

## **MANY HAPPY RETURNS: 30 YEARS OF COMPULSORY SUPER**

### **BUT STILL MUCH TO UNDERSTAND ABOUT RETIREMENT INCOME**

National Seniors Australia and Challenger Limited have released the results of a new large survey on retirement income on the 30<sup>th</sup> anniversary of compulsory superannuation in Australia.

The research has been released in a new report titled 'The evolution of retirement income: A 2022 snapshot'. Evidence shows that:

- 75% of retirees surveyed are satisfied with their financial security
- 85% of people had accumulated super for their retirement but this proportion was lower for women (82%) compared to men (88%)
- Around half of those surveyed wanted to preserve some of their retirement capital but spend some of it to fund their retirement
- The intention to maintain most or all of capital was significantly more likely for men or those who wanted to help family or a friend to access aged care
- The most common reason for maintaining retirement capital was for medical and health needs
- While 81% owned their own home and 11% owned a home with a mortgage, just 2% used the equity of their home in retirement
- Two-thirds said it was somewhat or very important to leave the home as a bequest.

The report also coincides with the implementation of the retirement income covenant in July this year. The covenant has been legislated by Government to ensure superannuation trustees develop a retirement income strategy to maximise retirement income for their members and properly manage associated risks.

CEO and Director of Research at National Seniors, Professor John McCallum said: "Older Australians told us in the survey that the compulsory super system had enabled them to enjoy a comfortable retirement. It is truly a 'guarantee' for a better later life."

"The report shows us 90 per cent of retirees have used super as their main source for accumulating retirement capital," said Professor McCallum.

"In short compulsory super delivers what it was designed for: to provide retirees with an income that maintains their working life standard of living."

"Retirees increasingly need to understand that their retirement savings are not so much a nest egg, but a means of achieving the best standard of living possible during their retirement years," said Professor McCallum.

Challenger Limited's Head of Retirement Income Research, Aaron Minney agreed: "Super has been a major success to prepare Australians for retirement."

However, he noted a reluctance of retirees to increase their drawdown of their super to further improve their lifestyle.

“The National Seniors survey shows that retirement income reforms could not have come at a better time. Many retirees cut back on their lifestyle rather than spending their savings for the purpose it was intended. Hoarding the nest egg means they are missing out on some of what they could enjoy.” he said.

The survey showed the most common reason for preserving retirement capital was to have money available for future health and medical costs.

“Close to 84 per cent of respondents nominated this as their reason for hanging on to their capital,” Professor McCallum said.

Having money available to cover other unexpected expenses or emergencies was also a priority with approximately 70% of people setting aside ‘rainy day’ funds.

The report shows a disparity remains between men and women when it comes to retirement income.

“On just about every score on superannuation, women trail men”.

“More men enjoy a comfortable retirement from super, and more women than men have super balances so low, they are reliant on the age pension,” Professor McCallum said.

The survey also highlighted the importance of home ownership in retirement.

“Comfort in retirement is higher among those who own their home compared to retirees who don’t. At older ages, the security of the home was more important than high savings levels in achieving comfort” Mr Minney said.

However, the survey showed despite easy access to home equity in retirement, only two per cent of those surveyed said they had accessed their home equity, while two thirds said it was either somewhat or very important to leave their home as a bequest upon passing.

The survey was taken just ahead the Retirement Income Covenant coming into effect and highlights the benefit of the reform.

“As the report has concluded, retirees and pre-retirees need better access to financial advice and user-friendly tools that account for the complexity of intersections between the retirement income system and peoples’ housing, health, aged care and employment circumstances.

“Further, super funds need to have a strategy for managing the financial risks facing retirees and help them maximise their income in retirement,” Mr Minney said.

**ENDS**