Hope for the best, plan for the worst? Insights into our planning for a longer life.

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National Seniors Australia

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Introduction to planning for longevity

Australians are enjoying among the longest life expectancies in the world, a trend which is expected to continue. They are also being asked to do something not previously required of their parents and grandparents, namely, to save for a longer life than expected. However, there is limited availability and take-up of financial products that can assist individuals to efficiently manage the risk of outliving their savings. The growing fear that Australians' saving behaviour is not keeping pace with increasing life expectancy is also now a major issue around the world.

The best explanations why people save for later life are based around self and family interests and, in some instances, social responsibilities. The challenge of ageing is to make earnings from 40 to 50 years of work cover 80 to 90 years of life. Two problems arising with this are that people take the present more seriously than the future and regard very old age futures negatively. They don't necessarily think about their 'future self' in a nursing home as the same person as their 'current self'. There is now growing evidence that better positive connections to a future self and thinking of one's future self as having social responsibilities improves the motivation to save for later life. Unfortunately, people need to make current sacrifices in service of their long-term interests to resolve many of our most pressing social and economic issues. The failure to save enough to pay for later life was apparent in the evidence collected for this study.

The issue of 'under-saving' is examined here in five key questions asked in a survey of 5770 Australians over the age or 50 in May-June 2017:

- Are people aware of increasing life expectancy?
- Are they planning for it?
- If not, why aren't they planning for it?
- Do their plans cover later life when needs and expenses are highest?
- Would they support new saving options to support such planning?

In particular, this report considers the predictors for the people who support two possible retirement income streams. Respondents were asked:

1. 'Should superannuation funds include an insurance option that would keep paying you an income if you lived longer than say 85?'. 56% said 'yes' and 9% were 'undecided', with about a third (35%) saying 'no'.
2. 'Would you consider paying a portion of your savings, say 10%, on retirement, in order to receive income for life once you reached say 85?', 57% said 'yes' to their own insurance option, and 43% said 'no', including 11% who did not think that they would live that long.

It's time to get the settings right for later life options in our finance and superannuation systems. The Productivity Commission Government Services Report (released online 23/1/18) highlights the scale of the growing government funding commitments:

- Governments spent $17.4bn on aged care services, $4,470 per older Australian, in the last financial year. Other costs were: disability services $7.4bn, child protection $5.2bn, youth justice $800m.
- Four in five older Australians receive government funded aged care services of which the Commonwealth pays the 'lion's share'.
- About 70% of public money spent on aged care goes to residential care, the rest on in-home care and other flexible options.
- As at June 2017, more than 200,000 older Australians were in residential care and over 70,000 received in-home care.

- About one-third of older people living in households, and requiring assistance, reported that their needs were not fully met.
- 855,800 people, 3% of the population, are primary carers of older Australians or people with a disability.

Complex financial decisions face people who aspire to self funding in retirement, most often around health, but generally around paying for later life. These are complex issues but Australians have a strong base to start from, with the social insurance of a means-tested age pension and a compulsory tax-advantaged superannuation scheme.

About the Survey

The National Seniors Australia study reported here was an online survey designed to collect information as part of the 2017 National Seniors Social Survey (NSSS) (Wave 6). It asked participants about their experiences, intentions and attitudes across a range of areas including health and social wellbeing, finance, work, and retirement.

A total of 53,058 National Seniors members residing in all states and territories of Australia with an email address were invited to complete the survey. A total of 5,770 surveys were completed, a response rate of 11 per cent. Of these, a total of 5,511 respondents provided answers to the questions noted in this report.

The respondents were representative of the broad National Seniors Australia membership, with an average age of 68. Reflecting the older age, the majority of the respondents were female (55%). In total, 59% were married with another 5% in a de facto relationship. Thirteen per cent described themselves as widowed, while 15% of the respondents were divorced or separated and only 6% had never been married.

Prior waves of the NSSS partnership between National Seniors and Challenger have resulted in a number of published reports including:

- Senior Sentiment Index (2012)
- 2nd Senior Sentiment Index (2014)
- How realistic are senior Australians' retirement plans (2014)
- 3rd Senior Sentiment Index (2015)
- Over 50s: Still not confident about their retirement income (2016)
- 4th Senior Sentiment Index (2016).
- Seniors more savvy about retirement income (2017).

These reports can be found at: https://nationalseniors.com.au/be-informed/research/publications.

Note: *National Seniors acknowledges the assistance of Challenger in support of this survey, the design of the questions, and for helpful review comments on the current report.*

Data and Methods

Design

The National Seniors Social Survey (NSSS) (Wave 6) was cross-sectional in design and conducted by National Seniors Research Director Professor John McCallum using a questionnaire survey of National Seniors Australia members aged 50 and over. The study was approved by the Bellberry Human Research Ethics Committee of South Australia on 30th January 2018, application number 2017-04-293.

Data

Data in this report were collected using the National Seniors Social Survey (NSSS) (Wave 6), designed by National Seniors Research staff. The survey was conducted from 24 May 2017 to 11 June 2017. The NSSS (Wave 6) asked participants about their experiences, intentions and attitudes across a range of areas including health and social wellbeing, finance, work, and retirement.

The survey was a self-complete instrument, delivered online for the first time, and collected using the survey instrument, Survey Monkey. It consisted of the following modules:

1. About yourself
   A range of questions used to obtain information from respondents about their demographic and socio-economic characteristics.
2. Work and retirement
   This module asked participants about their work situation, such as their employment or retirement status, reasons for not being in paid work, and work preferences.
3. Finances and decision-making
   Questions that asked about expected levels of savings and investments in retirement, general financial literacy, strategies for dealing with financial distress, attitudes towards investments, and the use of trusted intermediaries in financial, health and lifestyle decision-making.
4. Savings and finances in retirement
   This module contained questions about anxiety regarding retirement savings and investments, the desire to leave an inheritance for the next generation, access to retirement funds, knowledge about increases to life expectancy, financial planning for increased lifespan, and preferences regarding retirement annuities.
5. Social activity and health
   Participants were asked about their social activities, social networks and engagement with others, loneliness, the social cohesion of their community, their life satisfaction, mood, and life purpose, the impact of life events, and the level of intergenerational conflict and support.

In particular, for this report, respondents were asked about their preferences for Comprehensive Income Products in Retirement.

Method

A total of 53,058 National Seniors members residing in all states and territories of Australia with an email address were invited to complete the survey. The survey invitation was emailed, and contained a link to the survey instrument.

The age breakdown of National Seniors' members as of May 2017, compared with the 2016 Census data is as follows.

