

Over 50s: still not confident about their retirement income

A report by

**National Seniors Australia
and Challenger**

July 2016

National Seniors
Australia

challenger 

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Publisher National Seniors Australia

ABN 89 050 523 003

ISBN 978-0-9944553-2-1

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National Seniors Australia is the leading independent voice of over 50s in Australia. As the nation's largest not-for-profit organisation for over 50s, we represent the views of older Australians and their families to governments of all levels, on issues ranging from age discrimination and mature age employment to the age pension and health and aged care. Founded in 1976 and now with more than 200,000 members, we provide unrivalled access to policy makers, innovative and practical research and a raft of commercial benefits to our members. Every day, National Seniors Australia seeks to improve the quality of life for mature age Australians.

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Contents

- Executive Summary..... 1**
- National Seniors Social Survey..... 1**
- Methodology 2**
 - Design..... 2
 - Data..... 2
 - Method..... 2
 - Analysis..... 2
 - Key findings..... 3
 - Continuing to support others 3
 - The role of super? 4
 - It’s the most common source of retirement income 4
 - Shift away from the Age Pension 5
 - Older Australians remain anxious about income in retirement..... 6
 - Planning and budgets in retirement..... 6
 - Using financial advisers 6
 - Budgeting 7
 - Maintaining a minimum level of savings..... 7
- Conclusion 9**
- Appendix 1: Results from the 2015 NSA Social Survey 10**

Executive Summary

A recent survey of approximately 3,000 Australians over the age of 50 conducted by National Seniors Australia asked about their current and expected financial situations, planning behaviours and strategies for managing financial uncertainty in retirement. In the context of the maturation of the superannuation system, older Australians are changing how they think about generating income in retirement. Super is now Australians' main expected source of income in retirement. They believe that super will provide them with the income they will need, over and above what government pensions or other allowances might provide.

Those aged between 50 and 64 (mainly pre-retirees) have a greater expectation about income from super than other sources. Older retirees (over 80) are either reliant on the Age Pension or have savings in non-super financial assets to support themselves in retirement. Super was not available to everyone in this cohort and the survey confirms that only a small proportion of older retirees are generating income from super. Although only a small percentage of respondents were currently providing financial support to parents, one-third of those with surviving parents were concerned about the need to provide such support in the future. Combined with the finding that small proportions of respondents were providing financial support to children and grandchildren, it appears as though older Australians face financial uncertainty regarding their ability to provide for family when retired.

Importantly, even though older Australians expect that super will be their income source in retirement, less than half of them are confident that it will be adequate. A majority of respondents under the age of 80 had recently consulted a financial advisor and a majority of all respondents use a budget to manage their finances. A range of strategies were favoured for controlling expenses, suggesting respondents were biased towards preserving capital. Primary among the reasons that older Australians intended to retain a minimum amount of retirement savings were to be able to meet unexpected expenses, three-quarters of respondents citing the unpredictability of their retirement years as a source of this uncertainty.

Some of this could be attributable to the fact that more Australians over 50 are continuing to support other family members. Most support is for children and grandchildren; however a number of older Australians are also supporting their elderly parents. Uncertainty about changing family, health and living arrangement situations appears to be a critical source of insecurity for older Australians when thinking about their retirement income.

National Seniors Social Survey

A survey concerning issues faced by older Australians was distributed to National Seniors Australia members in November 2015. Some 10 thousand members were asked to complete the survey, 30% of which responded. The survey included a range of questions regarding older Australians' financial situations including their present and expected income sources, the extent of financial support provided to family, financial planning and information seeking behaviour and strategies and motivations for choices related to retirement incomes. This report highlights the key findings of this survey, that when taken together, suggest older Australians are increasingly well prepared for retirement from a financial perspective. Nevertheless, older Australians are challenged by significant uncertainty about how changes in their family, health and living arrangements may affect their financial security.

Methodology

Design

The study was cross-sectional in design and conducted by National Seniors Productive Ageing Centre using a questionnaire to survey National Seniors Australia members aged 50 years and over. The study was approved by the Bellberry Human Research Ethics Committee.

Data

The data in this report were collected using the National Seniors Social Survey (Wave 5), designed by National Seniors Productive Ageing Centre staff. The survey was conducted from 20 November 2015 to 4 January 2016.

The National Seniors Social Survey (Wave 5) asked participants about their experiences, intentions and attitudes across a range of areas including health and social wellbeing, finance, work and retirement, service provision and government policy. A range of questions were used to obtain information from respondents about their demographic and socio-economic characteristics.

Method

A total of 9,854 NSA members residing in all states and territories of Australia were invited to complete the survey. Of these, a total of 1,433 who indicated in Wave 4 of the survey they would be willing to partake in future waves of the study, were invited to participate again in Wave 5 of the survey. An additional 8,421 NSA members were randomly selected from the NSA membership database (approximately 200,000 members) and invited to participate in Wave 5 of the survey.

The sample was stratified according to place of residence (capital city or rest of state). The number of respondents allocated to each of the 48 strata (3 age groups × 2 sexes × 8 states / territories) was calculated proportionally to reflect the Estimated Resident Population in Australia aged 50 and over in June 2015. The respondents within each stratum were selected randomly from the NSA database. Selection was undertaken to ensure that two members from the same family were not chosen.

