

National Survey of 30-69 Population

Report on Community Attitudes to Saving for Retirement

Prepared by:
ANOP Research Services
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ANOP Research Services conducted a **national survey of the 30-69 years population in late July/early August 2001** for the Association of Superannuation Funds of Australia (ASFA).

The main aim of the research was to investigate how well Australians are planning and saving for retirement, what their savings consist of, and the perceived vs likely adequacy of their savings. In this context, the study also explored attitudes to superannuation, retirement and views about Australia's ageing population.

The national study consisted of a telephone survey of a random sample of **755** Australians aged 30-69 years. The study was designed to enable an inter-generational analysis of 3 key segments:

- 30-39 years - *Generation X*
- 40-54 years - *Baby boomers*
- 55-69 years - *Recent and Soon-to-be Retirees*

ANOP conducted a **landmark study** of attitudes to retirement incomes in **1989** which provides valuable benchmark comparisons.

The 2001 survey covered:

- **Perceived adequacy of saving for retirement** (priority given to saving for retirement, adequacy of most people's vs own plans, whether joint or single plans)
- **What retirement plans and savings consist of** (main types of retirement savings, most important form of retirement savings)
- **Estimated retirement income and likelihood of achievement** (minimum annual income required for adequate lifestyle in retirement, likelihood of achievement)
- **Specific issues related to income in retirement** (home ownership issues, expectation of receiving pension, plans for additional savings and working in retirement)
- **Attitudes to retirement** (retirement age, expectations of retirement lifestyle)
- **Attitudes to superannuation** (perceived benefits and disadvantages)
- **Attitudes to ageing population** (level of concern, attitudes to potential consequences)

Perceived adequacy of saving for retirement

- While a majority is saving for retirement, only 1 in 4 gives retirement savings a *high* priority. The highest saving priority is home ownership.
- The majority view is that *most people* do not have adequate retirement savings, but 6 in 10 are reasonably confident about their *own* plans. Later results indicate that this personal confidence is not soundly based. Compared to 1989 results, the introduction of the SG has heightened awareness of adequacy issues but has also led to undue confidence in individuals' *own* financial plans for retirement.
- Two-thirds report that their financial plans for retirement also cover their partner. Those with joint plans are significantly more confident of the adequacy of their retirement savings. Those from higher income households tend to have joint plans and have the greatest sense of security - and are likely to be the most over-optimistic group.

What retirement plans and savings consist of

- The SG and home ownership are the most common ways that people are preparing financially for retirement. Significantly, nearly 6 in 10 are relying mostly on the SG or home ownership: this heavy reliance on these two forms of saving indicates that many people's expectations of standard of living in retirement will not be met.

Estimated retirement income and likelihood of achievement

- About 7 in 10 estimate that they will personally need a minimum of \$30,000 or more a year to maintain an adequate lifestyle in retirement - 9 in 10 say that the minimum they need is at least \$20,000 pa. 6 in 10 are reasonably confident of achieving their estimate. Because of the heavy reliance on the SG and home ownership, many people's expectations are unrealistic and their confidence is misplaced.
- Preliminary ASFA estimates based on Treasury projections indicate that 1 in 3 is likely to be deluded in their expectations. Another 4 in 10 will be disappointed. Thus, the large majority will find their retirement income inadequate or less than expected.
- *Baby boomers* and *generation X* have higher retirement income expectations than the over 55s. High income earners have the highest expectations and feel most confident about achieving their estimates ... and are the most likely to be deluded.

Specific Issues Related to Income in Retirement

- There has been a dramatic fall in expectations of receiving the age pension, from 5 in 10 in 1989, to 3 in 10 in 2001. This significant drop in expectation is another indication of delusion about adequacy of retirement savings - and an indication of growing community doubts about access to the pension.
- Only 1 in 3 of the sample who are not retired has plans for additional retirement savings to bridge the financial gap, with most of these plans aimed at generating income through property or shares rather than additional superannuation.
- Nearly 1 in 2 of the non-retireds expects to do some paid work in retirement, but only 1 in 5 of retireds surveyed has achieved this. Thus, expectations of working in retirement appear to be inflated.

Attitudes to retirement

- The average anticipated retirement age is under 60, and the trend is to younger retirement. The mean planned retirement age among *baby boomers* is 58, and 57 among *generation X*.
- Retirement is genuinely looked forward to by a ratio of 6:1. Less work stress, more free time and travel are key anticipated benefits. There is little appreciation of financial difficulties clouding a rosy prospect of retirement. The "looking forward" ratio drops to 3:1 among actual retireds in terms of expectations being met, and financial and health problems are the main reasons that expectations are not fulfilled.

Attitudes to superannuation

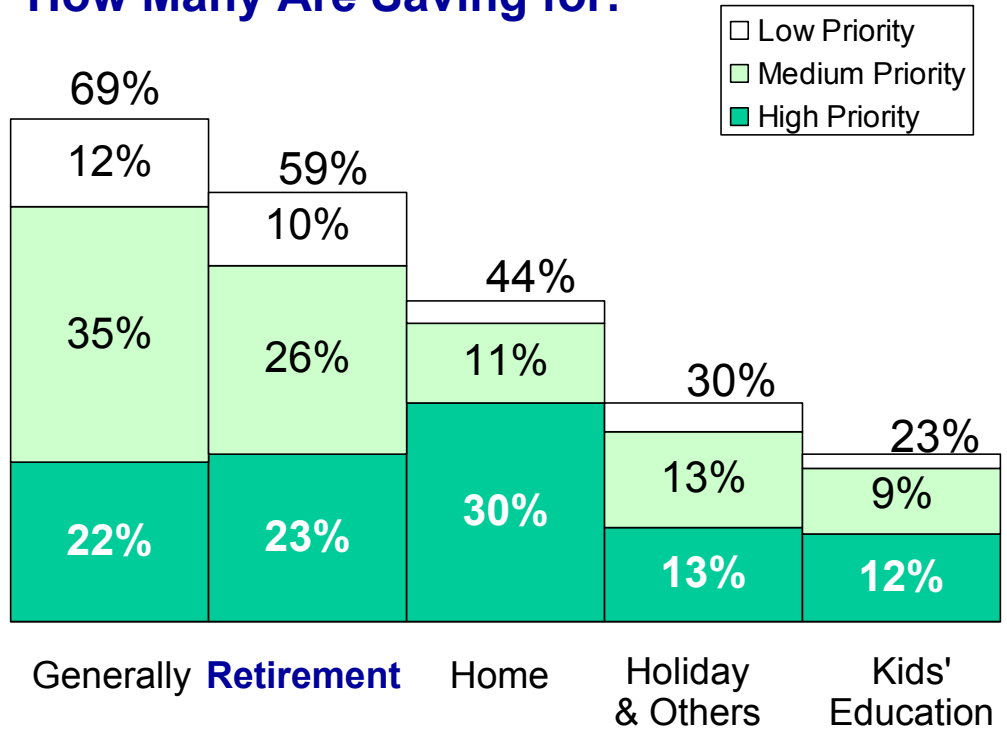
- The three main positive themes are "nest egg" advantage (saving for future, financial security, income in retirement), the compulsory nature of the SG and self-reliance (rather than reliance on government pension). Compulsion is increasingly accepted as a plus.
- While not having access to super money is an advantage to some, it is a drawback to more. Other perceived disadvantages of super are the issues of safety and tax on super. There is also more emphasis in 2001 on return on investment (including fees and charges) and adequacy issues.

Attitudes to ageing population

- The ageing population is a major concern to only 1 in 4. While the level of concern is low, the concerns are realistically directed towards funding, health issues, and the burden on taxpayers and younger generations. However, the potential consequences of an ageing population on following generations are yet to be fully appreciated.
- Government by way of providing incentives to save for retirement is given the most important role in responding to the issue of an ageing population.

- 6 in 10 (59%) are saving for retirement, second only to the general saving proportion.
- Only about 1 in 4 (23%) gives retirement savings a **high** priority. The highest saving priority is home ownership (30%).

How Many Are Saving for:



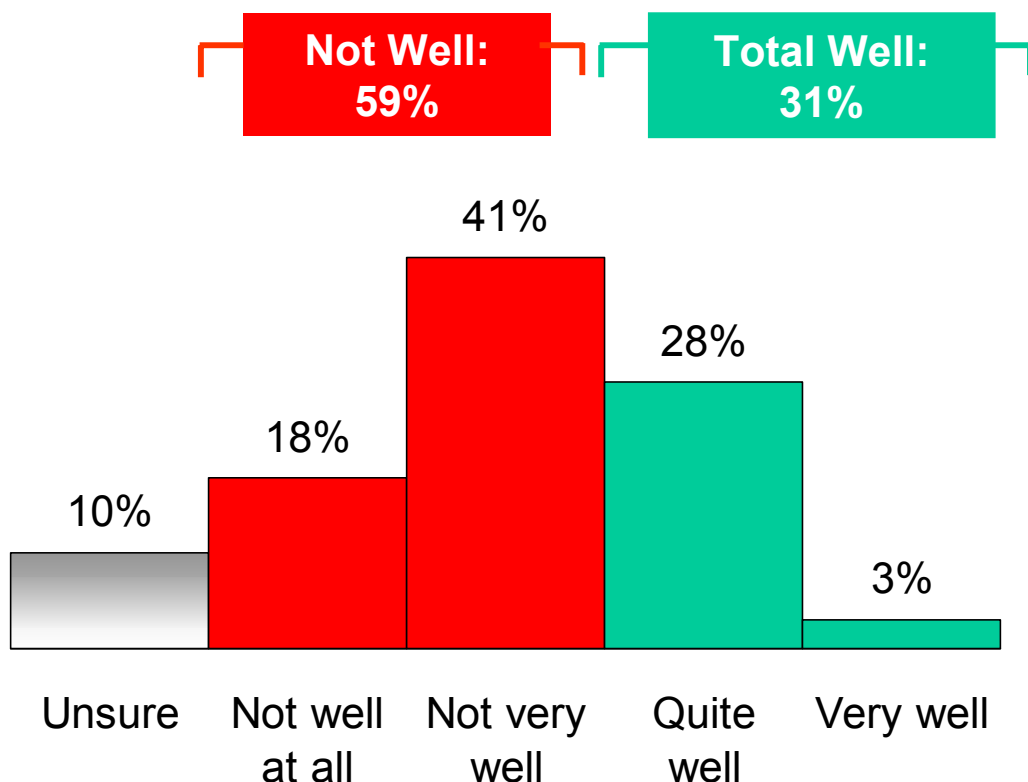
Who Is Saving for Retirement?