Table 1: *NSA members compared with 2016 Census data*

	NSSS Frequency	NSSS %	All National Seniors members %	Census 2016
50–59	793	13.8	18.64	37.4
60–69	2497	43.2	39.96	31.3
70–79	1996	34.6	28.78	19.4
80+	484	8.4	12.62	11.9
Total Answers	5770	Total National Seniors members with email approval	53,058	

Preamble

A June 2017 survey of more than 5,500 National Seniors members reported on their experiences, intentions and attitudes across a range of areas including health and social wellbeing, finance, work, and retirement. A report published 3/10/17, *Seniors more savvy about retirement income* (National Seniors & Challenger, 2017), highlighted the following:

- What mattered most to people about their finances in retirement was having regular, constant income that met essential spending needs.
- More than three quarters were 'savvy' about the risks of increasing longevity, being both aware and planning for the possibility of living longer.
- Conserving capital to leave money for the next generation is no longer a key consideration for senior Australians. Only 3% of respondents intended to preserve all their savings for the next generation, whereas 10% expect to spend all their money on themselves. The remainder of respondents were split between those who planned to spend most of their savings (41%) and those who intended to preserve some and spend some (46%).
- A clear majority of people said they used a financial adviser to get advice and information about retirement. This corresponds with previous surveys, and shows that seniors are more likely than younger Australians to see a financial adviser.
- A substantial majority (70%) of retirees over 75 responded that their spending had been similar, with only 6% noting an increase in spending through retirement.
- The median asset balance was $300,000, well below the Association of Superannuation Funds (ASFA) estimates of $545,000 ($600,000 for couples) for a comfortable lifestyle to age 90. The ASFA retirement standard suggests that a single person would need $43,665 per year and a couple $59,971 to enjoy a 'comfortable' lifestyle. Retirement savings of $300,000 could not sustainably generate those cash flows over the course of a normal retirement of approximately 25 years.
- The Report expressed concerns about need for more money from savings, in particular if people lived beyond 90 years, now becoming common, and about an expectation of continuation of high asset returns around 12% when the return over the last 10 years was 4% pa. This period did include the global financial crisis.
- It noted the potential of new government-led MyRetirement products which could help improve living standards.
- In summary, the picture was one of retirees with conservative investment plans, a focus on retirement income as a stable wage, and awareness of increasing longevity, but who are overly optimistic about saving enough for the returns needed to live a comfortable later life with expectations of increased longevity.

It should also be noted that the trend away from a bequest motive in saving, towards helping children with their first home during their life, the so-called 'Bank of Mum and Dad', carries the risk of reducing savings and creating financial hardship for the older person later in life.

These concerns are examined here in critical questions related to longer lives and possible 'MyRetirement' products:

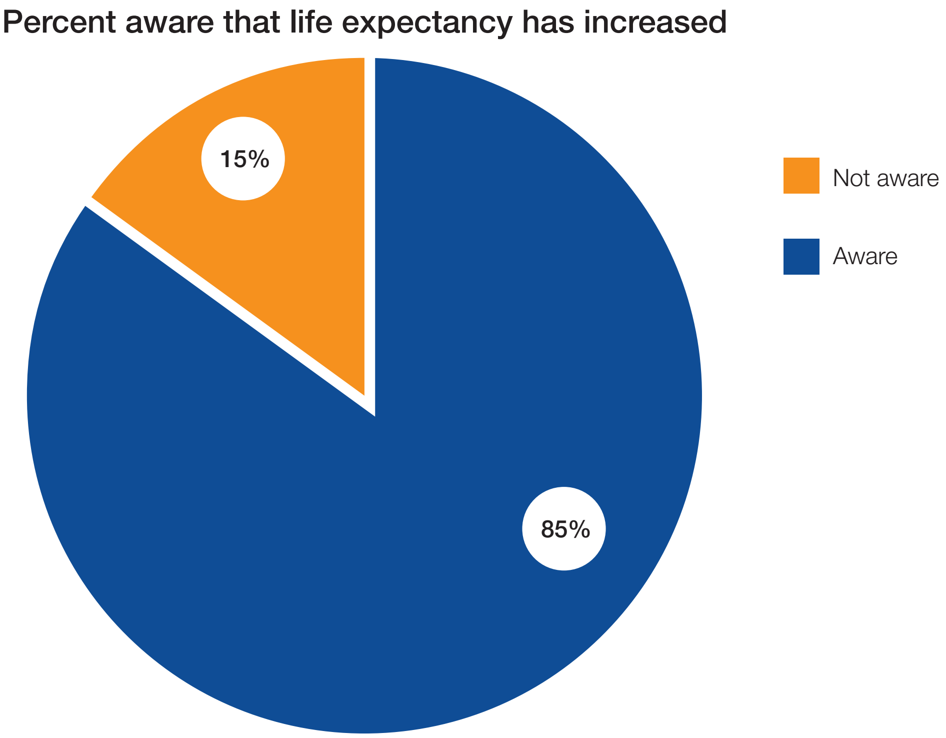
- Are people aware of increasing life expectancy?
- Are they planning for it?
- If not, why aren't they planning for it?
- Do their plans cover later life when needs and expenses are highest?
- Would they support new saving options to support such planning?

Are people aware of longer lives?

The first question to ask is whether people are aware of the trend toward longer lifespans. This demographic change is occurring alongside changing financial planning priorities, for example, less emphasis on a bequest motive (National Seniors & Challenger, 2017). Longer lives are a significant issue for individuals and their families, since the later phases of life can involve dependency and significant health and aged care costs. Retirees without sufficient personal savings create future burdens for the taxpayer.

In our national survey, 85% of people 50+ said they were aware that 'life expectancy at age 65 had increased by around 6 years over the last 30 years' (National Seniors & Challenger, 2017). Some predictors (Attachment 1) of being aware of increased life expectation were: older age, being married, having more than $50,000 in savings, having completed education beyond high school, being in good health, and not being lonely or depressed. Apart from the older group who were probably aware by survival experience, the most able and best resourced were more likely to be aware. This may be unsurprising but raises issue of equity for those who are not well resourced. The consequent issue is whether or not people are planning for their increased longevity.

Figure 1: *Awareness of increases to life expectancy (NSSS Wave 6)*



Planning for a longer life

Around 22% of survey participants disclosed that they 'hadn't planned at all' for an increasing lifespan. Around 50% of all survey participants had made financial plans for living longer; 35% had plans for accommodation, 38% for lifestyle and travel and 46% for health. The same factors that predicted 'being aware' of increased longevity, also predicted 'having any plans' to deal with it, but with the interesting addition of feeling younger than actual age (Attachment 1). This may indicate that holding a positive view of oneself (and rejecting ageing stereotypes) motivates planning for a positively regarded 'future self'.

The profile of almost a quarter of people who had no plans of any kind to deal with an increased lifespan, shows a likelihood of having financial, social and emotional disadvantages. Having no plans for increased survival is also a national economic issue because of the larger numbers of baby boomers now reaching older ages.

Respondents were also asked to specify other areas of life they were considering when planning for a longer life. Social groups, friendships and activities were important to some, while others considered it valuable to maintain a positive attitude. On the whole, this text box was used by respondents to detail why they weren't planning. Many of their insights are presented here, indicating their gender, age and what age they 'felt' they were. 'Felt age', usually younger than chronological age, is commonly used in commercial, marketing analysis and modelling intertemporal choice (Kornadt, Voss, & Rothermun, 2015). It is used here to give a snapshot of a person's positive sense of self (McCallum & Rees, 2017). Feeling younger is an indicator of having a positive connection to a 'future self' and 87% of people who felt younger were aware of increasing lifespans compared to 82% of those who felt the same or older.

Because it is such a major issue, it is helpful to gain insights into failure to plan from the rich vein of comments provided by non-planners. These voices are not often heard, since successful older people are usually able to be the most vocal, and are often the most attractive voices to listen to.

1. Some non-planners were 'philosophical', noting both their age and how old they 'felt' they were:

   We don't know what the future holds. How can you plan for what you'd need a crystal ball to see? (Woman aged 56, felt older, 60).

   Live within your means and the Lord will take you when he wants to (Woman aged 67, felt a little younger, 65).

