

# Planning to be Productive:

The Detailed Retirement  
Planning Strategies of  
Australian Pre-Retirees

A report by

**National Seniors Australia  
and Insuranceline**

December 2012

**National Seniors**

Australia

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# Planning to be Productive:

## The Detailed Retirement Planning Strategies of Australian Pre-Retirees

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## Foreword

Central to the goal of successful and productive ageing is adequate planning for retirement. Together with Insuranceline, National Seniors Australia has been conducting research on the prevalence and types of plans that pre-retirees have in place for their retirement. The first report, published in October 2012, examined the prevalence of planning within this population. About 62% were shown to have some kind of financial plan, 24-27% had plans for their health and between 17 and 26% of pre-retirees had plans in place for lifestyle, social and community engagement priorities in retirement.

This new report seeks to examine these plans in more detail and to also uncover different groups in the pre-retiree population who have limited planning strategies in place for retirement. This is a key research question given the large cohort approaching retirement in Australia, whose future behaviours will have wide reaching implications for government, business, economy and the community more generally.

Some of the key findings from this study include:

- The key reasons provided for full-time workers choosing to transition to part-time work prior to retirement include ensuring they are financially prepared for retirement, personal health or caring responsibilities, and a desire to spend more time engaging in social, community and leisure activities. Many Australian pre-retirees will face a decision about how they wish to continue their working lives; whether by continuing in full-time work, changing to part-time hours, or retiring altogether.
- There are a diversity of strategies employed by Australian pre-retirees to prepare for their financial, health and social wellbeing in retirement. Importantly, many see financial actions as key to ensure they can lead a productive fulfilling post-working life, through providing protection against unexpected health costs, and funding increased participation in social, leisure and community activities.
- Despite the variety of planning strategies, the research has highlighted areas of concern. Firstly, low income earners and those with lower levels of education are far less likely to prepare for retirement across all domains (financial, health and social). Secondly, the analyses provide evidence of other population sub-groups whose current retirement plans are insufficient. For example, men are less likely to engage in reducing risky health behaviours such as alcohol consumption, and women are more likely to report a lack of confidence in future financial security.

This research also raises additional questions. For example, pre-retirees have a range of strategies in place, but are they sufficient for them to enjoy a productive retirement? Moreover, why are certain demographic groups less likely to plan for retirement across a range of domains? National Seniors Australia will seek to address these questions in future research projects.

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## Introduction

Australia's ageing population has resulted in a large cohort of Australians approaching retirement. Policy responses have recognised the significance of this, seeking to strengthen the labour force participation of older Australians to, in part, meet the fiscal challenges of an ageing population. The nature of how this cohort transition from work to retirement, such as shifting from full-time to part-time work, will have a significant economic impact. Further, with increasing life expectancy leading to longer post-working lives for this cohort compared with previous generations, planning is very important to ensure a healthy, financially secure and fulfilling retirement.

A recent report released by National Seniors Australia (NSA) and Insuranceline, entitled *What Next? Workforce Transitions and Retirement Planning Among Australian Pre-Retirees*, addressed these issues using nationally-representative data of Australians aged 50 years and over. The report analysed retirement planning and workforce transition behaviour, including the extent to which pre-retirees are making plans in regards to financial, health and lifestyle aspects of their lives, how this differs across different population groups, and the characteristics of people that make the most plans. The report found that the most common type of planning is in the financial domain (62% of pre-retirees), with health plans (24-27%) and lifestyle plans (17-26%) less common. Planning is more widespread amongst people with higher education and income, with males more likely to make financial plans and females more likely to have planned for volunteering in retirement. The intended retirement transitions of full-time workers were also investigated, with about a quarter having made no plans for transition, and a transition to part-time work most common for those who plan across all domains.

One limitation of this previous report was the lack of detail on specific strategies employed by pre-retirees. This current report seeks to explore these issues in more detail using data from a recent survey of Australians aged 50 years and over. Specifically, the report examines what types of retirement plans pre-retirees make, when they began making these plans, and reasons for making these plans. The report also examines reasons for why people intend to transition to part-time work before retirement, and the extent they will work in such a transition. Variation in some of these behaviours according to socio-economic and demographic characteristics will also be examined.

### Literature review

Research shows that factors influencing a desire to change from full-time to part-time work prior to retirement include a financial need to continue working rather than retire, health issues, the attractiveness of reducing hours for lifestyle reasons, as well as the availability of suitable employment that allows this transition.<sup>ii</sup> Financial reasons include a realisation that their assets will not support a comfortable retirement to maintain

living standards, especially given economic uncertainty, declines in superannuation balances and increasing longevity.<sup>iii iv v vi</sup> Workforce transitions have been found most popular amongst higher income earners and the highly educated.<sup>vii viii</sup> Factors attracting mature age workers to remain in the workforce include flexibility and satisfaction in their role.<sup>ix</sup> However, for other people seeking work, there are difficulties in finding suitable work, which oftentimes is due to stereotypes about older workers in the workplace.<sup>x</sup>

The compulsory Superannuation Guarantee in Australia for the last 20 years means that a sizeable proportion of Australian pre-retirees will largely depend on their superannuation rather than the Age pension in retirement.<sup>xi xii</sup> However, the level of superannuation of many Australians is insufficient for retirement, especially given that many started contributing to superannuation relatively late in their careers and also because of extended post-employment longevity. Other financial actions include savings and investment, such as shares, investment properties and managed funds.<sup>xiii xiv xv</sup>

Reasons given for financial planning in retirement include a mix of standard of living, health, and financial motivations.<sup>xvi</sup> Reasons why some people do not plan for retirement include difficulties saving because of insufficient earnings from work, job insecurity, and issues with debt.<sup>xvii</sup> There is also evidence that superannuation will provide them with adequate income in their retirement years, but this may also be due to dependency by some pre-retirees on government pensions and allowances.<sup>xviii</sup>

Understandably, there is a strong correlation of planning for retirement with financial security.<sup>xix</sup> Research has found that people with low income, low education and limited knowledge of financial issues are particularly anxious about seeking financial advice for retirement.<sup>xx</sup> Education is also associated with having retirement plans, specifically related to ensuring an adequate income stream in retirement.<sup>xxi xxii</sup> Women have been found to be less financially prepared for retirement when compared to men, particularly if they have had family responsibilities that have led to disjointed career trajectories thereby influencing their superannuation.<sup>xxiii</sup>

Health planning well in advance of retirement is important to ensure healthy ageing. Younger cohorts are found to be more likely than previous generations to be active in seeking to prevent serious illness and disability likely to be caused by ageing, by remaining fit and healthy.<sup>xxiv xxv</sup> Exercising and dieting are two activities undertaken to prevent any significant health problems they may acquire as they age.<sup>xxvi xxvii</sup> Health planning is especially important because of the potential for large and uncertain medical expenditures which may not be covered by Medicare.

