

# 2004 Community Attitudes to Saving For Retirement

## Overview of Main Findings and Implications

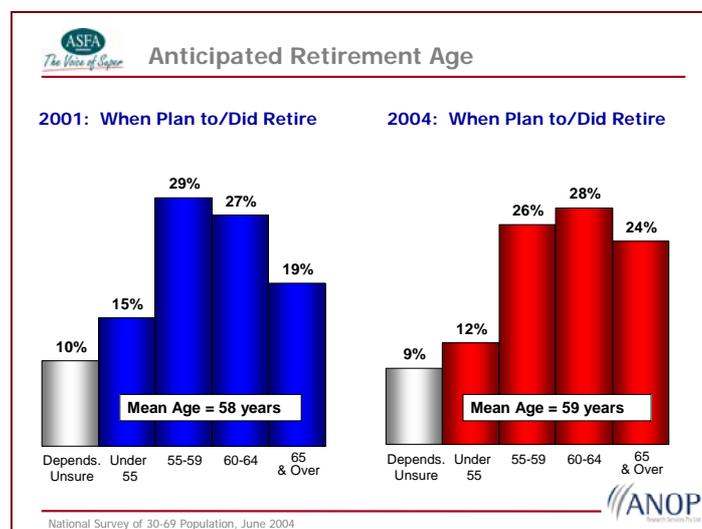
The 2004 national survey consisted of a telephone survey of 755 Australians aged 30-69 years, in late May/early June 2004. The 2004 study is an extension of the 2001 benchmark survey into community attitudes to saving for retirement. It provides an inter-generational analysis (Generation X vs Baby Boomers), and compares the views and expectations of those *not retired* with the experiences of *retirees* in the 30-69 age band.

### OVERVIEW OF MAIN FINDINGS

The key findings of the 2004 study are:

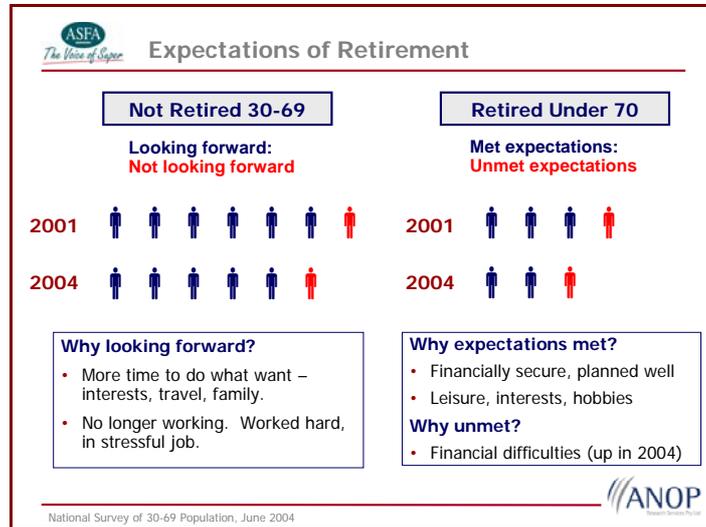
- **General attitudes to retirement**

While the average anticipated retirement age remains under 60, it has increased slightly from a mean of 58 years in 2001 to 59 years in 2004. This represents an important turnaround, and suggests that the desire to retire early is being curbed, especially among Generation X.