   You can plan all you like, but it doesn't mean you'll have the money - inflation, everyday prices rising.... so I'm not planning (Woman aged 60, felt much younger, 35).*

   ** Note that some of these values are entry errors or of questionable plausibility and were therefore carefully scrutinised during analysis.*

2. Some people treated planning like homework that was going to done but 'not yet':

   I have planned to a point but haven't had a chance to check everything (Woman aged 57, felt younger, 47).

   Planning has been crudely organised and has so far worked out (Man aged 85, felt younger, 80).

   Trying to get best deal when work ran out. Looking online for work. Beginning planning now in all areas (Man aged 60, felt younger, 50).

   Planning and reviewing (Man aged 59, felt much younger, 36).

   Am planning but left it too late (Woman aged 58, no answer felt age).

3. Planning can be constrained by health and changes occurring at very advanced ages leading to uncertainty about planning:

   A sudden illness can change everything especially if left with significant disability (Woman aged 78, felt younger, 65).

   All this depends on my wife's medical condition. I take this area day by day (Man aged 60, felt the same, 60).

   At our age, the possibilities are limited (Man aged 96, felt same, 96).

   No, as I have health conditions that make an increasing life span very unlikely (Woman aged 64, no answer felt age).

   I am at the end of the road, nothing can change (Man aged 81, felt slightly younger, 80).

   Not yet, I need to see if my health will cause earlier mobility deterioration than expected (Woman aged 55, no answer felt age).

   I'm 80 already!!! (Woman aged 80, felt much younger, 45).

4. In their responses, 2% of people selected that they were making plans in 'other' categories but revealed themselves as non-planners rather than planners. 21 of these provided comments, of whom 19 were women. As a woman, aged 64, put it most succinctly: 'No money, no plan'. Other comments were similar:

   I had done everything I could to cover me financially well into old age however I took a huge hit with the GFC and will be in dire straits if I live into my 90s as my parents have (Woman aged 67, felt older, 70).

   I no longer have any income/super left after 12 years or so, therefore, most questions no longer apply (Woman aged 76, felt same age).

   Trying but female, divorced, limited super, smaller wage and no inheritance coming means I will struggle. Entered workforce after divorce (Woman aged 61, felt younger, 50).

   I am working myself to an early death so my lifespan will not be longer than those in previous years (Woman aged 58, felt older, 65).

   Cannot plan much due to business and debt (Woman aged 59, felt younger, 50).

Rather than plans some people expressed hopes, some already unfulfilled:

Hope that current financial assets will allow comfortable lifestyle (Man aged 88, no answer felt age).

Cross my fingers and look after myself. I have no descendants left (Woman aged 75, felt the same, 75).

Promises to support me in the future were broken (Woman aged 73, felt younger, 60).

The crime fiction author Lee Child has popularised "Hope for the best, plan for the worst" as the *modus operandi* of his key protagonist Jack Reacher.[1] It seems that older Australians are hoping for the best in their longer lives but may not have considered the risks nor planned for them.

The last stage of life plans

Even if people have plans, we need to know if they are looking ahead by saving to spend later in life when they are more at risk of high cost service needs. The survey found that only 3% planned to spend more later in life, much lower than the 61% planning to spend the same throughout and 36% more in the early years. The two-thirds planning to spend the same throughout, are treating retirement income like a steady wage which may not cover the latest period of their lives. The significant predictors of planning to 'spend more earlier' where planning is obviously risky for extended longevity were: younger age, having kids, having savings greater than $50,000, completed education higher than primary or secondary schooling, having good health and not feeling lonely (Attachment 1). One obvious point is that there isn't much chance of spending more when you're younger when you are already at an older age. As in the analyses of awareness and planning, the predictors favour those who are more advantaged financially, socially and emotionally. From the point of view of those who may have to help them financially much later in life, the critical question is whether they retain enough savings to be self-sufficient at very old ages.

The plans or expectations for spending retirement income pay little or no attention to later old age when there can be significant costs. It is a mild positive that slightly over half are planning the same spending throughout rather than spending early. This strategy requires a high level of trust in being cared for at family or government expense, or having a substantial level of assets retained to be drawn upon when needed. Some relevant comments were:

> *Owning our home is part of the planning. No other planning (Woman aged 63, felt much older, 103*).*
>
> *My home is my only real asset and I will agree to sell if necessary for aged care but also try to protect as much as possible for as long as possible, the proceeds to leave to children (Woman aged 76, felt much younger, 38*).*
>
> ** Note that some of these values are entry errors or of questionable plausibility and were therefore carefully scrutinised during analysis.*

For most, the only significant asset is the private dwelling, which is a valuable item but also a safe, secure, family home. With the trend in aged care to deliver services into the home even when there is significant dependency, the private home isn't necessarily a liquid asset. If it is used to provide funds for services in later life, this can create significant family issues (Rees & McCallum, Be Heard: Snapshots of members' views, 2017).

In reflecting on their plans, people often commented, without prompting, on travel:

> *I have no spare money but my dream would be to travel before I am unable (Woman aged 65, felt older 75).*
>
> *Own a caravan, so as to travel within Australia. Make sure that I keep active, mentally and physically, within limits (Man aged 63, felt the same, 63).*
>
> *Learning to live on less money and with no expectation of anything like travel or any bucket list (Woman aged 60, felt younger, 48).*
>
> *At 89, have little energy for travel (Man aged 89, felt 90).*

[1] *Most recently, Lee Childs released The Midnight Line (2017) in the Jack Reacher series.*

One of the common motivations for 'downsizing' is to be able to enjoy travel according to one respondent: *'to travel the country without restrictions/commitments to bricks and mortar'* (Rees & McCallum, Downsizing: Movers, planners, stayers, 2017). There is a clear expectation of retirement as leisure and, commonly, travel, even if this isn't always financially achievable. What isn't clear in the comments is a realistic expectation of the costs of care and treatment at advanced ages when these are needed for a comfortable, even satisfactory lifestyle. There is an obvious contest between consumption of leisure, such as in travel, versus providing for better care in later life. To move older Australians away from a leisure and travel preference, may require a 'Ulyssean' effort![2]

The disastrous consequences of not having planned for predictable events were sadly evident in what people wrote:

> *A recurring major health issue means I'm already reaching limits of expectations (Woman, 75, felt 75).*
>
> *Suicide is an option when funds expended (Man aged 62, felt younger, 55).*
>
> *I know my money will run out before I die. I have an old weatherboard home that needs maintenance. Dementia is a fear that I will not be able to cover. Once people cannot feed or toilet themselves, medical assist should be withdrawn. My family do not need the added stress of me and their children. I can only hope I am struck by a bus before I become feeble and not care for myself. (Woman aged 73, felt a little younger, 70).*
>
> *I have my own nitrogen cylinder (Woman aged 68, felt the same, 68).*
>
> *I am trying to enjoy every day in a simple way (Woman aged 71, felt younger, 55).*

There was an active public discussion of voluntary assisted dying legislation in Victoria during the period of the survey. Regardless of this, these voices provide a sobering antidote to generalisations about the older generations having a great time while the younger groups struggle. What needs to be done is to create better options for people to fund longer lives and to give people motivation and help to do so, to avoid despair.