A paper survey was mailed to each of the selected members and completed surveys were returned via a supplied reply paid envelope.

Analysis

A total of 2,915 surveys were completed, a response rate of 30%. Survey weights were applied to each combination of age, gender and state / territory, to adjust for differences in response rates by these population groups, and to make the results representative of the Australian population aged 50 years and over.

The statistical software package SPSS version 23 was used to conduct the analysis.

Key findings

Continuing to support others

It can be a challenge for many retirees to generate enough income from their savings to meet their own spending needs. What can make this even harder is that many older Australians are still supporting others as they make their final preparation for, and subsequently enter, their own retirement. Other older Australians are unable to plan with certainty because they fear that they will still have to provide additional support to family at some later stage.

Financial support to family

Australians over 50 continue to provide financial support to their family, mostly children and grandchildren, with 30 per cent of them still providing some level of support.

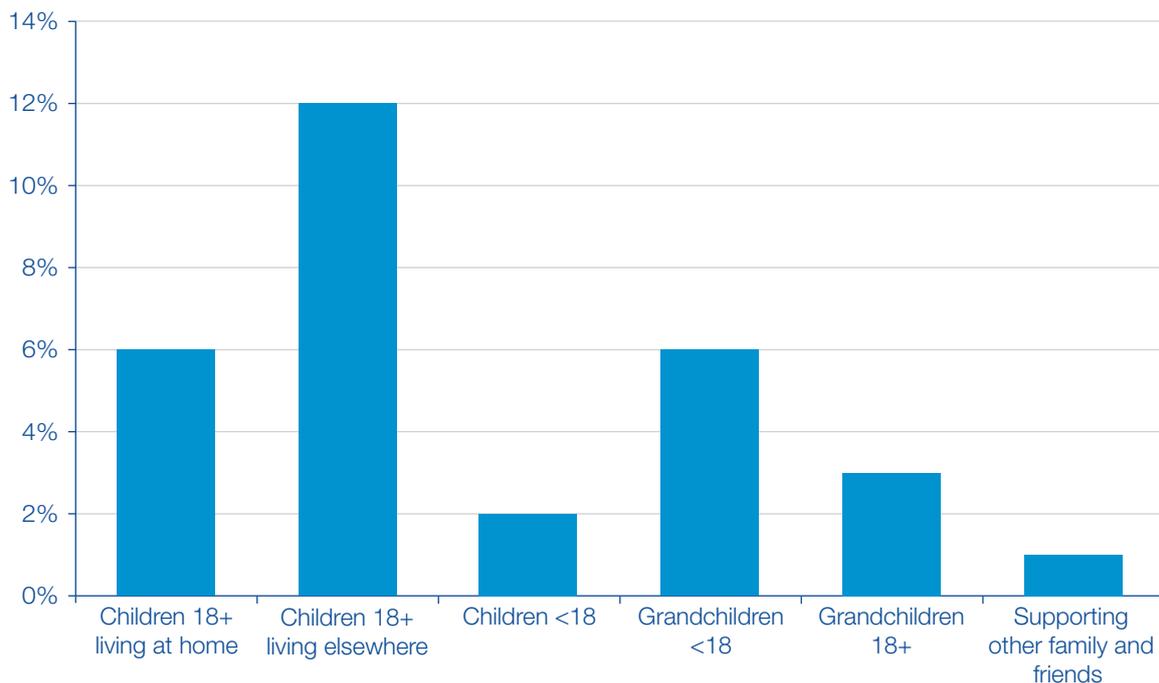
Interestingly, less than two per cent of survey respondents indicated that they were supporting their own children under 18, but six per cent indicated that they were providing support to grandchildren under 18. The rates at which older Australians provide financial support to children and grandchildren are presented in *Figure 2*.

Looking after elderly parents

Increasing life expectancy has resulted in more seniors having at least one surviving parent. Based on the NSA members' survey, half of Australians aged between 50 and 64 have a surviving parent as do one in ten Australians over 65.

