How Australia Retires

May 2023

Foreword

Vanguard Australia is delighted to introduce our inaugural *How Australia Retires* report, a study exploring Australians' attitudes towards retirement and how they feel about this phase of life.

Improving retirement outcomes for investors has been a focus for Vanguard for as long as we've been in business. Our late founder, Jack Bogle, created the first index mutual fund to allow individual investors access to low-cost investment options that made saving for retirement more affordable. In the U.S., we have decades-long experience managing the retirement savings of millions of Americans, helping them save for a secure retirement via our target-date funds. Recently in Australia, we've also leveraged this global retirement expertise to help launch Vanguard Super and its flagship MySuper Lifecycle product, with the vision of reshaping retirement and superannuation for the benefit of all Australians.

This study joins Vanguard's extensive research into all facets of retirement, a complex and critically important phase of life for many Australians. Amid ever-changing regulations, and a need to meet diverse retirement needs, there is well-recognised demand for more innovative retirement solutions that match the sophistication of the more mature accumulation products available. Through this study, as well as our past research including *Vanguard's Roadmap to Financial Security* (2021) and *How Australia Saves* (2019), we aim to contribute to a better understanding of the opportunities and challenges facing Australians, so that as an industry we can innovate and evolve in support of members achieving their retirement goals - and living the lifestyles they envision.

One of the key findings in this report is that having a well-documented, detailed financial plan[1] is one of the most effective ways to not only achieve a successful retirement, but to alleviate the emotional burdens and anxieties that Australians can feel towards retiring. For younger Australians in particular who are redefining the traditional path towards retirement with career breaks, parental leave and travel, having a plan is paramount to protecting against these pauses in paid work impeding their ability to accumulate enough superannuation and save adequately for retirement.

This study also provides evidence that Australians display relatively low engagement and understanding when it comes to superannuation, with half not knowing how much they pay in annual fees, and 1 in 4 not knowing what their current superannuation balance is. Opportunity, and perhaps a need, therefore exists for the superannuation industry on the whole to rethink member experiences and methods of engagement, to simplify and improve transparency regarding fee structures, and to support stronger retirement outcomes.

What's also clear from the findings is the positive impact of professional financial advice on perceptions of retirement preparedness. While financial information is abundant – on social media, in podcasts, from family and friends – this study shows a positive relationship between professional advice and purposeful preparation for retirement, and ultimately greater retirement confidence down the line.

This inaugural edition of *How Australia Retires*, together with future instalments, will reveal how sentiment towards retirement evolves over time and how confident, both emotionally and financially, Australians are to retire. We hope these insights will help guide us towards positive actions that can be taken, by organisations and individuals, to help Australians feel more confident about retirement.

Daniel Shrimski
Managing Director,
Vanguard Australia

1. This study has found that a financial plan can be helpful whether it is formal or informal. For example, a plan could refer to a detailed, documented plan, or simply having a well-thought-out strategy in mind. Regardless of how respondents in this research defined "a plan", the overarching finding is that Australians need to give retirement adequate thought, no matter what form that might take. Vanguard defines a sound financial plan as one that begins by outlining the investor's objective as well as any significant constraints. The plan should be designed to endure through changing market environments and should be flexible enough to adjust for unexpected events along the way. Once the plan is in place, the investor should re-evaluate it at regular intervals. An example of an investment plan may include the following components: objective, constraints, saving or spending target, asset allocation target, rebalancing methodology, and monitoring and evaluation.

Contents

"I think we need to reimagine what we see in terms of retirement. The days of retiring at 50 or 60 years old and only being retired for 10 years until you die probably isn't as realistic for people of my generation."

— Male, 24

Insight 01

Work and retirement are being redefined by working-age Australians[2]

Over the past decade, the working lives of Australians have been impacted by a range of factors across the social and economic landscape, including regulation, health and technology.

The rise of the digital economy and the COVID-19 global pandemic heralded further lasting effects on the way Australians live and work. The acceleration of digital tools and capability across the business and social community has brought new flexibility and shifted employee expectations of what work looks like. So too has evolving legislation like Australia's national Paid Parental Leave scheme which will soon be further enhanced to provide greater working flexibility to Australian families[3]. All this has seen the career path options of contemporary workers irrevocably changed.

Through these impacts on the way we work, many working-age Australians are not only changing their expectations of life before retirement[4], but also reshaping their expectations of retirement and what this later phase of life means to them.

Unlike generations before them, working-age Australians are more likely to want to disrupt the traditional pathway to retirement by taking parental leave, career breaks or pursuing further study, or continuing some form of work even after commencing retirement.

