

# My Generation

Are Australian baby boomers the retiring kind?

**August 2009**



**National Seniors Australia**  
*Productive Ageing Centre*





Australian Government  
Department of Health and Ageing

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## FOREWORD

The largest and most influential age group in Australia is set to start leaving the paid workforce during the next 20 years. The so-called 'baby boomer' generation, made up of almost 5.6 million Australians born between 1946 and 1965, is now aged in their 50s and 60s – over 800 baby boomers are turning 50 each day.

The baby boom generation is surviving to older ages in fast growing numbers. It is also a distinctive group – reportedly being healthier, more active, better educated and with higher expectations than previous generations. Currently, more than a quarter of Australians are baby boomers and, perhaps more tellingly, one in three Australian workers are baby boomers.

In 2011, over 200,000 baby boomers will be 65 and be eligible for the age pension setting off a wave of increased demands on economic, healthcare and social programs. By 2030, all baby boomers will be 65 or older.

The retirement plans of baby boomers and the associated challenges and consequences present Australia with an unprecedented scenario. However, there is surprisingly little empirical evidence on how baby boomers are likely to behave in their later years to assist their retirement preparation.

This brief report, drawing on research undertaken over the last four years, was prepared to provide a timely summary of existing knowledge about the retirement plans and expectations of the nation's baby boomers. Many of these studies were conducted before the global financial crisis and recent changes to the age pension eligibility age - which we are finding are changing what baby boomers have to say about their preparation for later life.

It is a mistake to think of baby boomers as all alike, they are as diverse as any other Australian generation. It is hoped that the information provided here will assist Australian policy makers and service providers in recognising the differences among baby boomers and understanding the truth behind the myths.

Peter Matwijiw  
General Manager Policy and Research  
National Seniors Australia  
August 2009



## ACKNOWLEDGEMENTS

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\* Ageing Baby Boomers in Australia (ABBA): Informing Actions for Better Retirement - Australian Research Council Linkage Project 2008 to 2010 (LP0882748)

This ABBA project is a collaboration between National Seniors Australia, the University of Sydney, La Trobe University and AARP (USA). It is a comprehensive study of Australian baby boomers' plans and expectations for retirement, as well as the experiences of those who have already retired. The aims of the project are:

1. To determine the diverse pathways, timing, and process of retirement from paid work and their consequences for adjustment, wellbeing, and unpaid productivity after retirement;
2. To identify key factors in retirement preparedness and its impacts on quality of life outcomes after retirement;
3. To identify individuals' expectations for and experiences of retirement and the active strategies by which they attempt to achieve their retirement goals; and
4. To assess how expectations for retirement are shaped by the economic and social policy context in Australia as contrasted with the USA.

To stay up-to-date with the latest from this project, visit [www.productiveageing.com.au](http://www.productiveageing.com.au) or contact Dr Nancy Humpel at [nhumpel@usyd.edu.au](mailto:nhumpel@usyd.edu.au)

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## CONTENTS

Foreword	5
Acknowledgements	7
Contents	8
Why baby boomers?	9
At what age do baby boomers plan to retire?	9
How are baby boomers planning to approach retirement?	10
How are baby boomers planning to fund their retirement?	10
What sort of retirement lifestyle are baby boomers looking forward to?	11
Where will baby boomers live when they retire?	12
What else do we need to know?	12
References	14

# My Generation:

## Are Australian baby boomers the retiring kind?



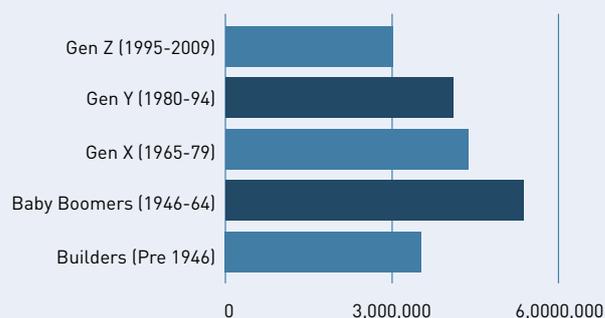
### WHY BABY BOOMERS?