Studies have also found that pre-retirees will seek to engage in a range of activities in retirement, many consistent with current behaviours, including socialising with friends, travelling, hobbies, gardening, home improvement as well as time with family.<sup>xxxviii xxxix xxx</sup> Retirees from a high socio-economic background are more likely to state an intention to participate in these activities, as their additional financial resources enables them to do so.<sup>xxxvi xxxvii xxxviii</sup> Furthermore, women are more likely than men to plan to engage in voluntary work or charitable activities, educational programs, and community or political activities in retirement.<sup>xxxiv xxxv</sup>

The remainder of this report proceeds as follows:

- Firstly, we describe the data and methods;
- Next, we detail results from the survey analysis;
- Finally, we draw out the key findings from this research in the discussion and concluding sections.

## Data and methods

### The 2012 National Seniors Social Survey – Wave 1

The 2012 National Seniors Social Survey (NSSS) – Wave 1 is the source for the data used in this report. The sample for this survey was selected from the 200,000 members of National Seniors Australia, all aged 50 years and over. A total of 10,000 members were randomly selected to complete the survey, with only one person from a joint membership included. The selected members each had a paper survey questionnaire mailed to them in January 2012. Respondents had the option to complete the paper questionnaire and return by mail, or to complete the questionnaire online. Surveys were completed and returned by 24 February 2012. After data entry and cleaning, there were a total of 3,228 cases in the survey; a response rate of 32.3%.

The NSSS comprised demographic questions, as well as four modules: retirement planning (from which this survey is drawn), living expenses, health and aged care. The retirement planning module asked respondents who were intending to retire, the details about their planned work transitions to retirement, financial actions, health preparations and plans regarding social, leisure and community activities. There is significantly more detail on retirement planning strategies in the NSSS when compared to the 2008-09 Multipurpose Household Survey (MPHS) used for the previous report.<sup>xxxvi</sup>

Despite the advantages of the NSSS over the MPHS, a primary limitation of the NSSS is that it is a sample of members of National Seniors Australia, while the MPHS is nationally representative. There is potential selection bias in the NSSS sample because it is unweighted and not representative of the Australian population aged 50 years and over. There is no adjustment for differences in the response rate across socio-economic characteristics. Further, research has shown NSA

members tend to have higher levels of self-reported health and have higher levels of health insurance coverage when compared to the broader Australian population 50 years and over.<sup>xxxvii</sup> Comparison of the data sources shows that the NSSS sample is more educated than the nationally representative MPHS data. The proportion of people who have completed high school education is 45% in the NSSS compared with 32% in the MPHS. The higher education of the NSSS sample may be reflected in retirement planning behaviour; for many variables we have analysed data by education, to compare how they differ by whether a person has completed high school.

This report presents findings from this detailed retirement planning module. For some variables, bivariate analyses are presented to illustrate how the findings vary according to the demographic and socio-economic characteristics of age, sex education and household income per adult. An asterisk is used to signify whether there is a significant difference at  $p < 0.05$  in each variable outcome between a category of the socio-economic or demographic characteristic and the reference category (as signified in the table notes). Multivariate analyses were undertaken of some of the outcome variables to assess whether significant differences exist after controlling for other demographic and socio-economic factors. Multivariate analyses included logistic regressions for the dichotomous variables and an ordinal logistic regression for financial security in retirement. The results from the multivariate analyses are presented in the Appendix and briefly described in the text.

## Results

### Background characteristics of sample

A total of 3,228 respondents in the NSSS are aged 50 years and over. Just over half of respondents are permanently retired (Table 1). Thirty-eight per cent are employed – 23% work full-time and 15% part-time. Four per cent of respondents are not working and not retired.<sup>1</sup>

**Table 1:** Current employment status (% of all respondents)

	N	%
Employed full-time	732	23.4
Employed part-time	467	14.9
Not employed and not retired	134	4.3
Permanently retired	1,679	53.6
Can't say	120	3.8
<b>Total</b>	<b>3,132</b>	<b>100.0</b>

97% of eligible respondents answered question.

There are 829 non-retired respondents in the NSSS who report that they intend to retire in the future. This population responded to the retirement transition and planning questions in the survey. The socio-economic and demographic characteristics of this population are shown in Table 2.

<sup>1</sup> As a comparison, the 2008-09 MPHS found 31.8% of people aged 50 years and above were employed full-time, 13.2% employed part-time, and 0.7% retired or never worked.

**Table 2: Age, sex, education and household income per adult of non-retired people intending to retire (%)**

	N	%
<b>Age</b>		
50-59	330	39.8
60+	499	60.2
<b>Total</b>	<b>829</b>	<b>100.0</b>
<b>Sex</b>		
Male	409	49.9
Female	411	50.1
<b>Total</b>	<b>820</b>	<b>100.0</b>
<b>Education</b>		
Not finished high school	432	53.5
Finished high school	376	46.5
<b>Total</b>	<b>808</b>	<b>100.0</b>
<b>Household income per adult per annum</b>		
Less than \$20k	78	10.9
\$20k-40k	135	18.8
\$40k-\$60k	237	33.0
\$60k or more	269	37.4
<b>Total</b>	<b>719</b>	<b>100.0</b>

**Workforce transitions**

Of those full-time workers who are not retired and intend to permanently retire in the future, 85% state that they plan to remain working full-time until they retire, versus 15% who plan to change to part-time work (Table 3).<sup>2</sup> Only a minority of current part-time workers plan to move back into full-time work before retirement.

**Table 3: How intend to work before permanently retire (% of current full-time and part-time workers)**

	N	%
<b>Currently work full-time</b>		
Remain working full-time	336	85.1
Change to working part-time	59	14.9
<b>Total</b>	<b>395</b>	<b>100.0</b>
<b>Currently work part-time</b>		
Remain working PT	234	97.1
Change to FT	7	2.9
<b>Total</b>	<b>241</b>	<b>100.0</b>

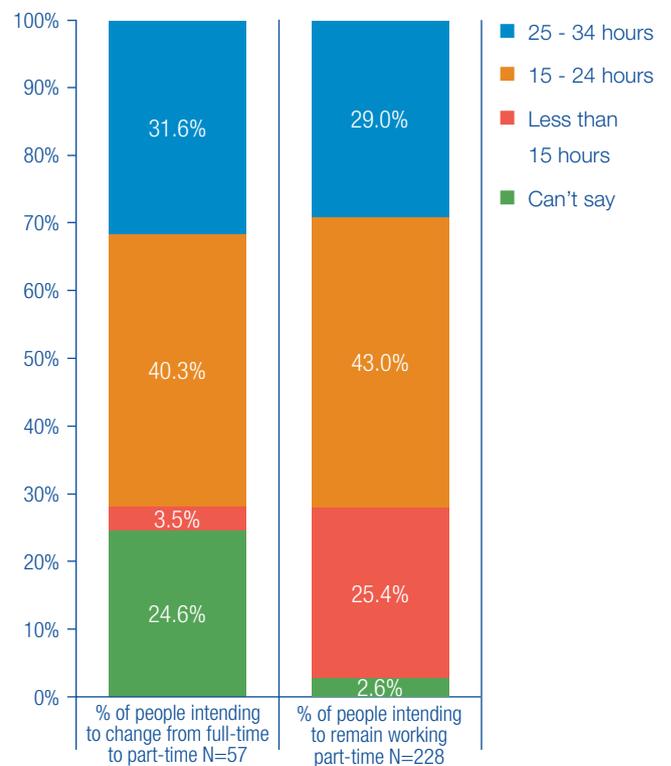
Around three-quarters (76%) of people who intend to remain in full-time work plan to work 12 months per year (Table 4). Only 8% plan to work full-time less than nine months per year.

