

# Retirement confidence report

Effective July 2018

Welcome to the first release of AustralianSuper's Retirement confidence report. The report is a research collaboration between AustralianSuper and Monash University to gain a clearer understanding of how Australians feel about retirement.

## Our research

In this first edition of the AustralianSuper-Monash Retirement Confidence Report (RCR) we surveyed 1,500 Australians over 50 years old (both AustralianSuper members and non-AustralianSuper members), capturing their attitudes and behaviours about retirement. Exactly half of the individuals surveyed were pre-retirees and the other half had already retired.







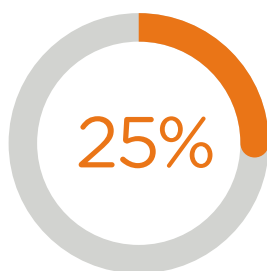
## Our findings

Of the surveyed pre-retirees, most expect to retire at a much older age than those who have already retired (the difference of about 10 years). They also expect to rely more on their superannuation (super) than on the Government Age Pension as their main source of retirement income.

On average, surveyed respondents believe they need \$51,000 each year (after tax) in retirement to live on, but just 33% believed they would reach that goal. Only a quarter of survey respondents believed they had saved enough money to retire and more than a third (38%) felt some anxiety about retirement.

The findings captured four key areas that contribute to retirement confidence:

-  Building wealth
-  Maintaining community engagement
-  Improving health and wellbeing
-  Setting goals.



Only **a quarter** of those surveyed believe that they have saved enough for retirement.



## Building wealth

### The 5Cs: Five easy steps to build up retirement savings

The Association of Superannuation Funds of Australia's (ASFA) Retirement standards suggests that around \$545,000\* can provide a single retiree with a comfortable lifestyle and an annual income of approximately \$43,000 a year over a 25 year period. A couple would need approximately \$640,000\* for a comfortable lifestyle.

Of the Australian's surveyed, both retirees and pre-retirees listed their main sources of income in retirement as the Government Age Pension and super. Although 50% of pre-retirees listed super as their top source of income, it was only the second choice for retirees at 37%. Government Age Pension was listed as the top source of income for retirees.

Despite the benefits associated with planning for retirement, just 7% of surveyed respondents had accessed a financial adviser in the past 12 months, and less than half (40%) had a plan for retirement. Only 18% of respondents made an additional contribution to their super fund in the past 12 months and 21% had made a change to their investment options within super over the past five years.

Having a retirement plan is important and it's not hard to put one in place. Consider these five easy steps (the 5 C's) when planning your retirement.

\*ASFA Retirement Standard. All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6%. They are based on the means test for the Age Pension in effect from 1 January 2017.

Only **7%** of respondents accessed a financial adviser in the past 12 months, and less than half (**40%**) had a plan for retirement.



### 1 Consider a low cost fund you trust with strong investment returns

Knowing which factors to compare when choosing a super fund is essential to shape your future. It's important to consider a super fund you can trust and you should review a funds, fees and long-term performance before making a decision. Choosing the right fund could mean more money for your future, giving you more confidence in your long-term retirement plan.

AustralianSuper's Net Benefit graph provides an example of the impact that different net investment returns can have on super balances. It shows how we have performed against the median Industry Super Fund and the median Retail Fund over a ten year period to June 2017, assuming a \$50,000 starting account balance and a \$50,000 annual salary. Net Benefit refers to a member's investment earnings, less any fees. The totals in the graph below provide an example of what a member would have after 10 years, in addition to their \$50,000 starting balance and their employer contributions.