The term baby boomer was first coined to describe those babies born in Australia, North America, Europe and Asia following the end of the Second World War after soldiers returned home. The Australian Bureau of Statistics defines baby boomers as those born in the years 1946 to 1965 inclusive (ABS, 2009).

In Australia, baby boomers represent about 25% of the population. Last year, there were nearly 5.6 million baby boomers - making this age group the largest generation in the nation (Figure 1) and arguably the most influential. This unique generation has had a dramatic impact on Australia's social, political and cultural landscape over the last four decades. Now in their 50s and 60s, baby boomers look set to have as much influence on Australia's approach to, and understanding of, ageing as they have had on music and politics in previous decades.

In the past four years, several key studies have explored the retirement plans and expectations of Australia's baby boomers. This report seeks to bring together this recent evidence and provide a

**Figure 1:** Australia's Generations



Source: McCrindle Research, 2006

comprehensive overview of the retirement expectations and plans of the nation's baby boomers.

### At what age do baby boomers plan to retire?

Now that many baby boomers are in their 50s and 60s, the prospect of their retirement is becoming increasingly imminent. From a social and economic perspective, the potential mass exodus of this key demographic from the workforce over the next 20 years could have major consequences.

It is therefore critical that social and economic planners have an understanding of the age at which baby boomers plan to retire. A surprisingly large proportion of baby boomers (up to 40%), however, do not know when they would like to retire or when they expect to retire (ABS, 2007; McAllister et al, 2005; Warner-Smith et al, 2006).

Despite this, 43% of baby boomers report that they would consider working beyond the age of 65 (Jackson et al, 2006), 19% expect they will never retire completely or expect to “work until they drop” (Fujitsu, 2007; Mathews et al, 2007). Indeed many baby boomers (27%) expect to continue working, at least part-time, well into their 70s (Fujitsu, 2007; Mercer, 2008).

Among those baby boomers with more concrete retirement plans, 46% would like to retire before the age of 60, although the average age at which they expect to retire is 63 (McAllister et al, 2005). There is a stark difference between the preferences and expectations baby boomers have regarding age at retirement.

For example, approximately one third of baby boomers anticipate retiring when they would like to, while 60% expect to retire later than they would like and less than 5% expect to retire earlier than they would prefer (Cobb-Clark & Stillman, 2006). On average, the age at which baby boomers *want* to retire is four years earlier than the age at which they *expect* to retire (Warren, 2006).

Although Australian baby boomers may anticipate retiring later than desired, they plan to retire earlier than their counterparts in seven other nations, ranking third behind Canada and France in earliest planned retirement (AARP, 2005).

**Australian baby boomers plan to retire earlier than their counterparts in other developed countries.**

For example, by age 55 to 59 years, one in every five married and two in every five unmarried baby boomer males have already left the labour force. For baby boomer women, two in every five are out of the labour force by age 55 to 59. By age 60 to 64, the majority of unmarried men and both married and unmarried women have retired (NATSEM, 2007).

The most common factors influencing the decision to retire are financial security, personal health or physical abilities and becoming old enough to apply for the age pension (ABS, 2007).

## How are baby boomers planning to approach retirement?

One of the many decisions for baby boomers as they approach retirement is which pathway to take - either stop paid work completely and abruptly or transition more gradually to retirement. Transitioning to retirement can mean shifting - over an extended period of time - to a job with fewer paid hours; to work that is less demanding or has fewer responsibilities; or to self-employment (Warren, 2008). Baby boomers are often dissatisfied with their employment benefits and, as they near traditional retirement age, they want their employers to help them prepare by providing financial education and advice, and flexible working arrangements (Mercer, 2008).