- **Higher income earners**
There is a strong relationship between household income and saving for retirement.
- **Baby boomers**
7 in 10 are saving for retirement, but fewer than 3 in 10 as a high priority.
- **Those with superannuation**
Those with voluntary super and with the SG are more likely to say they are saving for retirement.

While a majority is saving for retirement, only a minority is seriously doing so.

- 6 in 10 feel that **most people** are not planning well financially for retirement. This view is held consistently across age groups.

How Well Most People Plan



Comparison to 12 Years Ago

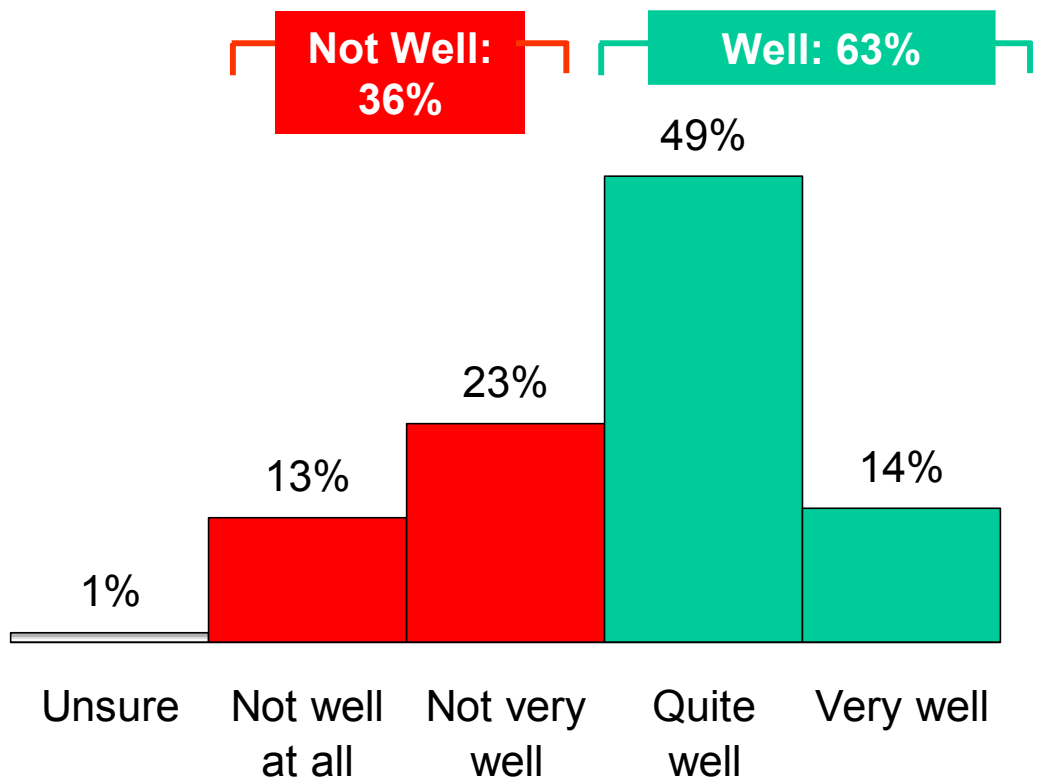
Most people are:	ANOP 1989 %	ANOP 2001 %
Planning well	38	30
Not planning well	53	59

The perceived adequacy of most people's financial plans for retirement has **declined**.

The majority view is that most Australians do not have adequate retirement savings.

- In contrast to the majority perception that most people are not planning well, 6 in 10 are reasonably confident of their **own** financial plans for retirement.

How Well Personally Prepared



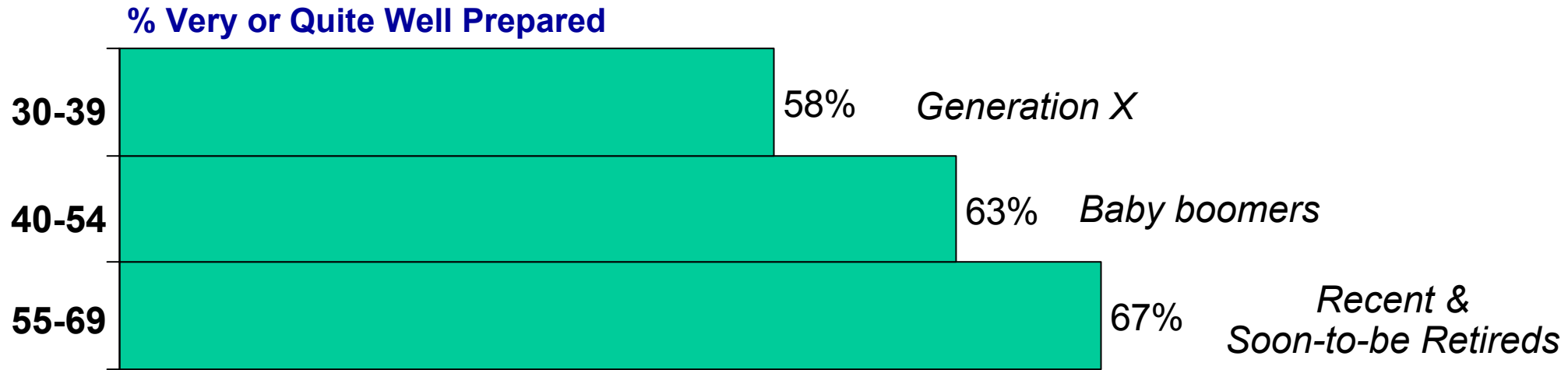
Comparison to 12 Years Ago

Personally:	ANOP 1989 %	ANOP 2001 %
Preparing well	52	63
Not preparing well	48	36

Perceived personal confidence in the adequacy of people's own financial plans for retirement has **increased**.

Compared to 1989 results, the introduction of the SG has heightened adequacy issues but has also led to undue confidence in individuals' own financial plans for retirement.

- The degree of confidence increases with age, although a majority in each age group feel they are preparing well for retirement.

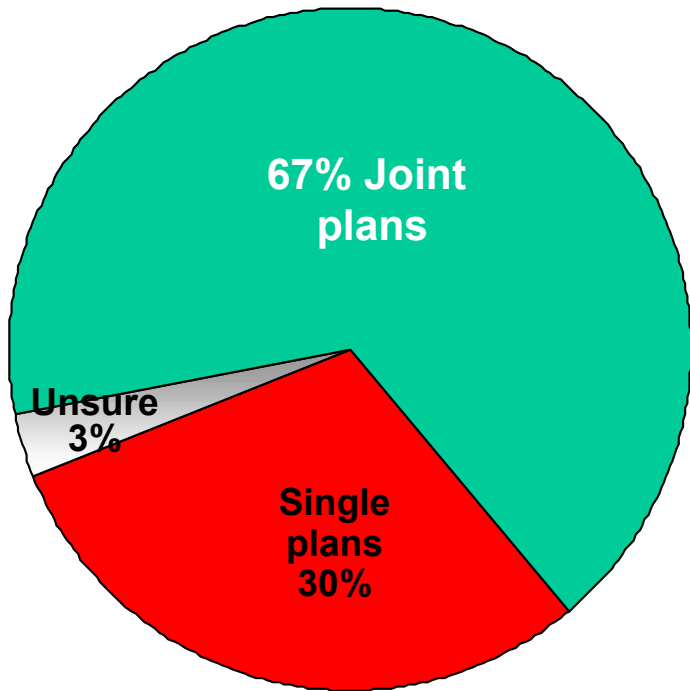


- Low income earners have the lowest confidence in their financial plans for retirement, whereas higher income earners have the greatest confidence. Later results show that higher income earners have the highest expectations about minimum income they require in retirement... and in reality, they may be the most over-optimistic group, whereas low income earners may be the most realistic.

Higher income earners have the greatest sense of security...and later results suggest they may end up the most disappointed.

- Two-thirds (67%) report that their financial plans for retirement cover themselves and their partner... a consistent finding across the age groups.

