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Wednesday, 18 January 2017

Age of intending retirees increasing due to changes in pension eligibility, superannuation rules and economic uncertainty

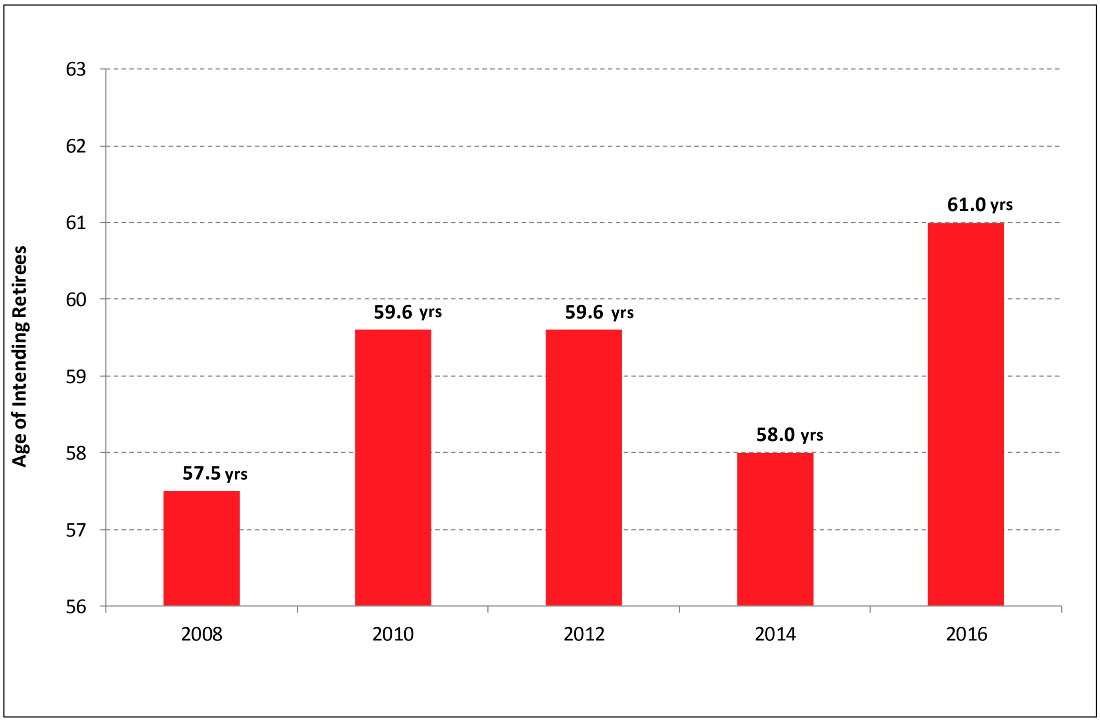
The average age of Australians intending to retire in the next 12 months is 61 years, up from 58 years over the last two years (2014). This increase is likely to be a reaction to extensive negative publicity given in the lead-up to changes to pension eligibility and superannuation rules, combined with low deposit rates and economic uncertainty. The increased average age of intending retirees has reduced their number in the next 12 months to 395,000, down from 411,000 in 2014.

These are some of the latest findings from Roy Morgan's Single Source survey of 50,000+ people pa.

Delayed retirement: a good opportunity for superannuation funds

Between 2008 and 2016, the average age of those intending to retire has increased from 57.5 years to 61.0 years.

Average age of intending retirees*: next 12 months



***Source**: Roy Morgan Single Source: 12 months to October 2008 (n=521); October 2010 (n=572); October 2012 (n=548); October 2014 (n=447); October 2016 (n=432) **Base**: Australians 14+ intending to retire in the next 12 months.*