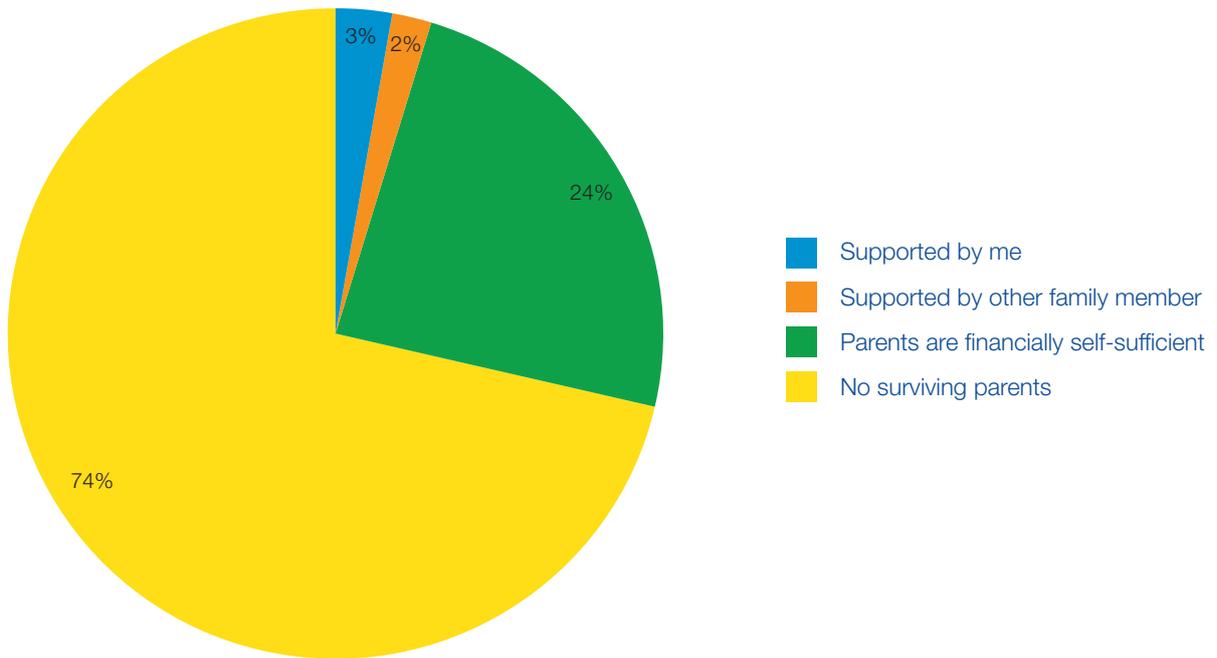
With an increasing number of older parents, there are some concerns that retirees will have to care for or financially support their elderly parents. However, as evident in *Figure 1*, at this stage only 2.9 per cent of older Australians currently provide regular financial support to an elderly parent. The majority of surviving parents (85 per cent) are financially self-sufficient.

Figure 1: Older Australians providing financial support to others



Looking forward, more people are worried about having to support a parent in the future. More than 30 per cent of respondents are *somewhat*, *fairly* or *very concerned* that, despite their elderly parents being 'self-sufficient', they might need financial support from their family in the future.

Figure 2: Financial support for parents of older Australians



The role of super?

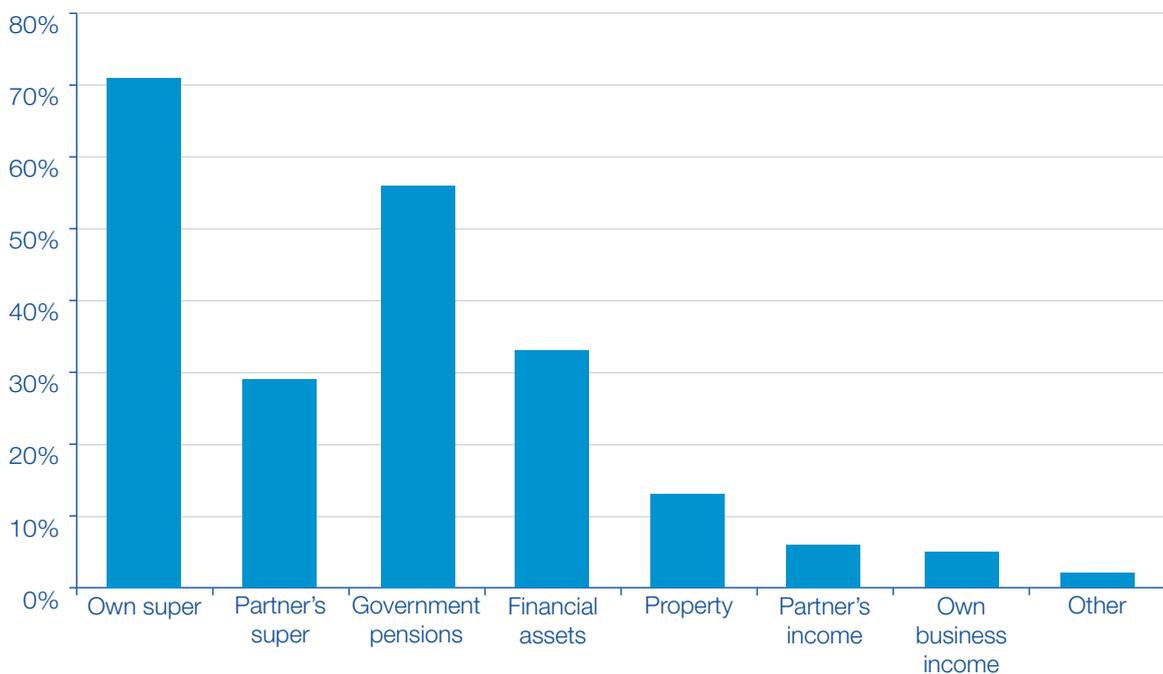
It's the most common source of retirement income

As the government considers the objectives of super, the survey finds that more NSA members use super as a source of retirement income than a government pension or allowance.

More over 50s expect to use super as a source of income in retirement (71 per cent) than expect to receive a government pension or allowance (56 per cent). Indeed, as the main source of income, 44 per cent expected super (either their own or their spouse's) to be their main source of income, compared to only 30 per cent expecting it to be a government pension. These proportions are presented in *Figure 3*.

Of those already over 80, who probably retired before the Super Guarantee reached 9 per cent, only 21 per cent have some form of super as their main source of income today.