Financial Plans for Retirement Are:



There is a strong relationship between perceived adequacy of financial plans and whether they are joint or single:

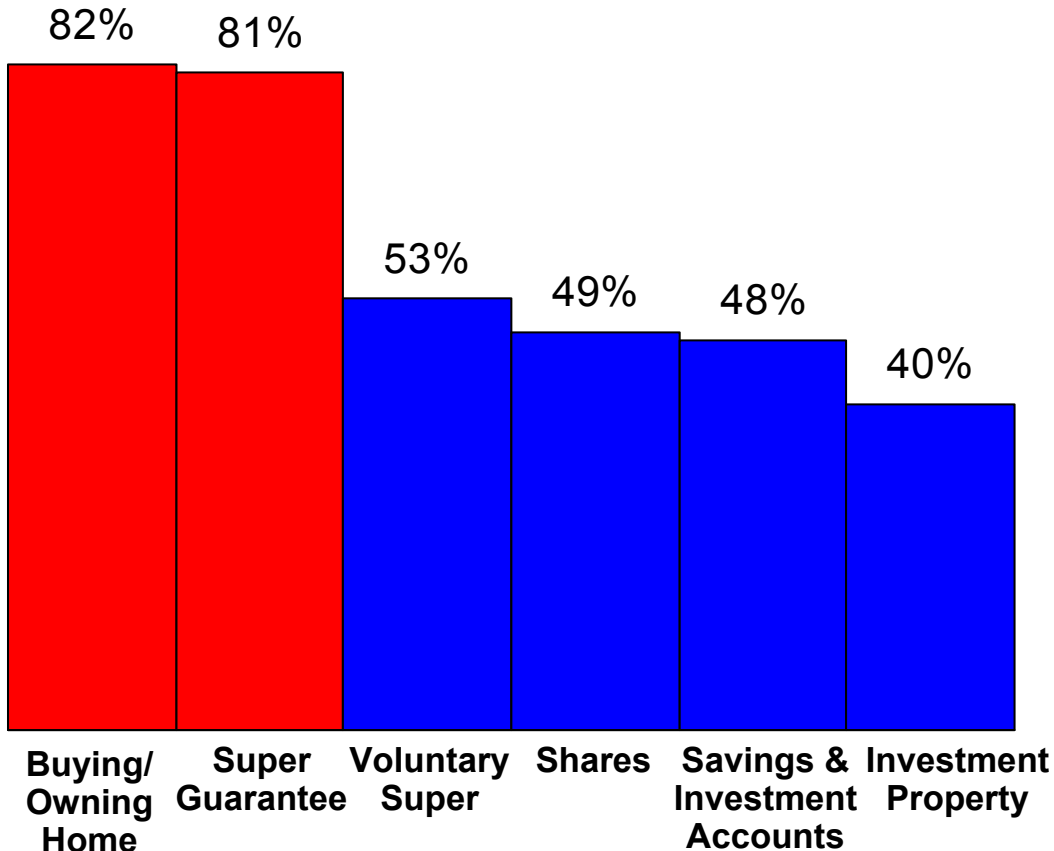
- ➔ Those who feel personally well prepared - and those from higher income households - tend to have **joint** plans.
- ➔ Conversely, those who feel inadequately prepared - and those from low income households - tend to have **single** plans.

Having a partner and joint plans for retirement is a key ingredient in reported adequacy of plans.

Those with joint plans are more confident of the adequacy of their financial plans for retirement.

- Home ownership and the Super Guarantee (SG) are the most common ways that people are preparing financially for retirement.

Current Savings for Retirement: Among All 30-69 Year Olds



The highest incidence of each of these types of retirement savings is found among:

- ➔ those from higher income households
- ➔ those who feel personally well prepared
- ➔ those with joint financial plans for retirement

Home ownership and the Super Guarantee dominate existing retirement savings plans.

Part of Savings for Retirement

	Non-Retireds	Retireds Under 70
The Top 2:		
Buying/owning home	84%	72%
Super Guarantee	84%	67%
Followed by:		
Voluntary super	54%	45%
Shares	51%	40%
Savings & investment accounts	46%	60%
Investment property	42%	29%

Non-retireds have a higher incidence of most forms of retirement savings except savings or investment accounts in financial institutions.

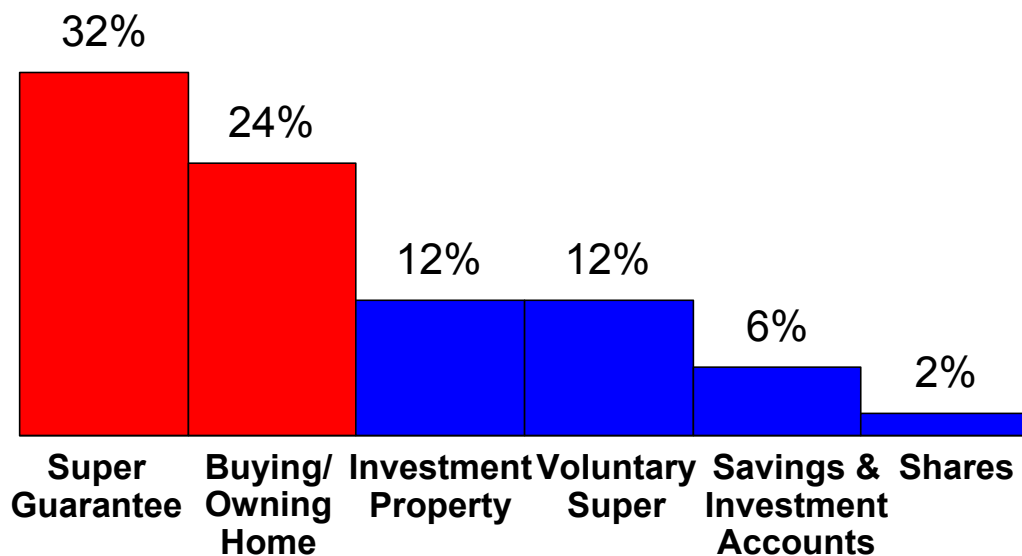
Key Age - Related Results:

- In line with the non-retireds' results, *generation X* and *baby boomers* are more likely than the 55-69 year olds to have most forms of retirement savings except savings & investment accounts which are a more frequent form of saving among the older group.
- Not unexpectedly, *generation X* (86%) and *baby boomers* (84%) are more likely to have the SG than 55-69 year olds (72%).
- Despite the lower incidence of most forms of retirement savings among the 55-69 year olds, home ownership and the SG are their most frequent types of savings, as found for other age groups.

Home ownership and the SG are the most frequent forms of retirement savings in all age groups although under 55s are naturally more likely to have SG.

- Nearly 6 in 10 (56%) are **relying mostly** on the SG (32%) or home ownership (24%). Only 2 in 10 are relying on investments: investment property (12%), savings & investment accounts with financial institutions (6%) or shares (2%). Just over 1 in 10 are depending on voluntary super (12%). (*The residual is unsure or relying on other ways.*)

Most Important Savings for Retirement: Among All 30-69 Year Olds



Those who feel personally well prepared are slightly more likely to be relying on *investments* and *voluntary super* - nonetheless a significant proportion of this confident group is relying on the SG and home ownership for their financial security in retirement.

This heavy reliance on the SG and home ownership indicates many people's expectations of standard of living in retirement will not be met.

Most Important Retirement Savings

	Non-Retireds	Retireds Under 70
The Top 2:		
Super Guarantee	32%	32%
Buying/owning home	23%	26%
Followed by:		
Investment property	13%	8%
Voluntary super	12%	10%
Savings & investment a/cs	5%	12%
And less frequently:		
Shares	2%	1%

The residual is unsure or relying on other ways

Key Results:

- Despite non-retireds having more forms of retirement savings than retireds, a majority in both segments is **relying mostly on the SG and home ownership.**
- *Generation X* is relying slightly more on the SG and home ownership (60% in total) than *baby boomers* and the 55-69 year olds (54% in total), but this reliance is at majority levels in each age group.

The heavy reliance on the SG and home ownership occurs in all age groups.

- Over 7 in 10 *generation X* and *baby boomers* estimate they will need at least \$30,000 pa to maintain an adequate lifestyle in retirement... and 3 in 10 want at least \$50,000 pa.
- Expectations of recent and soon-to-be retirees are more modest and realistic...only just over 4 in 10 retirees, and 5 in 10 non-retired over 55s, estimate they will need \$30,000 plus.

Estimated Minimum Retirement Income

	Under Unsure	\$20K	\$20-29K	\$30-39K	\$40-49K	\$50K PLUS
NON-RETIRES	8%		18%	22%	19%	29%
RETIRES UNDER 70	9%		24%	23%	21%	13% 10%

