



Retirement income worry

Who worries and why?

January 2020

challenger 

National Seniors
AUSTRALIA

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The National Seniors Australia and Challenger Partnership in Research

National Seniors Australia and Challenger have mutual interests in the financial literacy, financial security and broader wellbeing of older Australians. They formed a corporate partnership in 2012 to support the National Seniors Social Survey, broader research and some philanthropic endeavours.

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EXECUTIVE SUMMARY

While there is much research on what is a satisfactory level of retirement income, we need to understand, as well, why many people worry about having enough. People with the same savings may or may not worry, so it isn't necessarily just the numbers of dollars that matter. The recent ABC 'Australia Talks' survey indicated that worry about retirement income affects all age groups and is the second major worry for Australians after 'climate change'. In short, worry about retirement income is a national issue in the same league as concerns about climate change.

This report focuses on the worry of people aged 50+ for whom retirement income worries become lived realities. A major, current concern is the difference by gender in retirement income which is naturally associated with a greater worry for women. While there are many reasons why women worry more than men, an in-depth analysis across all respondents found that the degree of worry about retirement income was:

1. 68% higher in those not already retired – previous work has indicated that people adjust to their actual circumstances in retirement, whether they planned for them or not
2. 65% higher in those who have less than \$500,000 in savings – this is as expected, since they may not have the money to pay for a 'comfortable' retirement
3. 53% higher in those who expect their main source of income in retirement to be the age pension – this is expected because it is a minimum basic income with accompanying worry about 'making do', and
4. 47% higher in women – this is after taking out the effects one or more of the previous three factors and may be associated, in part, with expecting greater involvement in caring roles and a real risk of outliving their partners.

One way of dealing with worry is through accessible financial advice. 74% had sought financial advice and three out of five of those received advice in the last 12 months. People were less likely to worry frequently if they had sought financial advice and when they thought the advice met their needs. There was a wide range of sources of advice specified. Financial advisers had a good record for meeting expectations, but not for all clients. Many other sources of advice were helpful in meeting needs.

There is an urgent need to deal with the high levels of worry about retirement income when this may be unnecessary since the Australian system is well regarded around the world. Potential solutions are more accessible and clear advice, as well as improvements in financial literacy. Some financial issues cannot be easily fixed in later life, and need to be attended to along the life journeys. This is a message for people of all ages not just older Australians.

THE NATIONAL SENIORS SOCIAL SURVEY (NSSS8)

Every year, National Seniors conducts an online survey of member behaviour and views across a range of topics relevant to older people's lifestyle, health and wellbeing. The 2019 survey was open to members and non-members 50 years and over from all states and territories. A link to the survey was emailed directly to all members who had provided an email address. The survey was available on the National Seniors website and was also circulated via a member online newsletter, and in the quarterly magazine. The NSSS-8 was approved by the Belberry Human Research Ethics Committee, reference HREC-2019-04-329. Questions were offered in a 'point and click' multiple choice format accompanied by free text boxes enabling participants to elaborate on their responses if they wished.

Data for this report were taken from participants' responses to questions from the annual 'Your Work, Retirement and Savings' component of the Survey. Questions asked about employment status, retirement age, value of retirement savings and investments, worry about outliving savings and investments, financial advice and expectations of changes in savings and investment values over time. Participants also provided detailed socio-demographic information. These questions and the frequency of responses are provided as Appendix 1.

Survey responses were collected online via the survey tool Survey Monkey®. Data were collated and graphed using Microsoft Excel and Stata v. 15.1.

A total of 3,584 National Seniors members completed the questions in the "Your Work, Retirement and Savings" component and are included in analyses in this report.

INTRODUCTION

Worry about retirement income is a national issue

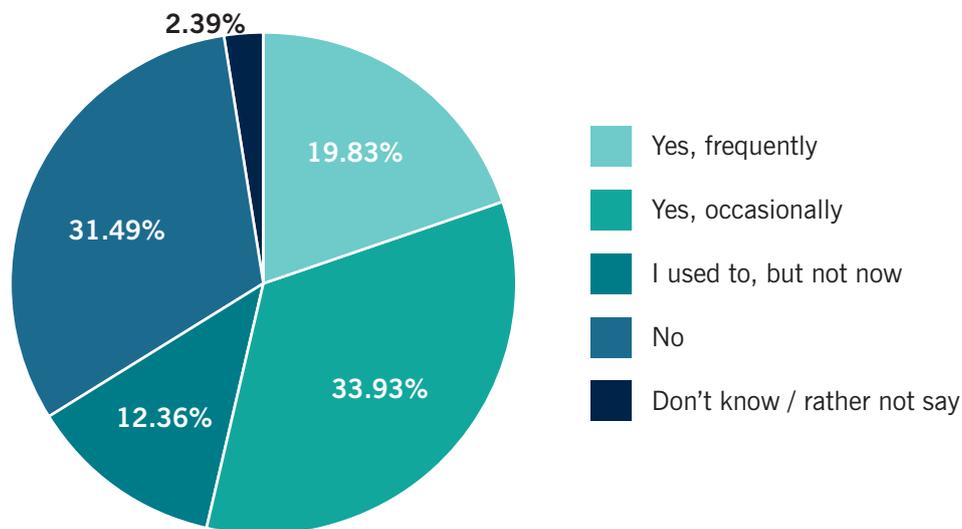
The ABC ‘Australia Talks’ National Survey recently sought insights into the views of Australians on a variety of issues.¹ Of more than 50,000 Australians of all ages who participated in the online survey, 78% were optimistic about their own futures. However, when asked about 27 ‘worry’ factors, ranging from money, to love, to human survival, only four qualified as a matter of immediate personal concern to the majority of respondents. Climate change was the leading worry from survey participants at 72%; followed by retirement saving at 62%, health at 56%, with 50% of respondents worried about ageing. The prominence of worries about retirement income and ageing in a survey covering all ages, and which rated second after the global challenge of climate change, indicates the salience of this issue nationally.

The pervasiveness of retirement income worry demands attention since the Australian retirement income system is widely admired. National Seniors has studied the issue of worry in surveys of people over age 50 since 2013. This older group are experiencing the realities of living on retirement income, so their worries are lived realities, rather than fears and expectations. It is important that we capture real effects rather than unnecessary anticipatory fears.

Retirement income worry over time

National Seniors surveys have consistently found having a source of income that will last for life is one of the highest priorities for older Australians.² At present, this kind of lifetime income source, beyond the age pension, is only available to a minority of Australians. Many older Australians must live with the constant worry that they might outlive their savings and be wholly dependent on the age pension. Results from the most recent 2019 National Seniors Social Survey indicated that one in five participants frequently worry about outliving their savings and investments, and over half agreed that they worried either frequently or occasionally. Another 12% have adjusted to their circumstances which means two thirds have worried about out living their savings. In this report, we investigate who is worrying and why this might be.

Figure 1: Do you worry that you might outlive your savings and investments?



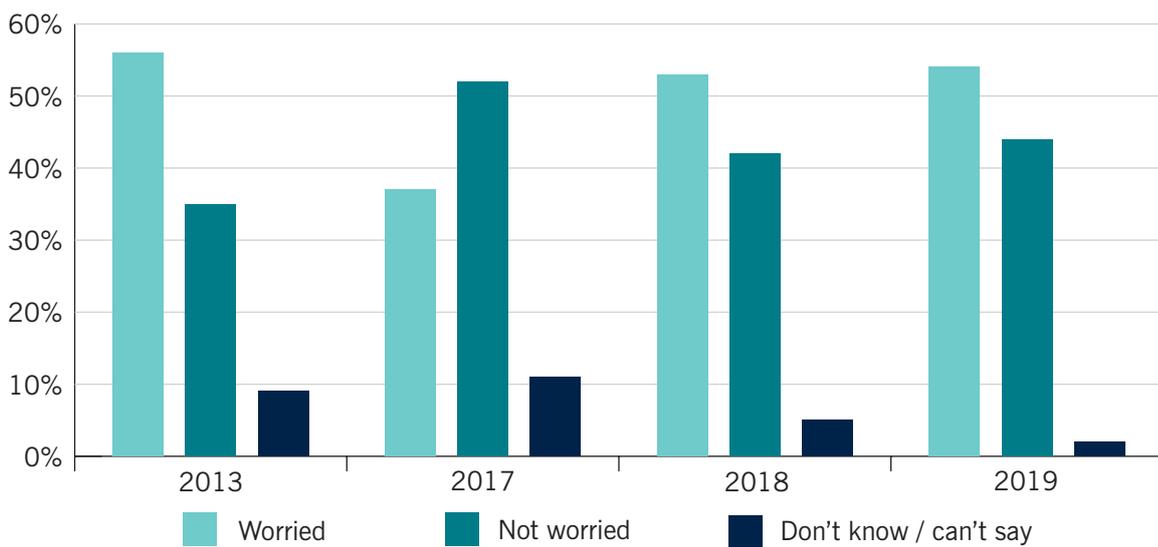
1 <https://www.abc.net.au/news/2019-10-08/annabel-crabb-australia-talks-what-australians-worry-about/11579644>

2 NSA reports in 2013, 2015, 2017 and 2018 have consistently found this response from older Australians along with the need to meet medical expenses.