Figure 3: Sources of future retirement income



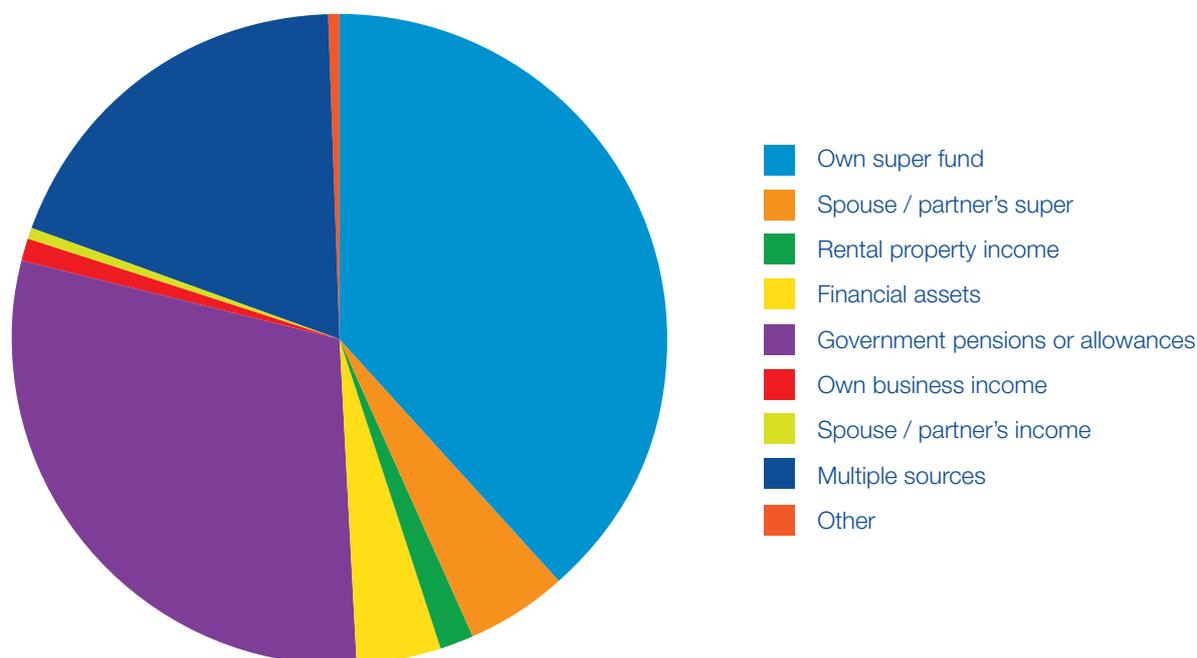
The relative importance of combining super with a partner's to meet income needs in retirement is also evident in these statistics. Around 30 per cent of older Australians (35 per cent of pre-retirees) expect to combine their super with that of their partner to generate income in retirement.

Shift away from the Age Pension

Members' responses, as presented in *Figure 4*, show that there is a clear shift in reliance on super, rather than the Age Pension.

Forty-four per cent of older Australians identified super (including that of their spouses) as the main source of their retirement income. 'Government pensions or allowances' was identified as the second most common main source of income for 30 per cent of survey respondents. A further six per cent propose to rely on income from financial assets and property outside super, while less than two per cent expect their retirement income to come mainly from an existing business.

Figure 4: Main source of retirement income (%)



A small majority (51 per cent) of current pre-retirees aged 50-64 expect super to be their main source of income in retirement. This is not the case with older cohorts. Only 21 per cent of Australians over 80 use super as their main source of income. The increase is due both to a change in the reliance on the Age Pension (26 per cent for the younger cohort compared to 38 per cent for the older cohort) and other assets. Only four per cent of the younger cohort plans to use other financial assets to generate income, whereas 16 per cent of the older cohort is doing so. The proportions are presented in *Table 1*.

It is unlikely that retirees over 80 were able to save as much super as younger retirees and this is reflected in these differences. Some older retirees are reliant on the Age Pension and possibly have prepared little for retirement while working. Others saved for retirement using the financial assets available to them. Unsurprisingly, younger cohorts are expecting more income from their super in retirement as a result.

Table 1: Expected main source of retirement income for different age groups

Main source of retirement income	Aged 50-64	Aged 80+
Super	51%	21%
Any government pension or allowance	26%	38%
Other financial assets & business income	4%	16%