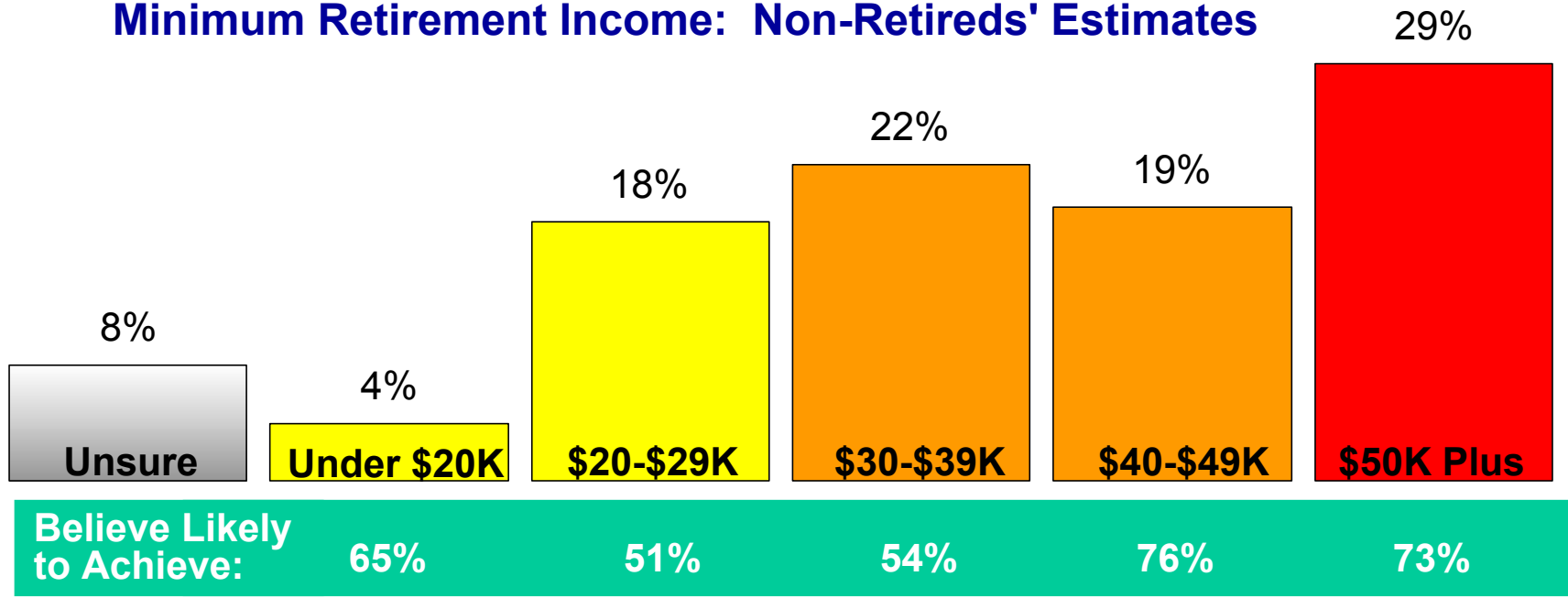
	Under Unsure	\$20K	\$20-29K	\$30-39K	\$40-49K	\$50K PLUS
NON-RETIRES ▼						
Aged 30-39	7%		17%	21%	20%	32%
Aged 40-54	8%		17%	21%	19%	32%
Aged 55-69	15%	7%	27%	27%	13%	11%

Baby boomers and generation X have significantly higher expectations than the over 55s.

The key survey findings among non-retirees are:

- 9 in 10 (88%) estimate that they will personally need \$20,000 or more pa, in today's dollar terms, for an adequate lifestyle in retirement.
- 7 in 10 (70%) estimate they will need \$30,000 or more pa - *3 times the existing pension*.
- 6 in 10 (62%) feel reasonably confident about achieving their estimate - and higher income "wanters" are the most confident.

Minimum Retirement Income: Non-Retirees' Estimates



These estimates of minimum retirement incomes indicate that many people's expectations will not be realised... and their confidence is misplaced.

Beliefs about Why Retirement Income Will or Won't Be Achieved

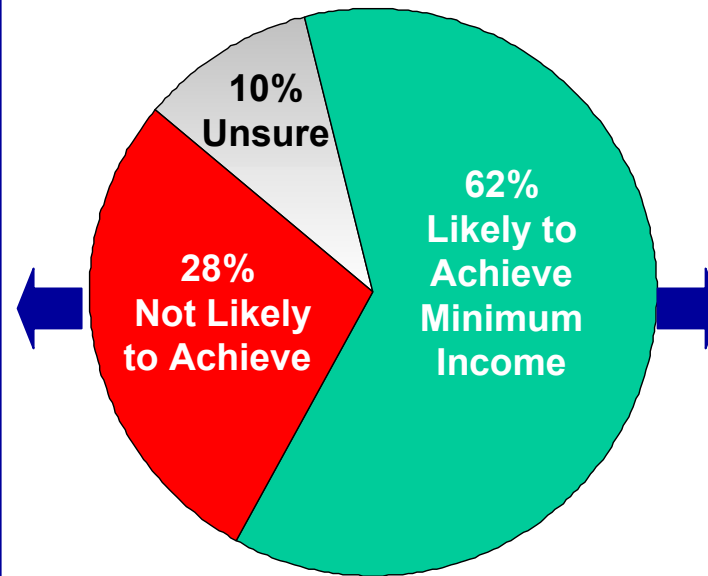
- The over-expectation regarding retirement incomes is based on a belief that present retirement plans and super income will be adequate for required minimum levels.
- Those not expecting to reach minimum levels do so mainly because of difficulties saving. Only 5% mention an inadequacy of super as their reason.

Non-Retirees

Why Not Likely - The 28%

MAIN REASONS:

- Can't save now11%
- Haven't saved enough6%
- Super won't be enough5%
- Main open-ended responses -



Why Likely - The 62%

MAIN REASONS:

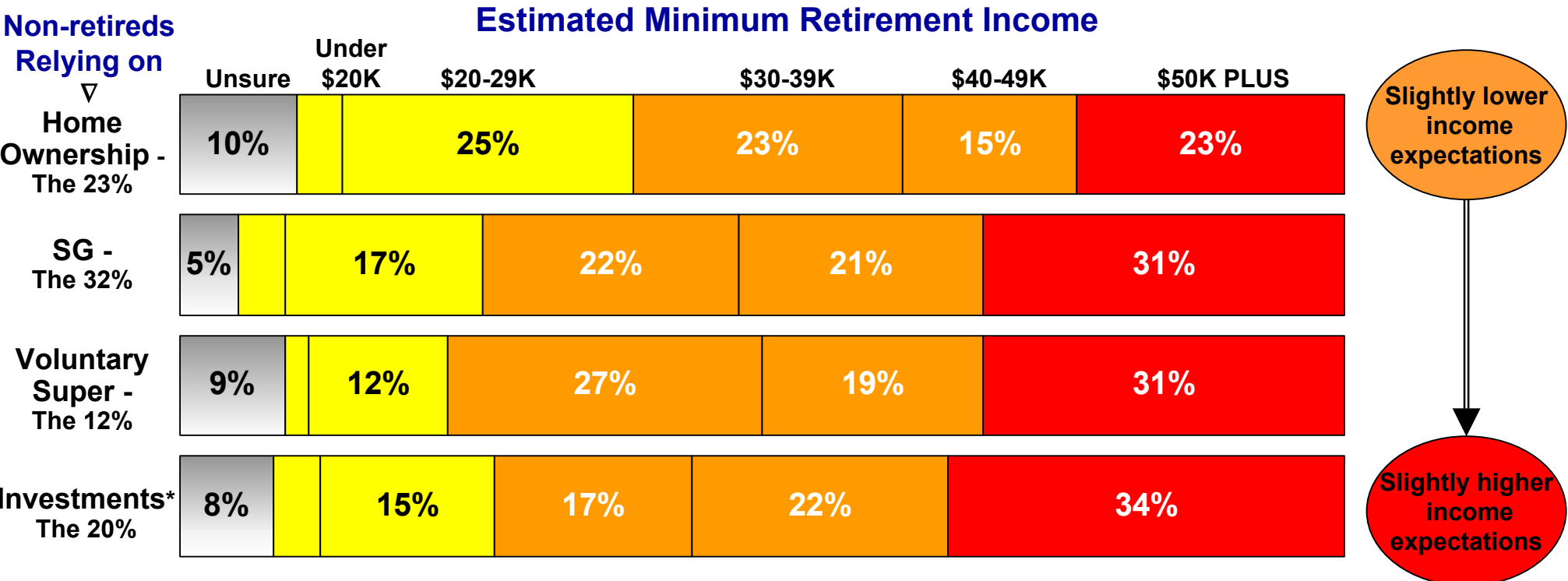
- Have good retirement plans ...21%
- Have super18%
- FOLLOWED BY:
- Savings10%
- Investments8%
- Investment property...7%
- Main open-ended responses -

This is another indication of substantial community over-expectation.

This chart illustrates the lack of realism in many of the estimates, because -

- Home ownership is not an income stream unless the house is sold.
- Retirement income for the average worker with the SG for 30 years is around \$19,000 pa.

Estimated Minimum Retirement Income



* Includes investment property (13%), savings & investment accounts (5%) and shares (2%).

Those relying on home ownership and the SG are particularly unlikely to realise their expectations.

**Estimate
need retirement
income of
\$30,000 or more
- the 70%**

Believe Likely to Achieve

48%



In reality*, only 20% will achieve this... 28% are deluded.

**Believe Unlikely/
Uncertain**

22%

**Estimate
need retirement
income of
under \$30,000
or unsure
- the 30%**

**Believe Unlikely/
Uncertain**

16%

38%



28% admit they will not achieve what they regard is an adequate income in retirement. The other 10% is uncertain about doing so. Thus, 38% are likely to be disappointed at not having what they would like.

Believe Likely

14%

14%



In reality*, only 9% will achieve this...5% are deluded.

One in three (33% = 28%+5%) is likely to be deluded and another four in ten (38%) disappointed.

The large majority will find their retirement income inadequate or less than expected.