Planning for multiple future selves

Based on break-through moral philosophy by Oxford don Derek Parfit in 1971, the failure to plan is being explained now by a theory of multiple selves:

> *One provocative explanation for this problem (that people fail to save enough during their working lives to support themselves adequately in retirement) involves the notion, advanced by theorists in philosophy and economics, that a person at two different points in time is not really the same person... to the extent that the future self is though of as another person, it is rational to care less about the well-being of our future selves than our present ones (Bryan & Hershfield, 2012).*

This is important because the need to motivate people to make current sacrifices in service of their long-term interests is required to resolve many of our most pressing social and economic issues. The failure to save enough to pay for later life is one of these, but this is practically difficult. People are now being required to make choices for a longer future than ever before. For most of human history planning for a distant, long-term future

[2] Ulysses, legendary Greek king of Ithaca and hero of Homer's epic poem The Odyssey, had to block his ears to resist the enticing songs of the Sirens. The story of the Sirens and Ulysses is famously captured in a painting by the English artist William Etty depicting Ulysses resisting the bewitching song of the Sirens by blocking his ears and having his ship's crew tie him up.

was not necessarily essential or not possible. The simple problem is that saving behaviour has not kept pace with increasing life expectancy. There is now a significant body of theoretical and empirical evidence that there are psychological determinants of under-saving, in particular that perceptions of one's self can over time affect decision-making (Hershfield, 2011). There is also evidence that thinking of one's future self as having social responsibilities improves motivations to save (Bryan & Hershfield, 2012). These observations are critical to pooling options like insurance, or pooling where you don't necessarily get back the money you've put in and it goes only to those who need it.

> *As seen on TV, Aged Care companies gouge and scalp as much money out of the aged as they can. I fear ageing (Woman aged 73, felt a little younger, 70)*

Another woman who reported to us her bad experiences with her mother in residential aged care, commented with passion:

> *This is why I do not want to end up in one of these establishments.*

While there are very good 'establishments', and bad cases are being dealt with, the public perception of aged care is a negative one and it's a future that many shy away from. This adds another difficult factor in encouraging saving for these expensive options. People normally care less about future outcomes than they do about present ones. It is therefore important that people pre-commit to increasing their savings for retirement while they have enough income to do so. This is achieved with government compulsion in the Australian superannuation schemes. Similar schemes may be needed to help people cover unplanned life expectancy increases so that this 'Ulyssean' task for individuals is made easier.

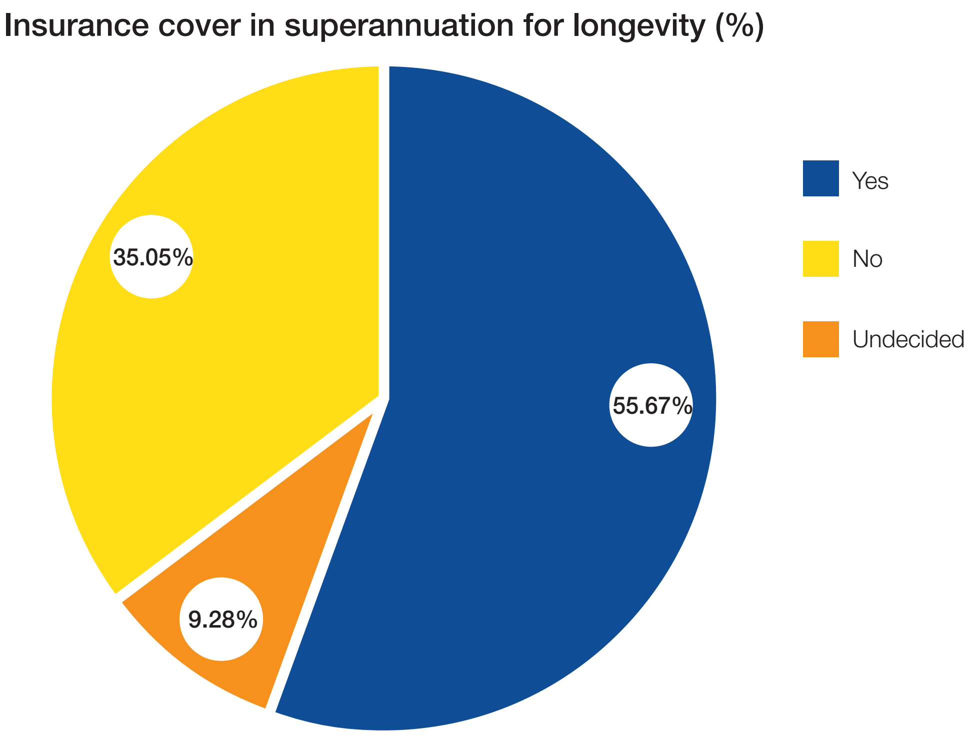
The discussion of these is currently active, and the Department of Social Services is gathering submissions from stakeholders on their January Position Paper, *Means test Rules for Lifetime Retirement Income Streams*. Changes to social security means test rules are proposed in preparation for new pooled lifetime and deferred products options that may be created under the Treasury's framework for MyRetirement products. The aim of encouraging these products to be made available is to "help people manage longevity risk by planning for a dedicated source of income later in life" (Department of Social Services, 2018), and, thus, to improve the standard of living for Australian retirees.

Two options for financing longer survival

Complex financial planning decisions face people in retirement, often around health but generally around paying for later life. The previous Treasury public consultation was critical of the limited availability and take-up of financial products that could assist individuals to efficiently manage the risk of outliving their savings. The Department of Social Security consultation indicates the complexity of the mix of options and the means tests that would need to be considered to facilitate the assessment of such financial products in the current environment. Such products could involve pooling whether they are deferred to an older age, begin payments immediately, and/or have an insurance option.

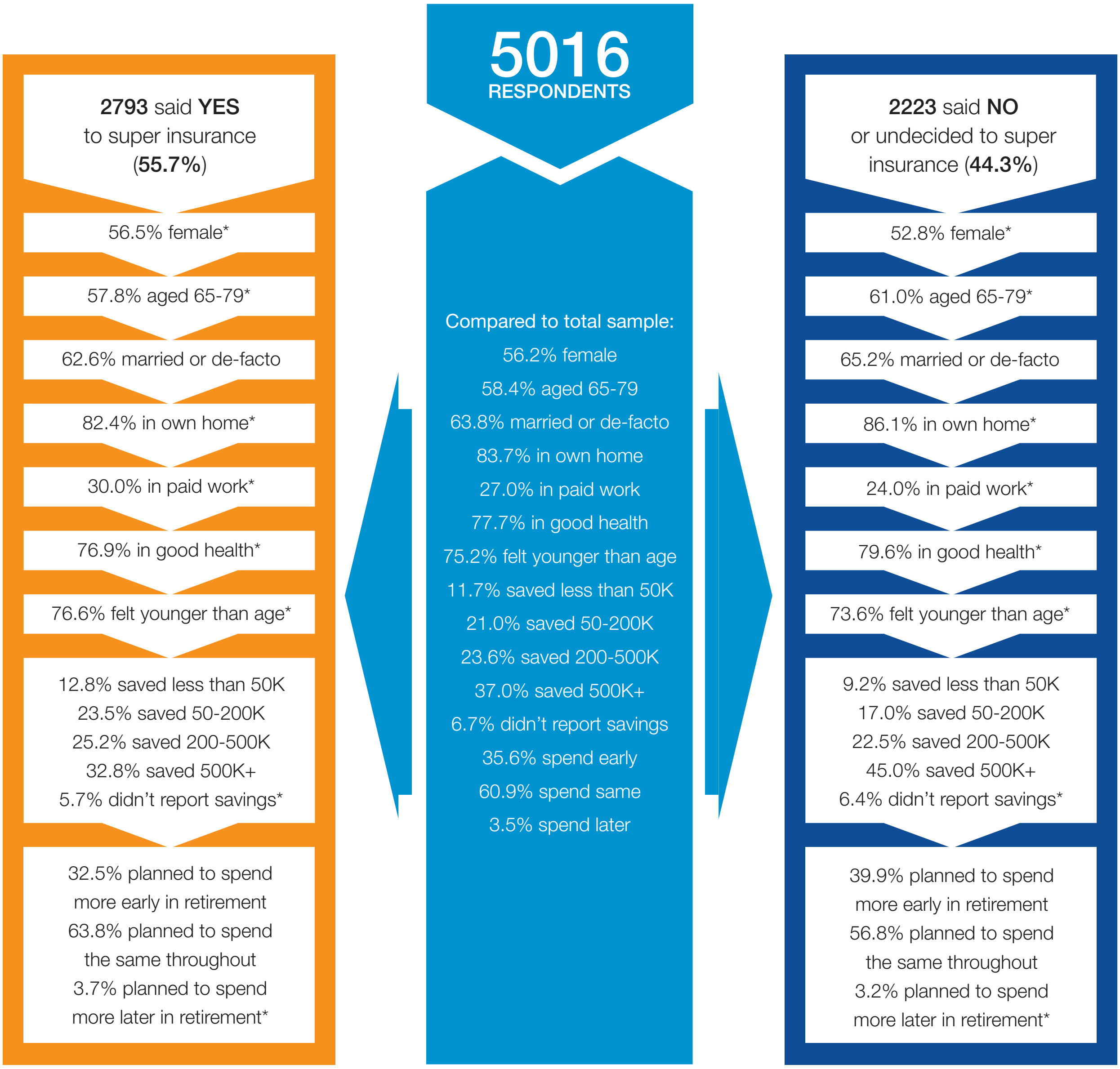
New options were raised publicly in 2016 (Australian Government, 2017). The complexities indicated above are not dealt with in this survey. We asked respondents two clear questions: 'Should superannuation funds include an insurance option that would keep paying you an income if you lived longer than say 85?'. 56% said 'yes' and 9% were 'undecided', with about a third (35%) saying 'no'.