2. For the purposes of this study, 'working-age Australians' are defined as those within the study who did not self-identify as retired.
3. From 1 July 2023, the entitlement to 18 weeks' paid parental leave pay will be combined with the current Dad and Partner Pay entitlement to 2 weeks' pay. This means partnered couples will be able to claim up to 20 weeks' paid parental leave between them. Parents who are single at the time of their claim can access the full 20 weeks (Source: Australian Government Fair Work Ombudsman, April 2023)
4. Traditionally, 'retirement' has been understood as a reference to the phase of life when one ceases full-time paid work or ceases paid work altogether. Participants in the study were not provided with a specific definition of 'retirement', so the results effectively reflect individuals' subjective interpretations of 'retirement' which may vary. While there is no one universally applicable prescribed 'retirement age' in Australia, subjective understandings of 'retirement' may be influenced by the fact that an individual qualifies for the Age Pension between age 65-67 years old depending on when they were born (provided they satisfy all other relevant criteria), and gains access to their superannuation savings once they reach their 'preservation age' and either retire or elect to receive a 'transition to retirement' income stream, and in any event when they turn 65 years old (Sources: Services Australia and the Australian Tax Office).

2 in 5

working age Australians expect to take extended break from work

Disrupting the traditional path to retirement, many working-age Australians expect to take some form of extended break from work in the time between their twenties to fifties.

While undertaking full-time work is important for working-age Australians, expectations about what this might look like differ significantly from those of older generations. Working-age Australians envision their careers to be punctuated with further study, parental leave, and career breaks; pursuits perhaps less likely to have featured in the working life of older Australians.

Of working-age Australians, career breaks are more likely to be taken by those on higher salaries who have a retirement plan in place and possess higher confidence in funding their desired lifestyle in retirement. This next generation of retirees will need to factor in the financial cost of extended career breaks, particularly the impact that time away from full-time work can have on superannuation balances and long-term retirement savings.

Table 1: Estimated impact of career break on superannuation balance at retirement

	Age at which the break starts		
Break Length (years)	25	35	45
1	$10,000	$11,500	$ 9,500
2	$19,900	$22,600	$18,700

Notes: These are highly stylised estimates for the purpose of illustration only and represent the estimated impact, in today's dollars, on an individual's superannuation balance as at age 67 as a result of foregone Super Guarantee (SG) contributions during a career break starting at a particular age. The figures are based an assumed SG rate of 10.5% (being the current SG rate, noting also that legislation has specified that this rate will increase in future) and adjusted for CPI (assumed at 2.5%) and real wage growth (assumed at 1.5%), and rounded to the nearest $100. For the purposes of this illustration it has also been assumed that SG contributions made at age x are invested when the individual turns age (x+1), and that the foregone contributions would have achieved a consistent annual earnings rate equal to CPI plus 4% net of fees, costs, taxes and inflation. Actual performance of superannuation products may differ. The estimates have been determined based on the following assumed annual salaries which reflect median gross wage data reported in the Australian Bureau of Statistics' Census 2021:

- Wage at age 25: $41,500
- Wage at age 35: $60,000
- Wage at age 45: $63,000

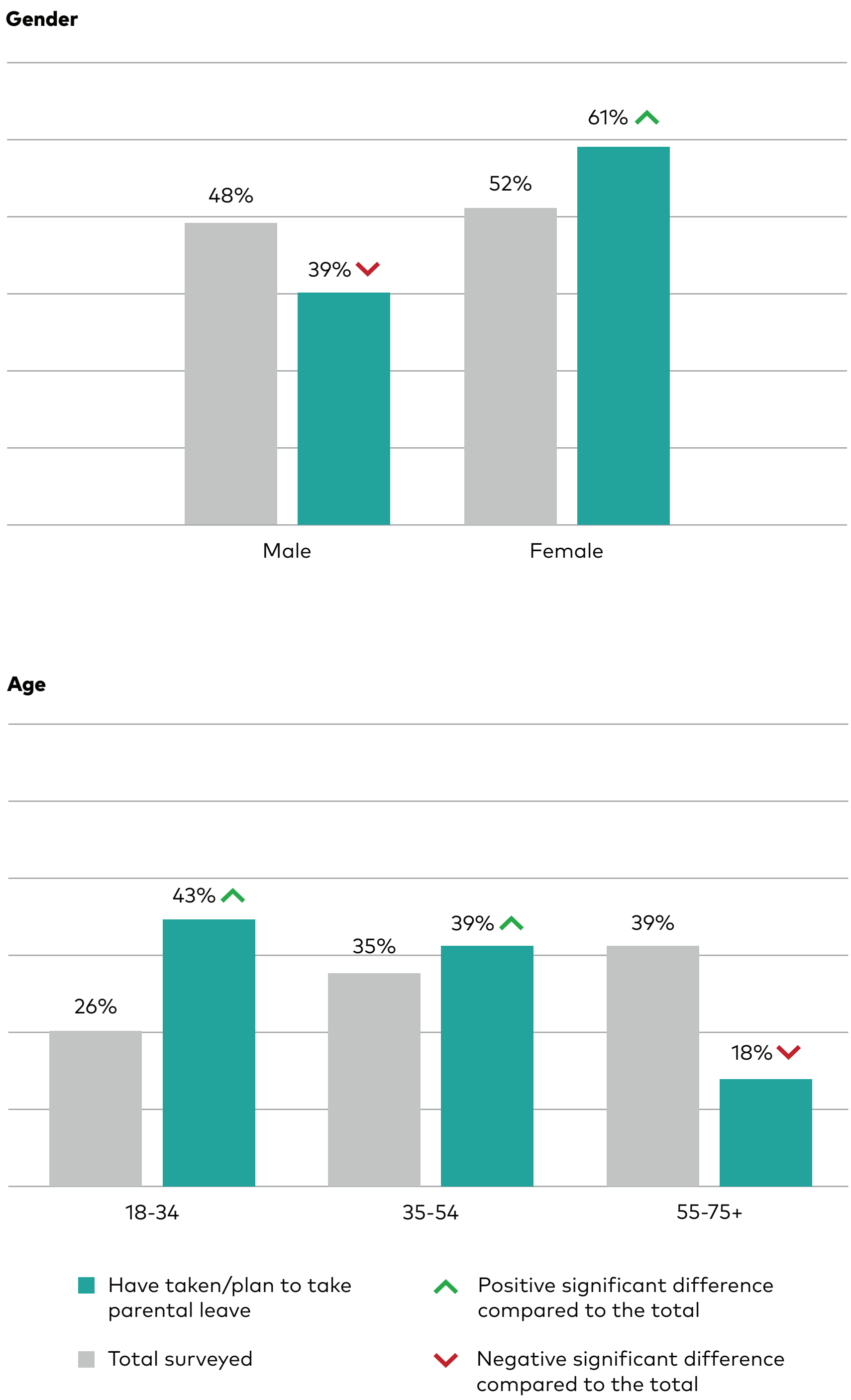
The above estimates of the impact of foregone SG contributions are not general or personal advice. They do not take into account the actual situation, financial objective or needs of any particular person and are not intended to be relied on for the purpose of making a decision about a financial product. Consider obtaining advice from an Australian financial services licensee before making any financial decisions.

1 in 2

Australians under 35 years old expect to take parental leave

Unlike generations before them, 1 in 2 younger Australians (under 35 years old) expect to take parental leave, especially in their thirties, with 39% of males and 61% of females expecting to or having already taken parental leave. This contrasts with older Australians (over 55 years old) whose lives were more likely characterised by full-time work from their twenties through to their sixties, and who may have subscribed to a more traditional model of family life with one carer (typically the female and non-paid). Older Australians also outlined that their path to retirement was rarely interrupted by further study, parental leave, career breaks or multiple career changes.

Figure 1. Intention to take/have taken Parental Leave by Gender and Age



8 in 10

current retirees stopped working completely upon retiring

Older generations who have retired are significantly more likely to have completely stopped full-time paid work in their retirement (as opposed to have taken a phased approach), with 79% of participants stating they finished work completely when they initially retired.

Of the remaining retirees, 12% of all retired participants stated they worked part-time or on a casual basis, 6% continued to work in their job before retiring completely and 2% either started their own business or began a new career. In contrast, only 31% of working-age Australians plan to finish working completely upon retiring.