AUSTRALIANSUPER - BALANCED

\$59,010

INDUSTRY SUPER FUND MEDIAN

\$50,164

RETAIL SUPER FUND MEDIAN

\$33,713

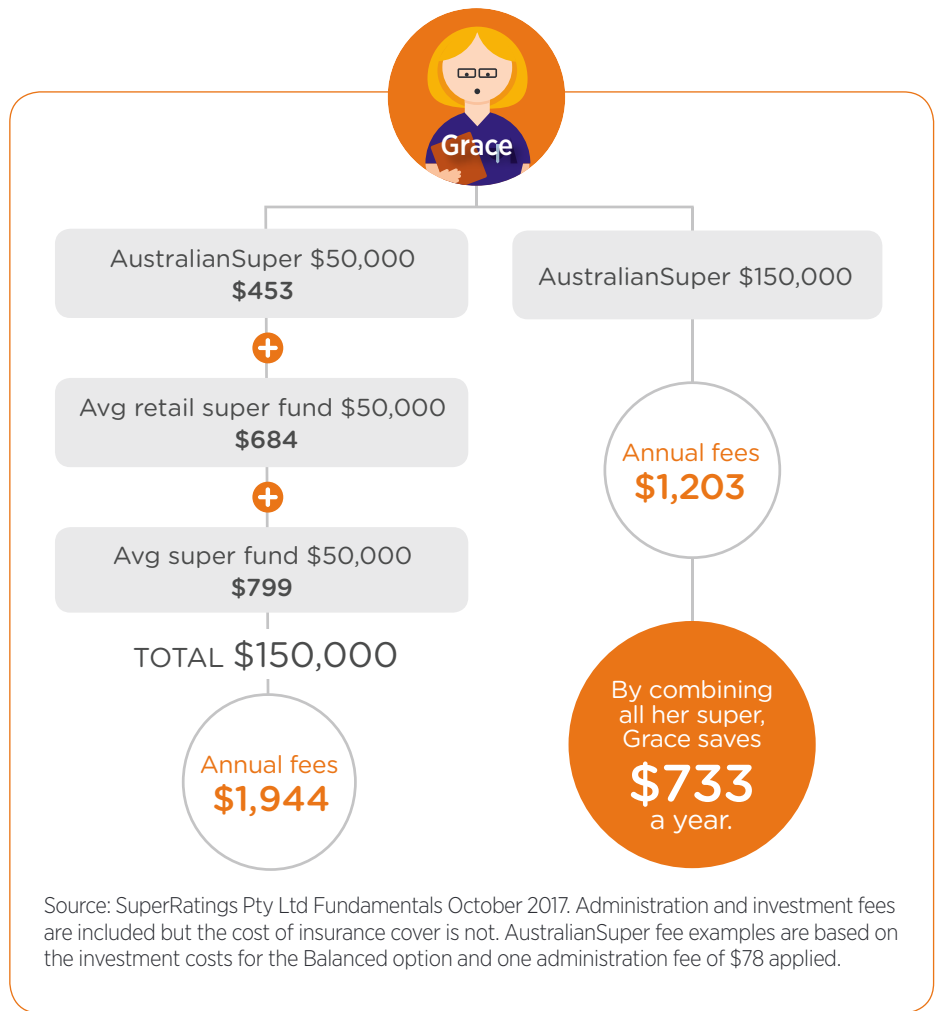
Comparisons modelled by SuperRatings, commissioned by AustralianSuper. Modelled outcome shows 10 year net benefit of the main balanced options of AustralianSuper and competitor funds tracked by SuperRatings, with a 10 year performance history, taking into account historical earnings and fees - excluding contribution, entry, exit and additional adviser fees - of main balanced options. Modelling as at 30 June 2017. Assumptions include: \$50,000 starting account balance, \$50,000 annual salary, contributions at Superannuation Guarantee rates, amounts expressed in today's dollars. Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

## 2 Consolidate your super in one account

By combining your super into one account, you could save on fees, meaning more money in your super account.

See our example (right) of how much you could save by consolidating all your super into an AustralianSuper account, paying only one set of fees.

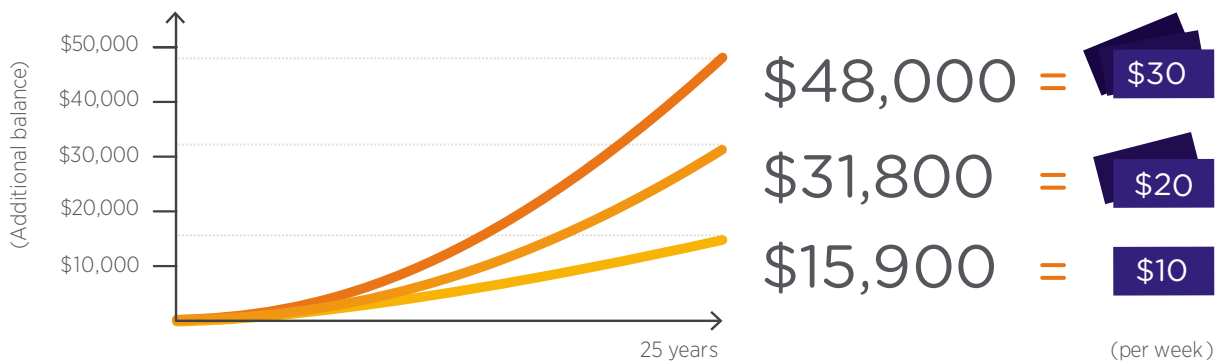
You should ask your super provider for information about any fees or charges that may apply, or any other information about the effect combining your super may have on your benefits, such as insurance cover, before making a decision.



## 3 Contribute to your super

Making voluntary contributions is one way to help improve outcomes in retirement. Contributing to super earlier can make a big difference to your final super balance, as the money you invest has longer to benefit from compounding and longer to ride out the markets ups and downs. It's important to consider your financial commitments and other debts you may have before making a decision to add to your super.

See the difference \$10, \$20 or \$30 a week can make



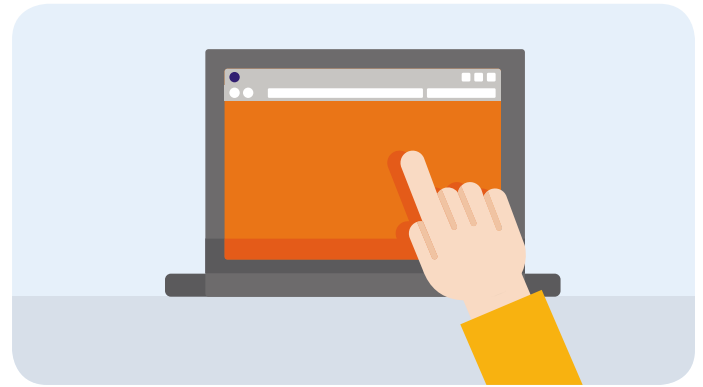
This graph shows the additional balance a member could have at retirement if she made the specified level of additional contributions to her super account over the next 25 years. For example if she makes a \$10 per week pre-tax contribution, her retirement balance would increase by \$15,900.