Figure 2: *'Should superannuation funds include an insurance option for longevity?' (NSSS Wave 6)*



We profile the characteristics of respondents' yes or no preferences in a table of significant variables associated with expressing a 'yes' or 'no + undecided'. This indicates both the characteristics of people who would support this and those of the people who still need convincing. Since the majority of people supported the 'yes' option there isn't much difference between the two groups proportionally. The single variable significance is shown below on items starred.

Figure 3: *Breakdown of participants responding to the super insurance question. Note that * indicates statistical significance at p<0.05*

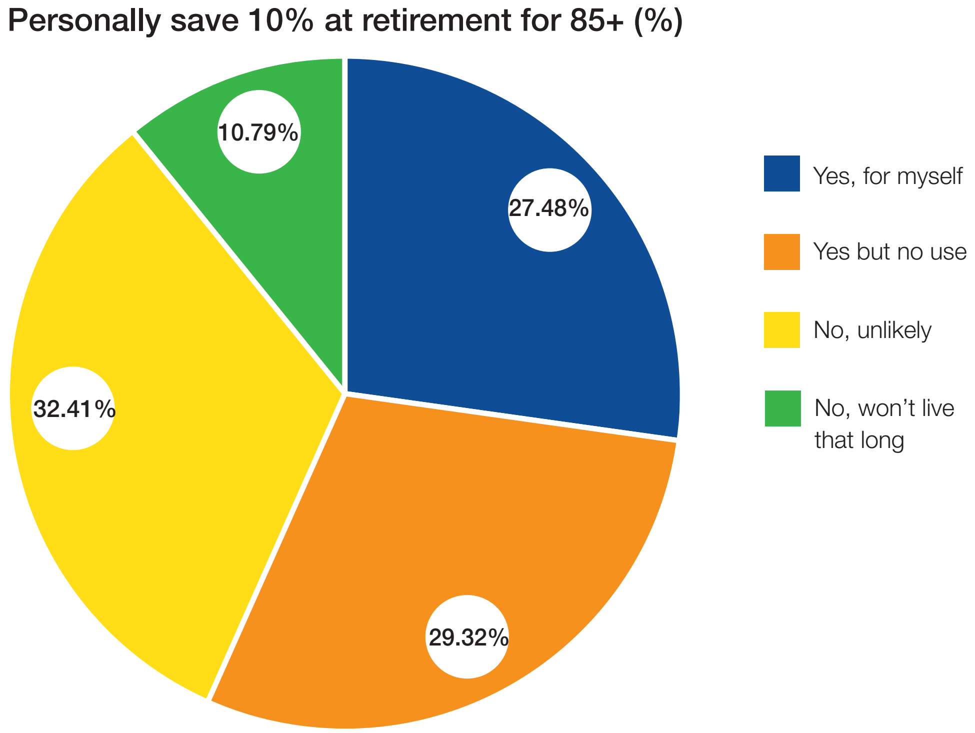


This indicates a relatively positive feeling for the option, with more than half saying a definite 'yes', and two-thirds either 'yes' or 'undecided'. People were aware that such an option may not apply to them:

> *I am on a state funded defined benefit scheme, so many of these questions are irrelevant (Male aged 78, feels the same, 78).*

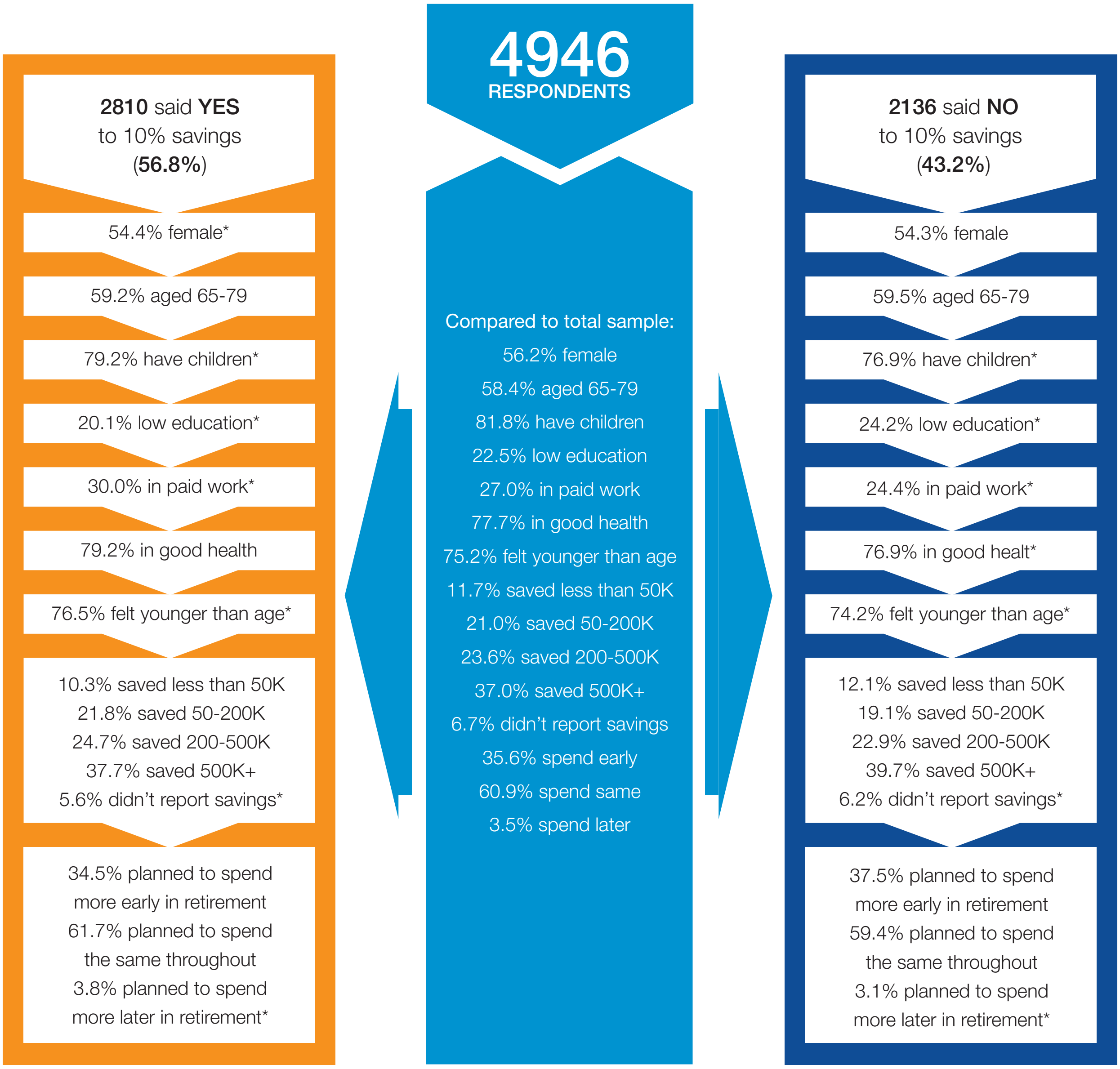
When asked about a second option: 'Would you consider paying a portion of your savings, say 10%, on retirement, in order to receive income for life once you reached say 85?', 57% said 'yes' to their own insurance option, and 43% said 'no', including 11% who did not think that they would live that long. Again, for this question, as for the previous one, there is majority support, above 50%.