**Table 4: Months per year plan to work full-time (% of people intending remain working full-time)**

	%
12 months	76.0
9-11 months	8.0
6-8 months	5.8
Less than 6 months	2.0
Can't say	8.3
<b>Total</b>	<b>100.0</b>
<b>N</b>	<b>313</b>

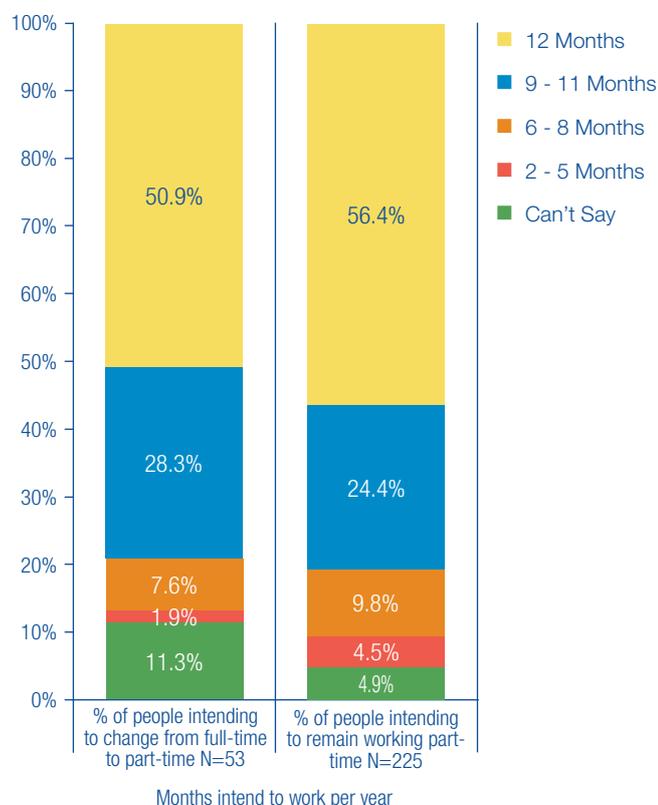
There appears to be a significant desire amongst people transitioning to part-time work to remain strongly attached to the workforce. Over 70% plan to work between 15 and 34 hours per week, equivalent to between two and four-and-a-half days per week (Figure 1). Of those intending to change from full-time to part-time work, only a very small proportion (4%) plan to work less than 15 hours per week. Around one-quarter could not answer this question. In terms of the number of months per year, half plan to work for 12 months per year, while 28% plan to work 9-11 months (Figure 2). Only 9% intend to work less than nine months per year.

**Figure 1: Hours per week intend to work (% of people intending to change from full-time to part-time, and % of people intending to remain working part-time)**



<sup>2</sup> In the ABS Multipurpose Household Survey 2008-09, approximately equal numbers of full-time workers planned to change to part-time work and remain in full-time work until they retire. The differences with the National Seniors Social Survey are likely due to this survey being a random sample of members of National Seniors Australia, and the data are not weighted to represent the Australian population aged 50 years and over. This is explained in the data and methods section.

**Figure 2:** Months per year intend to work (% of people intending to change from full-time to part-time, and % of people intending to remain working part-time)



For those people planning to remain working part-time before retirement, 25% intend to work less than 15 hours per week, while 43% intend to work 15-24 hours. The proportion of those planning to work less than 15 hours is far higher than the 4% of current full-time workers who plan to transition to full-time work before retirement. Just over half of current part-time workers plan to work 12 months per year, and 24% intend to work 9-11 months; similar proportions as for current full-time workers who plan to transition to full-time work.

A range of reasons are provided by respondents for why they plan to change from full-time to part-time work. When classified into four categories, financial (85%) and lifestyle (83%) reasons are equally important, with health and caring reasons (25%) and other reasons (10%) less common (Table 5). The most common of all financial reasons provided for shifting to part-time employment is not being financially prepared to stop working (76%). The attraction of the conditions of working part-time (12%) and tax reasons (3%) are far less popular. A number of lifestyle reasons for shifting to part-time work are particularly prevalent, including travelling for leisure (58%), participating in hobbies and leisure activities (61%), as well as socialising and voluntary work. Respondent's health and caring responsibilities are reported by a small proportion as a specific reason for intending to move to part-time employment. However, there are likely to be many pre-retirees who do not have existing health or caring responsibilities, but may very well in the future. These changes are oftentimes unexpected and have a significant impact on their lives.

**Table 5:** Reasons for intending to change from full-time to part-time (% of people intending to change from full-time to part-time work before retirement)

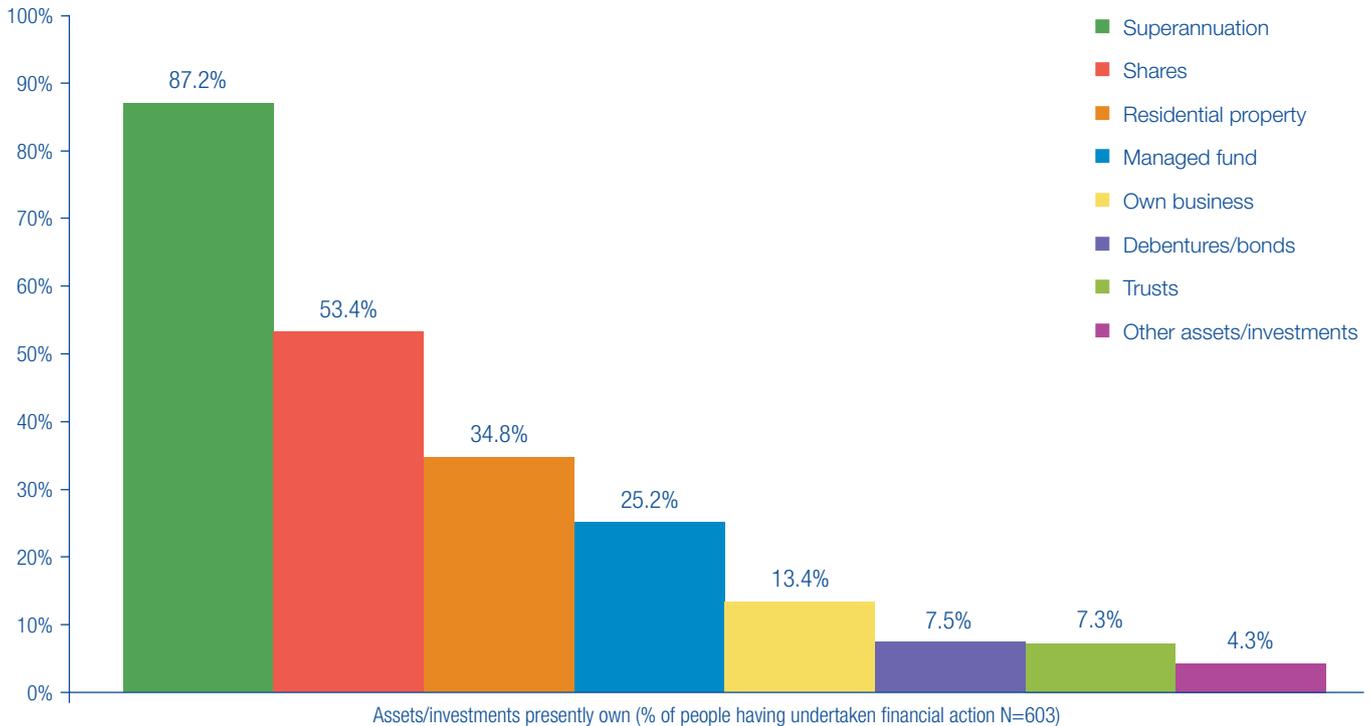
	%
<i>Financial reasons</i>	84.7
Not financially prepared to stop working	76.3
Attracted by conditions of working part-time (wage/benefits)	11.9
Tax reasons	3.4
<i>Lifestyle reasons</i>	83.1
To have time to travel	57.6
To have time to socialise with family and friends	40.7
To have time to do voluntary work (unpaid)	32.2
To have time for my hobbies and leisure activities	61.0
Spouse/ partner has retired/ changed to working part-time hours	5.1
<i>Health/ caring reasons</i>	25.4
Own illness, injury or disability	13.6
Caring/ family responsibilities	11.9
<i>Other reasons</i>	10.2
To undertake educational programs and training	3.4
To operate my own business	3.4
Other	3.4
<b>N</b>	<b>59</b>