Estimated Minimum Retirement Income - Analysed by Household Income

	Estimated Retirement Income		
	Under \$30K	\$30-49K	\$50K +
Non-Retireds	22%	41%	29%
Household income:			
Under \$20K	52%	22%	7%
\$30-\$39K	51%	33%	7%
\$40-\$59K	18%	56%	19%
\$60-\$79K	14%	45%	36%
\$80-\$99K	9%	40%	50%
\$100K plus	2%	39%	52%

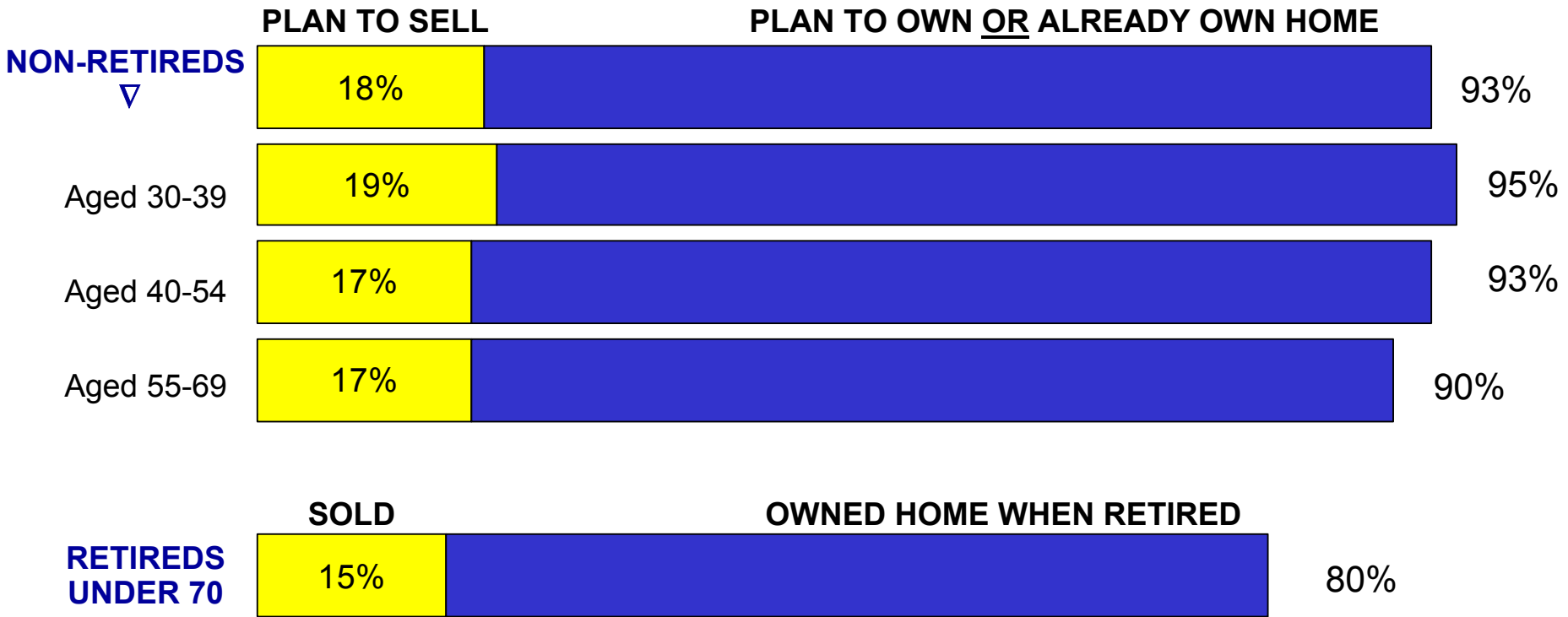
Confidence in achieving estimated retirement income increases with household income.

Key Findings and Implications:

- Not unexpectedly there is a strong relationship between current household income and estimated retirement income.
- Higher income earners not only want higher retirement incomes but also feel most confident about achieving their estimates.
- **In reality*, less than 5% are likely to achieve a retirement income of \$50,000 pa or more...**thus, many higher income earners are miscalculating what is achievable.

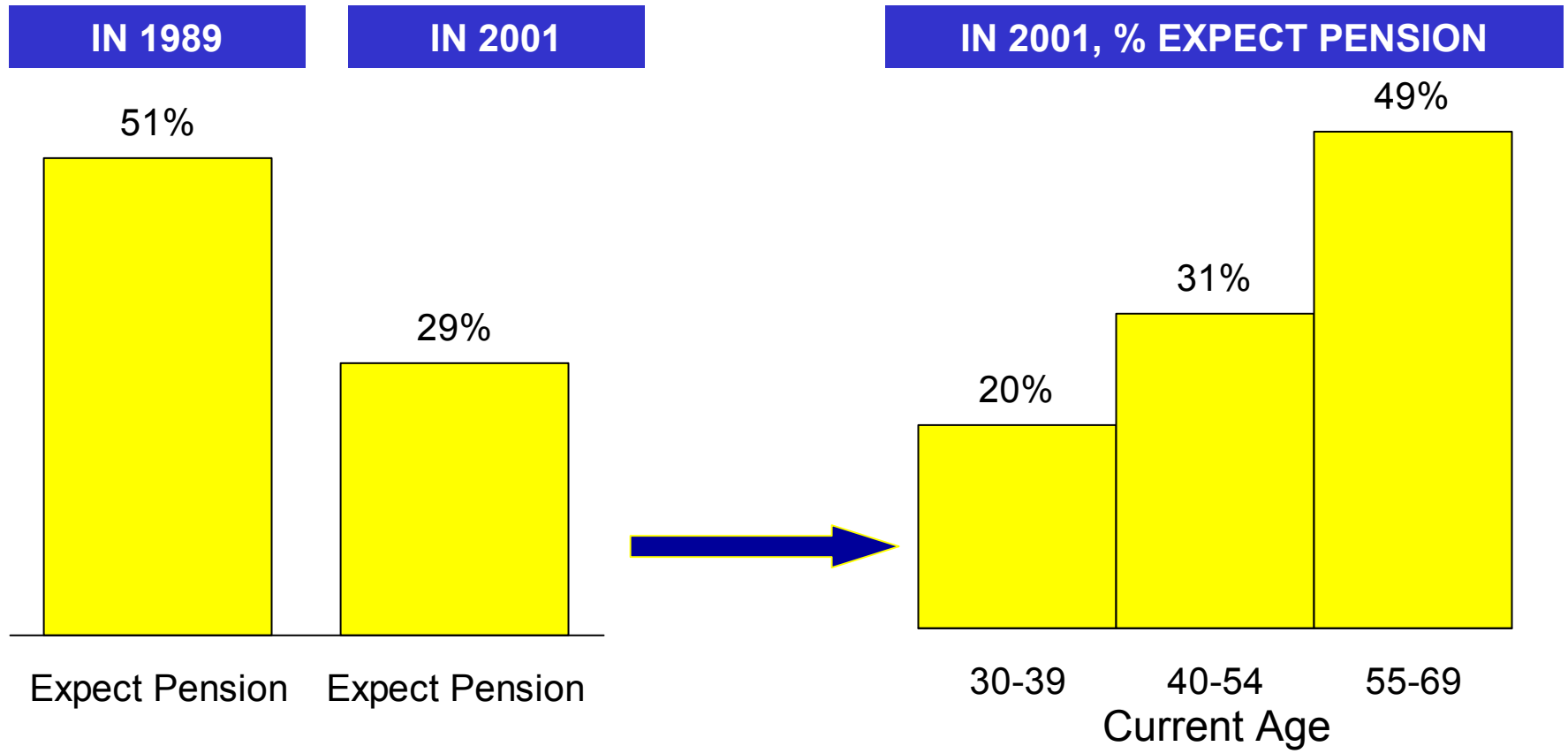
Higher income earners are most likely to be those deluded.

- Home ownership by the time of retirement is planned or already achieved by a massive 9 in 10 majority in all age groups of those not retired.
- Only a small minority of non-retirees plan to sell the dream as part of their financial plans for retirement, in line with the small minority of retirees who have done so.



Very few appreciate that to realise home ownership as an income-providing asset in retirement, the home will probably have to be sold.

- There has been a dramatic fall in expectation of receiving the age pension - from 51% in 1989 to 29% now. And expectations drop sharply down the age scale.
- Of those expecting the pension, only 12% regard it as a likely major source of income.



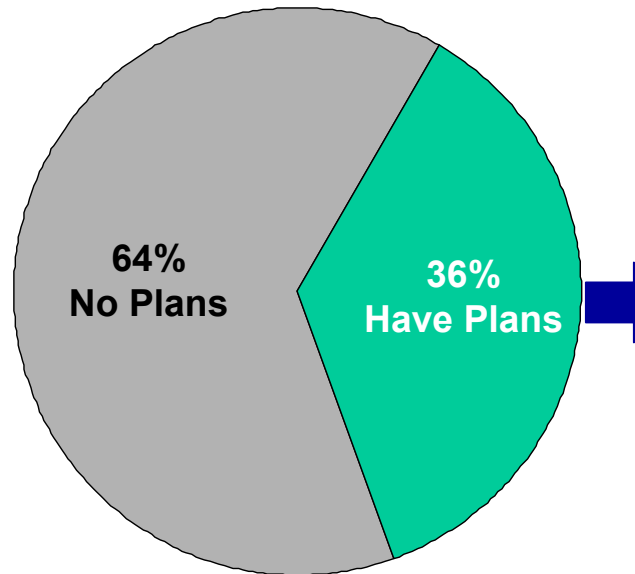
Falling expectations of receiving the age pension are an indication of growing doubts about access to the pension and are another indication of delusion about adequacy of retirement savings.

- Only 1 in 3 (36%) of non-retirees have plans for additional retirement savings to bridge the financial gap... with most of this aimed at property or shares, rather than additional super.

Non-Retirees' Plans for Additional Retirement Savings

Having additional plans is not being driven by the realisation that existing plans may be inadequate.

There is no relationship between people's confidence in achieving their minimum income required in retirement and having plans for additional savings.