Time trends in worry

National Seniors has been asking its members questions related to their worry about outliving their savings in surveys since 2013. In 2013 and 2017, survey participants were asked how worried they were about outliving their savings, with response choices of “Not at all worried”, “Not worried”, “Worried”, “Extremely worried” and “Can’t say”. This year, as in 2018, respondents were asked if they ever worry about outliving their savings and investments with response options of “Yes, frequently”, “Yes, occasionally”, “I used to, but not now”, “No” and “Don’t know/ can’t say”. In both 2018 and 2019, just over half of survey participants reported being worried about outliving their savings and investments. This is similar to the level of worry back in 2013, but an increase from the number of retirees who were worried in 2017. It is not known what happened to sentiments in the four years in-between, but there were substantial changes to age pension eligibility, age pension taper rate and superannuation regulations from 1 January 2017.

Figure 2: Historical responses to questions regarding worry about outliving savings in National Seniors Social Surveys



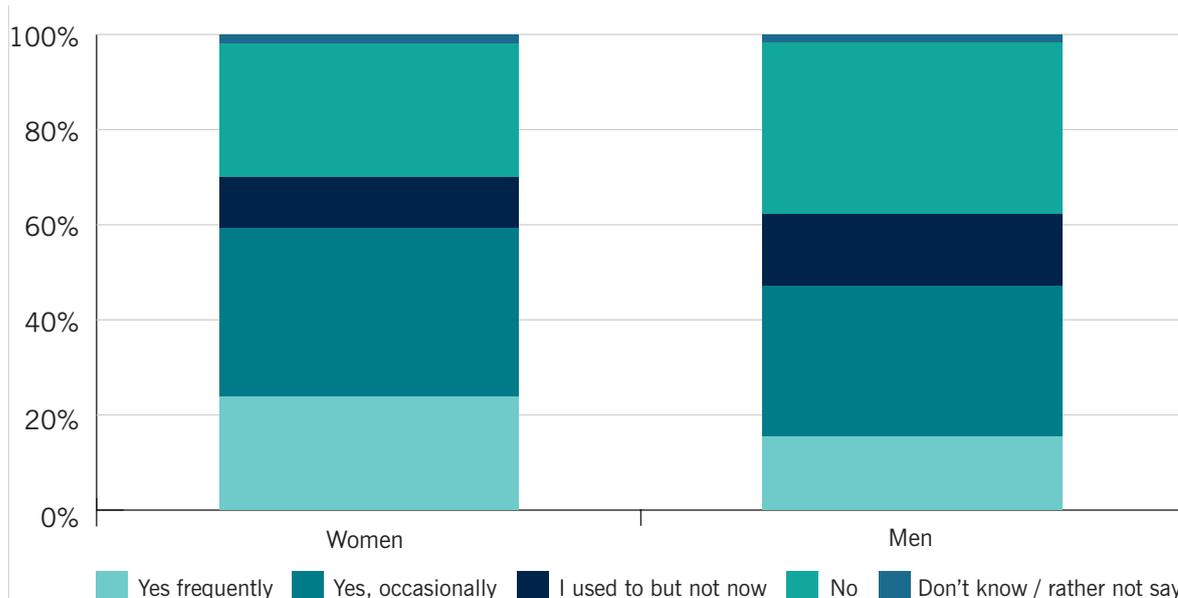
Given so many people are worried about outliving their savings, we now explore the drivers of worry in more detail starting with the experience of women.

PART 1

Why do women worry about retirement income more than men?

The survey responses were very clear on one issue which is of major concern. Women worry more than men about outliving savings in retirement (Figure 3). A majority of men reported not being worried, whereas women were more likely to report that they “worry frequently” than men.

Figure 3: Percentage of women and men in each category of worry



There are a number of reasons why women might worry about outliving their savings more than men overall, and we explore these in detail using data from the survey and other sources.

1. Longer life expectancy of women

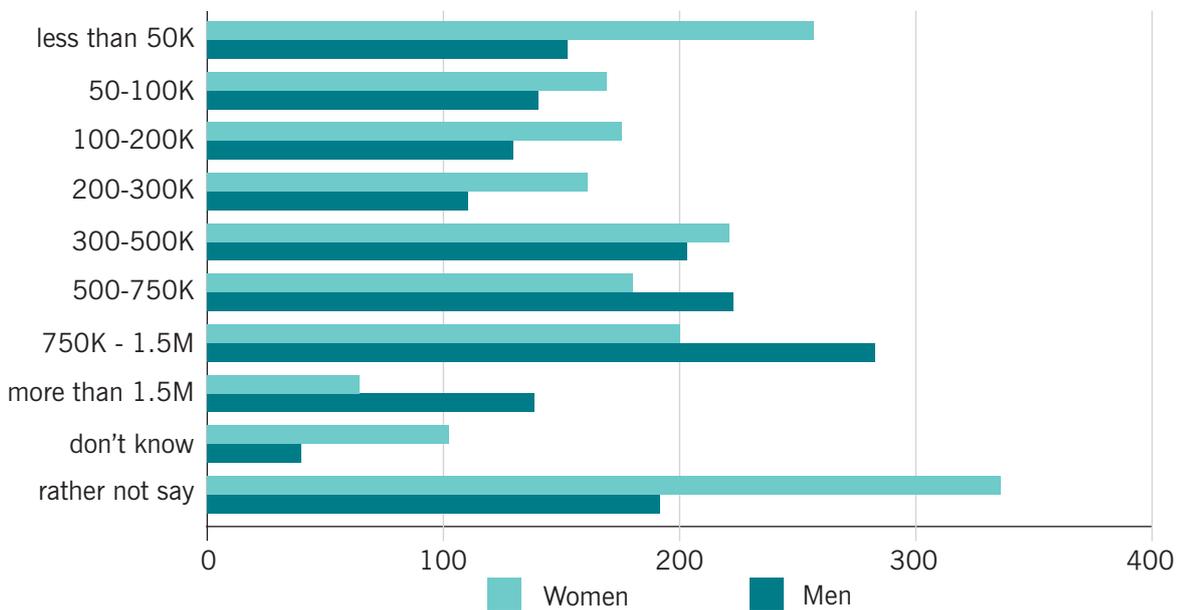
Australian Life Tables indicate that, at age 65, on average men will live another 19.7 years to an age of 84.7 years and women, another 22.3 years, to age 87.3 years.³ So women, on average, live three years longer than men after retirement ages, but the superannuation system does not cater for gender differences in longevity. The basic age pension and defined benefit schemes provide continuous indexed income for life, but superannuation funds do not. So, differing life expectancies could be a contributing factor to women’s worry about outliving their savings. However, with an average difference in life expectancy of only 2.6 years post retirement ages, we need to examine further the life experiences prior to retirement to understand these worries.

2. Gender inequality in lifetime earnings and savings potential

That women worry more than men in retirement is unsurprising given historical disparities in earnings and working patterns disadvantage women and their potential to accumulate wealth over their lifetimes.⁴ Our data confirmed this gender divide in retirement savings and investments, as shown in Figure 4 below.

3 <https://www.aihw.gov.au/reports/deaths-in-Australia/contents/life-ex>. Taking into account improvements in health and medicine, both men and women can expect to live a little longer than these estimates.

4 For example, see Women’s economic security in retirement Insight Paper Workplace Gender Equality Agency, 2017. <https://wgea.gov.au/sites/default/files/documents/Women%27s%20economic%20security%20in%20retirement.pdf>

Figure 4: Reported savings in retirement stratified by gender

Higher numbers of women than men reported retirement savings in the categories less than \$300-\$500,000, whereas higher numbers of men than women reported retirement savings in the categories above \$500-750,000. The ASFA comfortable retirement income stands currently at \$545,000 for singles and \$640,000 for couples. It therefore stands to reason that women, who are more likely to have retirement savings values less than \$500,000 (69% of women compared to 53% of men), will tend to be worried about outliving their savings. Women were also more likely than men to be relying on the age pension as their main source of income in retirement (35% of women compared to 25% of men), a further justification for worry. Lastly, women were much more likely than men to indicate 'rather not say' and 'don't know'.