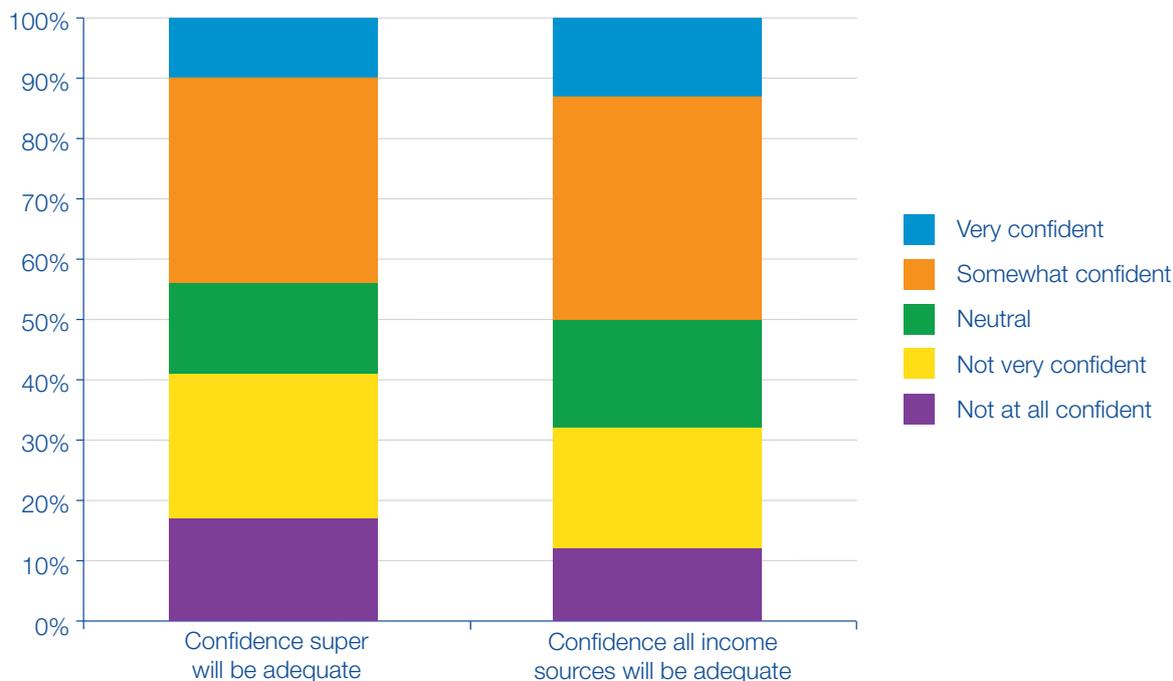
Despite Australians' love affair with investment properties, less than two per cent expect their 'rental property income' to be their main source of retirement income. It is about the same percentage as those who are still expecting their business to generate their income in retirement.

Older Australians remain anxious about income in retirement

Despite the fact that many older Australians expect their super to be their main source of income, as evident in *Figure 5*, only 45 per cent of respondents are somewhat confident or very confident that their super savings will be adequate.

The confidence of older Australians improves slightly when they consider all sources of income for an adequate retirement, but only to 50 per cent.

Figure 5: Confidence in the adequacy of superannuation and all retirement income sources

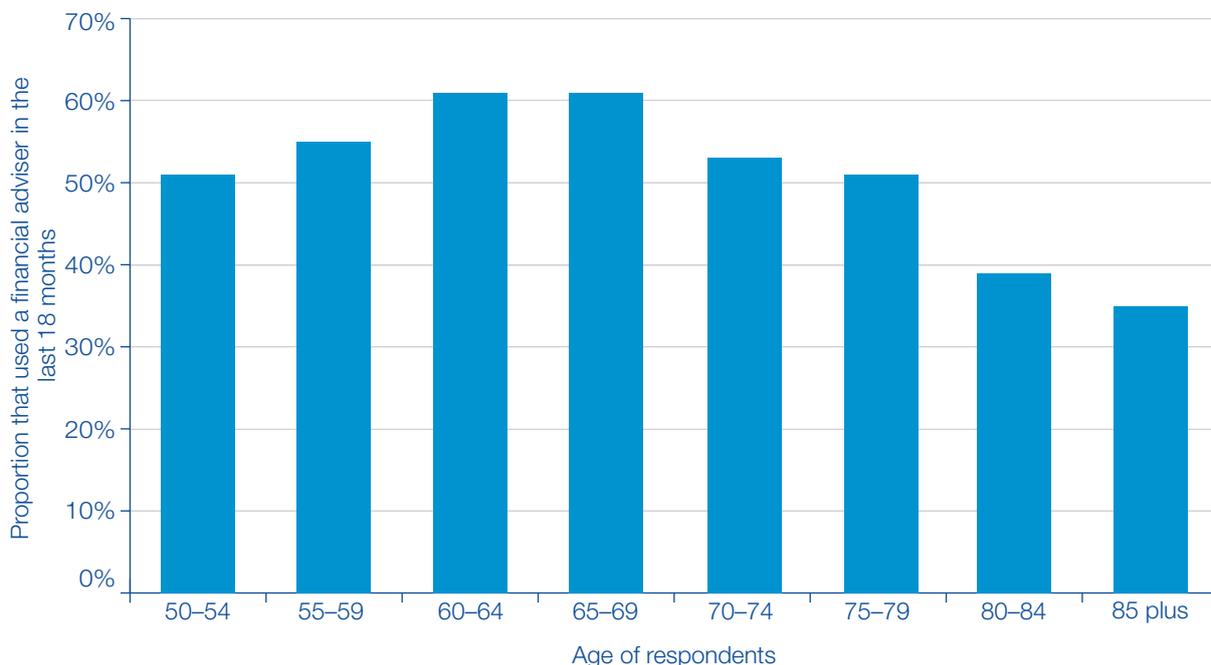


Planning and budgets in retirement

Using financial advisers

A majority of National Seniors Australia members reported using a financial adviser in the past 18 months, although the use of financial advisers reduces through retirement. From a peak above 60 per cent either side of a typical retirement age of 65, adviser usage falls the longer people have been retired. The proportions of different age groups that consulted a financial advisor are presented in *Figure 6*.