Answers sum to more than 100% because respondents could choose more than one answer.

**Financial actions**

Ninety-three per cent of people intending to retire have undertaken at least one financial action for retirement, such as contributing to superannuation or savings accounts, buying other investments or purchasing insurance (data not shown). The vast majority of people who have undertaken financial actions have superannuation (87%) (Figure 3). Just over half own shares (53%), approximately one-third (35%) own residential property (excluding their own residence) and one-quarter have a managed fund.

**Figure 3: Assets/ investments presently own (% of people having undertaken financial action)**



Residential property refers to property other than own home. Answers sum to more than 100% because respondents could choose more than one answer.

Superannuation coverage is high amongst all socio-economic and demographic groups, with 83% of low income earning pre-retirees having some form of superannuation – regardless of the amount (Table 6). Share ownership is significantly more common in the highest versus lowest income group (63% v 41%), as well as for those with a high school education compared with those that do not. Ownership of residential property, other than own residence, is twice as high amongst

people in households with an income per adult of \$60,000 per annum or more (42%) than less than \$20,000 (22%). There are no differences in residential property or share ownership by age or sex. A similar proportion of people in each socio-economic or demographic grouping have a managed fund. Results from the logistic regression analyses confirm these differences (see Table A.1).

**Table 6: Assets/ investments presently owned, by socio-economic and demographic characteristics (% of people having undertaken financial action)**

	Age		Sex		Education		Household income per adult per annum			
	50-59	60+	Male	Female	Not fin HS	Fin HS	Less than \$20k+	\$20k-40k	\$40k-\$60k	\$60k or more
Superannuation	84.5	89.1	88.9	85.8	83.5	90.6*	83.3	86.5	84.3	90.5
Shares	54.7	52.5	56.1	50.2	48.1	58.7*	40.7	51.7	51.7	63.3*
Residential property <sup>^</sup>	37.6	33.0	37.6	31.7	30.9	38.1	22.2	25.8	31.5	41.6*
Managed fund	24.5	25.7	25.8	24.9	23.2	27.1	24.1	21.3	27.0	25.8

\* p<0.05 + Figures for income should be treated with caution because of small cell sizes. ^ Other than own home. Reference category for age is 50-59, for sex is male, for education is not finished high school and for household income per adult is less than \$20,000. Answers sum to more than 100% because respondents could choose more than one answer. N=602.

Respondents were asked to report how they would manage these assets or investments once they retire. Slightly more people who own shares would increase their ownership of shares (29%) than reduce their ownership (22%), while about half plan to make no change (Figure 4). More people who have a managed fund will increase their holdings once they retire (24%) compared with reducing them (15%), while most (60%) will make no change. For owners of residential property as an investment, however, 40% intend to reduce their ownership compared with 12% who plan to increase their ownership, while 49% plan to make no change. A significantly higher proportion of those living in households with a household income per adult of \$40,000 per annum plan to reduce their holding of residential property (40%) compared with those in households earning less than \$20,000 (13%) (Table 7). Similarly, those in the highest income household are less likely to make no change in their residential property ownership when compared to the lowest income earners.

**Figure 4:** Planned management of assets/ investments once retire (% of people owning or planning to buy each asset)



**Table 7:** Planned management of assets/ investments once retire by socio-economic and demographic characteristics (% of people owning or planning to buy each asset)

Asset/ investment	Management at retirement	Age		Sex		Education		Household income per adult per annum			
		50-59	60+	Male	Female	Not fin HS	Fin HS	Less than \$20k	\$20k-40k	\$40k-\$60k	\$60k or more
Shares	Increase	34.3	24.5	27.8	30.5	24.8	31.9	27.3	23.9	21.7	35.7
	Reduce	23.9	21.3	25.0	19.9	24.1	21.4	13.6	19.6	23.9	25.7
	No Change	41.8	54.3	47.2	49.6	51.1	46.7	59.1	56.5	54.3	38.6
Residential property (other than own home)	Increase	14.3	9.8	11.5	12.9	10.8	13.2	13.3	8.3	5.0	18.0
	Reduce	40.0	39.3	37.4	41.9	40.9	39.5	13.3	37.5	45.0*	45.0*
	No Change	45.7	50.8	51.1	45.2	48.4	47.3	73.3	54.2	50.0	37.0*
Managed fund	Increase	26.7	22.8	22.2	25.7	25.8	23.8	30.8	36.8	14.6	28.1
	Reduce	11.7	17.4	18.5	11.4	13.6	16.7	15.4	10.5	10.4	24.6
	No Change	61.7	59.8	59.3	62.9	60.6	59.5	53.8	52.6	75.0	47.4

\* p<0.05 Reference category for age is 50-59, for sex is male, for education is not finished high school and for household income per adult is less than \$20,000. Columns sum to 100% within each category.