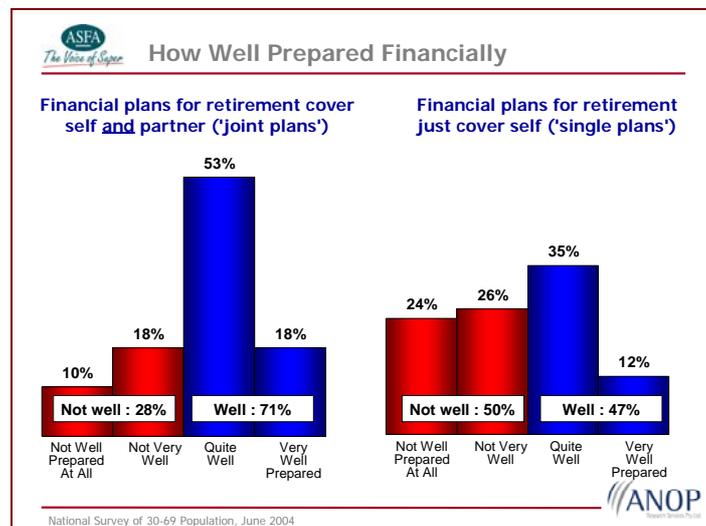


Expectations of retirement continue to be rosy but some more doubts are evident in 2004 than in 2001. Retirement is looked forward to by a ratio of 5:1 because of the anticipated free time to pursue interests after having worked hard. However, this ratio has slipped from 6:1 in 2001, and a similar decline is evident in the reported experience of those who have retired. Among actual retirees, the ratio of met:unmet expectations in 2004 is 2:1, compared to 3:1 in 2001. Thus, the reality

of retirement is clearly not as rosy as the expectations of it, and the main reasons are financial ones. Financial security is increasingly emerging as the key determinant in meeting retirement expectations.

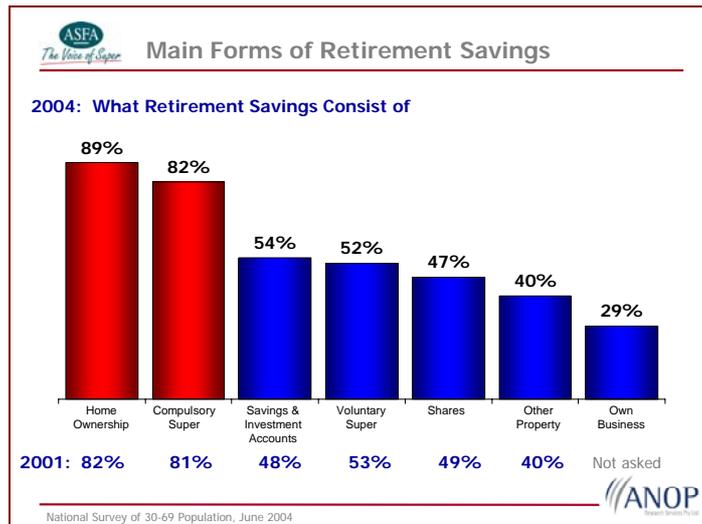


The majority continue to be reasonably optimistic about their financial preparation for retirement at a surface level. The perceived adequacy of financial plans is strongly related to current household income and also to whether people's plans just cover themselves ('single plans') or are joint plans (covering themselves and their partner). Those with 'single plans' feel less well prepared for retirement, are more likely to be currently less well-off and are slightly more likely to be women. Retirees most likely to have unmet expectations are 'singles' and those with retirement incomes below \$20,000. Thus, the research suggests that 'singles' are a segment particularly in need of attention.