Figure 6: Proportion of older Australians that used a financial adviser by age band



Those who used financial advice typically said they valued the advice they were given. Fifty-seven per cent found it very useful and 34 per cent thought the information provided by the adviser was somewhat useful. Less than three per cent described the advice as not at all useful.

In addition, 36 per cent of older Australians sought financial advice from another source, typically on a specific issue. These sources varied with around one-third of those who sought additional information did their own research, while almost half consulted another professional.

Apart from a financial adviser, over 50s' primary source (at 24 per cent) for seeking additional information is from another professional. This is followed by retirees conducting their own research on companies to invest in at 17 per cent. Around 13 per cent seek information from their friends and family, respectively.

Budgeting

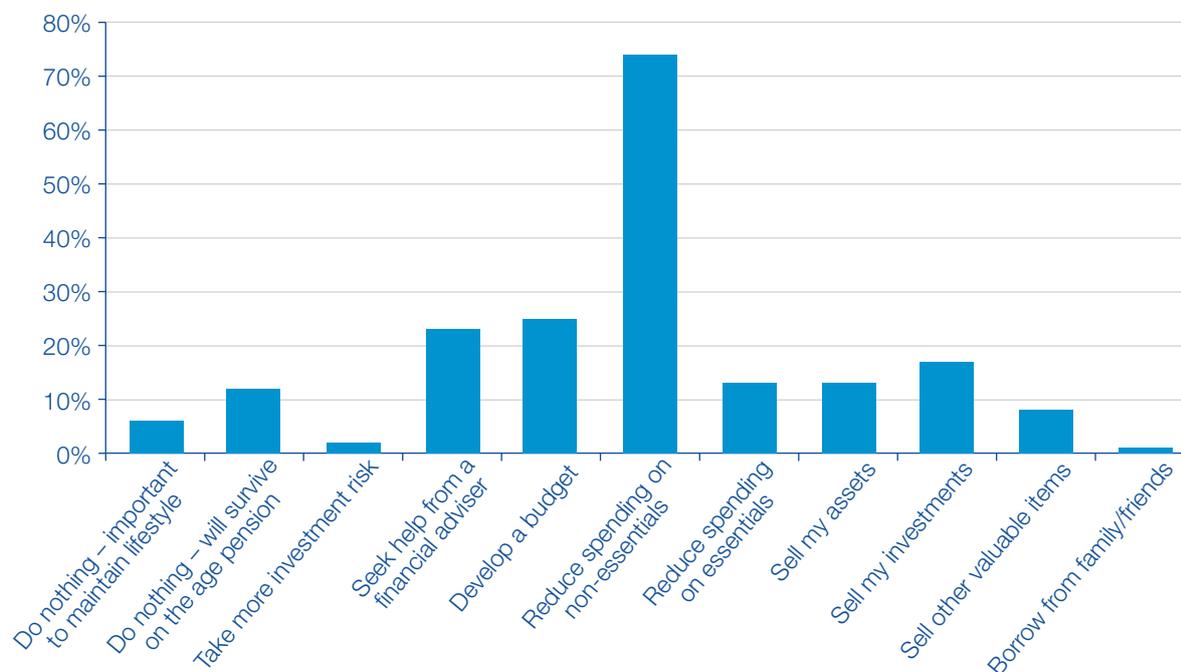
A majority of older Australians reported using a budget. This was slightly higher than (but consistent with) the 60 per cent who reported using a budget in the 2014 NSA survey. For older Australians, the key focus was to keep track of spending, and the overwhelming majority of budget users cited that as a reason to budget. Covering everyday expenses was important to 63 per cent of budget-makers.

While those with higher incomes are less likely to use a budget, half of those with earnings above \$150,000 still said that they used a budget.

Only 28 per cent of older Australians discussed their budget with their adviser. This is a lot lower than the number of people who have used a financial adviser. The purpose of any financial plan will ultimately tie back to some form of spending limit, so this looks low. It suggests that there is scope for greater discussion between advisers and their clients about what the financial plan is for.

One important aspect of any plan is what happens when things are off-target. Three quarters of older Australians said they would respond by adjusting their spending on non-essential items, whereas others would consider selling investments. More people would seek help from an adviser (23 per cent) or develop a budget (25 per cent) indicating a possible bias towards preserving capital. The proportion of respondents adopting different strategies to avoid running out of money are presented in *Figure 7*.

Figure 7: Proportion who will adopt strategy if worried about running out of money