**Table 8:** Reason for having undertaken financial actions by socio-economic and demographic characteristics (% of people having undertaken financial action)

	Age		Sex		Education		Household income per adult per annum				Total
	50-59	60+	Male	Female	Not fin HS	Fin HS	Less than \$20k	\$20k-40k	\$40k-\$60k	\$60k or more	
Ensure a decent standard of living in retirement	96.5	97.6	97.7	96.5	95.8	98.5*	93.0	98.1	98.0	98.4	97.1
For my hobbies and leisure	49.6	51.1	52.4	48.0	49.6	51.1	43.9	46.3	48.5	55.6	50.5
Possible increase in cost of living (inflation)	49.6	46.3	49.9	45.3	47.4	47.7	49.1	50.0	48.0	44.8	47.6
Possible medical expenses for myself/spouse	45.8	44.6	47.0	42.7	43.7	46.5	47.4	48.1	41.6	44.8	45.1
The needs of my child(ren)/grandchild(ren)	13.0	9.4	11.8	10.2	10.0	11.5	15.8	6.5	7.9	14.1	10.9
Pay for my home care	10.6	9.9	8.6	11.6	9.7	10.6	15.8	10.2	6.4	8.9	10.2
Bequest/inheritance for my dependent(s)	6.7	8.4	8.1	7.6	7.0	8.5	8.8	4.6	7.9	9.7	7.7

\*  $p < 0.05$  Reference category for age is 50-59, for sex is male, for education is not finished high school and for household income per adult is less than \$20,000. Answers sum to more than 100% because respondents could choose more than one answer. N=699.

When asked about the reasons they undertook the selected financial actions, 97% understandably state to ensure a decent standard of living in retirement (Table 8). Other reasons for undertaking financial actions include the need to fund health and leisure activities in retirement. Half of respondents state hobbies and leisure as a reason for undertaking financial actions, 48% state to protect against possible increases in the cost of living and 45% report the need to fund medical expenses. Eleven per cent state that the needs of their children or grandchildren and 8% inheritance as reasons for undertaking financial actions, while 10% do so to fund potential home care. Interestingly, there are no significant differences in reasons for undertaking financial actions between different ages and gender, different levels of education and levels of household income per adult.

Just over half of respondents believe they will definitely or possibly be financially secure in retirement, while 16% think they will definitely or possibly not be financially secure (Table

9). There are some clear differences in confidence in financial security across demographic and socio-economic groups. Unsurprisingly, people in households with a high income per adult are significantly more likely to think they will definitely be financially secure (29%, \$60,000 or more) compared with those on a lower income (10%, less than \$20,000). However, the proportion of people thinking they will possibly or definitely not be financially secure does not differ by income. There are also large differences by education, with 23% of people who have finished high school saying they will definitely be financially secure at retirement compared with 14% of those who have not finished high school. Further, more females (21%) think they will be definitely or possibly not financially secure in retirement compared with males (10%). The ordinal logistic regression results reveal that, after controlling for other factors, males, people who have finished high school and those in the highest household income bracket are most likely to believe they will be financially secure in retirement (Table A.2)

**Table 9:** Whether respondent thinks will be financially secure in retirement by socio-economic and demographic characteristics (% of people having undertaken financial action)

	Age		Sex		Education		Household income per adult per annum				Total
	50-59	60+	Male	Female	Not fin HS	Fin HS	Less than \$20k	\$20k-40k	\$40k-\$60k	\$60k or more	
Definitely yes	15.8	20.2	21.5	15.1*	13.5	23.0*	10.2	16.7	10.4	29.1*	18.4
Possibly yes	32.2	35.2	38.0	30.5*	31.6	36.6	25.4	29.8	39.2*	35.5	34.0
Maybe	30.2	28.9	29.3	29.1	34.1	24.7*	47.5	33.3	29.7*	21.1*	29.4
Possibly or definitely no	17.8	13.9	9.8	21.2*	16.2	14.8	15.3	16.7	18.4	12.7	15.5
Can't say	4.0	1.9	1.4	4.2	4.6	0.9	1.7	3.5	2.4	1.6	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>						

\* p<0.05 Reference category for age is 50-59, for sex is male, for education is not finished high school and for household income per adult is less than \$20,000. N=724.

Analysis of the percentage of current income that respondents think they will need in retirement to have their preferred standard of living reveals that people with a higher income are more likely to report that they will require less than 50% of their current income (Table 10). Those with a higher education level and males are more likely to state they will need 51 to 70% of income compared with their counterparts.

**Table 10:** Percentage of current income respondent thinks needed in retirement to have a preferred standard of living by socio-economic and demographic characteristics (% of people having undertaken financial actions)

	Age		Sex		Education		Household income per adult per annum				Total
	50-59	60+	Male	Female	Not fin HS	Fin HS	Less than \$20k	\$20k-40k	\$40k-\$60k	\$60k or more	
0-50%	17.1	14.5	16.1	14.6	16.2	14.2	8.9	7.3	12.6	21.6*	15.6
51-70%	33.2	32.1	38.3	26.6*	26.3	39.9*	21.4	20.2	34.4*	42.8*	32.5
71-90%	23.6	26.8	25.1	26.3	27.4	23.7	25.0	23.9	32.6	21.6	25.5
90- More than 100%	15.1	14.7	13.5	16.3	16.2	13.3	32.1	30.3	12.1*	7.2*	14.9
Can't say	11.0	11.9	7.0	16.3	14.0	8.9	12.5	18.4	8.4	6.8	11.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>						

\* p<0.05 Reference category for age is 50-59, for sex is male, for education is not finished high school and for household income per adult is less than \$20,000. N=713.

One-third of respondents began undertaking financial actions for retirement more than 20 years ago (Table 11). Similar proportions of respondents began undertaking financial actions within five year categories over the previous 20 years. Interestingly, age is not related with when people began undertaking financial actions.

**Table 11:** *When began undertaking financial actions (% of people having undertaken financial actions)*

	50-59	60+	Total
Less than a year ago	4.7	2.1	3.2
1-5 years ago	14.8	13.4	14.0
6-10 years ago	15.1	17.6	16.6
11-15 years ago	13.4	13.4	13.4
16-20 years ago	15.4	16.6	16.1
More than 20 years ago	31.9	33.7	33.0
Can't say	4.7	3.2	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

N=731

Financial planners are the most popular source of advice for making financial preparations, having been used by 45% of respondents and providing the most help for 35% (Table 12). The spouse or partner provided financial help for almost a quarter of people, and an accountant for 10%. Just over one-third of respondents don't receive support from anyone for making financial preparations.

**Table 12:** *Who helped or influenced making financial preparations for retirement (% of people having undertaken financial actions)*

	Provided help	Most help
Financial planner	44.6	34.5
Spouse/ partner	24.8	17.1
Accountant	10.4	4.1
Relatives/friends	7.0	2.7
Children	2.8	1.2
Lawyer	0.3	0.3
Others	2.4	2.0
No one provided help	35.4	35.4
Can't say	2.5	2.5