Figure 4: *'Would you consider paying 10% on retirement to receive income for life?' (NSSS Wave 6)*



We profile the characteristics of respondents yes or no preferences in a table of significant variables associated with expressing 'yes' or 'no' responses. This indicates both the characteristics of people who would support this, and those of the people who still need convincing. Since a majority of people again supported the 'yes' option, there isn't much difference between the two groups. It is noticeable that there are fewer variables of significance for this option than for superannuation. This may imply greater diversity in reactions to this option or a lack of clarity about what it is. The single variable significance is shown below on items starred.

Figure 5: *Breakdown of participants responding to the 10% savings question. Note that * indicates statistical significance at p<0.05*



Multivariate predictors for the two options

The 'yes' answers to the superannuation questions were compared to the combined 'no' and undecided' responses to identify multivariate predictor predictors as the next step following the single variable models. The significant predictors of reporting 'yes' were:

- Gender – women were more likely;
- Age – the older you were, the more likely;
- Married – less likely;
- Having children – less likely, but borderline significance
- Currently working – more likely;
- Owning your own home – less likely;
- Savings above $50,000 – less likely;
- Feeling younger – more likely; and
- Less depressed – less likely.

These significant factors provide a picture of who desires protection against perceived risk. It is of note that the gender difference remains significant in the multivariate analyses when other variables are taken into account. In simple percentages, women are much less likely to dismiss it than men, 6% versus 13% for men saying 'no', and particularly after age 80 when women have greater survival probability and greater longevity risks. The risks for women came through strongly in text comments, which predominantly came from women:

> *My superannuation is almost exhausted. I had only $17,000 at retirement almost 14 years ago (Woman aged 72, feels the same, 72).*
>
> *Have female superannuation but don't know if will last given increasing cost of living (Woman aged 64, says she feels 18*).*
>
> *With limited funds and assets, can only live carefully and cautiously (Woman aged 62, feels a little younger, 60).*
>
> *I don't have enough to plan for an increasing lifespan very well (Woman aged 70, feels younger, 55).*
>
> *My income is too meagre for any planning for the future (Woman aged 63, feels older, 100*).*
>
> *I just rely on a pension. Have paid plenty of tax since 15 (Woman aged 68, felt younger 38*).*
>
> ** Note that some of these values are of questionable plausibility and were therefore carefully scrutinised during analysis.*

In the second question, the implied responsibility for funding protection is now more directly on the consumer to spend their savings rather than, at arms-length, through superannuation arrangements, which may be a bit different for Self-Managed Super Fund holders. For this option, there is very little difference by gender and it isn't significant in the multivariate analyses (Attachment 2).

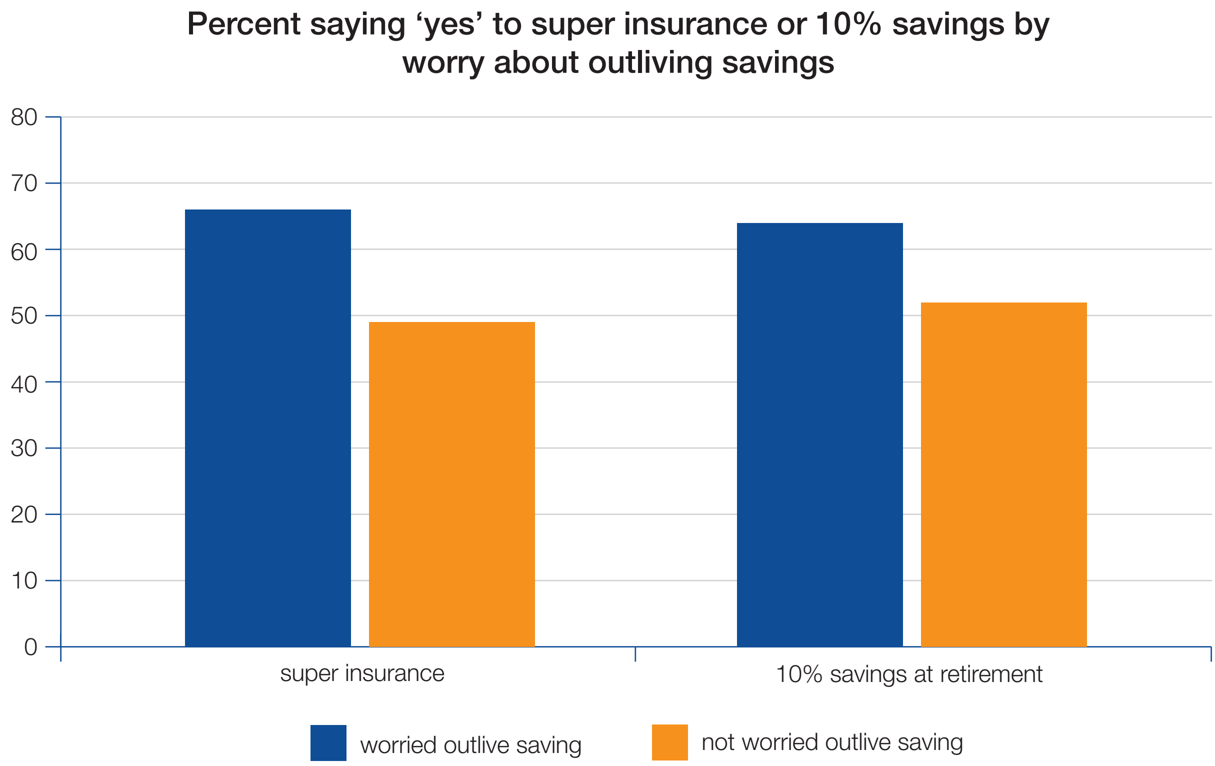
For the 10% of savings option, the two 'yes' answers were compared to the combined two 'no' responses, 'no not likely' or 'no', to identify predictors of a positive response. The significant predictors of reporting 'yes' were:

- Age – the older you were, the more likely;
- Education – the higher level of education, the more likely;
- Currently working – more likely;
- Having living children – less likely; and
- More lonely – more likely.