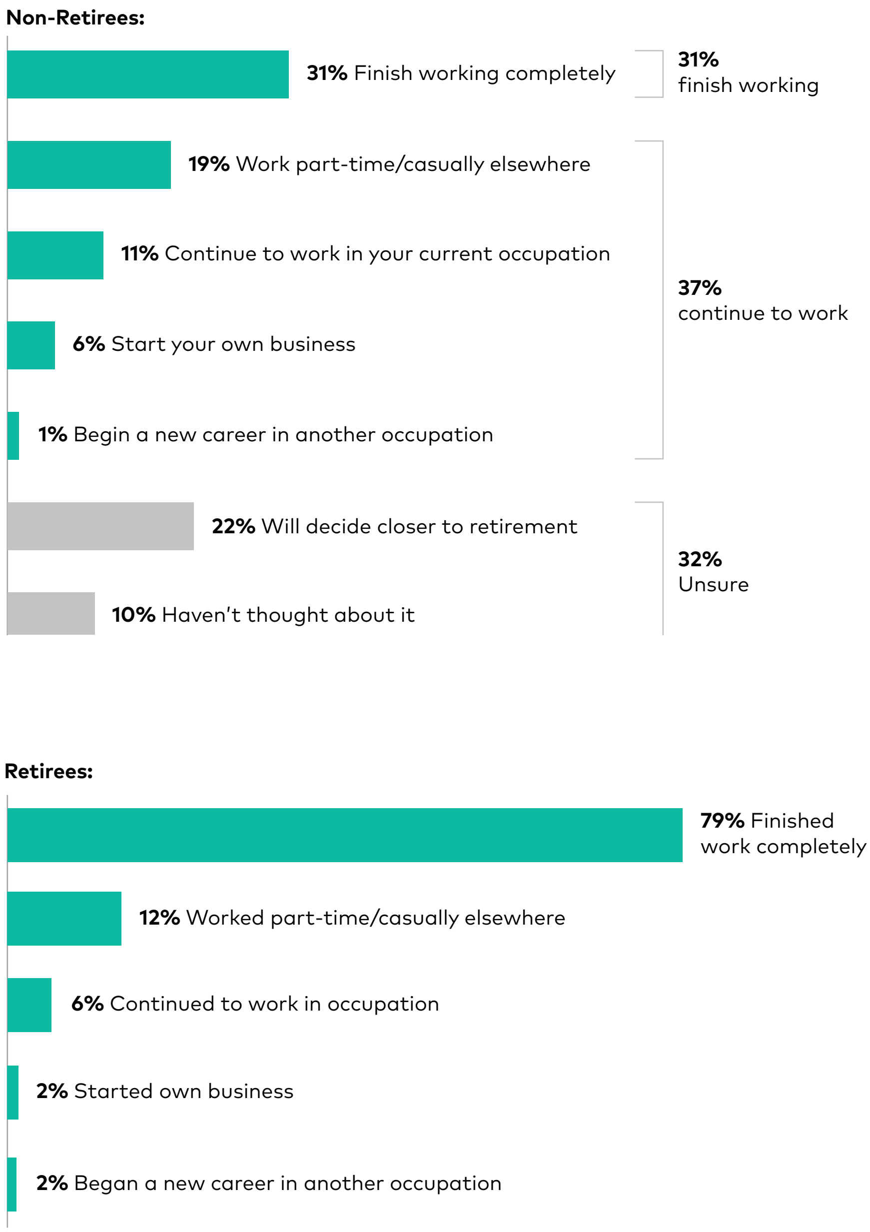
1 in 3

working age Australians want to continue some form of work into retirement

Working-age Australians who plan to continue to work following retirement want to do so because they feel they will not be able to afford retirement without additional income or they expect to still be repaying a mortgage.

Working-age Australians who intend to stop working completely once retired are more likely to have a retirement plan, have higher levels of confidence in funding their retirement and plan to own their home outright than those who intend to continue work upon reaching retirement age.

Figure 2. Transition into retirement



Note: Percentages within a metric may not add up to 100 due to rounding.

Erica

36 years old
Melbourne, Victoria

Erica is a Learning Consultant working in business services. She is a big believer in flexible working arrangements. At her previous employer, Erica predominantly worked online which allowed her to spend time living and working overseas. Erica is fairly confident in her investment knowledge and has a deep understanding of financial products, whilst also being engaged with her finances.

Family

- Single, no kids

Financial Situation

- Household income of $130,000-$150,000
- Owns her own home and is paying off her mortgage

Confidence Level Financial Products

- Shares: **Moderate**
- Bonds: **Moderate**
- Exchange traded funds (ETFs): **Very**
- Managed funds/Investments: **Very**
- Savings/deposit account: **Moderate**
- Superannuation: **Very**

Financial Future and Retirement

3 words that best describe her financial future and retirement

1. **Promising:** I have a good foundation
2. **Innovative:** I'm always thinking about different ways of working to contribute to work life balance leading to retirement
3. **Adaptable:** I'm ready for changes given anything can change the course of my plan

Superannuation

She slightly agrees with the following - *"I know how much I need in my superannuation to have a comfortable retirement."*

Erica feels very confident that she will be able to fund the lifestyle she wants in retirement.

Where does Erica see herself in...