The Australian Survey of Retirement Attitudes and Motivations (ASRAM) found that 80% of baby boomers preferred a transition to retirement (Walter & Jackson, 2007). Data from the Household, Income and Labour Dynamics in Australia (HILDA) survey suggested that most of these expected to transition by working part-time (Warren, 2008). Seventy-five percent of baby boomers want to stay in their current employment, or same line of work, during this transition period (Walter & Jackson, 2007). Among those baby boomers who opt for the transition path, the main factors influencing this are personal or leisure time, ill health and work stress (Headey & Warren, 2007).

Those on the highest incomes and with the most skills are the least likely to want to stop work completely. Further, many baby boomers on high incomes have difficulty selecting an expected retirement age - most intend to move gradually to retirement and scale down their work hours over time (Quine et al., 2006). Most high income earners do not regard retirement as a complete exit from the workforce, rather they view it as a move from their existing 'career' to more flexible work (Hamilton & Hamilton, 2006a).

The majority of Australian baby boomers (80%) would prefer a gradual transition to retirement. It is important to note that choosing gradual retirement does not necessarily mean baby boomers intend to stay in the workforce longer. Only 58% of baby boomers indicate that taking the phased option means they will remain longer in the workforce (Walter & Jackson, 2007), while the expected retirement age of those who intend to retire gradually is no more than two years older than those who do not (Warren, 2008). Gradual withdrawal is seen as a way to reduce working life prior to retirement (Walter & Jackson, 2007). Although the preference for a gradual retirement is clear, it is interesting to note that only 10% of baby boomers have discussed retirement with their supervisor or employer (Jackson et al., 2006).

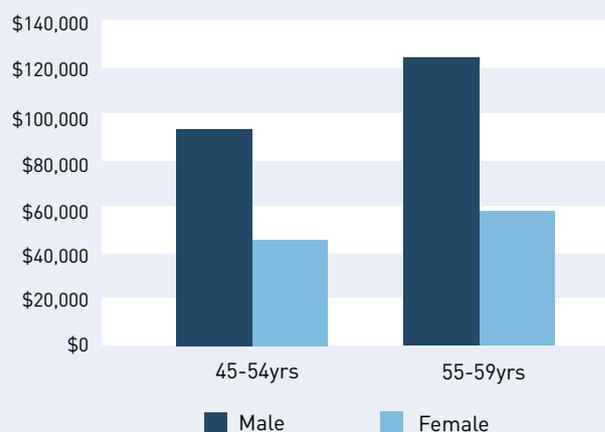
## How are baby boomers planning to fund their retirement?

With baby boomers representing about a quarter of the population, how they intend to fund their retirement (or have it funded) is particularly pertinent. Some studies have found that while it is very important for baby boomers to have enough income to live the life they want, they are vague when it comes to how much is needed to fund retirement (Hunter et al, 2007).

While 64% of Australians aged 30 to 65 are confident or very confident they will have enough money to live for more than 25 years after retirement (AARP, 2005), there is anxiety about financial security among lower income

groups (Hamilton & Hamilton, 2006b). These baby boomers have concerns about being able to live reasonably comfortably and afford hobbies in retirement. For women the problem is compounded as they don't have as much in superannuation as their male baby boomer counterparts (Figure 2).

**Figure 2:** Average Superannuation Balance, 2005-2006



Source: ASFA, 2008

Projections show a gender employment gap of around 14 years (35% difference) over the working life, which means the gap in accumulation of superannuation is similarly large. If female boomers do not make voluntary contributions to superannuation or have private savings, they will struggle to have an adequate private income stream which meets minimum living standards and the age pension will remain a significant source of income (Jefferson & Preston, 2005).

When it comes to stating how they will fund their retirement, up to 49% of baby boomers believe their main source of income after retirement will be superannuation or annuity (ABS, 2007; AARP, 2005). This is despite the average superannuation balance for baby boomers being just \$65,000 (NATSEM, 2007). The second most common source of expected income is a government pension or allowance. It is important to note, however, that some baby boomers do not know what their main source of retirement income will be.