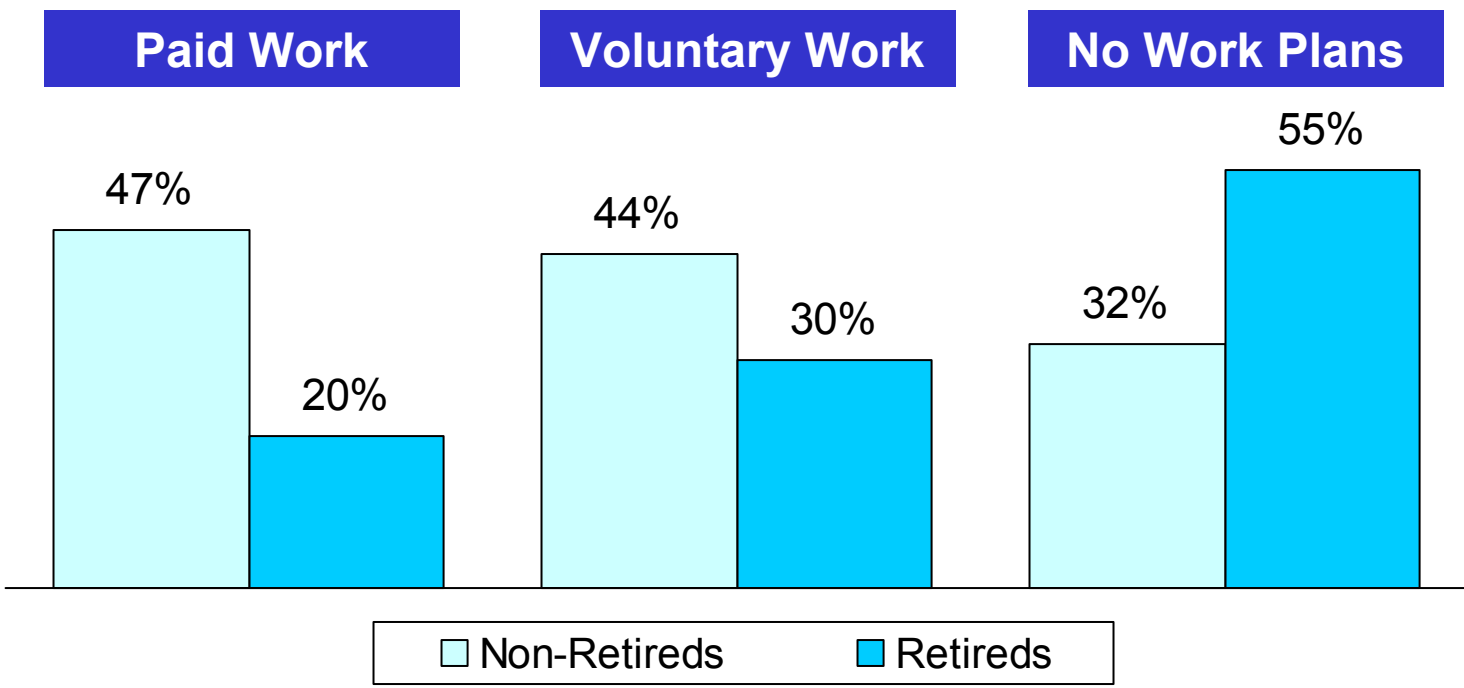


What Are the Plans - The 36%

- Invest in property.....12%
- Invest in shares9%
- More super6%
- Others: Save more. Invest more. Pay off mortgage. Find job
- Main open-ended responses -

Only a minority has plans to make up the gap.

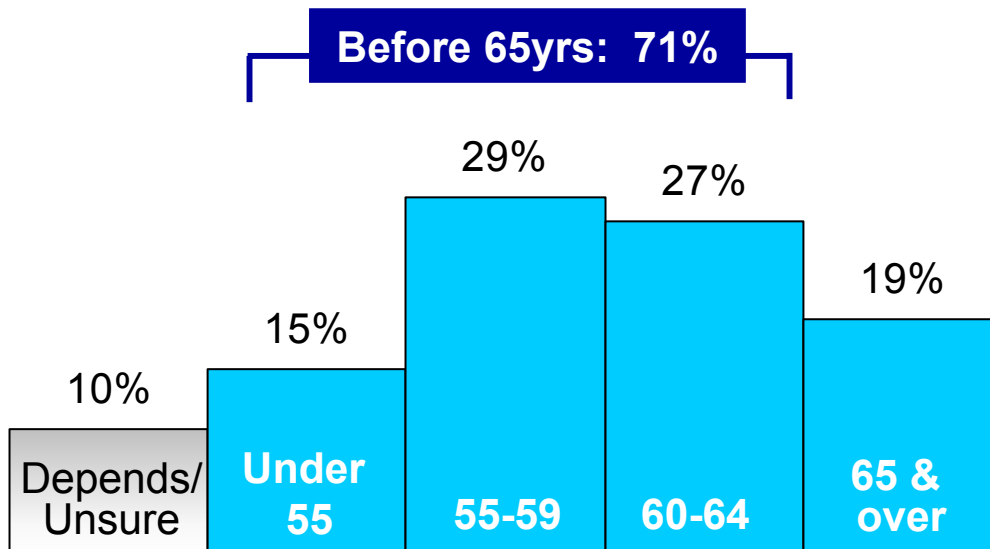
- Nearly 1 in 2 (47%) non-retirees expect to do some paid work in retirement...but less than half this number (20%) of actual retirees have achieved paid work.
- More men (52%) than women (41%) non-retirees expect paid work in retirement... whereas more women than men anticipate voluntary work (50% vs 38%).



Having plans for paid work in retirement is one thing...few in retirement achieve this.

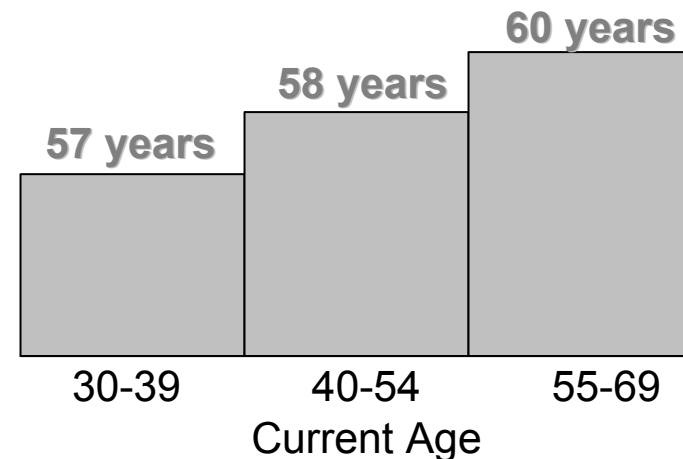
- Only 1 in 5 (19%) plans to, or did, retire at 65 or over, whereas 7 in 10 are planning or have achieved retirement before 65.
- The mean age of anticipated (actual) retirement is 58 years, with a clear link to current age: the younger groups plan younger retirement.

When Plan to/Did Retire



Mean Planned or Actual Retirement Age for 30-69 Year Olds

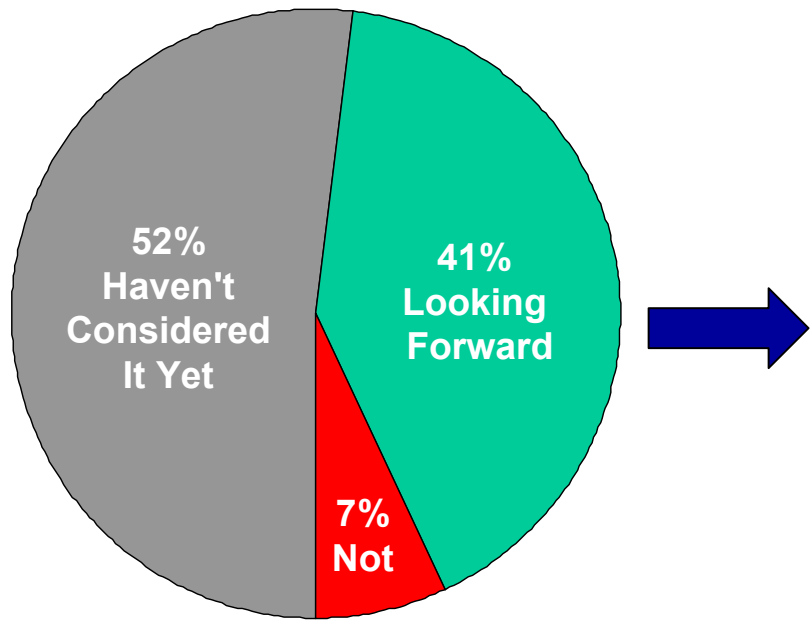
Mean Retirement Age in Survey = 58 years



Anticipated retirement is under 60.

- Retirement is genuinely looked forward to - especially by the young, women and those better off.
- Freedom from the stress of work, more free time and the opportunity to travel are the key perceived benefits.

AMONG NON-RETIRES



Why Looking Forward? The 41%

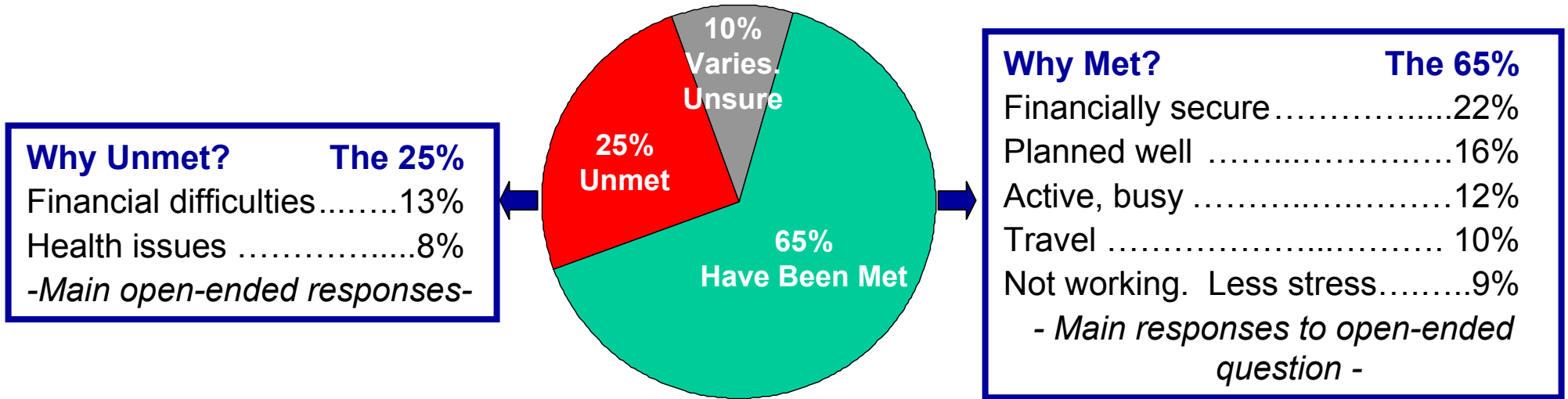
- No longer working.** Less stress19%
- Free time.** Do what you want.....15%
- Travel.** Go travelling, round Oz10%

Others: . Enjoy life . Time with family . Hobbies, sport
- Main responses to open-ended question -

There is little appreciation of financial difficulties clouding a rosy prospect of retirement.