5 years' time...

- Secure a balanced portfolio of investments and shares
- Buy investment property
- Increase super contributions

In 10 years' time...

- Consider share portfolio for potential children
- Pay down mortgage
- Be close to debt free

Study participants' names have been changed

"Because there is no pressure from work, I want to learn different things. For example, I am gardening. Also, I am very happy to pick up my grandchildren from school allowing my daughter and son-in-law some time to relax."

— Male, 71

Insight 02

Expectations of retirement differ greatly from the reality

Between working-age Australians and those already retired, there exists significant variance on the ideal age to retire, how they envision they will spend their time during retirement, and crucially, how much income will be required to fund their ideal retirement lifestyle.

Working-age Australians do not agree on an *ideal* age to retire.

While the average ideal retirement age reported by respondents is a little over 61 years old, there is significant variation in responses across the different age groups surveyed.

On average, those participants aged between 18 to 34 hope to retire by age 59.5, those aged between 35 to 54 hope to retire by age 61.5, and those aged between 55 to 75 and beyond want or wanted to retire by 64.9 years old, a notable increase in ideal age for those entering the pre-retirement phase (over 55 years) when compared with the perceptions of younger age brackets. This suggests that as working-age Australians edge closer to their retirement phase, their expectation of the 'ideal age' at which to retire increases. This might be a result of Australians becoming more realistic about their retirement age as they near this phase of life, as opposed to younger Australians who might be more idealistic about earlier retirement or haven't yet given retirement planning appropriate thought.

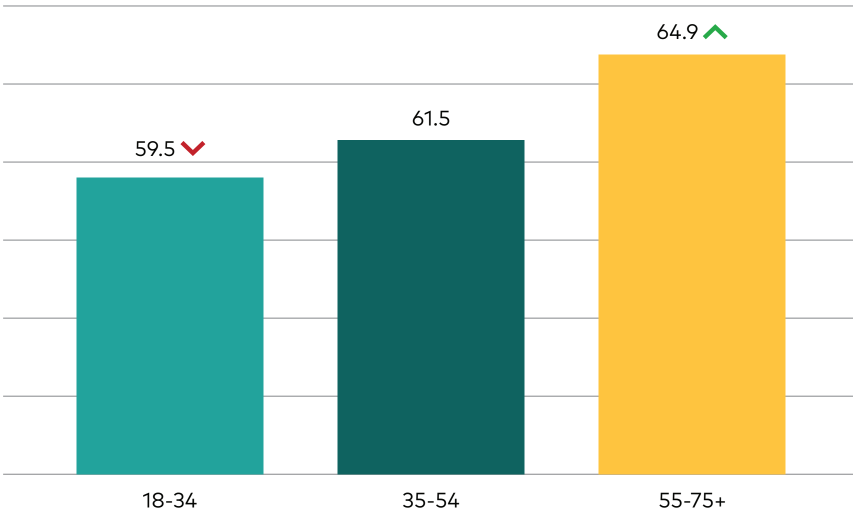
While there was variance across age groups, perceptions of the 'ideal age' to retire did not vary significantly according to levels of affluence (in terms of current household income or by value of investments) nor gender.

When considering their circumstances, working-age Australians agree that between 65 to 66 years old is the *realistic* age at which to retire.

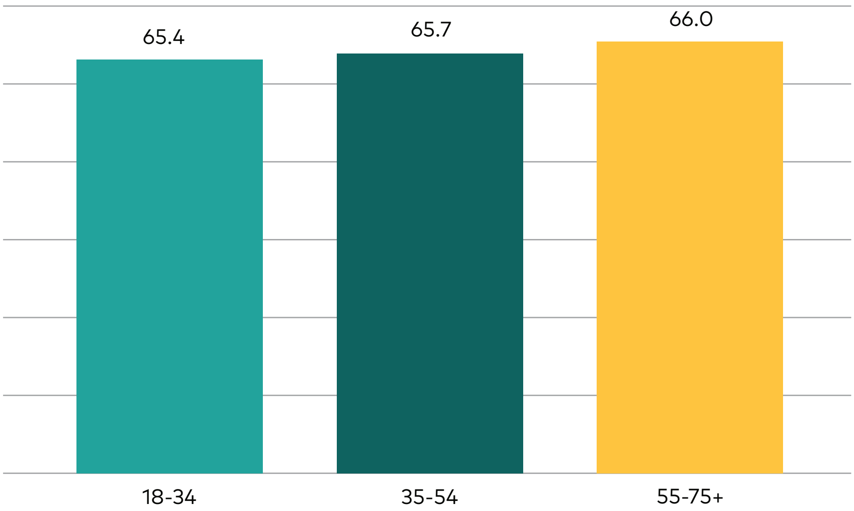
On average, young Australians under the age of 35 see their realistic retirement age as 65.4 years old, those aged between 35 to 54 see their realistic retirement age as 65.7 years old, and those aged between 55 to 75 and beyond believe 66 is a realistic retirement age.