For many retired people their main source of income changes during retirement, with more people becoming reliant on the government pension or allowance over time (ABS, 2007). While 46% of baby boomers expect to be partially reliant on the age pension, only 12% expect to rely fully on it. Currently working full-time is associated with being less likely to anticipate relying on the age pension (only 9% compared to 20% for part timers) (Hamilton & Hamilton, 2006b).

**12% of Australian baby boomers expect to rely fully on the age pension in retirement.**

## What sort of retirement lifestyle are baby boomers looking forward to?

The majority (73%) of working baby boomers have positive expectations of retirement. They are looking forward to having time to devote to themselves and other activities - the most popular retirement activities are travel, hobbies and volunteer work (AXA, 2008).

When asked about factors that would help them to have 'a good life' as they age, baby boomers in one survey identified the following factors as being 'extremely important': having the time to take part in enjoyable activities (67%); having access to health services (66%); and spending time with family (57%) (Mathews et al., 2007).

Approximately one-third of all baby boomers, however, are concerned about impending retirement and worry about death, illness, and financial problems (AXA, 2008). Other particular concerns of older age include declining health and dependency on others (Mathews et al., 2007) and having to live in an aged care home against their choice and lacking money to choose what they want (Fujitsu, 2007).

**For every \$100 baby boomers spend, \$12 goes toward recreation and entertainment - more than three times the amount they spend on superannuation and life insurance. (NATSEM, 2007)**

For every \$100 baby boomers spend, \$12 goes toward recreation and entertainment - that is more than three times the amount they spend on superannuation and life insurance (NATSEM, 2007).

## Where will baby boomers live when they retire?

Not a lot is known about the movement of baby boomers after retirement. What we do know is that 34.6% of Australian baby boomers expect to move to a new location after they retire (Jackson & Walter, 2007). Western Australian baby boomers are the most likely to want to move while those from Tasmania are the least likely. Contrary to popular belief there is some evidence that, while they do contribute to coastal population growth, boomers may not to be the main drivers of the 'sea change' phenomenon (AIHW, 2007)

Not surprisingly, baby boomers who currently rent a home are more likely to move than those who own their own property (Jackson & Walter, 2007). This may be partly explained by the fact that for many baby boomers, their home - with or without a mortgage - serves as their main or only source of investment / savings (NATSEM, 2007).

## What else do we need to know?

More information is required on baby boomers' plans and expectations for retirement, as well as the experiences of those boomers who have already retired. More specifically, differences between urban and rural; single and partnered;

and male and female boomers need to be identified, as well as the impact of the recent financial crisis on baby boomers' financial status and retirement plans.

The Ageing Baby Boomers in Australia (ABBA)\* project is designed to collect more information on baby boomers' plans and expectations for retirement, as well as the experiences of those boomers who have already retired. Data collection for the project has recently been completed including 15 focus groups conducted across the nation in late 2008 and a national telephone survey of 1,000 baby boomers undertaken in May/June 2009.

**Preliminary results from the focus groups suggest that baby boomers have been hit hard by the financial crisis, with many forced to revise retirement plans and curb lifestyle and travel spending. Worst affected seem to be divorced women and men who have experienced redundancy or retrenchment in recent years.**

More detailed results from the focus groups and survey will be made available in late 2009.

\* Details of the ABBA project can be found on page 7.

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## ABOUT THE NATIONAL SENIORS PRODUCTIVE AGEING CENTRE

The National Seniors Productive Ageing Centre is an initiative of National Seniors Australia and the Department of Health and Ageing. The Centre's aim is to advance knowledge and understanding of all aspects of productive ageing to improve the quality of life of people aged 50 and over.

The Centre's key objectives are to:

- Support quality consumer oriented research informed by the experience of people aged 50 years and over;
- Inform Government, business and the community on productive ageing across the life-course;
- Raise awareness of research findings which are useful for older people; and
- Be a leading centre for research, education and information on productive ageing in Australia.

For more information about the Productive Ageing Centre, visit [www.productiveageing.com.au](http://www.productiveageing.com.au) or call 02 6230 4588.



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