3. Gender role expectations, particularly related to caring

Women have disproportionately filled carer roles in society: either as mothers and grandmothers caring for small children, or as carers for elderly parents and grandparents and partners in older age. This has resulted in a double burden for women in terms of saving for retirement, where unpaid labour has limited or prevented wealth accumulation. This inequality persists in the retirement years, indicated by the relatively high employment growth for older women who are unable to retire on their current savings. Typically, this is the consequence of a lack of paid work income due to fulfilling carer roles during their working lives. Conversely, they might be unable to continue working and save adequately, due to the caring requirements of those around them.⁵ Partnered women may also have reasonable expectations of outliving their spouses and/or depleting their savings through financing their partner's care before they come to need aged care services themselves.

4. Age and marital status of the survey sample

The underlying demographic structure of the participant sample for the 2019 National Seniors Social Survey indicates why worrying about outliving savings might be associated with gender. The participants most represented in the sample were partnered men, followed by unpartnered women, then partnered women, then unpartnered men. Does this lead to a gender difference in worry?

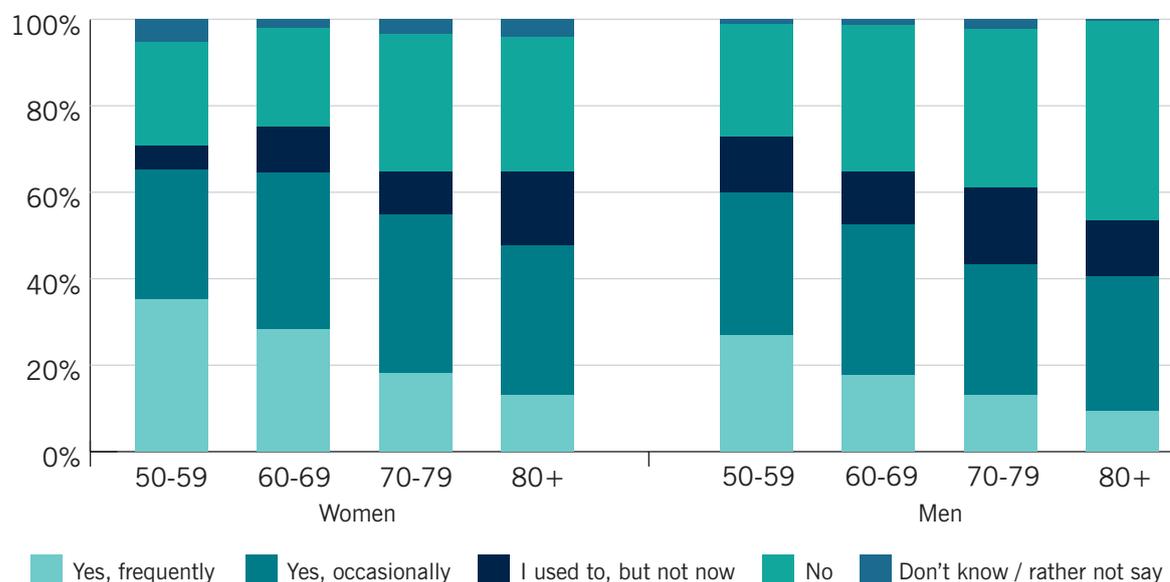
⁵ Baird, Marian & Heron, Alexandra. "The life cycle of women's employment in Australia and inequality markers" in *Contemporary Issues in Work and Organisations: Actors and Institutions*, edited by Russel D. Lansbury, Anya Johnson and Diane van den Broek. Abingdon, Oxon; New York, NY: Routledge, 2020.

Table 1: Demographic structure of the NSSS 2019 participant sample, by age, gender and partner status

	Women		Men	
	Partnered	Not partnered	Partnered	Not partnered
50-59	145	75	82	15
60-69	389	332	394	110
70-79	293	443	619	133
80+	43	134	180	62
Total	870	984	1275	320

As Table 1 indicates, there is a large survey group of older partnered men. Previous research by National Seniors and Challenger has shown that feeling financially comfortable can be related to age, with older people more likely to express comfort.⁶ Figure 5 shows that worry about outliving savings does seem to decrease with increasing age, for both women and men. People do ‘cut their coat to fit the cloth’ and adjust to restricted funds in ways they have experienced earlier in life as indicated in the current survey by the 12% who were worried but not now. Grattan Institute research notes that retirees tend to spend less across a range of expenses as they age.⁷ If they have care needs, which is highly likely, they need to be able to pay or miss out. With the baby boom bulge coming into ages where care is needed, a strong pressure to self-fund care can be expected.

Figure 5: Worry responses in percentages by gender and age group



In terms of partner status, in retirement, a higher proportion of men are married, either in the traditional sense or as a de facto couple. In the survey, 79% of men were married, but only 46% of women. Part of the gap is the number of widows who have not remarried. It is telling that 23% of females reported widowed as their marital status, compared to only 7% of males. Ages at marriage and different life expectancies play some part in this difference. More women also chose “divorced/separated” for their marital status, 17% compared to 6% for men.

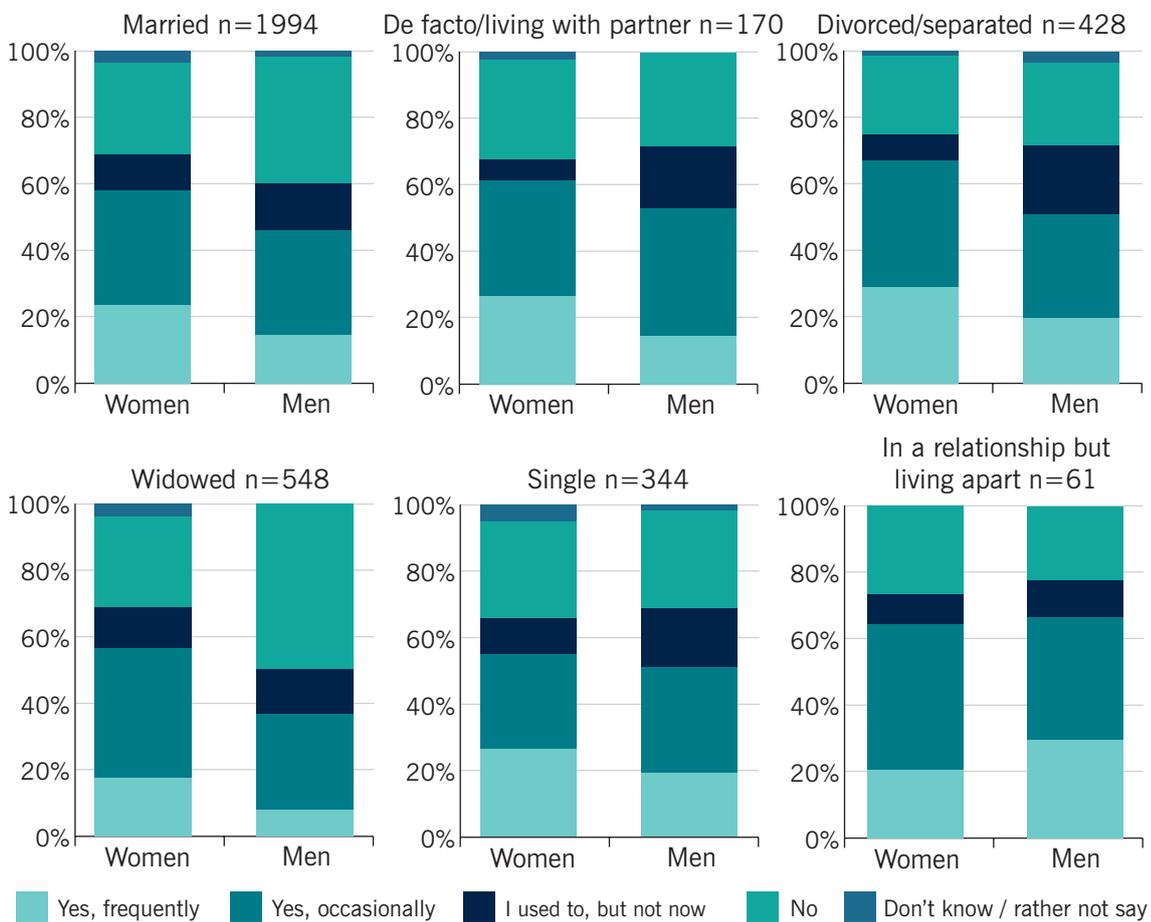
6 McCallum, J, Hosking, D. & Rahn, A. (2019). Feeling financially comfortable? What retirees say. Brisbane: National Seniors.