Looking at predictors of both options only age (+), currently working (+), and having children (-) are predictors in common across the two questions. Given the complexity of these issues, these results generally show stronger support for late life protection options among groups who have financial, social and emotional well-being disadvantages. Women's support for greater protection relates to a greater level of these disadvantages in later life, not their gender per se, as well as their greater longevity risk.

We should also note the emotional issues in these choices. Two-thirds of people who are worried about outliving their savings, support these two options compared to half of those who are not. Such factors provide an emotional point of contact to encourage dealing with the issues raised about planning for longer lives.

Figure: *Percent saying 'yes' by worry about outliving savings.*



For example, there is currently wide advertising of pre-funded funeral packages and the sales pitch is to fund to prevent the fear of putting future burdens on children. This growing market for a prefunded option does suggest that there is potential for products that ease the worries about outliving savings and pressures on family at ages 85.

There is increasing evidence that perceptions of self over time can affect decision-making substantially (Hershfield, 2011). In this study, when ‘feeling younger’ was introduced, it was significant only for the superannuation option. Government officials addressed the issue of the negativity towards aged care in the Australian Aged Care Roadmap. One objective of the Roadmap is to “promote positive societal attitudes about aged care”. The seven-year destination for this objective is that “consumers, their families and carers are proactive in preparing for their future care needs and are empowered to do so”. Several other policy target areas would also enhance feeling younger, for example health and employment promotion (McCallum & Rees 2017). Without more positive attitudes to aged care services, compulsion of some kind will be required to bring people to make a choice which they don’t want to associate with their future self. It would appear to be a Ulyssean task to get them to make this choice without some compulsion.

Summary

Living longer lives presents new issues for older Australians, their families and the government. Survey evidence indicates that not all people are planning for this eventuality and, the majority who are, are planning for even spending over time, like using a wage, rather than for more in their later years when their needs will be highest. However, even if people want to plan, there is limited availability and take-up of financial products that can assist individuals to efficiently manage the risk of outliving their savings.

Around 56% of survey respondents expressed positive support for two new options, superannuation insurance and compulsory saving at retirement. For the superannuation insurance model, there are a further 35% who didn’t say ‘no’ but are ‘undecided’. Both the superannuation insurance and forced saving options are more strongly supported by those who score more highly on indicators of vulnerability in later life such as older age, less assets, not working, lower education, and depression, or having higher levels of negative life events in the past 5 years. This also implies that those who support them are probably also those who have less ability to fund these at the time of retirement. Obviously dealing with these issues upstream during working life will be easier than dealing with the negative impacts later in life at retirement. This is more likely to work through life with a superannuation option than with 10% of personal savings at retirement. This situation was also the case for superannuation when it was first implemented.

Those who are better off are more likely to say ‘no’ to these options, but would also be most able to contribute to them. Despite their preference, they would also be better able to merge compulsory plans with their private ones. They would, of course, prefer to have personal control of their private options. It is of interest that the effect of higher assets is replaced by the significant effect of having children in the model that required direct payment out of personal savings. It is understandable that savings are considered in the context of family needs rather than simply the available asset base.

There is an over-representation of women in these vulnerable groups who would benefit from such options. The analyses show women have both greater vulnerabilities than men and a preference of protection in the superannuation option. There is growing anecdotal evidence of increasing homelessness and disadvantage among older women relative to men. More generally, the free comments in the survey provide deep insights into the challenging situations facing many older women.

The results provide insights into who would be more positive about having the longevity protection from these options. A whole of life approach to this is desirable, with better accumulation of superannuation, particularly for women, and better financial products to allow people to self-fund long-term care and other options later in life. It is also clear that not all plans work, either because of catastrophic events like a global financial crisis, or personal ones like illness or illness of a partner.

“Hope for the best, plan for the worst,” is the *modus operandi* of Jack Reacher the fictional character created by author Lee Child. Currently Australians appear to be hoping for the best but, will certainly need help in planning for the worst.

Attachments:

Attachment 1:

Logistic regression: awareness of increased life expectancy

. logistic aware gender age married livealone ownhome kids b1.less50k paidwork b1.ed_low health2 feelyoung b1.most_lonely b1.most_depressed

Logistic regression — Number of obs = 3814; LR chi2(13) = 165.49; Prob > chi2 = 0.0000; Log likelihood = -1425.1163; Pseudo R2 = 0.0549

Aware	Odds Ratio	Std. Err.	Z	P>[Z]	[95% Conf. Interval]	
gender	1.160465	.1242392	1.39	0.165	.9408118	1.431402
age	1.03972	.0080473	5.03	0.000	1.024067	1.055613
married	2.022092	.3597661	3.96	0.000	1.42678	2.865793
livealone	1.279	.2288767	1.38	0.169	.9006338	1.816322
ownhome	1.148286	.1489328	1.07	0.286	.890531	1.480645
kids	1.039726	.1306649	0.31	0.757	.8127299	1.330122
0. less50k	1.542643	.2185874	3.06	0.002	1.168565	2.036469
paidwork	1.124624	.1359282	0.97	0.331	.8874144	1.425241
0. ed_low	1.769598	.1924011	5.25	0.000	1.42997	2.189889
health2	1.308003	.1541335	2.28	0.023	1.038256	1.647834
feelyoung	1.08408	.123361	0.71	0.478	.8673617	1.354947
0.most_lon~y	1.428344	.1702486	2.99	0.003	1.130773	1.804222
0.most_dep~d	1.534398	.1858764	3.53	0.000	1.210107	1.945594

Logistic regression: planned for an increased lifespan

. logistic planned gender age married livealone ownhome kids b1.less50k paidwork b1.ed_low health2 feelyoung b1.most_lonely b1.most_depressed

Logistic regression — Number of obs = 3760; LR chi2(13) = 266.19; Prob > chi2 = 0.0000; Log likelihood = -2002.9772; Pseudo R2 = 0.0623

Planned	Odds Ratio	Std. Err.	Z	P>[Z]	[95% Conf. Interval]	
gender	1.074801	.0919301	0.84	0.399	.9089145	1.270964
age	1.030704	.006358	4.90	0.000	1.018317	1.043241
married	1.643216	.2490537	3.28	0.001	1.220907	2.211602
livealone	1.115028	.1715079	0.71	0.479	.8248179	1.507347
ownhome	1.081872	.1161682	0.73	0.464	.8765494	1.335289
kids	1.004375	.1042789	0.04	0.966	.8194461	1.231039
0. less50k	2.195224	.2601148	6.64	0.000	1.740279	2.769101
paidwork	.828502	.0792603	-1.97	0.049	.6868496	.999368
0. ed_low	1.676548	.1516931	5.71	0.000	1.404106	2.001854
health2	1.301226	.1258658	2.72	0.006	1.076508	1.572853
feelyoung	1.302023	.1190947	2.89	0.004	1.088329	1.557676
0.most_lon~y	1.46727	.145546	3.87	0.000	1.208023	1.782153
0.most_dep~d	1.461532	.1482966	3.74	0.000	1.197954	1.783105

Logistic regression: planning to spend savings early in retirement rather than later