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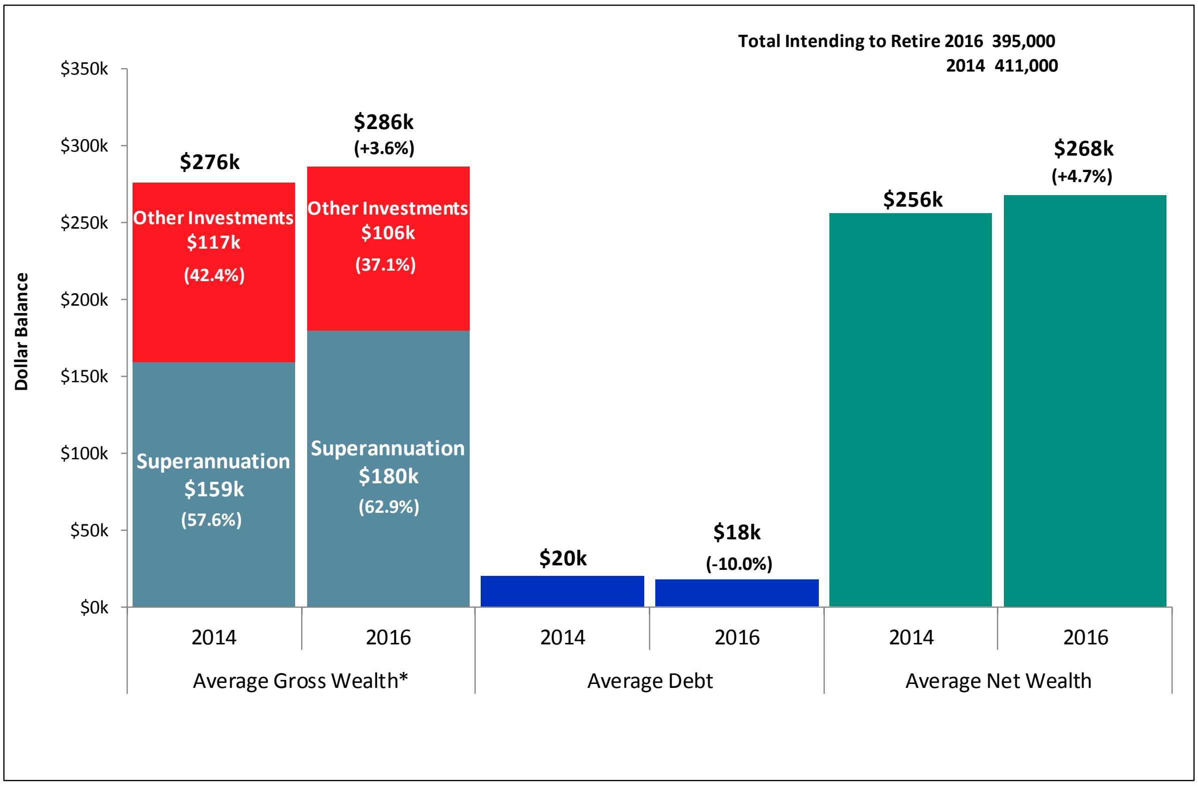
Increasing retirement age is generally a positive for the Australian Government and superannuation funds, as it means a reduction in the period the government has to fund through pensions and allows superannuation funds a longer accumulation phase before paying out. Currently, the Australian Government faces twin financial pressures on age pensions from an increase in life expectancy and inadequate personal retirement savings. However, one drawback of delayed retirement is that it may increase unemployment, with older workers occupying positions that younger people might otherwise have filled.

How ready are intending retirees to fund retirement?

Given the recent changes to age pension eligibility and superannuation rules, just how well equipped are those intending to retire in the next 12 months to finance their retirement? The key component of retirement funding is designed to be superannuation, through its tax concessions and compulsory nature, but it is important to understand its role in the overall context of total retirement funding. Currently the average gross wealth (excluding owner-occupied homes) of intending retirees is $286,000, up from $276,000 (just 3.6%) since 2014.

Financial position of intending retirees in the next 12 months*



***Source**: Roy Morgan Single Source: 12 months to October 2014 (n=447) and October 2016 (n=432)* ***Base**: Australians 14+ intending to retire in the next 12 months. * Excluding value of owner occupied home.*