7 Daley, J., Coates, B., Wiltshire, T., Emslie, O., Nolan, J. and Chen, T. (2018). Money in retirement: More than enough. Grattan Institute. ISBN: 978-0-6483311-7-9

Married retirees were less likely to worry than either divorced or widowed retirees of either gender. This could be related to a more positive frame of mind for married couples⁸ and the security of joint assets, but married women were still more likely to worry (58%) than married men (46%).

A striking difference is the relative absence of worry from widowers, compared to widows. While the 27% of widows who report not worrying is in line with other women, almost half (49%) of widowers reported that they were not worried about outliving their savings and investments. This was significantly higher than the 37% of men across the population who were not worried about outliving their savings. This merits further investigation to determine if this is directly related to financial circumstances or other factors. One possible explanation might be that widowed men were on average older, with a mean age of 77.8 years than widowed women, with a mean age of 74.3 years. An older person typically has less remaining years to finance than a younger one.

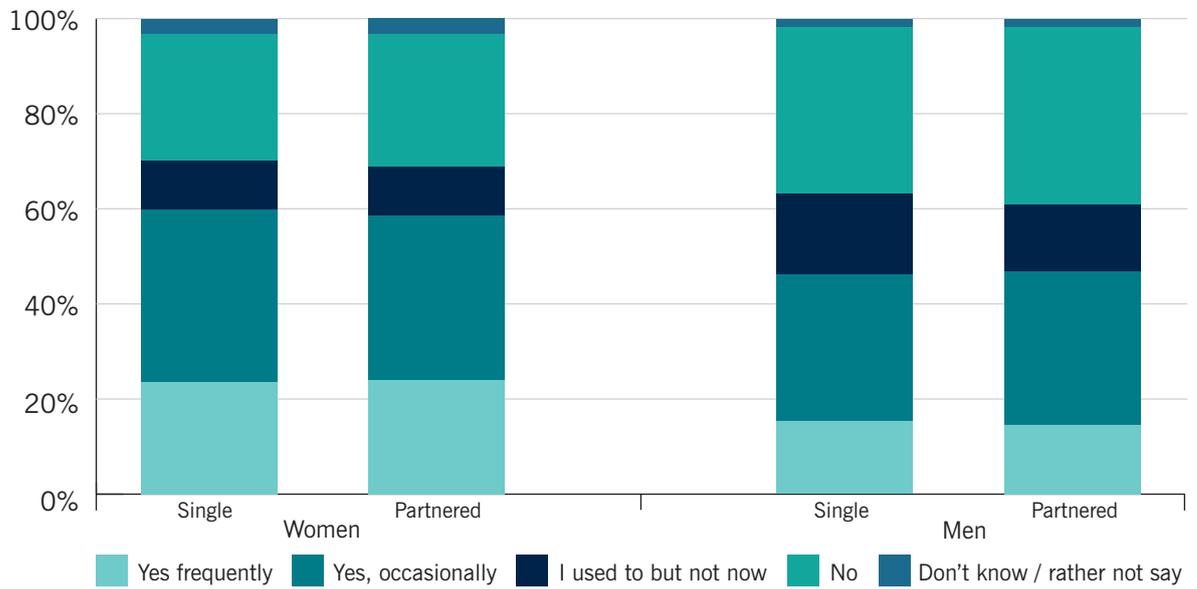
Figure 6: Relationship by gender differences in the frequency of worry



Interestingly, when comparing worry by whether someone identifies as partnered or not by gender as in Figure 7, the levels of worry appear similar for partnered and unpartnered women and also similar for partnered and unpartnered men. This suggests that worry is not related to having a partner per se, but to other factors.

⁸ Heybroek, L. M. Haynes and J. Baxter (2015) "Life Satisfaction and Retirement in Australia: A Longitudinal Approach" *Work, Aging and Retirement*, Volume 1 Issue 2 April 2015 pp 166-180 provides evidence that being in a relationship improves life satisfaction in retirement.

Figure 7: Frequency of worry by being partnered and gender



So, the single and partner groups within the same gender don't differ in prevalence of worry. We therefore need to look at other factors in more detail to understand gender differences in worry.

PART 2

Other factors contributing to worry

Anticipatory worry

The Australia Talks survey found that 62%, about two in every three Australians of all ages, worry about retirement income. In this survey those not yet retired, the majority aged 50-59 years, were more likely to express worry (68%) than those already retired (50%). Some people may remain in work or find work because they are worried. On the other hand, less worry among the retired doesn't necessarily imply that their retirement plans are fulfilled with the retirement income they receive. Our recent work on retirement income comfort found that people learn to adjust to their circumstances in retirement which isn't necessarily what they planned or expected⁹. The fact is that anticipatory worry at younger ages could be dealt with by planning and saving which can be facilitated by trustees of superfunds taking responsibility. The message for younger people is simple and clear: 'Don't worry because you can still save and plan and this will be much more difficult if you leave it until you've retired from work.'

Superannuation in retirement reduces the worry

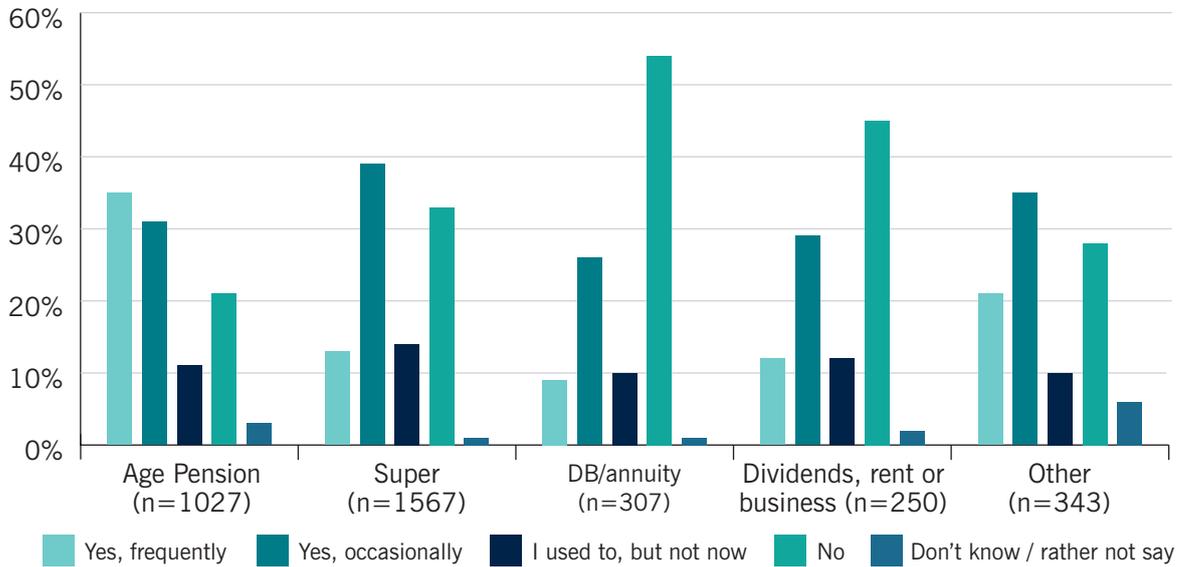
People currently retired and receiving some income from superannuation were more likely to be unconcerned (39%) than those who were retired, but not receiving any income from superannuation (27%). Those without any superannuation income were also the most likely to worry frequently (23%). Many of these retirees without superannuation are likely to be on the full age pension. Nearly one in three (31%) of those on the full age pension frequently worry about outliving their savings, which necessarily will be smaller due to the means test thresholds. While this is unsurprising, it emphasises the critical importance of superannuation in later life which generally requires accumulation across the lifespan.

Those reliant on superannuation as their main source of current or future income in retirement worry less than retirees who rely on the age pension as their main source of income. The superannuation system is still not fully mature and most current retirees weren't required to make superannuation contributions for a large part of their working career. However, these results show that it is clear that superannuation is not only providing a reliable source of income in retirement, but it is also reducing financial worries for many retirees. This should improve as the system matures.

The least worried are those who have a defined benefit pension or a lifetime annuity, the majority of whom are unconcerned about outliving their savings. Having a source of income that will last for life will be a key factor behind the lack of worry. It is also notable that the group of people living on dividends, rent or business income are also relatively unconcerned. These people are likely to have more wealth and be in a better financial position than most retirees. This points to the need for better financial products to be available when people are beginning retirement.