- Expectations of retirement lifestyle have largely been met for two-thirds of present retirees. However, 1 in 4 has been disappointed, particularly women and the less well off.
- Financial security, good planning, an active travelling lifestyle and less stress are the keys to realising expectations, but financial and health problems are the main reasons expectations are not fulfilled.

AMONG RETIRED UNDER 70



Financial security, retirement planning and health issues are key determinants of whether expectations are met or not.

NON-RETIRES

Ratio of Looking Forward : Not Looking Forward	
All non-retirees.....	6:1
Men	5:1
Women	7:1
Very well prepared	12:1
Not at all prepared	4:1
Lowest income.....	4:1
Highest income	8:1
Aged 30-39.....	12:1
Aged 40-54	5:1
Aged 55-69	5:1

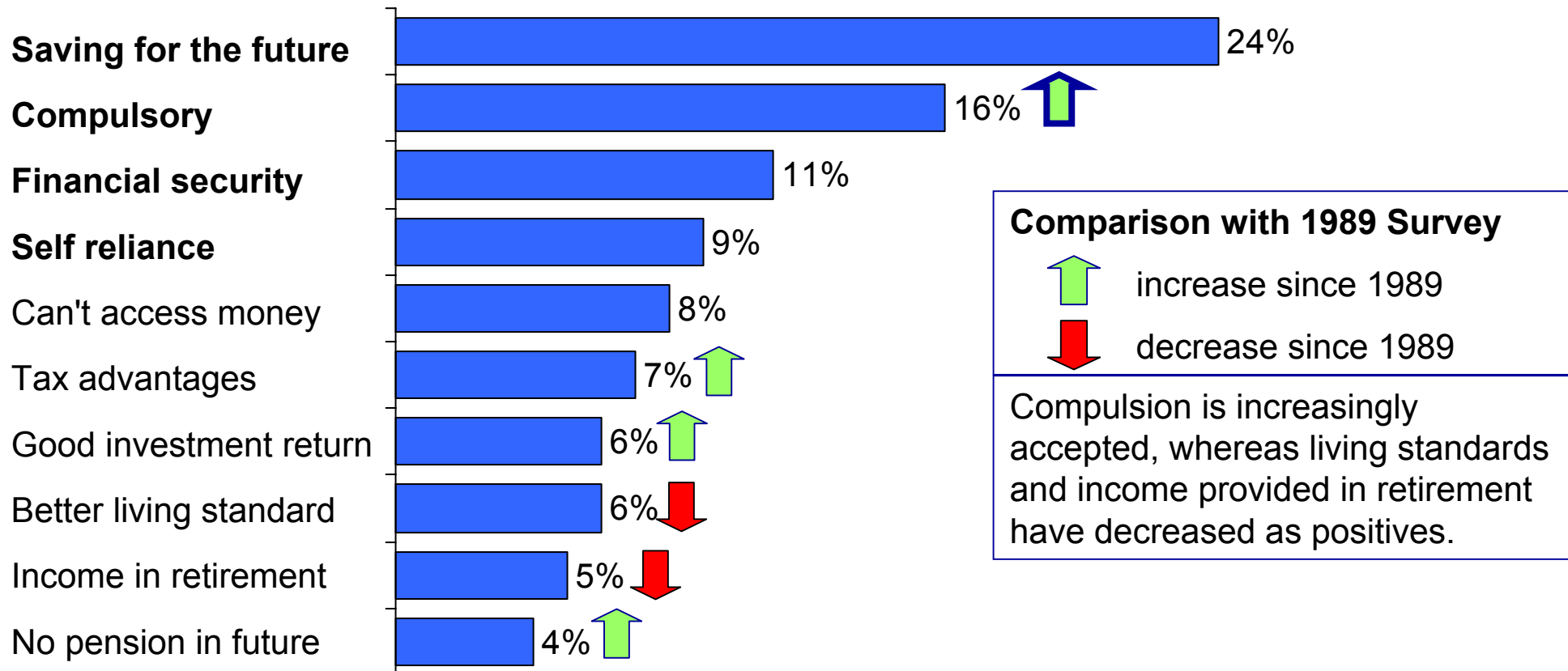
RETIRES UNDER 70

Ratio of Met : Unmet	
All retirees... ..	3:1
Men	6:1
Women	1½:1
Well prepared	7:1
Not well prepared	negative
Under \$20K.....	1:1
\$20K plus.....	5:1
Pensioners	1½:1
Non Pensioners.....	5:1

Many non-retirees' confident expectations of retirement are unlikely to be met - especially among women.

- 9 in 10 (86%) can spontaneously nominate an advantage of superannuation. Top ten benefits and trends to an identical question in 1989 are:

Main perceived benefits of superannuation:

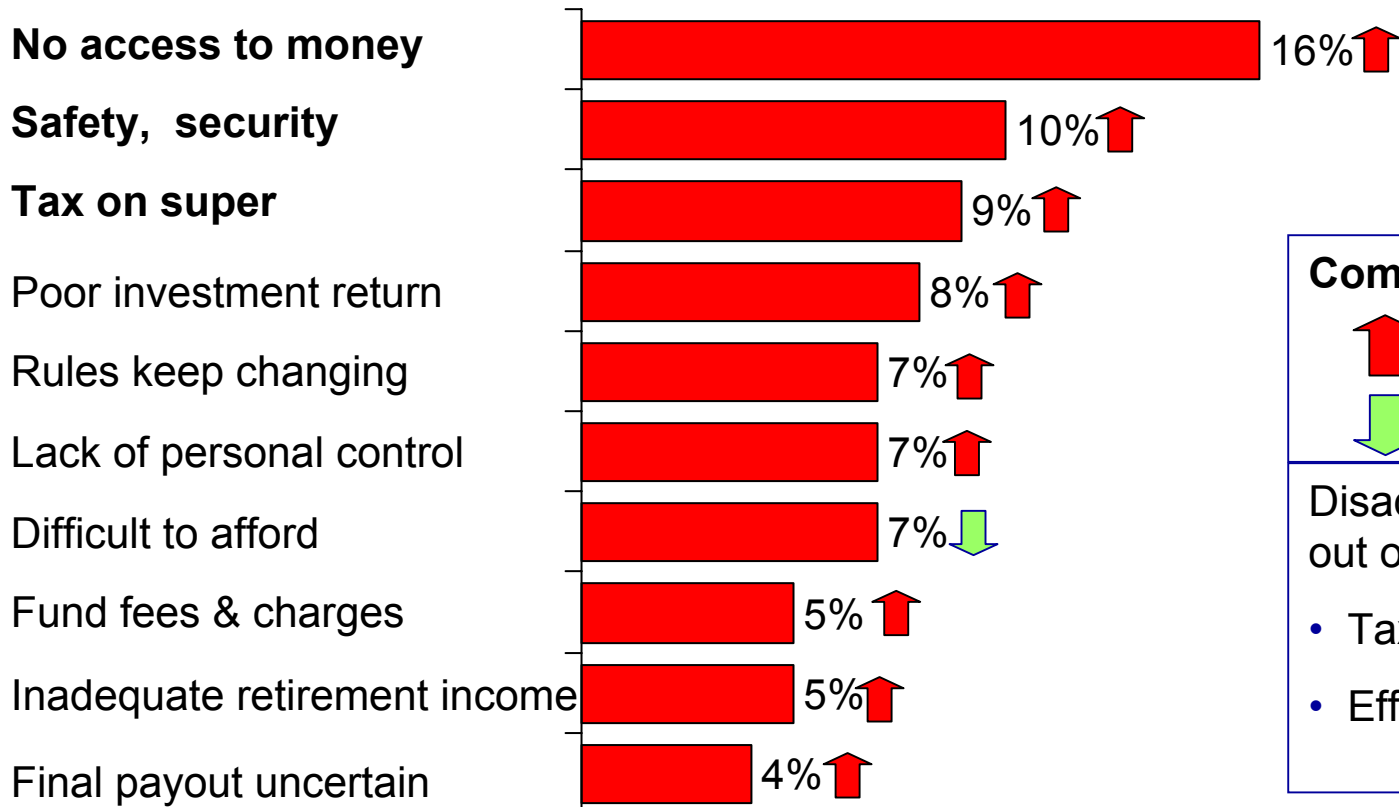


- Main responses to open-ended question -



The three main positive themes are **"nest egg"** advantage (saving, financial security, income in retirement), **compulsory** nature of SG and **self-reliance** (rather than reliance on govt pension).