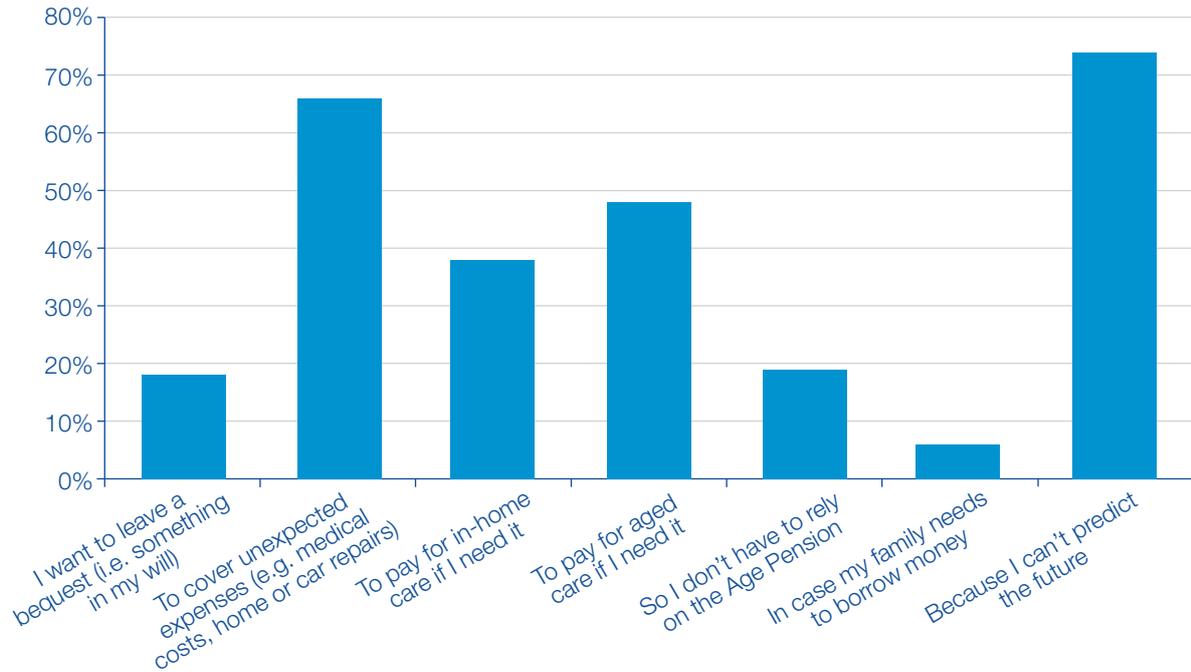


Maintaining a minimum level of savings

Fifty-four per cent of older Australians expressed the need to maintain a minimum level of savings.

This was broadly consistent across different ages and income levels. For those respondents, the main reason/s to maintain a minimum level of savings is the unpredictable future (74 per cent); preparing for unexpected expenses (66 per cent) and aged care costs (48 per cent). Only a minority are specifically targeting a bequest as their motive for savings. The proportion of respondents maintaining a retirement savings minimum for specific reasons are presented in *Figure 8*.

Figure 8: Reasons to maintain a minimum level of savings



There was a range of minimum savings levels that were highlighted by respondents. Of those who want to maintain a minimum level of savings, 42 per cent said they want to keep \$100,000 or more as their safety net.

Conclusions

Older Australians are not confident that they will be able to support the lifestyle in retirement that they are hoping for. Some Australians are sandwiched between looking after elderly parents as well as children yet to gain their own independence. Many others are fearful of ending up in a similar situation which only adds to the sense of not being properly prepared for retirement.

The overwhelming majority of older Australians expect to receive income in their retirement from super. While they might rely on other sources additionally, the most commonly reported source of retirement income is super.

With an increasing reliance on superannuation to provide income in retirement, greater certainty around it will help all Australians plan for a dignified retirement.

Table 4: Proportion of respondents (%) with different household incomes by age, sources of current income, whether respondents had consulted a financial advisor in the last 18 months and whether respondents use a budget to manage their finances. (Multiple responses possible for sources of current income sources)

	Age				Sources of income					Financial advisor		Use budget		
	Total (%)	50-64	65-79	80+	Wages/ salaries	Business income	Government income support	Super	Returns on investment, savings	Other	Yes	No	Yes	No
		80+	65-79	50-64										
Zero income	4.1	2.8	3.5	11	0.4	1.4	6.9	2.5	1.7	11.1	31.8	68.2	71.6	28.4
\$1 to \$9,999	1.9	1.3	2.1	3.7	0.4	0.9	3.2	1.3	1.2	0	36.5	63.5	67.9	32.1
\$10,000 to \$19,999	5.1	3.5	5.7	9.5	1.5	4.7	9.3	2.4	4.8	0	38.7	61.3	74.1	25.9
\$20,000 to \$29,999	11.1	5.2	15.1	18.7	5.1	3.3	22.7	8.6	9.9	0	36.5	63.5	72.1	27.9
\$30,000 to \$39,999	13	8.4	17.3	15	6.5	10.8	21.4	15.6	11.7	22.2	50.6	49.4	68.8	31.3
\$40,000 to \$59,999	20.6	18.6	23.9	16.5	18.6	13.6	21.6	26.9	21.3	22.2	64	36	67.9	32.1
\$60,000 to \$79,999	15.2	18	13.1	12.2	16.1	16.4	9.6	17.6	16.3	0	57.7	42.3	67.2	32.8
\$80,000 to \$99,999	9.7	12.7	7.9	4.9	14.1	12.7	2.1	10.1	11.7	11.1	58.9	41.1	64.1	35.9
\$100,000 to \$124,999	7.6	11.2	4.7	4.3	13.7	10.3	1.4	5.5	6.3	22.2	66.7	33.3	59.6	40.4
\$125,000 to \$149,999	4.3	6.3	2.5	2.8	7.5	9.4	0.8	3.7	5.6	0	68.4	31.6	42.6	57.4
\$150,000 to \$174,999	2.4	4.1	1.2	0.9	5.7	3.3	0.3	1.6	2.7	0	62.7	37.3	61.2	38.8
\$175,000 to \$199,999	1.8	2.8	1.2	0	3.7	3.3	0.2	1.2	1.7	0	61.2	38.8	53.1	46.9
\$200,000 or more	3.2	5.1	1.9	0.6	5.6	9.9	0.5	2.9	5	11.1	71.6	28.4	47.1	52.9

n = 2,740

n = 2,740

n = 2702

Table 5: Proportion of respondents (%) with different household incomes by whether respondents maintain a minimum retirement savings amount and the reasons for maintaining this savings buffer. (Multiple responses possible for reasons for maintaining retirement savings minimum, percentages based on household income category totals)