9 McCallum, J., Hosking, D., Rahn, A. (2019) Feeling financially comfortable? What retirees say. National Seniors, Brisbane

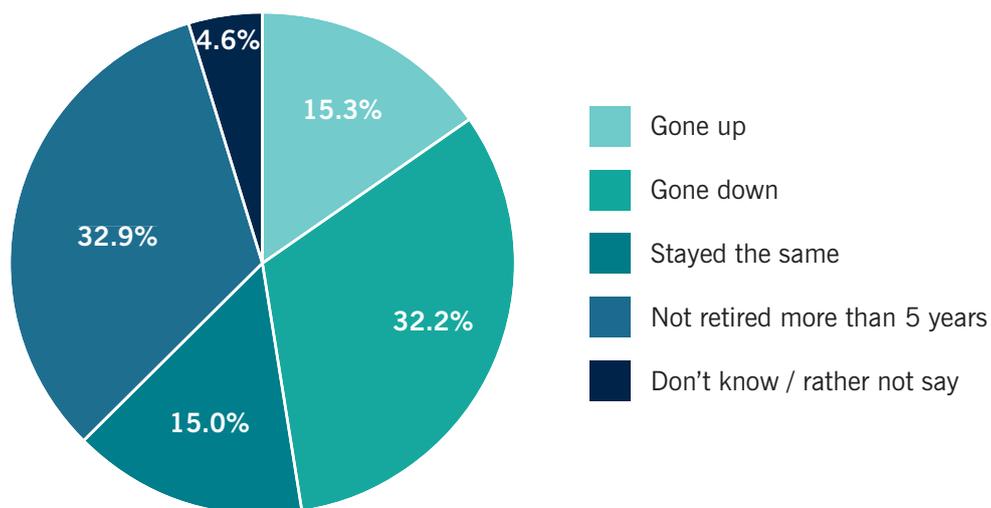
Figure 8: Worry according to main source of income in retirement



Spending plans

One way that retirees can make their money last longer is to cut back on spending. This might stop the money running out, but it will mean that retirees might not achieve their preferred lifestyle. As Figure 9 shows, around one-third of the respondents reported that their savings had gone down in the first five years. Another third had been retired for less than five years. This means that around half of those retired five years or more had drawn down their savings.

Figure 9: Impacts on savings



Looking further, at those who reported falling savings, planned spending was much more common than unplanned spending as the reason for running down the savings. Respondents reported the market as the largest concern. With the strong run in equity markets over the past decade, this is a little surprising, although the sharp market fall in the second-half of 2018 might have influenced responses. There is the potential that these people set a level of spending on the assumption of higher returns and have seen savings fall when returns haven't met optimistic assumptions. Alternatively, they might be reliant on term deposits for income and are concerned with the impact of low interest rates on their ability to sustain their desired rate of spending. Almost two-thirds of those reporting an increase in savings attributed the increase to the share-market. This is despite common concern about being invested in shares and, no doubt, another factor contributing to worry.

Table 2: *Why do you think your savings went down? (Please choose all that apply for you)*

Because I spent them (as planned)	27%
Because I spent more than I thought I would	11%
Because of the market	25%
Because of both spending and the market	38%
Don't know / rather not say	3%
Other (please specify)	17%

Some of the expected increases in savings related to conscious saving or under-spending behaviour. One respondent, a 79-year-old widow, remarked about 'frugality' and that her savings had gone up because "*I try to allow for the longevity of my family in what I spend*". Many retirees employ similar strategies to reduce their spending in case they live for longer than average. If they do, they might not enjoy their retirement as they had planned. There is evidence that even people reliant on the age pension are saving, rather than drawing down on their savings.¹⁰

The expectation of falling savings was evident in responses to a question about expectations after 20 years in retirement. Only 6% expected an increase and over 60% expected their savings to decline. Many still expect to retain some savings after 20 years, presumably to be able to fund the rest of retirement. More than one in four expected their savings to be consumed within 20 years, which would be problematic as more than half the population will spend more than 20 years in retirement. In this case, personal worries of outliving savings, because they are experienced by so many people, become a national concern.

The only alternative is for people to adjust their lifestyle and find work. Many of those who didn't specify what would happen after 20 years noted that they had a defined benefit pension and that there are no savings to adjust. Others expressed a view that they don't expect to survive that long. One 68-year-old married man responded that 'I will be dead before 20 years'. Clearly, that remains to be seen.

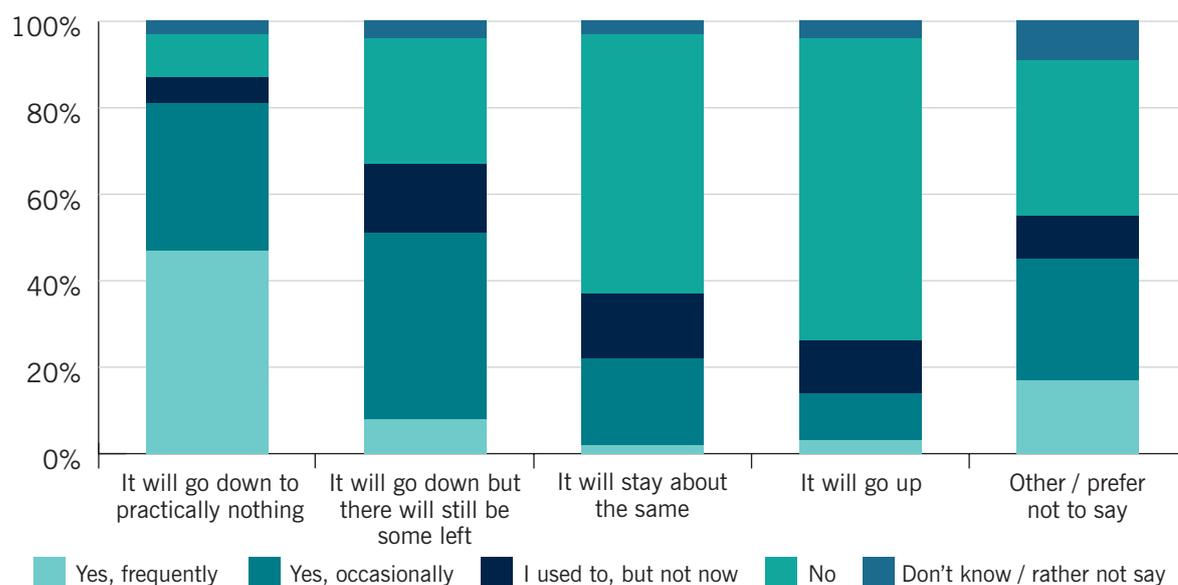
¹⁰ Asher, Anthony, Ramona Meyricke, Susan Thorp, and Shang Wu. "Age Pensioner Decumulation: Responses to Incentives, Uncertainty and Family Need." *Australian Journal of Management* 42, no. 4 (November 2017): 583–607.

Table 3: Expectations of impacts on savings after 20 years

What do you think will happen to your capital / retirement savings after 20 years of retirement?	
It will go down to practically nothing	28%
It will go down but there will still be some left	38%
It will go up because of deliberate saving	2%
It will go up because of other things e.g. the market	4%
It will stay about the same	13%
Other (please specify)	3%
Don't know /rather not say	12%

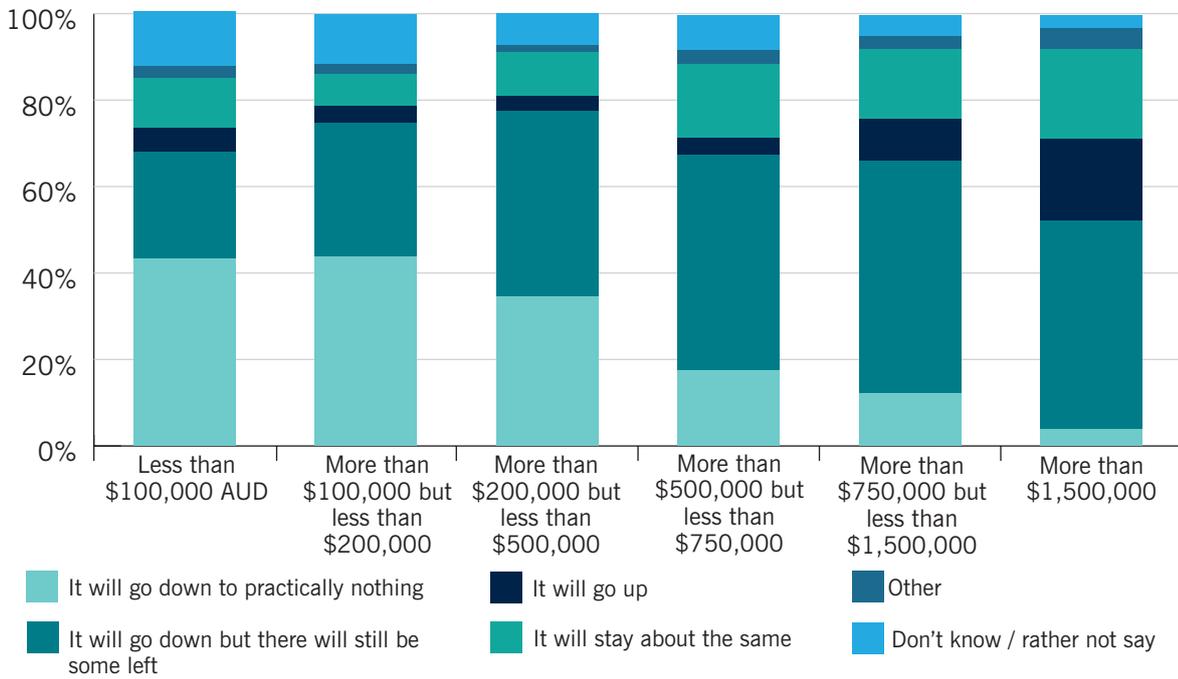
There is a strong connection between how much people worry and how they expect their savings to change over the course of their retirement. Unsurprisingly, most of those who expect their savings to run out after 20 years worry about outliving their savings and 48% are frequently worried. There was still a small proportion of people who frequently worried, even though they expected their savings to increase after 20 years in retirement.