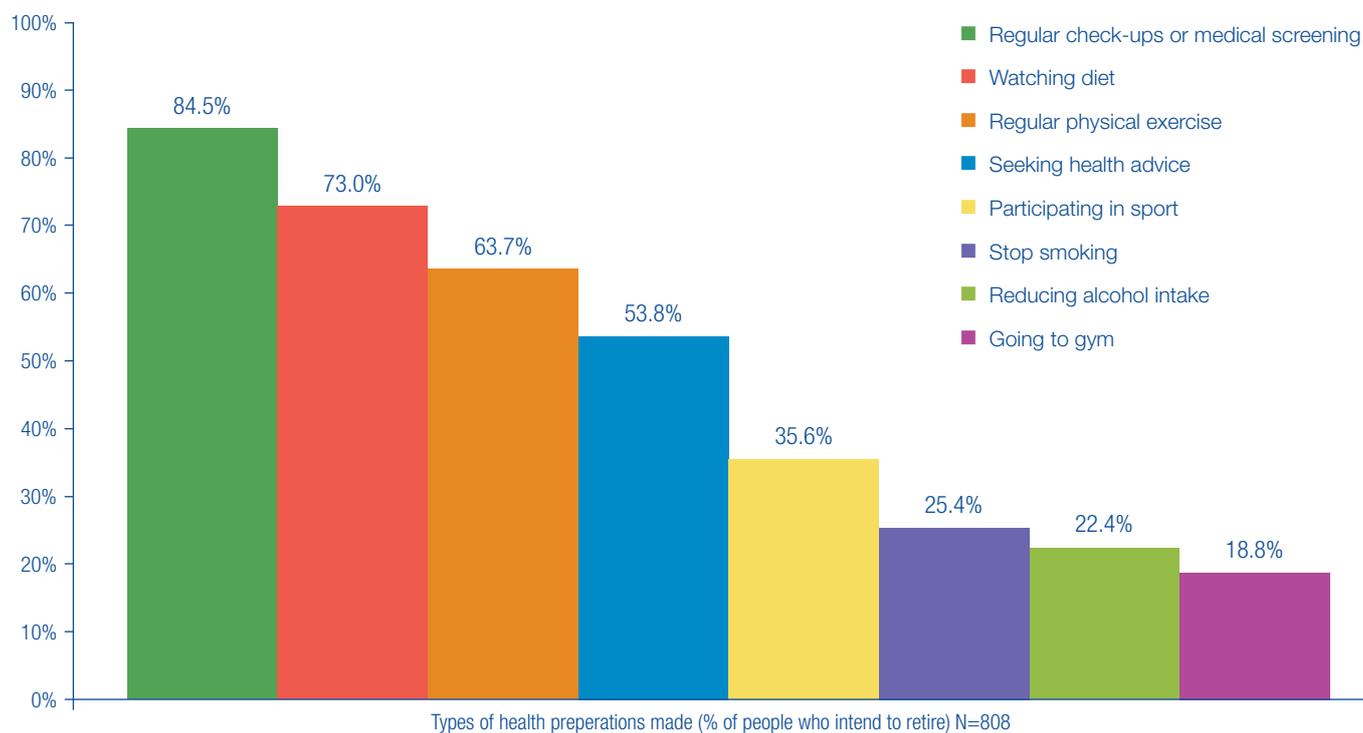
Answers for 'provided help' sum to more than 100% because respondents could choose more than one answer. Answers for 'most help' sum to 100%. N=714.

## Health preparations

Senior Australians are employing a range of strategies to prepare for good health in retirement, with 97% having made at least one health preparation for retirement (data not shown). The majority are going for regular check-ups or medical screening (85%), 73% are watching their diet, 64% are undertaking regular physical exercise and 54% are seeking health advice (Figure 5). Participating in sport, stopping smoking, reducing alcohol intake and going to gym are health preparations also reported by pre-retirees.

There are some interesting differentials in types of preparations according to demographic and socio-economic characteristics (Table 13). The younger cohort (50-59 years) is more likely to engage in regular physical exercise and go to the gym than people aged 60 years and above. A higher number of males than females are watching their diet, participating in sport, and going to the gym, while women are more likely to be reducing their alcohol intake. A higher proportion of people who have finished high school are engaging in certain health preparations compared with those who have not finished high school. These include regular check-ups or medical screening, watching their diet, regular physical exercise, seeking health advice, reducing alcohol intake (29% v 17%) and going to the gym (25% v 13%). There are also differences by household income, including going to the gym, reducing alcohol intake, seeking health advice and regular physical exercise. Regression analyses which control for background characteristics broadly confirm these results; the only differences being that household income is not a significant predictor of seeking health advice, and age and household income are not significant predictors of going to the gym (Table A.3).

When asked to report who most influenced them to make health preparations for their retirement, their spouse or partner is the most common response (18%) along with their doctor or other health professional (18%) (Table 14). Other types of people (such as relatives, friends or children) only influence a minority of people. More than half the respondents do not have anyone advising them in their health preparations for retirement.

**Figure 5:** Types of health preparations made (% of people who intend to retire)

**Table 13:** Types of health preparations made by socio-economic and demographic characteristics (% of people who intend to retire)

	Age		Sex		Education		Household income per adult per annum			
	50-59	60+	Male	Female	Not fin HS	Fin HS	Less than \$20k	\$20k-40k	\$40k-\$60k	\$60k or more
Regular check-ups or medical screening	84.3	84.7	84.2	84.8	81.4	88.1*	82.7	78.8	84.5	86.9
Watching diet	73.5	72.7	76.9	69.3*	67.7	79.5*	70.7	68.9	74.7	75.4
Regular physical exercise	70.7	59.1*	64.1	63.3	56.4	72.0*	60.0	58.3	65.7*	66.8*
Seeking health advice	51.5	55.4	56.5	51.1	47.4	60.9*	44.0	45.5	56.2	59.3*
Participating in sport	37.3	34.5	40.2	30.7*	32.8	38.5	33.3	33.3	36.5	39.2
Stop smoking	27.8	23.8	25.9	24.9	25.0	25.6	20.0	27.3	26.2	26.9
Reducing alcohol intake	21.6	22.9	17.6	27.2*	16.5	29.1*	13.3	12.9	19.3	31.7*
Going to gym	22.5	16.3*	22.1	15.2*	13.4	25.1*	8.0	14.4	17.2*	23.5*

\* p<0.05 Reference category for age is 50-59, for sex is male, for education is not finished high school and for household income per adult is less than \$20,000. Answers sum to more than 100% because respondents could choose more than one answer.

**Table 14:** *Who most influenced respondent to make health preparations (% of people who have made health preparations)*

	%
Spouse/ partner	18.2
Doctor/ other health professional	17.6
Relatives/ friends	2.2
Children	1.8
Fitness instructor/ personal trainer	1.1
Other	0.2
No one	56.3
Can't say	2.7
<b>Total</b>	<b>100.0</b>

N=716

About half of respondents began making health preparations in the previous 10 years, with a further 22% beginning over 20 years ago (Table 15). Interestingly, respondents aged 50-59 and 60 years and above did not differ in how long ago they began making health preparations.

**Table 15:** *When began making health preparations by age (% of people who have made health preparations)*

	50-59	60+	Total
Less than a year ago	4.6	3.0	3.6
1-5 years ago	27.7	24.2	25.6
6-10 years ago	25.2	20.1	22.1
11-15 years ago	8.2	11.3	10.1
16-20 years ago	6.7	10.8	9.2
More than 20 years ago	22.0	22.1	22.1
Can't say	5.7	8.5	7.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

N=716

### Social, leisure and community activities

Respondents were asked to report how much time they plan to spend on a range of social, leisure and community activities once they retire compared with the present (Table 16). Overall, 88% of people intending to retire plan to spend more time on at least one activity in retirement. Understandably, a high proportion plan to travel more in retirement, both in Australia and overseas. Just over half plan to engage in more voluntary work. Respondents also plan to spend more time with social organisations (47%), as well as socialising with family and friends (both just over 50%). Spending more time to undertake a new hobby is also a plan for 45% of pre-retirees.