All figures are expressed in today's dollars (discounted using average salary growth of 3.5% pa). Calculations are based on age 40, salary of \$65,000 increasing at 3.5% pa and a retirement age of 65. The member is assumed to be invested in the Balanced option returning 6.5% pa (net of fees and tax).

In the 2017 financial year, AustralianSuper members added more than \$3 billion extra to their accounts above what their employer contributed as part of their salary. This represents 17% of all the contributions AustralianSuper received last financial year.

## 4 Check your insurance to make sure you have the right level of cover

Some Australian's don't know that most super funds offer a basic level of insurance automatically when you join the fund. It's important for you to review your insurance cover in super as you may find you have either too much, too little or the wrong type of cover.



## 5 Continue to engage with your fund in retirement

43% of respondents who engaged with their super fund at least once in the past year, reported a significantly higher level of retirement confidence than those who didn't. Your super fund can help you plan for retirement and set financial goals that are specific, measurable and achievable. When you retire it pays to stay in touch with your fund as they can help you with any financial changes to your circumstances.



## Maintaining community engagement

### Families, friendships and belonging to a community

Confidence in retirement is not only about saving enough money. We found that respondents who felt connected with families, friends and the wider community were more confident about their retirement. Our research also found that many respondents were unsatisfied with their social circumstances and only 40% believed they would have a comfortable social life in retirement. 68% of the pre-retiree respondents believed that retirement would provide opportunities to make new friends.

During retirement, it's important to maintain an active social life with friends. Volunteering in your local community and joining social and hobby groups are also excellent ways to help you become more socially connected.

**68%** believed retirement would give them new opportunities to make friends.





## Improving health and wellbeing

### Healthier individuals have a better retirement experience and have a positive attitude toward retirement

The improving health and wellbeing part of the survey comprised of two sections: physical and mental wellbeing. Even with money and friends, without a healthy body and mind, it may be difficult to enjoy retirement. It is therefore no surprise that respondent's physical and mental health are extremely strong predictors of retirement confidence.

Participating in regular exercise and eating a balanced diet are great ways to improve your physical and mental wellbeing.

When comparing the survey results of the pre-retiree respondents against the retiree respondents, pre-retirees rated their physical health lower than the retirees. Mental wellbeing results for pre-retirees and retirees were almost the same.

60% of respondents said they had private health insurance, which they use to help cover the cost of medical expenses. As you get older, even if you don't have private health insurance, it's important that you have regular check ups with your doctor.

**Regular exercise and a healthy diet** can lead to a better retirement experience



## Setting goals

### Knowing what you want and what you need in retirement can help you set achievable goals

Goal setting was the single most important predictor of our respondents' retirement confidence. Over 50% of the surveyed respondents were clear about their goals and expectations for retirement.

Surveyed retirees were more confident about their retirement goals compared to the pre-retirees. When setting goals it is important to visualise the kind of retirement you want. The next step is to start gathering information about what you need to do to achieve the retirement you want. Once you know what you need to do, you can start setting specific and clear goals. Discuss your retirement goals and plans with your family and friends. Their support can help you commit to your plan and stay motivated.



**Discussing your retirement plans** with your spouse and friends can significantly boost your retirement confidence.

## Housing

In addition to the four key factors, having a permanent shelter can also boost retirement confidence. We found that those surveyed who own their own home (78%), either with or without a mortgage, had a higher confidence score than those renting. 55% of pre-retirees believe that they will be able to pay off their mortgage by the time they retire.

Owning a home can provide much-needed stability in retirement. Nearly two-thirds of pre-retiree respondents that either owned their own home or had a mortgage, did not intend on selling their home when they retired.

**61%** indicated they will remain in their own home until they are unable to live alone.



## Final thoughts

Overall within the four key areas (building wealth, community, health and wellbeing and goal setting) there were some standout concerns for both pre-retirees and retirees that lowered their confidence entering and during retirement.

AustralianSuper intends to repeat the survey twice a year to monitor the retirement confidence of Australian's and its members. The results will be used to develop tools and education programs to help guide members into retirement with confidence.

This information may be general financial advice which doesn't take into account your personal objectives, situation or needs. Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

The examples provided are for illustration purposes only and are not a representation of the actual benefits that may be received. You should consider your debt levels before adding to your super. You should ask your super provider for information about any fees or charges that may apply, or any other information about the effect a transfer may have on your benefits, such as insurance cover, before making a decision to consolidate your super.

### Contact us

Call **1300 300 273**  
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