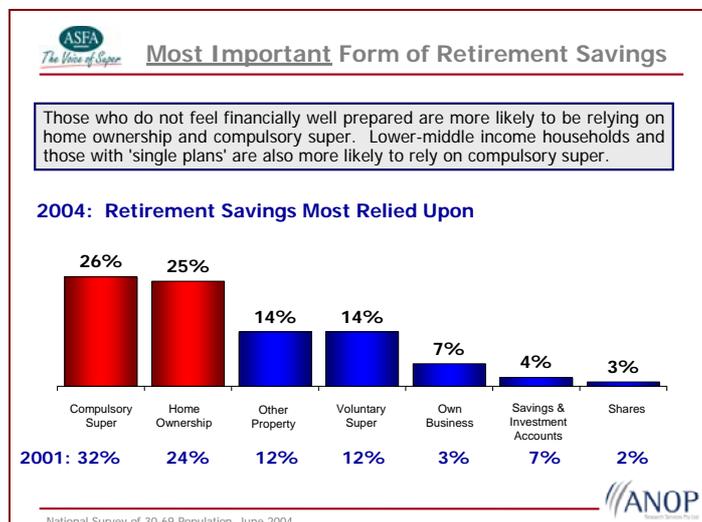


- **Current retirement savings and required retirement income**

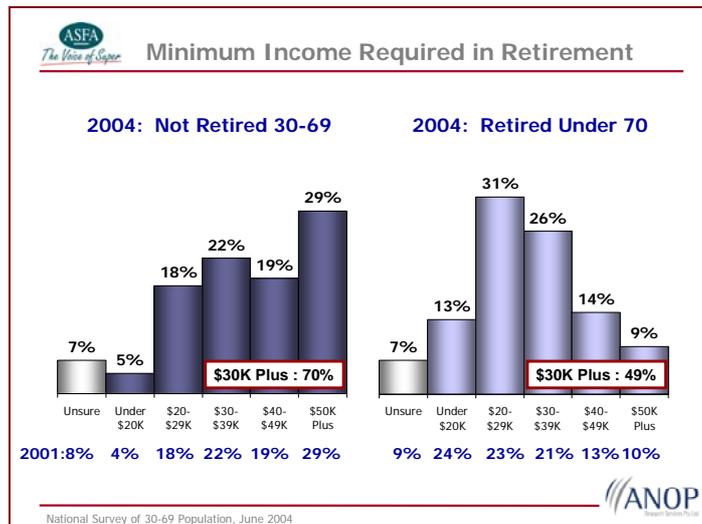
As found in 2001, home ownership and compulsory superannuation are the most common ways that people are preparing financially for retirement, and there has been an increase in those considering buying their own home as a part of their retirement preparation.



When asked about their *most important* form of retirement saving, just over half report that they are relying mostly on compulsory super or home ownership. In reality, many of those relying on these two forms of saving will not achieve their desired standard of living in retirement. However, more realism about the adequacy of savings is evident in 2004. Those relying on compulsory super or home ownership are less likely than others to feel well prepared. Fewer also report placing their main reliance on compulsory super in 2004.

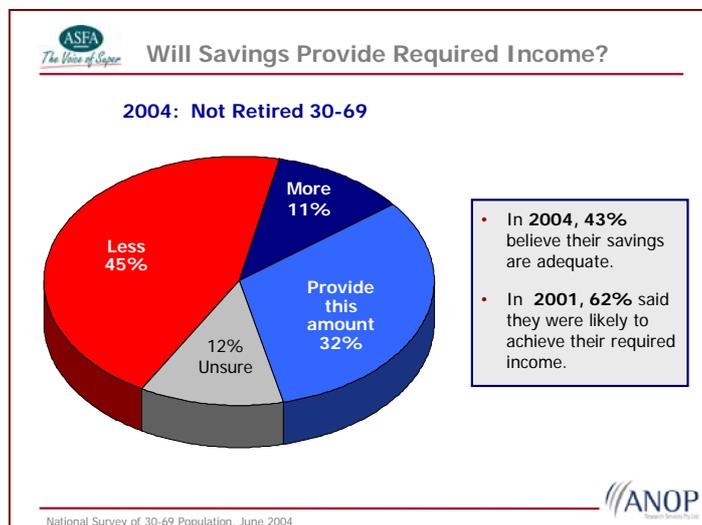


Those not retired continue to have much higher retirement income expectations than actual retirees, but the gap has closed a bit. As found in 2001, seven in ten of those not retired estimate that they will personally need a minimum annual income of *at least* \$30,000 to maintain an adequate lifestyle in retirement. While not-retirees' expectations have not changed, retirees' perceptions of an adequate retirement income have moved up a notch. The average minimum annual income regarded as adequate by retirees is now in the order of \$30,000, with significantly fewer retirees saying an income of under \$20,000 is sufficient.



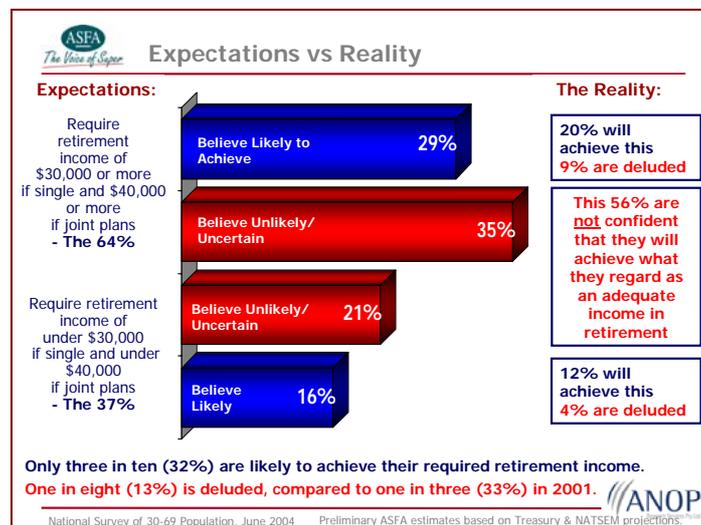
- **Perceived adequacy of retirement savings**

A key finding of the 2004 study is that those not retired are less confident about the adequacy of their retirement savings.