. logistic spendearly gender age married livealone ownhome kids b1.less50k paidwork b1.ed_low health2 feelyoung b1.most_lonely b1.most_depressed

Logistic regression — Number of obs = 3771; LR chi2(13) = 214.24; Prob > chi2 = 0.0000; Log likelihood = -2373.9024; Pseudo R2 = 0.0432

Spendearly	Odds Ratio	Std. Err.	Z	P>[Z]	[95% Conf. Interval]	
gender	1.096222	.0833059	1.21	0.227	.9445236	1.272285
age	.9493322	.0053768	-9.18	0.0000	.9388521	.9599292
married	1.249771	.1839037	1.52	0.130	.936648	1.667573
livealone	.9289256	.140882	-0.49	0.627	.6900596	1.250476
ownhome	1.011555	.1021704	0.11	0.909	.8298797	1.233001
kids	1.284006	.1233926	2.60	0.009	1.063571	1.550127
0. less50k	1.543744	.198949	3.37	0.001	1.19916	1.987345
paidwork	1.008725	.0858716	0.10	0.919	.8537116	1.191886
0. ed_low	1.34552	.1197299	3.34	0.001	1.130177	1.601893
health2	1.341771	.1260542	3.13	0.002	1.116121	1.613042
feelyoung	1.049052	.0902432	0.56	0.578	.8862859	1.241711
0.most_lon~y	1.231684	.11999554	2.14	0.032	1.017653	1.49073
0.most_dep~d	1.072533	.1075298	0.70	0.485	.8811935	1.30542

Attachment 2:

Logistic regression: Who said super funds should include an insurance option that would keep paying them an income if they lived longer than, say 85? Odds of saying “yes”

. logistic super2 gender age married livealone ownhome kids b1.less50k paidwork b1.ed_low health2 feelyoung b1.most_lonely b1.most_depressed

Logistic regression — Number of obs = 3799; LR chi2(13) = 100.88; Prob > chi2 = 0.0000

Log likelihood = -2559.673 — Pseudo R2 = 0.0193

Super2	Odds Ratio	Std. Err.	Z	P>[Z]	[95% Conf. Interval]	
gender	1.1744	.0852815	2.21	0.027	1.018602	1.354029
age	1.018827	.0053022	3.58	0.000	1.008487	1.029272
married	.7093789	.1021758	-2.38	0.017	.5349029	.9407658
livealone	.6110704	.0898542	-3.35	0.001	.458065	.8151834
ownhome	.7775436	.0740495	-2.64	0.008	.6451495	.9371068
kids	.8346915	.0757881	-1.99	0.047	.6986165	.9972711
0. less50k	.7202395	.0835834	-2.83	0.005	.5737139	.9041874
paidwork	1.561085	.1308361	5.31	0.000	1.324605	1.839783
0. ed_low	1.012599	.0831731	0.15	0.879	.8620278	1.18947
health2	.8471062	.0738134	-1.90	0.057	.7141141	1.004866
feelyoung	1.328338	.1074832	3.51	0.000	1.13353	1.556625
0.most_lon~y	.8863652	.0809194	-1.32	0.186	.7411456	1.060039
0.most_dep~d	.7512272	.0712214	-3.02	0.003	.6238378	.9046298

Logistic regression: Who said they would consider paying a paying a portion of their savings, say 10%, on retirement, in order to receive income for life once they reached say 85?

Odds of saying “yes”

. logistic paysave2 gender age married livealone ownhome kids b1.less50k paidwork b1.ed_low health2 feelyoung b1.most_lonely b1.most_depressed

Logistic regression — Number of obs = 3762; LR chi2(13) = 65.63; Prob > chi2 = 0.0000

Log likelihood = -2533.8646 — Pseudo R2 = 0.0128

Paysave2	Odds Ratio	Std. Err.	Z	P>[Z]	[95% Conf. Interval]	
gender	1.047575	.0765367	0.64	0.525	.9078118	1.208856
age	1.02694	.0054209	5.04	0.000	1.016371	1.03762
married	.9824889	.1379446	-0.13	0.900	.746133	1.293716
livealone	.8154339	.1168616	-1.42	0.155	.6157455	1.079882
ownhome	.9019784	.085605	-1.09	0.277	.7488766	1.086381
kids	.7413611	.0679254	-3.27	0.001	.6194988	.887195
0. less50k	1.044014	.1182186	0.38	0.704	.8362208	1.303443
paidwork	1.583789	.1336541	5.45	0.000	1.342349	1.868656
0. ed_low	1.295207	.1057681	3.17	0.002	1.103644	1.52002
health2	1.068276	.0927492	0.76	0.447	.9011168	1.266444
feelyoung	1.101243	.0756076	-2.14	0.033	.6857463	.9837334
0.most_lon~y	.8213352	.0870846	-0.83	0.404	.7685998	1.111908
0.most_dep~d	.9244523	.1075298	0.70	0.485	.8811935	1.30542

Attachment 3

Development of the MyRetirement framework:
The Commonwealth Treasury conducted public consultation on possible MyRetirement products 15 December 2016 to 21 July 2017 (Australian Government, 2017). The Government agreed to support the development of more efficient retirement income products and to facilitate trustees offering these products to members, in response to the Financial System Inquiry. These products were labelled by the Murray Inquiry (Financial System Inquiry) as 'Comprehensive Income Products for Retirement', or CIPRs; however, the Government proposes to use 'MyRetirement products' as a more consumer friendly and meaningful label.

The MyRetirement framework is intended to increase individuals' standard of living in retirement, increase the range of retirement income products available, and empower trustees to provide members with an easier transition into retirement. Through this framework, the Government is aiming to increase the efficiency of the superannuation system so it can better achieve the proposed objective of superannuation, which is to provide income in retirement to substitute or supplement the Age Pension.

The MyRetirement framework seeks to address the problems outlined below:

- Provide a balance of income, risk management (e.g. longevity risk management), and flexibility (e.g. to access a lump sum);
- Be a high standard, mass-customised product, designed by superannuation fund trustees to be in the best interests of the majority of members; and
- Provide an 'anchor' to guide the retirement income decision.

Individuals will not be forced to take up a MyRetirement product, but will have a broader range of choices in how to support themselves in retirement. If an individual chooses to take up a MyRetirement product, they will receive an efficient retirement income stream product that provides:

- Peace of mind through security of income for life; and
- Higher income (compared to investing fully in an account-based pension drawn down at minimum rates) and/or a guaranteed level of income.

Development of new means test rules for lifetime retirement income streams:
The Department of Social Services is currently conducting consultation on its proposed new social security means test rules for pooled lifetime retirement income stream products (Department of Social Services, 2018). As the MyRetirement framework is expected to allow a range of products to emerge over time, new means test rules that will be appropriate for these products as they're developed, in particular, to ensure that: "lifetime products that are underpinned by the pooling of savings do not provide undue opportunity to maximise social security payments or subsidise large payments to a person's estate upon death". Those approaching retirement, should be encouraged by the means test rules to choose products that are right for them, rather than on the impact the products will have on their social security payments.

For pooled lifetime income streams, the new assessment rules are:

- Income testing a fixed percentage of all product payments as income (assessing 70% of payments as income); and
- Assets testing a consistent asset value of 70% of the nominal purchase price until life expectancy at purchase, and half that amount (35%) from then on.

For deferred products:

- The same asset test assessment as products that commence payments immediately; but
- Only assess income once payments from the product commences.

Account-based income stream assessment will not change.

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