

The Rethinking Retirement Report 2024



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Executive Summary

The purpose of this report is to encourage Australians to rethink their approach to preparing for retirement by engaging with their super, planning early and considering financial advice.

The findings tell a tale of two halves: the uncertainties of Australians prior to retirement, and the generally positive experiences of those currently in retirement.

Our research found most Australians have concerns about retirement and many are afraid or embarrassed to ask for help.

When asked to estimate how much money they believe they need to save for a comfortable retirement, the average amount suggested was \$1.6 million. Those who have never received financial advice estimated they need to save \$2 million for a comfortable retirement.

While this is symptomatic of concerns prior to retirement, our research found that many of these concerns do not materialise once they retire. Others can be easily overcome where members engage with their super and access readily available tools and resources. These include retirement calculators, retirement planning tools, and digital advice solutions.

Our research found that Australians want the flexibility to access their super in retirement if they need it. They also want the option to continue working beyond retirement age and have a strong desire to pass on some of their retirement savings to loved ones.

Given these priorities, the importance of planning early and getting advice cannot be underestimated. Our research found that advised Australians are twice as likely as unadvised Australians to retire at a time of their choosing. Those who receive advice are also more likely to enjoy their retirement.

Overall, the experience of Australian retirees is positive. Seven in ten retirees told us they are currently enjoying a comfortable retirement, and many were surprised by the freedom they had to travel and remain active in their later years.

Key findings

Based on a survey of 2,247 Australians, the Rethinking Retirement Report 2024 highlights four key findings:

- 1 Australians want flexibility and choice in retirement.
- 2 Australians benefit from greater engagement with their super and access to advice.
- 3 Advised Australians are twice as likely as unadvised Australians to retire at a time of their choosing.
- 4 Australians are generally enjoying retirement despite their concerns leading up to it.

Retirement Intentions

A hallmark of the changing attitudes towards retirement is the desire to continue working.

While less than one in three Australians plan to stop working completely at the current retirement age of 67, how they wish to spend their time varies significantly.

The most popular work preferences beyond retirement age are reduced working hours, followed by a desire to continue working the same hours and pursuing a passion project with less pay and fewer hours.

One in ten Australians would like the flexibility to dip in and out of work and the same number plan to switch to a less demanding job. Our research found that only 1% plan to study or retrain. This presents an interesting challenge for policymakers in considering how older Australians can assist with labour-force gaps and skills shortages.

Beyond their work preferences, eight out of ten Australians want the flexibility to access their retirement savings if and when they need to.

Australians also have a strong desire to take care of their families by leaving some of their super behind. Three-quarters plan to leave some super behind, with their partner or children the most common beneficiaries.

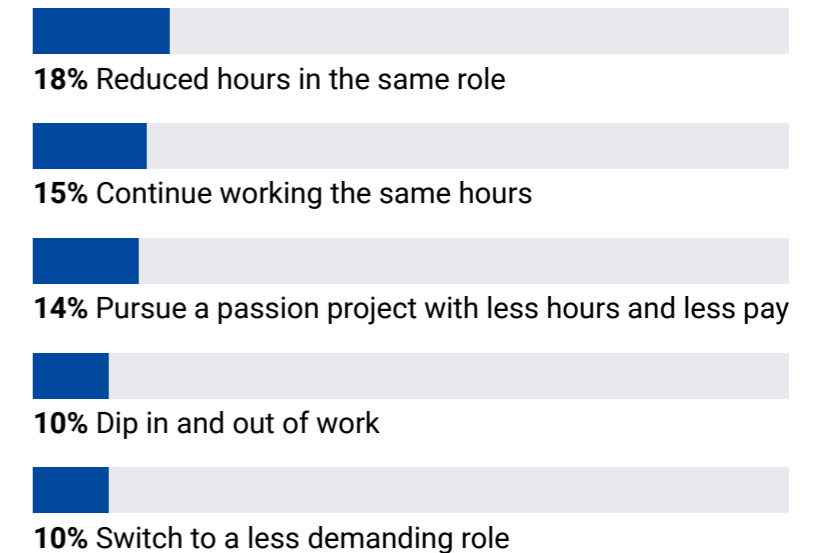
Over half of Australians want to leave more than 25% of their super to their loved ones.