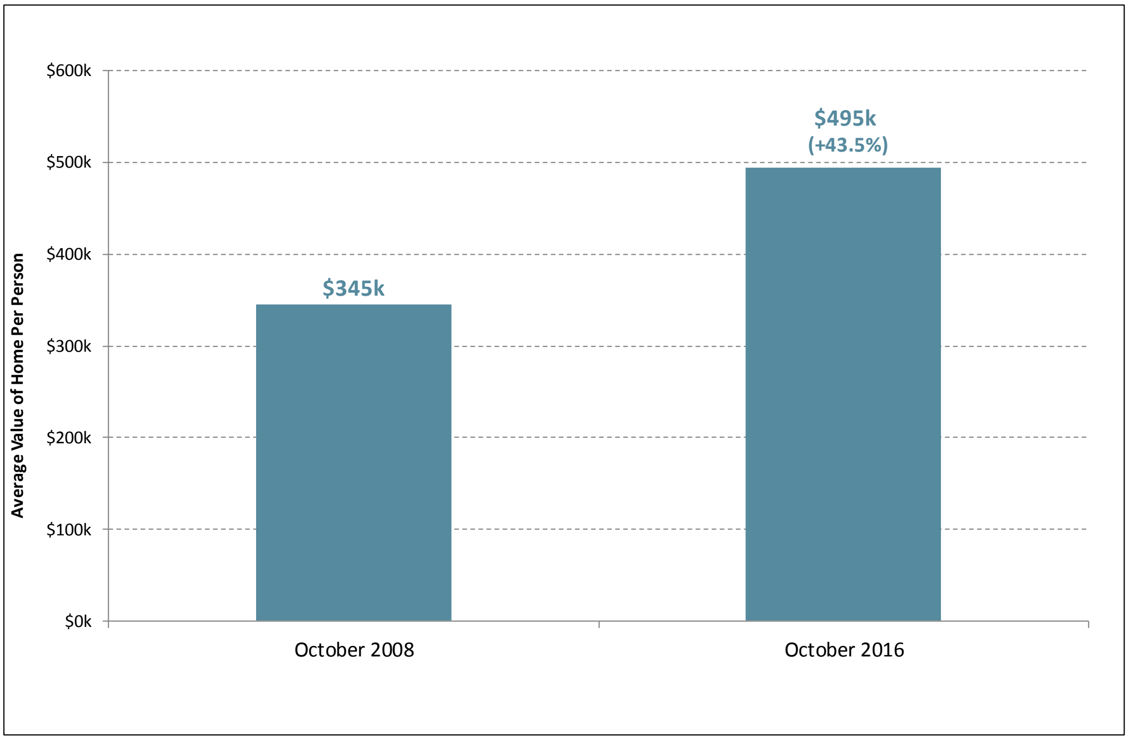
Superannuation is playing an increasing role in retirement funding, accounting for 62.9% of gross wealth of intending retirees, up from 57.6% in 2014. Despite this increase, there remains major potential for superannuation funds to attract additional after-tax funds from many of their members. The average debt level of only $18,000 for this group is not a major problem and reduces the average net wealth to $268,000.

The overall conclusion from this is that on average, intending retirees will be relying on some government benefits for a considerable time yet, even with the changes to the eligibility rules. The Department of Human Services' recently announced asset limits for retirees' part pensions are $542,500 for single homeowners and $816,000 for a couple. Both of these amounts are well above the average gross wealth per person ($286,000) of the intending retirees in this survey.

Owner-occupied homes a potential retirement funding source

Although owner-occupied homes are generally not considered to be part of retirement funding, their potential is very significant given their high value compared to retirement savings. Furthermore, they do not impact the age pension asset test. A clear majority (85%) of intending retirees either own or are paying off their home, with an average value per person of $495,000 or 73% higher than the average ($286,000) in all other retirement funds.

Average value of intending retirees'* home per person



***Source**: Roy Morgan Single Source: 12 months to October 2008 (n=447) and October 2016 (n=379) **Base**: Australians 14+ intending to retire in the next 12 months and owned or paying off home. * Owned or paying off owner-occupied home.*

Not only have owner occupiers got a large potential source of retirement funding but at 43% per person over the last eight years, the growth in the average value of their homes has outstripped that of other investments (23%). Those intending retirees who rent obviously do not have this large potential retirement funding resource but are allowed higher levels of assets for pension eligibility, although the increased limit does not compensate for the higher concessions given to homeowners.

Norman Morris, Industry Communications Director, Roy Morgan Research says:

> *"The average level of savings and superannuation for those intending to retire in the next 12 months is well below the new age pension asset eligibility levels announced recently by the Australian Government and so pressure on government funding will continue for some time yet.*
>
> *"Many intending retirees are holding a substantial portion of their savings outside of superannuation; this represents a major growth opportunity for superannuation funds and potential long-term improvement in fund members' financial position. Large funds held outside of superannuation for those close to retirement may be due to their not understanding the benefits, not qualifying to make additional deposits, being unsure about superannuation with all its rule changes, or simply wanting to stay flexible.*
>
> *"To enable well informed retirement funding decisions, the government needs to play a greater education role. Superannuation is a very long-term investment which is made more difficult by regular rule changes.*
>
> *"As we have seen, recent changes to superannuation rules and pension eligibility appear to be impacting on retirement age, with the result that people will retire later. This is a positive for government retirement funding but could have negative ramifications for unemployment levels.*
>
> *"Intending retirees who own or are paying off their home have a major potential source of retirement funding compared with those who rent, but there is partial recognition of this problem as non-homeowners have higher asset limits than homeowners when it comes to the assets test for pension eligibility.*
>
> *"This analysis is only an overview from the extensive Roy Morgan Single Source survey of over 50,000 interviews pa which covers retirement funding in much greater detail, including detailed balance levels, names of funds where superannuation is held, level of members paying beyond the compulsory contribution level, long-term trends and so much more".*

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For comments or more information about Roy Morgan Research's finance and banking data, please contact:

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Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	**Percentage Estimate**			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
7,500	±1.1	±1.0	±0.7	±0.5
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2

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