Figure 3. Ideal and realistic perceived retirement ages among working-age Australians, by age group

Ideal retirement age average: **61.4**



Realistic retirement age average: **65.7**



Positive significant difference compared to the total

Negative significant difference compared to the total

50%

of working-age Australians want to retire with a yearly income significantly higher than the yearly income currently required by older generations.

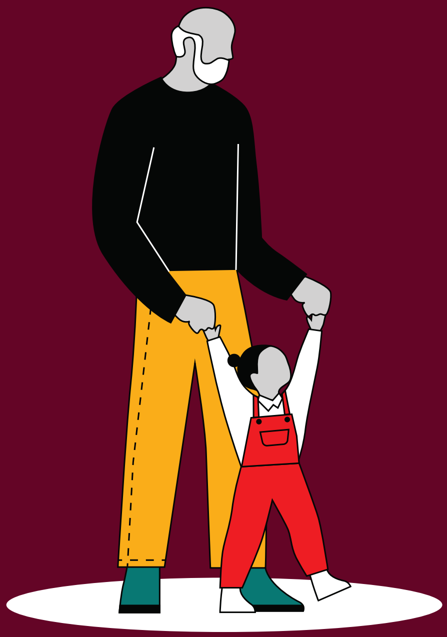
When contemplating their *desired* yearly income during retirement, working-age Australians who are yet to retire expressed that they would like to have an income of on average $99,000 per annum (assuming today's dollar value). Those who have already retired said that they desire on average $68,000 (in today's dollar value) as a yearly income, significantly less than the desired income of current working-age Australians.

Interestingly, the figures were much lower for both working-age Australians and current retirees when asked about the *minimum* yearly income they think they would need in retirement, with working-age Australians indicating an average of $62,000 (assuming today's dollar value) and current retirees stating approximately $41,000 on average (assuming today's dollar value) per annum. While the yearly amount that current retirees perceive they *need* is significantly lower than their *desired* yearly income, current retirees still indicated they need substantially less than working-age Australians did, which may suggest that retirees find they can manage on a lower income than expected.

With more time to work towards their retirement goals, working-age Australians may be setting themselves higher post-retirement income targets and setting a new retirement standard. However, there may also be an element of working-age Australians' expectations of retirement not aligning to reality. This could be because:

- Working-age Australians may not be able to effectively predict what their financial wants and needs will be during retirement, especially due to retirement not being in their near or immediate future.
- Working-age Australians may not be able to envision their retirement lifestyle, therefore not being able to effectively foresee how their current incomes and expenses will translate to their retirement income and expenses, which may be leading to an over-estimation of their retirement spending needs.
- Working-age Australians are less likely to own their home compared to older generations[5], leading to expected rental expenses.
- Working-age Australians' expectations of retirement lifestyles and the activities they would like to differ from expectations held by older generations. For example, when asked about the lifestyle they would like to lead in retirement, working-age Australians prioritised travel (should financial considerations allow). Current retirees, however, prioritise spending time on hobbies.

5. Source: Australian Bureau of Statistics, *Owning a home has decreased over successive generations* (media release, 20 October 2022).



Vik & wife

71 years old
Sydney, New South Wales

Vik lives with his wife Nikita in Southern Sydney, and is currently retired. He emigrated from his country of birth many years ago whereupon he changed careers and worked for the Federal Government (for almost 20 years). Vik and Nikita sought financial advice and worked hard to ensure they would be comfortable in retirement. They dreamed of holidays and moving closer to the beach, but in reality, they now spend most of their time looking after their grandchildren. For this reason, Vik and Nikita don't want to relocate away any more as they enjoy spending time with their family in retirement.

Family

- Married with children who have left home

Financial Situation

- Household income of $55,000-$60,000
- Own their home and paying off a mortgage

Confidence Level Financial Products

- Shares: **Very**
- Bonds: **Slightly**
- Exchange traded funds (ETFs): **Moderately**
- Managed funds/Investments: **Moderately**
- Savings/deposit account: **Very**
- Superannuation: **Moderately**

Financial Future and Retirement

3 words that best describe his financial future and retirement

1. **Secure:** Based on the super I have and the expected returns from it
2. **Freedom:** Now that I am retired, I have freedom to do what I want
3. **Volunteer:** I have accumulated so many skills that I can share with others

Superannuation

He strongly agrees with the following - *"I know how much I need in my superannuation to have a comfortable retirement."*

Vik feels very confident that he will be able to fund the lifestyle he wants in retirement.