There are some interesting differences in the plans to spend time on these activities according to socio-economic and demographic characteristics (Table 17). Voluntary work is particularly popular with females, those who have finished high school and with a higher household income. Those with a higher education are also more likely to spend more time joining social organisations, travelling overseas, and undertaking educational classes. A higher proportion of females than males are planning to undertake a new hobby, join social organisations, undertake educational classes and socialise with friends. The only significant difference by age is that more people aged 60 years and over plan to undertake more educational classes compared to those aged 50-59 years.

**Table 16:** *How much time plan to spend on following activities in retirement compared with the present (% of people who intend to retire)*

	More	About the same	Less	Can't say	Total	N
Working voluntarily	52.3	20.7	3.9	23.1	100.0	642
Joining social organisations	46.9	30.6	3.2	19.2	100.0	620
Travelling overseas	47.7	31.7	8.6	12.0	100.0	666
Travelling in Australia	69.3	23.0	3.0	4.7	100.0	761
Socialising with family	50.7	45.1	1.3	2.9	100.0	696
Socialising with friends	53.8	42.3	1.2	2.7	100.0	692
Undertaking educational classes	26.5	18.7	16.5	38.3	100.0	551
Undertaking a new hobby	45.2	24.5	4.0	26.3	100.0	597
Entertainment & recreation	40.0	45.5	5.0	9.5	100.0	640
Other	31.8	4.5	4.5	59.1	100.0	642

**Table 17:** How much time plan to spend on following activities in retirement compared with the present by socio-economic and demographic characteristics (% of people who intend to retire)

Activity	Change	Age		Sex		Education		Household income per adult			
		50-59	60+	Male	Female	Not fin HS	Fin HS	Less than \$20k	\$20k-40k	\$40k-\$60k	\$60k or more
Working voluntarily	More	56.1	50.1	44.3	59.6*	46.1	60.3*	40.4	45.0	55.1	58.3*
	About same	19.5	21.7	22.1	19.9	20.2	20.6	22.8	27.0	23.0	16.6
	Less	3.4	4.0	4.9	2.8	4.7	2.9	5.3	8.0	3.9	2.7
	Can't say	21.0	24.1	28.7	17.7	29.0	16.1	31.6	20.0	18.0	22.4
Joining social organisations	More	47.3	46.8	43.0	51.3*	42.4	51.7*	26.4	42.6	44.4	54.2*
	About same	29.3	31.8	35.8	25.0*	29.9	31.5	45.3	29.7	32.7	28.6*
	Less	3.5	2.8	3.6	2.7	3.0	3.3	3.8	2.0	3.1	2.6
	Can't say	19.9	18.7	17.6	21.0	24.7	13.6	24.5	25.7	19.8	14.5
Travelling overseas	More	50.7	45.6	48.6	46.7	44.3	52.2*	49.1	38.1	43.0	56.3
	About same	31.0	31.9	28.2	34.5	30.3	32.3	17.5	37.1*	37.6*	27.8
	Less	7.7	9.3	11.1	6.4*	10.4	6.8	14.0	9.3	7.5	8.6
	Can't say	10.6	13.2	12.1	12.4	15.0	8.7	19.3	15.5	11.8	7.3
Travelling in Australia	More	72.5	66.7	70.2	67.7	69.1	69.8	71.4	62.3	66.1	75.2
	About same	20.0	25.5	23.7	22.7	21.6	25.1	17.1	29.5	26.1*	20.2
	Less	3.3	2.7	3.2	2.7	3.6	2.0	4.3	4.9	2.3	2.3
	Can't say	4.3	5.1	2.9	6.8	5.7	3.1	7.1	3.3	5.5	2.3
Socialising with family	More	50.9	50.4	48.0	53.3	50.3	51.6	40.0	45.9	57.2*	50.4
	About same	43.9	46.2	47.7	42.4	45.2	44.7	51.7	50.5	39.8	47.5
	Less	1.4	1.2	1.5	1.1	0.6	2.2	1.7	2.7	1.0	0.8
	Can't say	3.9	2.2	2.7	3.2	3.9	1.6	6.7	0.9	2.0	1.3
Socialising with friends	More	52.8	54.5	48.1	59.2*	51.5	57.0	48.3	47.2	58.8	55.0
	About same	41.8	42.5	47.5	37.2*	44.2	39.6	41.7	49.1	39.7	42.1
	Less	1.8	0.7	1.6	0.8	1.2	1.2	1.7	2.8	0.0	0.8
	Can't say	3.5	2.2	2.8	2.8	3.2	2.1	8.3	0.9	1.5	2.1
Undertaking educational classes	More	21.3	30.6*	19.4	32.9*	21.0	33.0*	24.4	31.0	29.2	25.4
	About same	21.7	16.5	17.8	19.6	16.1	21.0	8.9	23.0	15.3	19.9*
	Less	18.7	14.5	22.5	10.8*	17.2	15.7	22.2	12.6	14.6	20.4
	Can't say	38.3	38.4	40.3	36.7	45.7	30.3	44.4	33.3	41.0	34.3
Undertaking a new hobby	More	46.4	44.2	39.5	50.7*	44.1	47.0	40.4	39.1	50.9	45.1
	About same	21.8	26.1	30.2	18.4*	23.9	24.7	21.2	23.0	23.4	28.2
	Less	4.2	3.9	6.0	2.0*	3.7	4.2	3.8	5.7	3.0	4.7
	Can't say	27.6	25.8	24.2	28.9	28.3	24.0	34.6	32.2	22.8	22.1
Entertainment & recreation	More	44.1	37.0	37.5	42.5	37.5	43.9	32.7	37.4	36.9	45.8
	About same	43.7	46.7	45.4	45.0	46.6	43.5	43.6	44.4	50.6	43.6
	Less	4.1	5.5	7.2	2.8*	5.3	4.3	5.5	7.1	2.8	5.3
	Can't say	8.1	10.8	9.9	9.6	10.6	8.3	18.2	11.1	9.7	5.3

\* p<0.05 Reference category for age is 50-59, for sex is male, for education is not finished high school and for household income per adult is less than \$20,000. Each column for each type of activity sums to 100%.

## Discussion

This study has used detailed data from the NSSS to investigate the types of plans that people make for retirement across financial, health, social, leisure and community activities; as well as the specific reasons for making these plans. These analyses build upon the earlier National Seniors Australia study on intended workforce transitions and retirement planning which provided nationally representative and indicative evidence on a more limited range of these activities.

The findings for workforce transitions reveal that a significant majority of people who plan to move from full-time to part-time work before they retire intend to remain strongly engaged in the workforce during this transition. The majority of these pre-retirees state a desire to work at least 15 hours per week. When asked why they want to change to part-time work, these respondents report that financial and lifestyle reasons are equally important. The most common financial reason is that they are not financially prepared to retire altogether. A range of lifestyle reasons attract people to working part-time, including travel, leisure activities, socialising and enabling participation in voluntary work. Far less popular reasons include workplace wages and benefits. Continued engagement of mature age people who want to continue working is important to support labour force participation, which will have both social and economic benefits for the individual and the Australian community more generally.