Asked why they wish to leave money behind for their children, one retiree said: "So they have enough to retire themselves. The cost of buying a house is beyond reach for younger people now. A little help from me when I die might help pay off their mortgage and allow them to retire at an appropriate age."

Key findings

- Australians want flexibility and choice in their retirement.
- Less than a third of Australians plan to stop working completely past retirement age.
- Australians want the flexibility to work as they desire beyond retirement.
- Eight out of ten Australians want the flexibility to access their money when they need it.

Top five work preferences in retirement



Flexible access to funds

Eight in ten Australians want the flexibility to access their retirement savings if and when they need to.



Retirement Perceptions

Australians generally have a low level of engagement with their super. Only 37% say they would go to their super fund for information about retirement planning and just one in three pre-retirees aged 50 to 64 are interested in hearing from their super fund about retirement in general.

We asked respondents what question about retirement they would be afraid or embarrassed to ask. The most common question provided was 'how much money do I need to retire?'

These findings reflect an unwillingness among many Australians to ask questions and seek advice. Many would benefit from engaging with their super and using freely available tools and resources such as a retirement calculator to manage expectations for retirement savings.

We know that the quality of life people want to enjoy in retirement is incredibly personal and comes down to a range of factors including an individual's family circumstances, home ownership and health. When asked to provide a dollar estimate of how much they believed they would need to retire comfortably, the average was \$1.6 million.

By way of comparison, the ASFA Retirement Standard shows a super balance of \$690,000 is required to achieve a comfortable retirement as a couple and \$595,000 for a single.

Our 2023 Empowered Australian report found that advised Australians are more confident and significantly more positive about their financial position than unadvised Australians with the same net wealth and income.

Building on those findings, we see the important role that advice continues to play in the lives of retirees.

Our research found unadvised Australians are twice as likely as advised Australians to find retirement harder than they expected.

Over three-quarters of advised retirees say they are currently enjoying retirement compared to just half of those who have never received advice.

Key findings

- Australians benefit from greater engagement with their super and access to advice.
- Many Australians are afraid or embarrassed to ask for help.
- Australians estimate they need an average of \$1.6 million to retire comfortably.
- Advised Australians are more confident and significantly more positive about their financial position than unadvised Australians with the same net wealth and income.

Advised -vs- Unadvised



77% of advised retirees are enjoying their retirement

52% of unadvised retirees are enjoying their retirement

Retirement Planning

Most Australians don't get to choose when they retire. Two in three retire out of necessity.

The number one reason most Australians retire is because of their own or their partner's health.

Redundancy and no longer feeling welcome in the workplace are also factors that contribute to the unplanned retirement of Australians.

Asked to explain in their own words why they retired, one respondent said: "Due to my age no-one would employ me, despite decades in the retail food industry. They can pay younger people less but don't take into account that I just wanted to work."

Other responses found that Australians retired after selling their business or reaching a mandatory retirement age.

Those who have taken an early and long-term approach over their working lives to retirement income planning are likely to be in a better position and have a higher level of financial resilience and confidence as they grow older.

Financial advice plays a significant role in giving Australians greater control over when they retire. Our research found that those who receive advice are twice as likely to retire at a time of their choosing.