Figure 10: Level of worry about savings lasting compared to expectations of balance over 20 years



There is also a relationship between how much people started with at retirement and whether they expect to spend their capital through retirement. People with more money at the start of retirement were less likely to expect it all to be depleted. This can be seen in Figure 11. However, those with moderate levels of savings expected some decline in their capital. These are retirees on a part age pension and potentially feeling the impact of the taper rates that reduce their age pension entitlement. While this group expects a smaller decline in savings compared to people with less savings, they worry neither more nor less than those starting with lower savings.

Figure 11: *Expected change in savings balance after 20 years by balance at the start of retirement*



PART 3

A multivariate analysis of 'worry'

The impacts of the various factor discussed above were tested for statistical significance using a multivariate, logistic regression, the results of which are shown in Table 4 below. We used 'worry' as the outcome and considered factors associated with worrying. The results show that, after accounting for other factors, being partnered is no longer associated in a multi-factorial model confirming the previous tabulation. The worry associated with gender alone (Odds Ratio 1.73 with 95% CI 1.51-1.98 in an unadjusted model) is also attenuated once other factors such as age, retirement status, retirement savings amount and reliance on the age pension are included.

Table 4: Logistic regression of factors associated with worrying about outliving retirement savings, showing odds ratios of worry with 95% confidence intervals and p-values.

	Odds Ratio	95% Confidence Interval	p-value indicating statistical association
Female	1.47	1.23-1.75	<0.001
Age (years)	0.98	0.96-0.99	<0.001
Not identifying as retired	1.68	1.36-2.08	<0.001
Having less than 500K in savings	1.65	1.37-1.99	<0.001
Age pension the main source of income in retirement	1.53	1.25-1.86	<0.001
Being partnered	0.99	0.83-1.19	0.92

From these results, it appears that the risk of worrying is:

1. 68% higher in those who do not already identify as retired
2. 65% higher in those who have less than \$500,000 in savings
3. 53% higher in those who expect their main source of income in retirement to be the age pension, and
4. 47% higher in women.

The gender effect is strong, but of lesser magnitude than direct factors such as having less savings and expecting your main source of income to be the age pension. The effect of gender, independent of the other factors, remains to be explained and factors like greater expectations of taking on care roles and of out-living partners could contribute to this difference. The low level of worry among widowers compared to widows suggests this as an area for further investigation. The 65% worry response from those with relatively low savings indicates that both women and men with less savings are more worried. The effect of expecting to have the pension as their major income source (53%) shows the worry in the second tier of savings well below the \$500k level. The evidence we have already shown shows that there are more women in that category. We can conclude that part of the gender difference in worry about outliving savings can be attributed to complex factors across the life experiences of women. These include less opportunity to accumulate assets and savings as individuals, greater risk to these savings through engaging in care responsibilities and other life events, resulting in financial insecurity in later life. In short, they suffer cumulative disadvantages and action is needed along the life journey to deal with this gender inequity, not just weak relief at the destination point of retirement.

PART 4

Does financial advice reduce worry?

While it is likely that more money at the start of retirement provides the opportunity to have less decline in savings, this is not always the case. For those who don't manage this, they worry about outliving their savings and investments. Good financial advice is something that could help maintain or increase savings. Respondents were asked if they had ever received advice about retirement and if they had in the prior 12 months. A total of 74% said they had received advice at some stage, and of these, 60% had received advice in the previous 12 months.

There was almost no difference between those who received advice at some stage and those who didn't in terms of worry about running out of money, (54% worried versus 53% who never had advice) but those who did get advice were less likely to worry frequently (18% versus 25%). There was a positive impact when someone had received advice, but not in the past 12 months. Of the 29% of respondents who had received advice, but not in the past 12 months, 35% said that they weren't worried about outliving their savings. This could be an indicator that their previous advice had set them up, or possibly that the advice had just confirmed that they were well placed for retirement.

The outcome for those who had recently received advice depended on whether or not it was acted on. Most (86%) of those getting advice had implemented it and more of this group (15%) reported that they used to, but now no longer worried. Table 5 shows that people who had received advice, but not taken any action, were more likely to worry frequently (25%) and be worried in general (64%). An alternative explanation for this group being more likely to worry is that when they sought advice, it confirmed that they had genuine cause to worry (for example not enough super to meet their needs) and they do not have the financial or other resources to change their circumstances. This suggests that there could be a benefit for people to seek advice about retirement and act to implement the advice, particularly to ensure that they will have a source of income for life.

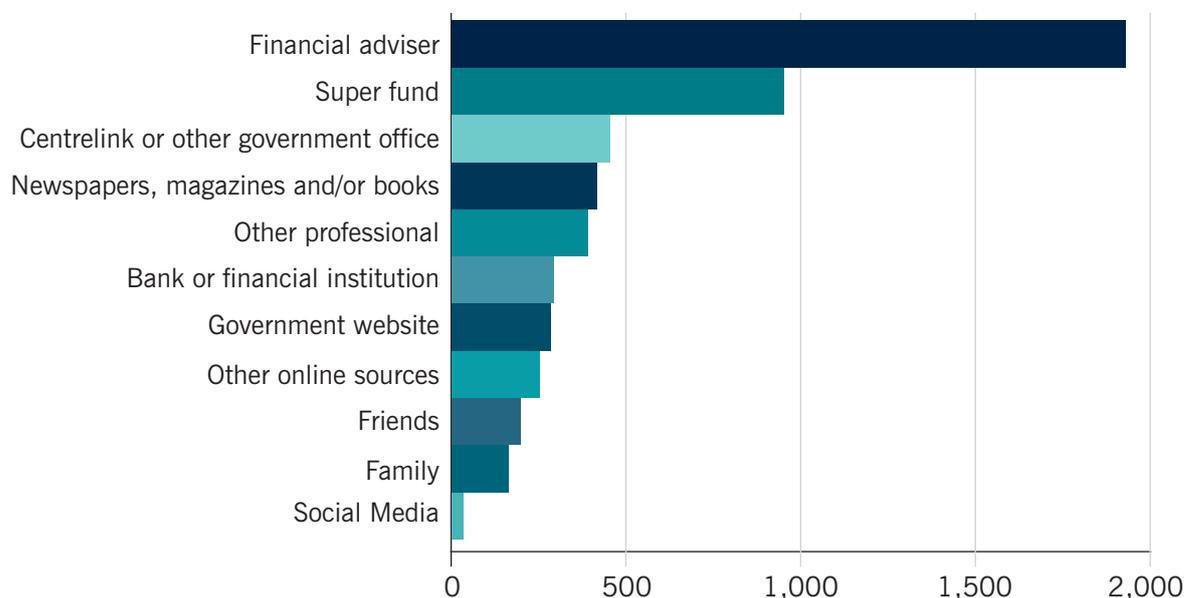
Table 5: Worry frequency by financial advice received

Worry frequency for outliving savings and investments	Was financial advice received in the past 12-months?		
	Yes: advice used to make changes	Yes: but advice not acted on yet	Advice not received in previous 12-months
Frequently worry	17%	25%	17%
Occasionally worry	37%	39%	34%
Used to worry, but not now	15%	10%	11%
Do not worry	29%	24%	35%
Don't know/rather not say	2%	1%	2%

Source of financial advice

People get retirement income advice from a range of different sources, with the most popular sources of advice being financial advisers and superannuation funds, as demonstrated in Figure 12 below.