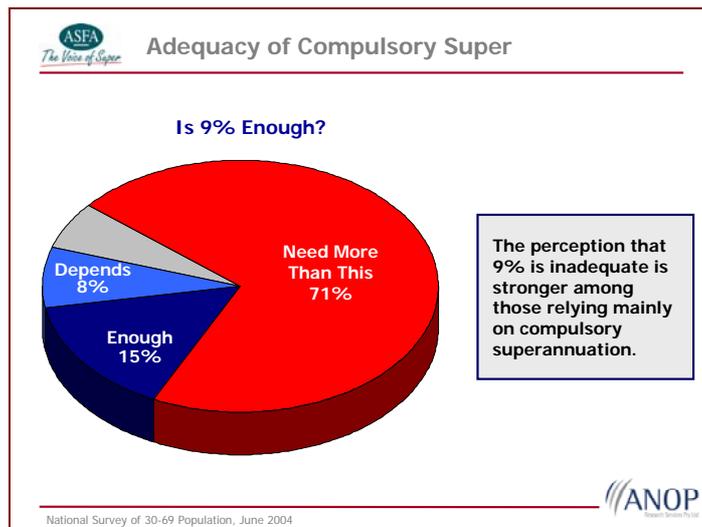
In 2001, six in ten were reasonably confident of achieving their required income in retirement, whereas in 2004, only just over four in ten feel that their current savings will provide the income they want in retirement. As found in 2001, however, these *perceptions of adequacy overstate reality*.

In both the 2001 and 2004 studies, ASFA assessed the extent to which not-retirees' estimates of their required incomes in retirement and their confidence of achieving them are in line with reality (based on Treasury and NATSEM projections). In 2001, ASFA estimated one in three were deluded about the adequacy of their savings – that is, one in three believed they would achieve their required retirement income but were unlikely to do so in reality. In 2004, ASFA's estimate of those deluded has fallen to one in eight.



Another important finding from this analysis is that, as found in 2001, only three in ten are in fact likely to achieve the income they require in retirement. Among 'singles', only two in ten are likely to achieve their required retirement income, again revealing that they are less well prepared for retirement than those on joint plans.

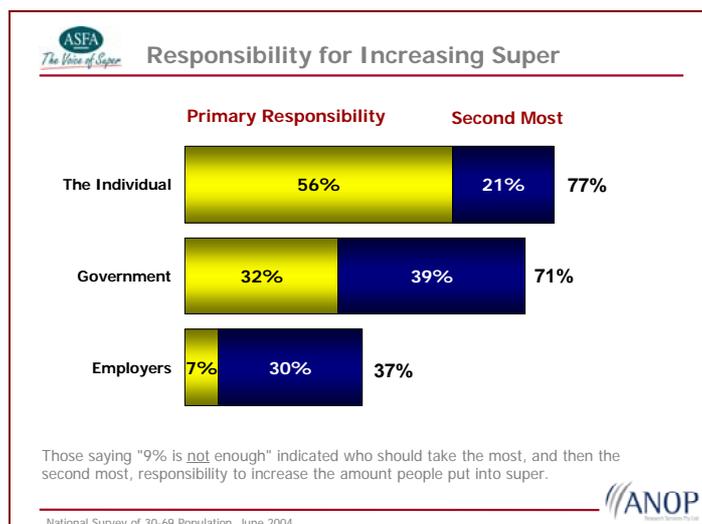
Thus, these findings continue to reveal that the majority have insufficient savings to achieve their required income in retirement and will need to take measures to bridge the gap if they are to realise their desired lifestyle in retirement. Fewer are, however, deluded about this in 2004.