Where does Vik see himself in...

5 years' time...

- Acquire new skills/hobby such as golf
- Work as a volunteer
- Develop his IT skills, especially with apps
- Do some daring activities such as skydiving

In 10 years' time...

- Continue the previously listed activities plus do some world travels especially by cruising

"You've got to have a plan. If it's Tuesday, we'll go to movies, on Thursday, we'll sit in the park for half a day and have lunch. You have to have things planned out, if you haven't, you'll hate retirement, you simply hate it."

— Female, 57

Insight 03

Retirement confidence is not dependent on age or income but rather, on having a plan

This study found that Australians generally take one of two journeys towards retirement, broadly referred to as a *Low Confidence Journey* or a *High Confidence Journey*. The journey they take is determined by their everyday attitudes and actions. Between these two journeys, significant differences in retirement confidence exists.

By comparing working-age and retired Australians according to their respective attitudes towards life goals, career paths and financial planning, five distinct segments emerged: *Lacking Direction*, *Aspiring Professionals*, *Passives*, *Late in the Game*, and *Highly Confident*. Interestingly, while characterised by attitudes, each segment notably skewed towards certain ages or demographics.

Table 2. Respective attitudes of working-age Australians and retirees towards retirement, by segment

	Lacking Direction 8%	Aspiring Professionals 30%	Passives 29%	Late in the Game 5%	Highly Confident 29%
Feelings About Career and Retirement	Don't associate profession with identity Unsure and worried about retirement	Associate profession with identity	Neutral feelings about retirement	Worried about retirement	Associate profession with identity Highly positive feelings toward retirement
Retirement Planning and Research	Have done little to proactively plan/prepare for retirement	Have general idea of how to prepare for retirement Most likely to say info/guidance would be helpful	Have general idea of how to prepare for retirement Only **1 in 4** making regular contributions to superannuation	Unsure of how to get to retirement lifestyle wanted Least likely to budget Finds thinking about retirement uninteresting	Prioritise savings **1 in 3** make regular contributions to superannuation
Goals and Retirement Strategy	More likely to say Age Pension is part of retirement plan than superannuation	High income wanted in retirement	Beginning to lower expectations about retirement income	Age Pension is biggest piece of retirement plan Much lower expectations for income during retirement	Superannuation is biggest part of their retirement plan Highest income wanted in retirement

Demographics

	Lacking Direction	Aspiring Professionals	Passives	Late in the Game	Highly Confident
Female	68%	53%	45%	56%	47%
Male	31%	47%	55%	43%	53%
Non-binary/prefer not to answer	<1%			1%	
18–34	26%	41%	27%	11%	31%
35–54	25%	36%	38%	12%	34%
55–74	29%	19%	28%	51%	28%
75+	21%	4%	8%	27%	8%
Employed full time	17%	51%	46%	12%	47%
Living with kids	27%	41%	27%	19%	32%

Between these five segments, clear differences in retirement confidence were evident, which indicates which of the two journeys (*Low Confidence Journey* or *High Confidence Journey*) the participant is likely to take or have taken towards retirement.

Table 3. Retirement journeys by segment

Note: Percentages within a metric may not add up to 100 due to rounding.

	Low Confidence Journeys People on these journeys are much less confident about their retirement. Each is different in their general attitudes and may have different needs.				**High Confidence Journey** This is a more ideal path for people interested in maximising their retirement readiness.
Segment Name	**Lacking Direction**	**Aspiring Professionals**	**Passives**	**Late in the Game**	**Highly Confident**
Confidence in Retirement (% Very/Extremely Confident)	16%	29%	22%	23%	49%
Segment Description	This group is the least confident in their retirement and don't know what to do to get closer to their retirement goals	This group has the highest income goals for retirement among segments in the low confidence journeys and skew youngest	This group has middling expectations for their retirement income; they're toward the middle of taking action toward it	This group skews much older; they don't know what to do to improve their retirement income and may have a higher sense of urgency	The most confident group; they can help Australians understand good behaviour

Those who are *Highly Confident* have actively prepared for retirement

52% of Australians on the *High Confidence Journey* have or had a good idea of what they needed to do to achieve the retirement outcome they desired, and are optimistic about this phase of life. They are more likely than any other segment to set budgets, prioritise savings, and regularly contribute to their superannuation, more so than those on the *Low Confidence Journey*, particularly those who are *Lacking Direction* or *Late in the Game*.