Figure 12: Sources of retirement income advice



Most people (83%) reported that they were able to get sufficient financial advice to meet their needs. With advice coming from multiple sources, it is unclear if one source or another provided the advice that met the respondent's needs. Participants who identified as being retired were more likely to say that they had received sufficient advice than those who did not identify as retired (86% v 70%).

Looking closer at the impact of the sources and sufficiency of advice, we can see that respondents thought that financial advisers made a positive impact. The figure below shows the proportion of people who were satisfied with the advice they received, depending on whether or not they used a particular source for that advice. The only two sources where satisfaction was higher when used was a financial adviser (86% v 73%) and other professionals (84% v 82%) but the latter wasn't statistically significant. While it is probable that multiple sources were used, the improved satisfaction for those who saw a financial adviser indicates that advisers can be beneficial in helping people get sufficient retirement income advice.

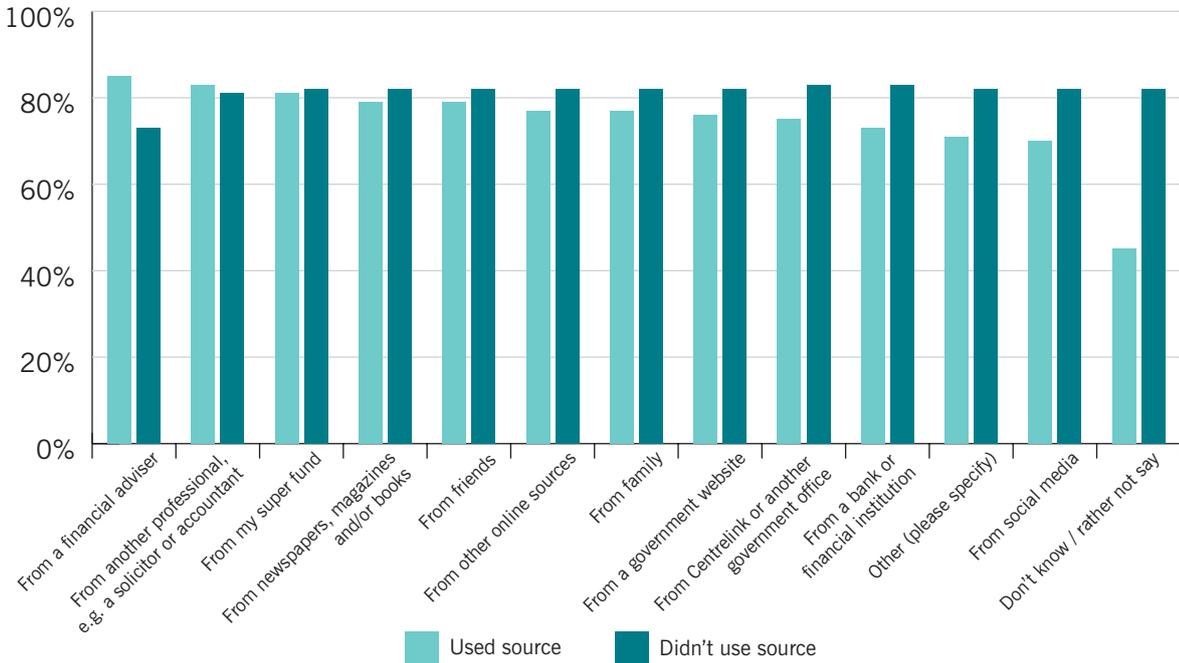
This perceived benefit was not universal as verbatim comments indicate some mixed views on financial advice. Some didn't see the value in advice, such as one 70-year-old widow:

I sacked my financial planner, his charges were massive, paperwork that I couldn't understand, not one phone call in 12 months and a very "expensive" birthday card and Christmas calendar.

Others thought they had benefited from their financial adviser, such as this 61-year-old married man:

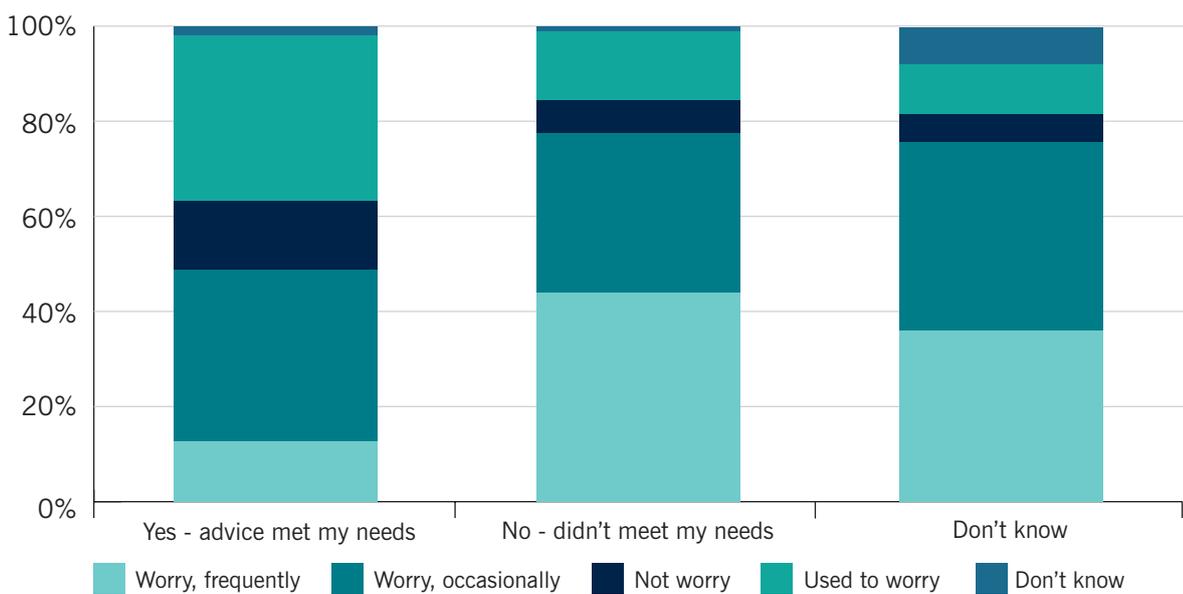
I have an adviser who I have seen every year for the last 5 years. It was particularly helpful in working out our finances before deciding to retire.

Figure 13: Satisfaction with financial advice according to source of advice used



Getting the right financial advice had an impact on how much people said they worried about their retirement finances (Figure 14). 35% of people who said their advice met their needs didn't worry and another 15% said that they used to worry, but no longer did. Only 13% said that they worried frequently. Unmet advice needs were associated with an increased level of worry, as can be seen in Figure 14. Of those who were unable to get advice that met their retirement needs, only 22% reported not worrying. The majority were worried, and 44% said that they worried frequently.

Figure 14: The level of worry reduces when perceived advice needs are met.



The value of advice and financial literacy indicated in these results require further attention and ways of reducing retirement income worry.

Discussion

Despite having one of the more successful retirement income systems by world standards, Australians of all ages worry about having enough money in retirement. The superannuation guarantee, which is only now maturing, still leaves many retirees unable to achieve a satisfactory retirement income for life. They can fall back on the basic age pension for support, but this is regarded as a worry risk by respondents to this survey. The recent 'Australia Talks' national online survey by the ABC indicates that retirement income worry cuts through all age groups. Our analysis examines in detail the over 50s group for whom it is a more pressing worry.

The largest effect is a 68% higher risk of worry among those who aren't yet retired. Anticipatory worry carries an excess of worry on top of what people who are retired worry about. This unnecessary concern can be reduced. Action is required across generations to deal with this. It is not only a post-retirement issue. Having savings of less than \$500,000 is associated with a 65% higher risk of worry, which is a factor that could be addressed by such actions as good financial advice from accessible sources or more engagement with those who aren't saving enough. Those with enough assets can take advice from paid financial advisers, but other providers like superannuation funds, Centrelink, banks, good literature and websites are also well used.

The 'literacy' actions have limits, for example, many people either don't choose to become financially literate or do so at different levels. The basic requirement is then for Superannuation Trustees to provide the right products for people to secure their retirement income. Good default options need to be available for those who don't or can't make active choices.

Those with an expectation of having the age pension as their main source of income might be unable to improve their position in their later years. This message needs to be communicated to people of all ages who are able to work to accumulate savings for retirement. The importance of planning for future lifetime needs is too easily discounted against present day budget pressures and discretionary spending. The issue is of particular concern for those in casual employment and working in the 'gig' economy. National Seniors surveys indicate that people don't plan to finance care needs in later life. This will become more and more a requirement as the baby boom generations reaches life stages where care is needed and the government can't provide it all.