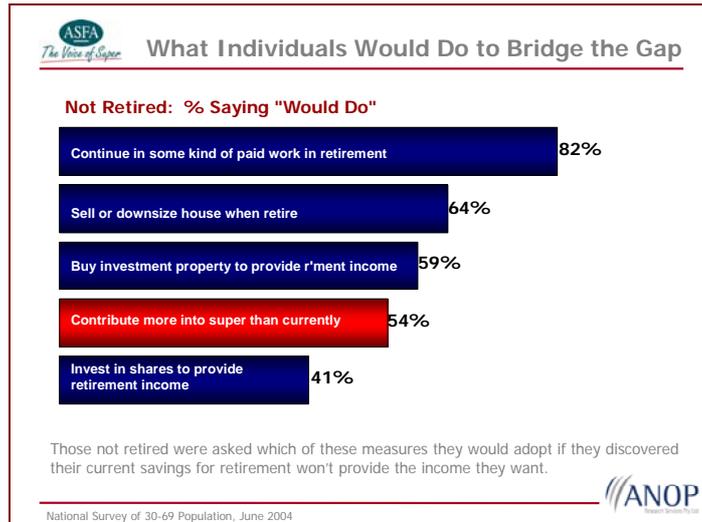
The community is also generally aware that 9% compulsory super is not enough, with seven in ten believing that most people need more superannuation than this to have adequate savings when they retire. Thus, ASFA's messages about adequacy are clearly getting through to the community, both at a general awareness level but also in terms of individuals' attitudes to the adequacy of their own savings.

- **Attitudes to 'bridging the gap'**

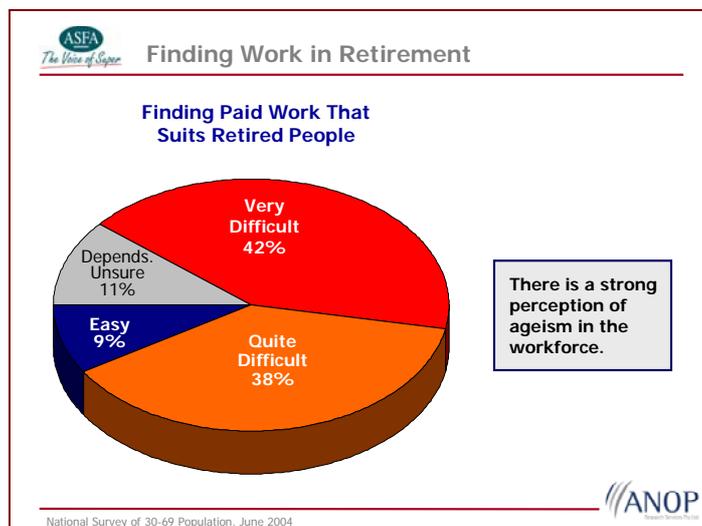
The main onus is placed on the individual to increase their retirement savings: when asked who should be responsible for increasing the amount people put into super, the community nominates the individual first, followed by government.



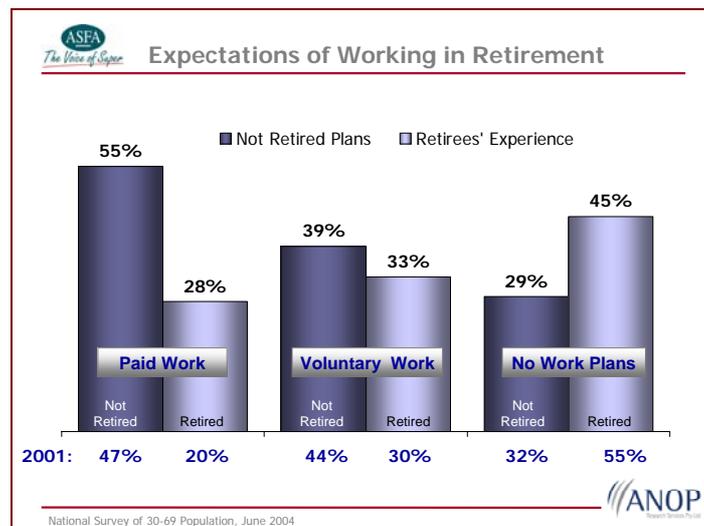
When individuals are asked what they would personally do if they discovered their current retirement savings will not provide the income they want, working in retirement emerges as the preferred option (out of a list of five). The second most popular option is selling or downsizing the family home. Investment property emerges ahead of contributing more into super as a way of bridging the gap, while investing in shares is the least preferred option.