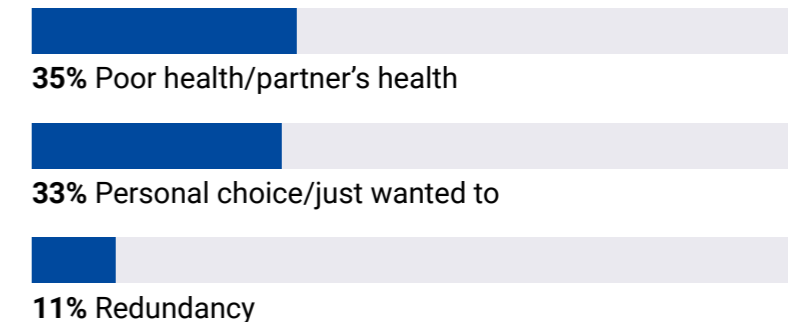
Unplanned retirement

Two in three Australians do not retire at a time of their choosing.

Key findings

- Only one in three Australians retire at a time of their choosing.
- Most Australians retire due to poor health, redundancy and other factors beyond their control.
- Advised Australians are twice as likely as unadvised Australians to retire at a time of their choosing.

Top three reasons Australians retire



Retirement Realities

Half of Australians have a natural fear of running out of money in retirement. However, this appears to be having little impact on their plans to spend their super once in retirement.

Eight out of ten Australians at or above retirement age are confident to spend their retirement savings and seven in ten retirees say they are currently able to enjoy a comfortable retirement with the amount of money they have saved.

However, retirees have different views on what a comfortable retirement looks like.

One respondent said a comfortable retirement was 'food, petrol and a roof over my head' while another said, 'not having to worry about everyday living costs and energy bills, being able to eat out once a week and travel in Australia in our caravan.'

For another retiree, a comfortable retirement meant 'having enough money to take an overseas trip every few years without having to save all the time.'

Many retirees said they were surprised by how busy they were, while others said they had been impacted by the cost of living and health issues.

Our research found one in two Australians at or above retirement age worry about falling ill and rising healthcare cost.

Key findings

- Australians are generally enjoying retirement despite their concerns.
- Eight out of ten Australians at or above retirement age are confident to spend their retirement savings.
- Seven in ten retirees say they are currently able to enjoy a comfortable retirement with the amount of money they have saved.
- A comfortable retirement means different things to different people.

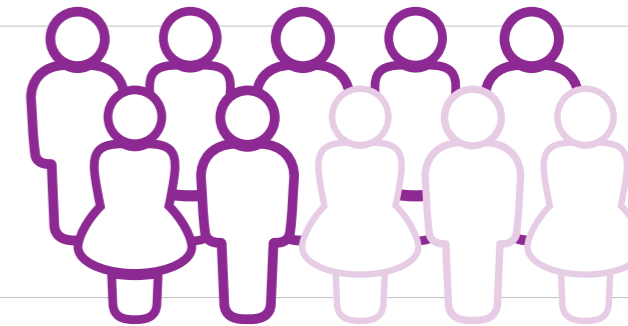
Confident to spend

Eight in ten Australians at or above retirement age are confident to spend their retirement savings



A comfortable retirement

Seven in ten retirees say they are currently able to enjoy a comfortable retirement with the amount of money they saved





Conclusion

Retirement is complex and personal. As people begin thinking about retirement, they face both uncertainty and a strong desire to enjoy their later years the way they want to.

Attitudes towards retirement continue to shift. Most Australians want the flexibility to access their super in retirement if and when they need it. They also want the choice to continue working beyond retirement age.

At the same time, Australians are unclear about when they will be able to afford to retire and how much money they will need to retire comfortably.

Our research found that Australians who plan early, engage with their super and get advice have considerably greater certainty over when they retire, are more confident about their financial position and are more likely to enjoy their retirement.

These findings reveal that a one-size-fits-all approach to retirement won't address the complex needs and individual circumstances of Australians.

The journey towards financial freedom in retirement is different for everyone. For some, the first step may be simply asking questions and gaining a better understanding of their options.

Greater access to affordable advice is essential to ensuring more Australians can enjoy the comfortable retirement of their choice.



About the research

Colonial First State (CFS) commissioned market researcher Nature to survey 2,247 Australians between October and December 2023.

All respondents hold either a superannuation, pension or annuity account or have investments in their name and are the sole or joint decision maker for these products.

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