- A high 7 in 10 (69%) nominate a disadvantage. Top ten negatives and trends to an identical question in 1989 are:

Main perceived disadvantages of superannuation:



Comparison with 1989 Survey

 increase since 1989
 decrease since 1989

Disadvantages that have dropped out of consciousness since 1989:

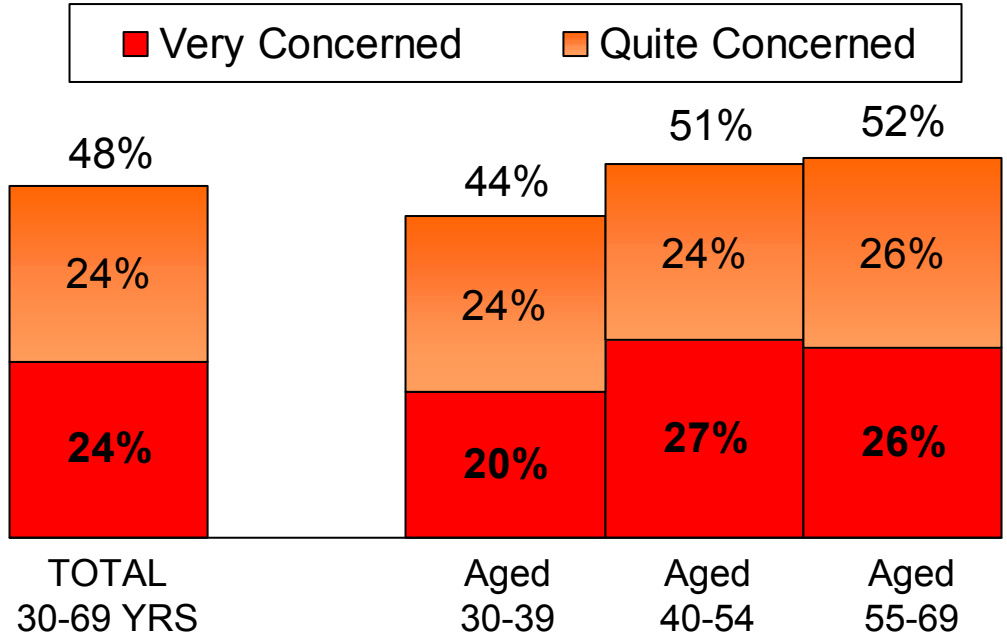
- Tax on lump sum
- Effect of super on eligibility for pension/concessions.

- Main responses to open-ended question -

In 2001 there is more emphasis on access to super money, safety issues, tax on super, return on investment, fees & charges and adequacy issues.

- There is some concern about an ageing population, but it is a major concern to only 1 in 4 (24%) - and this drops to 1 in 5 (20%) among the 30 somethings.
- Among those concerned, the concerns are realistically directed towards funding, health issues and the burden on taxpayers and younger generations.

Level of Concern about Ageing Population



The Main Concerns? The 48%

- Strain on funding, resources10%
- Pressure on health system 10%
- Smaller supporting workforce9%
- Burden on next generation.....6%
- Insufficient nursing homes.....5%

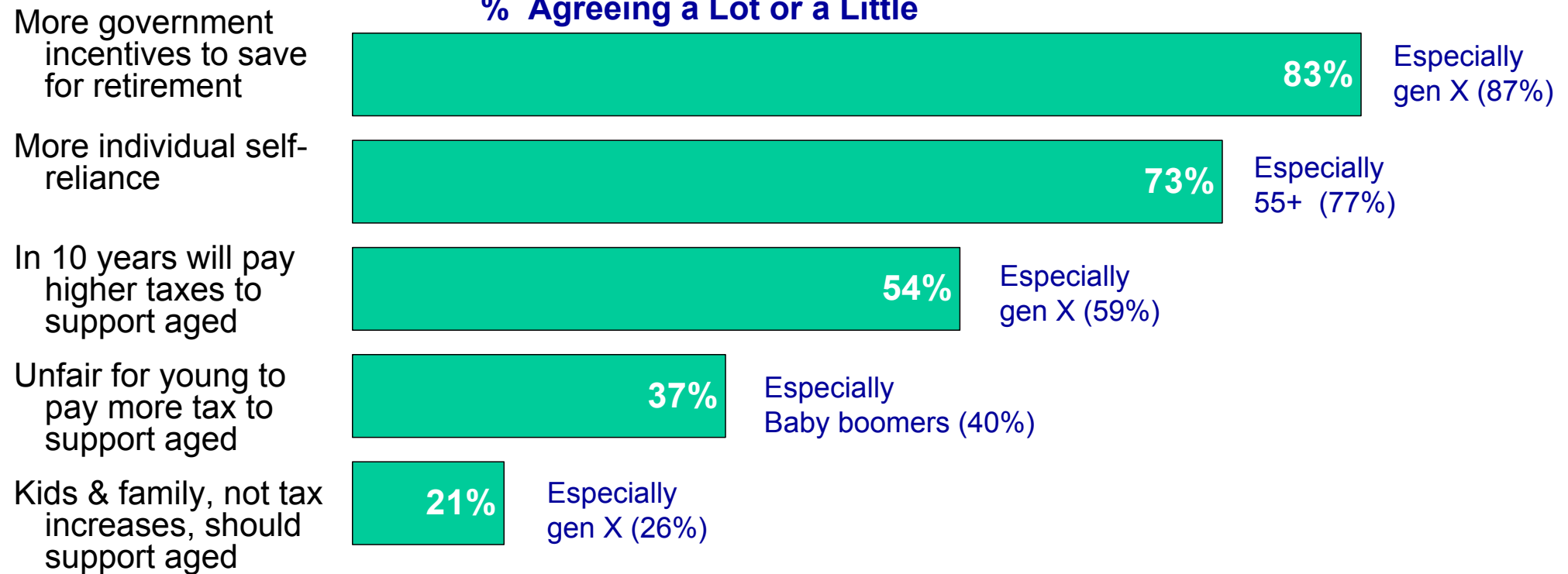
Others: . Society ill-prepared . Pension may be abolished . Insufficient facilities

- Main open-ended responses -

Although concerns about an ageing population are realistic, the level of concern is low.

- While 3 in 4 (73%) strongly agree with more individual self-reliance in retirement, the biggest reliance is directed towards **government incentives** for saving (83%) - especially among *generation X* (87%).

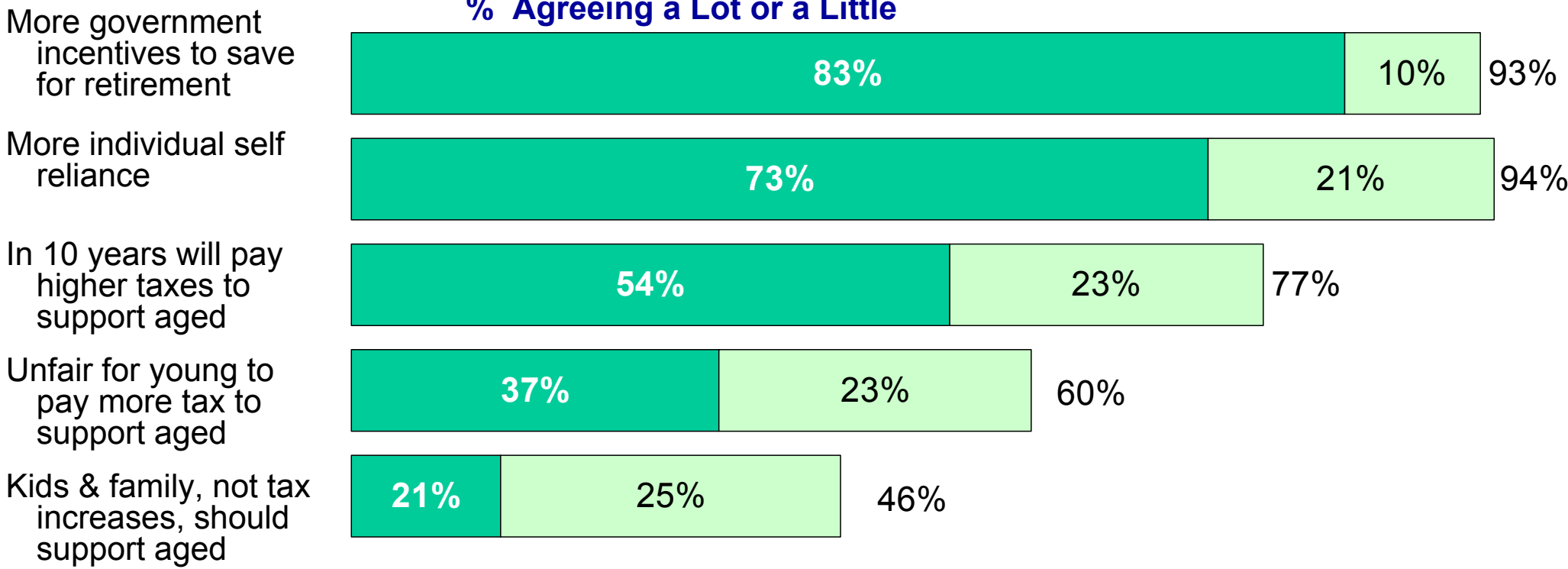
% Agreeing a Lot or a Little



Government by way of providing incentives to save for retirement is given the most important role in responding to the issue of an ageing population.

- There is overwhelming support for more government incentives to save and for increasing financial self-reliance in retirement.
- The potential burden of an ageing population on future generations is yet to fully sink in.

% Agreeing a Lot or a Little



The potential consequences of an ageing population on following generations are yet to be fully appreciated by the community.