While **working in retirement** is the preferred way of bridging the gap, most recognise that this may not be easy. Eight in ten believe that it is difficult for retired people to find paid work that suits them, largely because of negative attitudes to older workers.

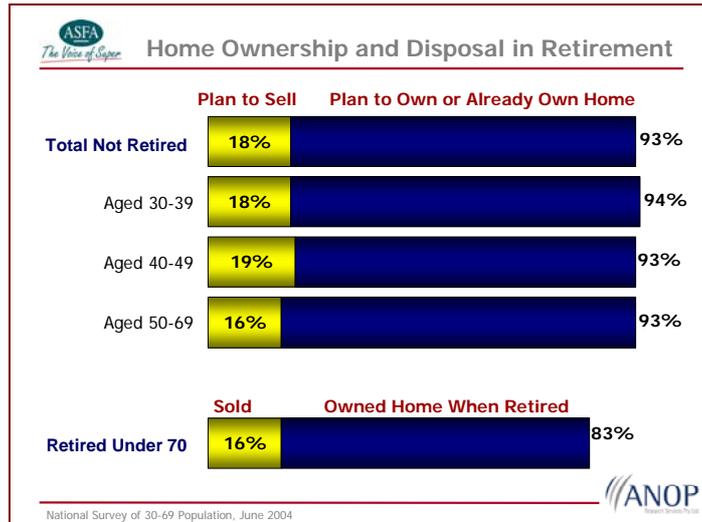


The survey also reveals significant gaps between not-retirees' expectations of working in retirement and the actual experience of retirees: over five in ten of those not retired say that they plan to work in retirement, whereas just under three in ten retirees report that they have a paid job. Those not retired also have higher occupation aspirations than retirees. While the results indicate that not-retirees' expectations may not be met, there has been an increase since 2001 in the number of those planning and doing paid work in retirement. The preference is for casual work, and the mean planned age to stop work altogether is around 67 years.

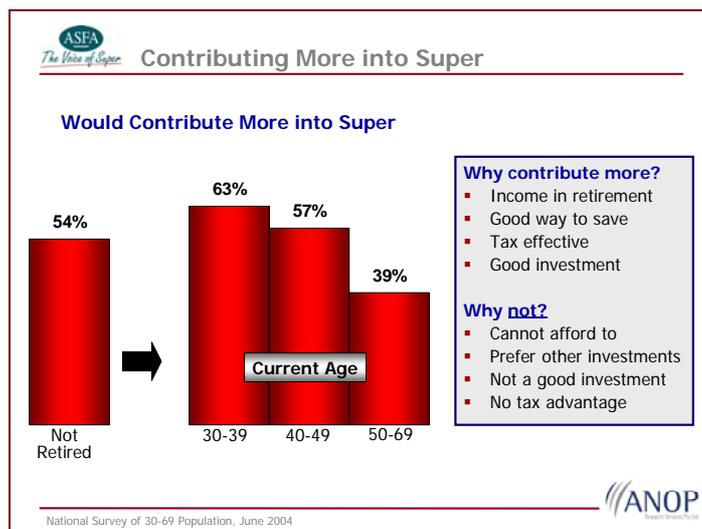


These trends are another indication that the message about adequacy is getting through, and importantly, that working in retirement is increasingly accepted as a way of bridging the gap, despite the perceived barriers to finding work.