The outstanding issue addressed in this research is that Australian women are much more likely to have worries than men. This is less related to longer lifespans and more to their roles throughout life, in particularly a combination of less work opportunities, disadvantages in divorce, greater burdens of care and spending family money on male partners who die before them. It is no surprise to find that divorced and widowed women are among the most worried about their income. There is a problem that women, in part through taking on care roles through life, have less savings than men and are more likely to expect to have to depend on the age pension. It is unlikely that this can be easily resolved during retirement without a significant burden on government. The most promising area to address this is during their working life to build up a higher buffer of retirement savings. Although financial literacy is often a weak solution, because it implies that material changes in human behaviour and understanding of finance can be easily achieved, this might be one area where some progress is possible.

We need to find a way to address two key issues for action:

- That preparation for retirement needs to start young and be sustained through life; and
- that there has to be some way of ensuring that no one is disadvantaged from taking on caring roles that prevent or limit the opportunity for accumulating retirement savings.

Super funds could develop standardised ways to explain the need to save to members, and tailored engagement programs could be designed to target those most at risk. On the second action, disability insurance is beginning to play a role in supporting caring roles but much more needs to be done to improve women's financial situation in later life.

CONCLUSION

As Australians look to navigate their retirement and sustain a lifestyle beyond their years of paid employment, they face the uncertainty of how long they will live. We should all benefit from living longer, but a large majority of Australians of all ages worry about how they will be able to sustain their lifestyle if they do live a long time. While some people are more likely to worry than others, there is scope for better advice and education to help people understand how they can get their savings to last as long as they do. Further, Trustees of superannuation funds need to provide people with the best options for their situation. This can provide Australians with the peace of mind to enjoy their retirement. Improved financial literacy and awareness of costs of age care services are needed so that these are built into planning and self-funded where possible. The conclusion of this report and other evidence is that one of the best regarded retirement income systems by world standards still causes significant worry to its participants both before and after retirement. The importance of sentiments such as worry should not be underestimated as economic and political issues. With the announcement of the Retirement Income Review there is an opportunity to consider these issues. An obvious way to relieve the worry of those in retirement is to stabilise the system which has been under constant change or threat of change for over a decade.

APPENDIX: QUESTION RESPONSES

Which best describes where you currently live?

An independent house/unit/apartment/villa/granny flat	88.8%
A residential aged care home	0.1%
A retirement village	5.6%
An over-50s lifestyle village or a manufactured home park	2.7%
Currently travelling/caravan/mobile home	0.5%
Other (please specify)	1.7%

Which of the following are applicable to your living situation? You may select more than one response.

I live alone	32.4%
I live with my spouse/partner	59.3%
I live with my child/children and/or grandchildren	5.0%
I live with my parent(s), relative(s), or guardian(s)	1.1%
I live with a friend/friends	1.1%
I live with other adults	1.0%
I live in residential aged care	0.4%
Other (please specify)	3.2%

57. What are your current sources of income (Please select all that apply)?

Wages/salaries	18.2%
Business income	5.6%
Full Age Pension	13.9%
Part Age Pension	24.0%
Disability Support Pension	2.0%
Carer Payment	2.0%
Other Government income support	3.3%
Superannuation	56.2%
Returns on investment, savings (excluding superannuation)	29.8%
Don't know / rather not say	2.1%
Other (please specify)	8.1%

58. Please choose the best description of your current employment arrangement.

Homemaker	2.3%
Employed or self-employed 0-30 hours	10.9%
Employed or self-employed 30+ hours	10.9%

Unemployed	2.0%
Retired	71.8%
Permanently unable to work	2.1%

59. What age were you or do you expect to be when you retire?

60. Which of the following best describes the value of the savings and investments that you expect to have when you retire, or did have when you retired? This includes superannuation and other investments but excludes the family home, cars, etc.

Less than \$50,000 AUD	11.7%
More than \$50,000 but less than \$100,000	8.9%
More than \$100,000 but less than \$200,000	8.8%
More than \$200,000 but less than \$300,000	7.8%
More than \$300,000 but less than \$500,000	12.2%
More than \$500,000 but less than \$750,000	11.5%
More than \$750,000 but less than \$1,500,000	13.9%
More than \$1,500,000	5.8%
Would rather not say	15.2%
Don't know	4.1%

61. Which of the following best describes your housing situation?

I live in my accommodation rent-free	1.1%
I live in residential aged care	0.7%
I own my home outright	74.2%
I own my home with a mortgage	11.2%
I own my home with a reverse mortgage	0.6%
I'm renting	6.1%
Other (please specify)	6.0%

62. Which of the following best describes the current estimated value of your home?

Up to \$250,000 AUD	6.7%
Up to \$500,000 AUD	32.8%
Up to \$750,000 AUD	28.6%
Up to \$1,000,000 AUD	13.7%
\$1,000,000 to \$2,000,000 AUD	8.4%
More than \$2,000,000 AUD	1.6%
Don't know	2.9%
Would rather not say	5.4%

64. Do you ever worry that you may outlive your savings and investments

Yes, frequently	19.8%
Yes, occasionally	33.9%
I used to, but not now	12.4%
No	31.5%
Don't know / rather not say	2.4%

69. Have you ever received financial advice about your income in retirement?

Yes	74.3%
No	23.9%
Don't know / rather not say	1.7%

70. Have you received financial advice in the past 12 months about your income in retirement?

Yes and I have already used the advice to make some changes	52.3%
Yes but I haven't used the advice yet	8.2%
No	38.5%
Don't know / rather not say	1.0%

71. Were you able to get sufficient financial advice for your retirement needs?

Yes	82.3%
No	11.9%
Don't know / rather not say	5.8%

72. Can you tell us about how or why you didn't get useful or sufficient financial advice for retirement?**73. Where did you get information about your finances in retirement from? (Please check all that apply)**

From a government website	7.8%
From other online sources	7.0%
From Centrelink or another government office	12.6%
From a financial adviser	53.4%
From another professional, e.g. a solicitor or accountant	10.8%
From newspapers, magazines and/or books	11.6%
From my super fund	26.3%
From a bank or financial institution	8.1%
From National Seniors Financial Information Desk	3.0%

From social media	0.8%
From family	4.5%
From friends	5.5%
Don't know / rather not say	0.6%
Other (please specify)	3.1%

74. If you have been retired more than 5 years, in that time have your retirement savings...?

Gone up	15.3%
Stayed the same	15.0%
Gone down	32.2%
I haven't been retired more than 5 years	32.9%
Don't know / rather not say	4.6%

75. Why do you think your savings went down? (Please choose all that apply for you)

Because I spent them (as planned)	27.4%
Because I spent more than I thought I would	10.7%
Because of the market	24.6%
Because of both spending and the market	38.7%
Don't know / rather not say	2.8%
Other (please specify)	16.8%

76. Why do you think your savings went up? (Please tick all that apply to you)

Because of higher income than expected	19.7%
Because spending was lower than expected	19.7%
Because of the market	61.5%
Don't know / rather not say	3.2%
Other (please specify)	24.3%

77. What do you think will happen to your capital / retirement savings after 20 years of retirement?

It will go down but there will still be some left	37.5%
It will go down to practically nothing	28.2%
It will go up because of deliberate saving	2.2%
It will go up because of other things e.g. the market	4.0%
It will stay about the same	12.6%
Other (please specify)	3.1%
Don't know / rather not say	12.4%

78. What are (or will be) the sources of income in retirement for your household? (Please check all that apply)

Age Pension	51.8%
Part-time work	11.5%
Super fund account-based pension / allocated pension	64.8%
Defined benefit pension	11.7%
Lifetime annuity	2.9%
Term deposits	19.9%
Dividends from shares	27.6%
Rent from investment property	10.1%
Selling down investments	10.0%
Income from family / private business	2.7%
Don't know / rather not say	3.2%
Other (please specify)	5.8%

79. What is (or will be) the MAIN source of income in retirement for your household?

Age Pension	29.5%
Part-time work	8.0%
Super fund account-based pension / allocated pension	4.4%
Defined benefit pension	0.8%
Lifetime annuity	0.7%
Term deposits	0.8%
Dividends from shares	2.1%
Rent from investment property	1.6%
Selling down investments	44.8%
Income from family / private business	1.4%
Don't know / rather not say	3.4%
Other (please specify)	2.6%

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2019

National Seniors submissions to the Royal Commission into Aged Care Quality and Safety:

1. Witness Statement 31/1/19;
2. Review of recommendations of prior reviews that were not implemented 6/2/19;
3. The dementia journey legacy of trauma and what to do about it 9/5/19;
4. Response to the Interim Report of the Aged Care Royal Commission 22/11/19

McCallum, J. Hosking, D. & Rahn, A. (2019) *Feeling financially comfortable? What retirees say*. Brisbane: National Seniors. Published 12/3/19.

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2020

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