	Minimum savings		Reason for minimum retirement savings amount						
	Yes	No	To leave a bequest	To cover unexpected expenses	To pay for in-home care	To pay for aged care	So I don't have to rely on the Age Pension	In case my family needs to borrow money	Because I can't predict the future
Zero income	57.6	42.4	5.9	23.5	15.1	16.8	5.9	0	32.8
\$1 to \$9,999	57.7	42.3	8.2	28.8	11	17.8	4.1	2.7	27.4
\$10,000 to \$19,999	56.8	43.2	6.9	21.3	13.8	19.4	5.6	0.6	32.5
\$20,000 to \$29,999	53.8	46.2	5.8	26.2	14.6	18.7	3.9	2.2	28.6
\$30,000 to \$39,999	57.6	42.4	5.8	27.2	14.9	17.2	5.2	1.7	28
\$40,000 to \$59,999	53.6	46.4	6.7	25.2	14	18.1	5.5	1.7	28.9
\$60,000 to \$79,999	53.1	46.9	6.9	25.2	14.3	18.7	5.8	2.4	26.8
\$80,000 to \$99,999	50.4	49.6	6.7	23.5	14.2	17.1	9.9	1.4	27.2
\$100,000 to \$124,999	48.3	51.7	7.1	23.6	15.2	16.2	9.1	3	25.9
\$125,000 to \$149,999	51.3	48.7	7.7	23.5	13.1	18	11.5	2.7	23.5
\$150,000 to \$174,999	61.5	38.5	3.7	22.4	15	14	10.3	3.7	30.8
\$175,000 to \$199,999	52.1	47.9	6.5	20.8	13	15.6	14.3	2.6	27.3
\$200,000 or more	54.0	46.0	11.4	17.1	13.7	17.1	14.3	5.7	20.6

n = 2655

n = 2806

Table 6: Proportion of respondents (%) with different levels of confidence in the adequacy of their superannuation and all incomes in retirement by recent consultation with a financial advisor.

	Adequacy of superannuation		Adequacy of all income	
	Use financial advisor			
	Yes	No	Yes	No
Not at all confident	12.8	23.2	9.1	15.9
Not very confident	23.2	24.3	18.2	21.4
Neutral	15.8	14.2	16.8	19.1
Somewhat confident	36.9	29.5	41.8	31.3
Very confident	11.4	8.9	14	12.4

n = 2063 n =2789

Table 7: Proportion of respondents (%) that recently consulted a financial advisor by whether they use a budget to manage finances, whether they discuss their budget with the financial advisor, whether they maintain a minimum retirement savings level and the reasons for maintaining the minimum savings level.

Use financial advisor	Age			Budget use		Discuss budget with financial advisor		Minimum savings	
	50-64	65-79	80+	Yes	No	Yes	No	Yes	No
Yes	58.6	55.6	37.3	65.2	34.8	51.1	48.9	59.0	41.0
No	41.4	44.4	62.7	65.7	34.3	2.6	97.4	46.9	53.1

n =2873 n = 2848 n = 2840 n = 2785

Table 8: Proportion of respondents (%) that use a budget to manage their finances by age group.

Budget use	Total (%)	Age		
		50-64	65-79	80+
Yes	65.4	64.7	67.9	59.4
No	34.6	35.3	32.1	40.6

n = 2874

Table 9: Proportion of respondents (%) that maintain a retirement savings minimum by age.

Minimum savings	Age		
	50-64	65-79	80+
Yes	50.7	57.4	52.1
No	49.3	42.6	47.9

n = 2806

Table 10: Proportion of respondents (%) with different reasons for maintaining a retirement savings minimum by age and recent use of a financial advisor. (Multiple responses possible for reasons for maintaining retirement savings minimum, percentages based on age and use of financial advisor category totals.)

	Age			Use financial advisor	
	50-64	65-79	80+	Yes	No
I want to leave a bequest (i.e. something in my will)	5.8	6.4	11.2	6.9	6.6
To cover unexpected expenses (e.g. medical costs, home or car repairs)	25.4	24.8	20.6	23.8	25.8
To pay for in-home care if I need it	12.1	15.2	18	14.1	14.4
To pay for aged care if I need it	15.8	19	19.4	17.9	17.3
So I don't have to rely on the Age Pension	8.7	5.9	5.4	7.2	6.6
In case my family needs to borrow money	2.8	1.6	2.8	2.4	2.1
Because I can't predict the future	29.4	27.1	22.6	27.7	27.2
	n = 2806			n = 2806	

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