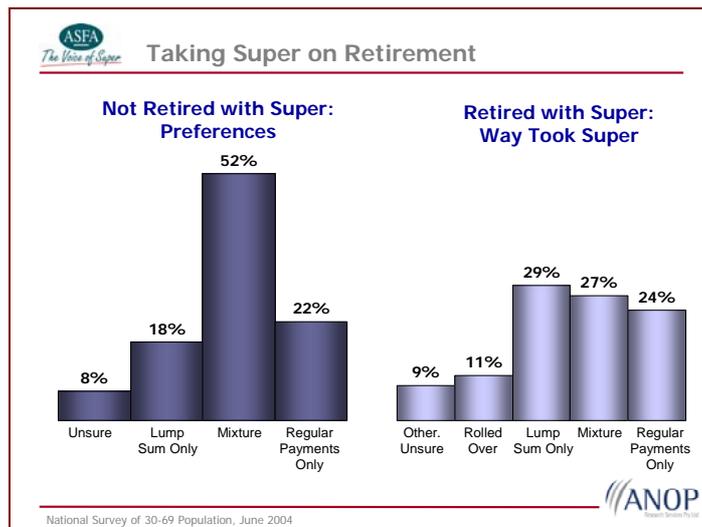
While **selling or downsizing the family home** is recognised as an option to bridge the gap, this is currently part of the plans of only a minority. The survey reveals that the great majority want to own their own home by retirement, and more are considering owning their home as part of their retirement preparation. One-quarter of those surveyed report that home ownership is their most important form of retirement savings, but only around one in six currently intends to sell the family home as part of their retirement plans. Thus, the community continues to show reluctance about disposing of the family home to provide income in retirement.



**Contributing more into super** emerges fourth out of the five potential ways to bridge the gap, just behind investment property. While just over half would consider adding to their super, the main barriers are affordability and some doubts about super as an investment and about its tax effectiveness.

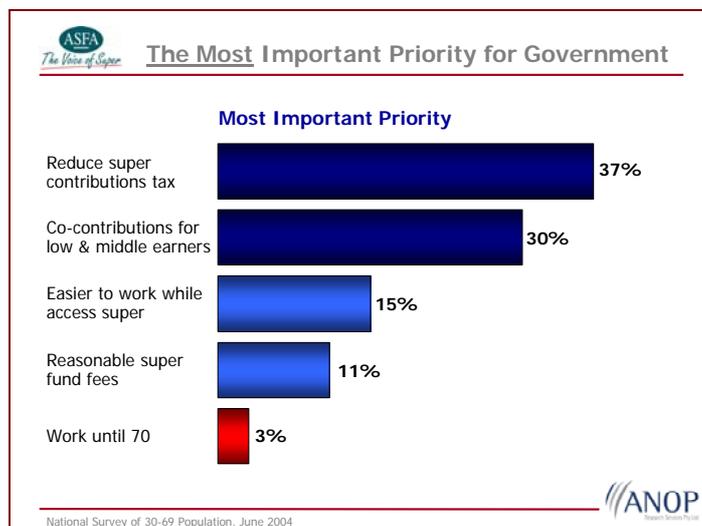


Interestingly, the majority indicate a preference for taking their current super as some form of income stream in retirement, and they recognise the benefits of taking their super in this way. The results indicate a need for more promotion of the merits of super, and suggest that the emphasis should be on the benefits of super not only as a way to save but also as an effective way of providing income in retirement.