A high level of detail on the financial actions of pre-retirees was collected in the NSSS. The vast majority of pre-retirees have some form of superannuation, about half own shares, one-third own residential property other than their family home and one-quarter have a managed fund. A higher proportion of owners of investment properties (40%) plan to sell these than purchase more (12%). Slightly more owners of shares will purchase more than sell existing holdings at retirement, with 50% retaining about the same holdings. The level of funds invested in managed funds will increase at retirement. These findings provide valuable insights into the financial strategies of senior Australians. The widespread usage of financial planners suggests that their advice will strongly shape the asset and investment management strategies of senior Australians, as will future market conditions and changes in taxation policy. This also underscores the role of government in providing regulatory mechanisms to ensure that people have confidence that they are receiving sound financial advice.

People's motivations to prepare financially for retirement are not only related to economic wellbeing. For example, respondents indicated that adequate financial planning was necessary to ensure their health and wellbeing, as well as to stay engaged in community, social and leisure activities; all central to a fulfilling and productive retirement. The extent of these preparations for some groups of mature age people indicates that they place great value on a productive retirement.

A higher number of respondents indicated that they are confident, rather than not, about being financially secure in retirement. Confidence is understandably greater among higher income earners as well as those with a higher education. This is consistent with previous research which has shown lower socio-economic groups have higher anxiety seeking financial advice.<sup>xxxviii</sup> There is an expectation amongst one-third of pre-retirees that they could fund their preferred standard of living with between 50 and 70% of their current income, while a further one-third believe they will require a higher percentage. One review found that 60% of pre-retirement gross income is widely regarded as adequate for retirement, including the Financial Services Council and the Association of Superannuation Funds of Australia (ASFA).<sup>xxxix</sup> The ASFA Retirement Standard specifies a modest lifestyle for a couple requiring an income of \$32,511 per annum and a comfortable lifestyle requiring \$56,236; in the NSSS, two-thirds of respondents have a household income of greater than \$40,000 per adult per annum.<sup>3 xl</sup> However, income earners below the median income in this sample will undoubtedly require a much higher proportion of their current income to maintain living standard in retirement – consistent with ASFA standards.

The importance of preparing to ensure good health later in life appears to have been heeded by many senior Australians. Engagement with health professionals in terms of check-ups, screening or advice, as well as watching their diet, exercising, and reducing risky behaviours such as smoking and alcohol consumption, are common amongst pre-retirees. People who have finished high school education have consistently made health preparations more than those who have not finished high school, findings consistent with literature. Men are more likely to have spent time doing some exercise-related preparations, while women are more likely to plan to reduce alcohol consumption at retirement. For more than half of the pre-retirees who had made plans for their health in retirement, their preparations have not been influenced by anyone. For the remainder, taking advice from their spouse, doctor or other health professional was most common.

Senior Australians also plan to participate more in a range of social, leisure and community activities once they retire. Females in particular are more likely than males to take up educational activities, new hobbies and voluntary work. Those with a higher level of education and income are also most likely to engage more in voluntary work once retired.

Despite the detail provided by the NSSS, there are several limitations to this study. First, as reported in the data and methods section, these data are unweighted and are a sample of the National Seniors membership, who overall have a slightly higher socio-economic status than all Australians aged 50 years and over. Their higher level of education suggests they are more prepared for retirement than the whole population,

<sup>3</sup> A modest lifestyle for a single is specified as requiring an income of \$22,539 per annum and a comfortable lifestyle requiring \$41,090.

given the findings by education status. Secondly, the proportion of full-time workers intending to transition to part-time work is small compared with nationally-representative data, suggesting potential biases in the data collection and responses. Third, a further limitation of this study is the hypothetical nature of many of the planning questions. People's intentions regarding future behaviour may not be matched by actual behaviour, as people's circumstances and experiences closer to retirement will have a greater influence on their decisions.

### Concluding comments

This study has built upon the findings of the previous National Seniors report into retirement planning and workforce transitions. The NSSS data, which couples greater detail on these issues with socio-economic and demographic information, complements the previous study by highlighting the range of retirement strategies undertaken by pre-retirees in Australia. This range of activities can help ensure they can engage productively during retirement years – whether that be through volunteering, engagement with community organisations, caring responsibilities or continued economic engagement with the labour force.

Notwithstanding these range of strategies, we have not sought to analyse the appropriateness of these strategies to ensure their retirement needs. For example, 87% of pre-retirees have made recent contributions to superannuation but the adequacy of these contributions is unknown. Undoubtedly, a certain proportion of pre-retirees will have insufficient superannuation; research has revealed that between 30-40% of Australian workers will not have adequate superannuation for their retirement.<sup>xii</sup>

The characteristics of people who have made limited plans indicate that innovative approaches should be considered to encourage these groups of pre-retirees to actively plan for their retirement. Low income earners and those with lower levels of education are such groups who have made limited plans. However, for certain types of plans other key demographic groups should be targeted. For example, men were less likely to plan for reducing potentially risky health behaviours such as alcohol consumption, but more likely to have begun positive health preventative measures such as watching their diet and regular physical exercise. Women, on the other hand, are more likely to have made plans to increase their engagement in voluntary work and participating in community organisations in retirement, but feel less secure about their financial situation in retirement.

### Where to next?

Further research can be undertaken into the extent to which these plans as detailed above are sufficient to meet pre-retirees' expectations of living standards in retirement. Additional work at National Seniors Australia will seek to uncover the adequacy of plans across financial, health and community priorities in later life. Moreover, future work on retirement planning at National Seniors will be improved through design changes to the National Seniors Social Survey. The second wave of the NSSS has been designed to minimise response and selection biases by stratifying the survey population by age, sex and region of residence. Subsequent waves will adopt this approach and once more revisit the retirement plans of mature age people.

The findings from this report arm policymakers with important evidence with which to target interventions to improve the retirement planning strategies of different demographic groups within the pre-retiree population. A strategy which recognises different groups' strengths and weaknesses with regards to plans across the financial, health and social domains will maximise the ability of mature age Australians to age productively and thereby contributing economically and socially to their families and the broader community. For example, health promotion strategies around risky behaviours such as excessive alcohol consumption may well be best targeted to male pre-retirees. Similarly, financial education programs, with a specific focus on the needs of women approaching retirement, could prove fruitful.

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## Appendix

Appendix materials can be accessed from [www.nationalseniors.com.au](http://www.nationalseniors.com.au)

**Table A.1:** Logistic regression analyses of current ownership of assets/ investments

**Table A.2:** Ordinal logistic regression analyses of whether respondents think they will be financially secure in retirement

**Table A.3:** Logistic regression analysis of type of health preparation made

## **ABOUT NATIONAL SENIORS AUSTRALIA**

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.

For more information about National Seniors Australia visit [www.nationalseniors.com.au](http://www.nationalseniors.com.au) or call **1300 76 50 50**.

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