 on transport, \$86 on health, \$202 on leisure (including travel and vacations), \$40 on vice or virtues

Flexibility in retirement

- From 1 July 2005 retirees will not be stopped by superannuation law from taking an income stream while still working
- Not all funds will offer this, and many individuals will not have enough super to make this viable
- People at seminars like this know about 54/11 early retirement, but not a commonly available option

Years in retirement

- Projections of most people living to 100 come from pop demography and research from the Internet
- Some impact from increasing life expectancy, but life expectancy of most more or less in place due to current life experiences
- More old people in the future as we currently have many middle aged

Sources of income in retirement - now

- Currently the principal source of income for those aged 60 plus varies markedly across population
- 10% rely principally on super, 14% other (rich to start with), 5% on wages and salaries, 3% own business, and 68% on government pensions

Sources of income in retirement – in future

- Less variation likely in the future
- Less than 10% relying principally on super, with demise of defined benefit schemes
- 65% to 70% will continue to rely principally on government pensions, but more will have significant supplementary income from super
- Not a lot of scope for reverse mortgages and downsizing/relocating home

Affordability of Age Pension

- Age Pension quite affordable, rising from around 3% of GDP to around 4.5%
- Costs kept down by flat rate and means testing
- Most cost pressures from health care, and this linked to drug costs and technology as well as to ageing population structure

Sources of income in retirement – role of paid work

- Working till 100 a threat or promise?
- Average age of retirement currently around 62.5 years for men and 60 years for women
- Low level of involvement in paid work after age 65 – 5% or so
- Those involved mostly self-employed, or managers or professionals
- Not many brickies or chippies want to continue the satisfaction of their work

Attitudes to continuing in paid work

- Surveys consistently show an intention to work longer than actually happens in practice
- Role of ill-health, being sacked and family responsibilities
- Many would like a nice professional job, reality is part-time jobs in retail or service industries

Ageism and superannuation

- A number of age related rules
- Generous age based contribution rule for those 50 and over
- Superannuation Guarantee cuts out at age 70
- Work test for contributing to super and keeping money in super accumulation account after age 65

Retirement and happiness

- Money does not buy happiness, but poverty often does generate unhappiness
- Women more likely than men to adapt successfully to retirement and early retirement in particular
- Men can struggle without social network of work
- Perils of “sea change” relocations