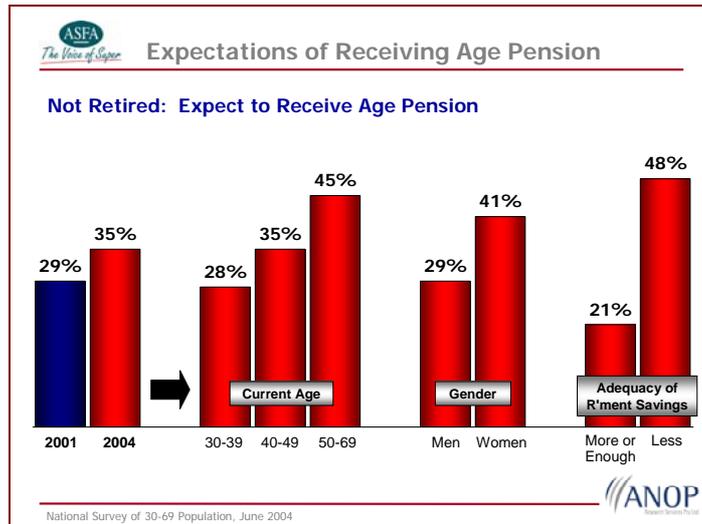


- **Attitudes to the role of government**

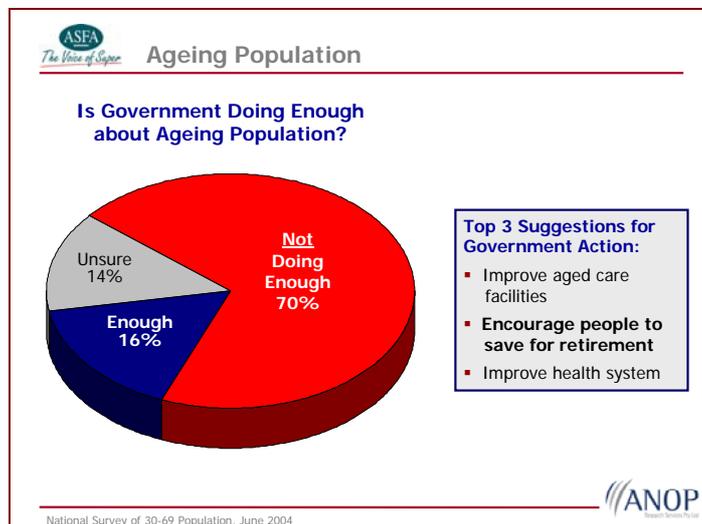
As mentioned, government is seen as having an important role, together with individuals, in helping people to increase their retirement savings. And the main emphasis is on government providing incentives to save. Out of five possible priorities for government, reducing the contributions tax and providing co-contributions for lower and middle income earners emerge at the top of the list. Making it easier to work while accessing super and ensuring super fund fees are reasonable are middle order priorities. However, the idea of encouraging people to work until they are 70 receives little support. As mentioned, the average anticipated retirement age is 59 years, and among those planning some kind of work in retirement, the planned age to stop work altogether is around 67.



The 2004 survey also reveals that more are now expecting to rely on government support in retirement than in 2001. Over one-third of those not retired now say that they expect to receive an age pension, compared to under three in ten in 2001. This increase in expectations of receiving the age pension reflects greater knowledge and more realism about adequacy of retirement savings in 2004.



Concern about Australia's ageing population has increased since 2001, and seven in ten believe that the government should be doing more to deal with the consequences of the ageing population. Encouraging people to save for retirement is one of the main suggestions for government action, together with suggested improvements to aged care facilities and the health system. The relatively high ranking of encouraging retirement savings as a measure to deal with the ageing population is a further indication of the importance that the community places on the involvement of government in helping individuals be self-reliant in retirement.



## KEY IMPLICATIONS

One of the main implications of the 2004 study is that **the message about adequacy is getting through**. Some of the key survey results illustrating this are:

- \* A seven in ten majority recognise 9% compulsory super is not enough for most people.
- \* About half do not believe that their current savings will achieve their desired standard of living in retirement.
- \* Fewer say that they are relying solely on compulsory super as their main form of retirement saving than in 2001.
- \* Those relying mostly on home ownership or compulsory super are least certain about having an adequate income in retirement.
- \* More are considering work in retirement than in 2001.
- \* More are expecting to receive the age pension than in 2001.

These results clearly show ASFA's success in helping inform the community about the adequacy of their retirement savings. Community delusion is now less pronounced, and there is more appreciation that many people may face a gap between their retirement savings and their desired lifestyle in retirement. Thus ASFA's emphasis can now shift to **ways of bridging the gap**.

The results also suggest a need for **more promotion of the relative merits of super**. Investment property emerges ahead of contributing more into super as a way of bridging the gap, and some doubts are evident about super as an investment and about its tax effectiveness. This indicates a need for greater reinforcement of the relative benefits of superannuation as one of the most effective ways of not only saving for retirement but also providing income in retirement. The study shows that many would like to continue in some kind of work in retirement, and access to super while working in retirement will also be an increasingly relevant issue. While the community would like more incentives from government to save for retirement, existing tax benefits and co-contributions should be part of the positive communications themes about super.

The 2004 survey reveals that while the adequacy message is being well communicated, many in the community lack knowledge about how much income their savings will actually provide in retirement. Thus, there is an ongoing role for ASFA in **helping people work out where they stand**, in terms of how much they will need in retirement and how much they are likely to have. And this should now be coupled with information about how to bridge the gap. Public interest research, practical guides and "rules of thumb" are ASFA fortes, and can play an important role in informing the community and providing constructive help to individuals in meeting their retirement goals.

### **ANOP Research Services**

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