56% of *Highly Confident* Australians also consider superannuation as an important component of their retirement plan.

Figure 4. Actions taken to prepare for retirement, by retirement journey and segments

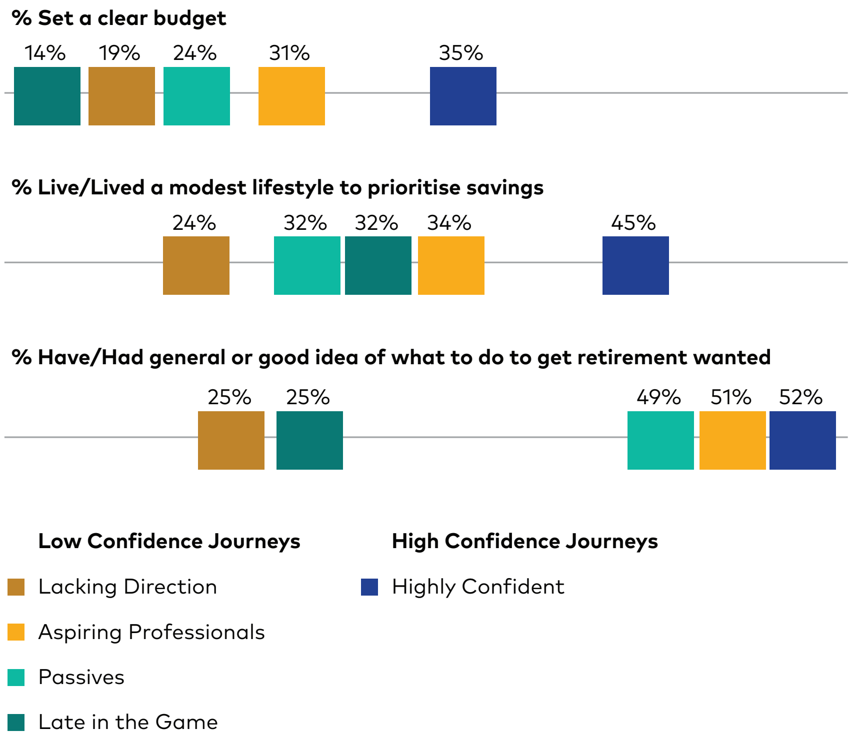
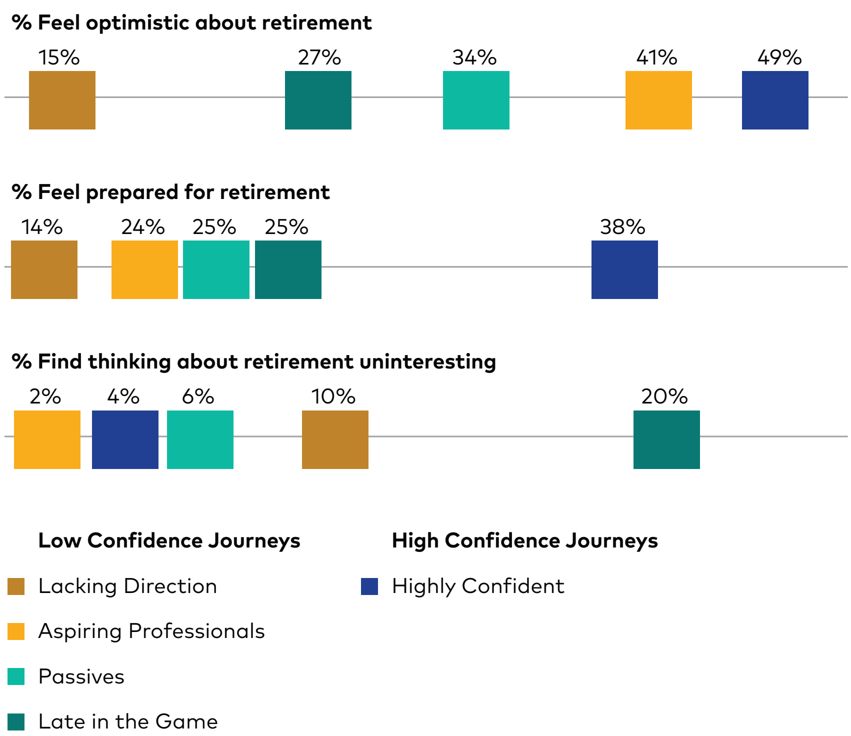


Figure 5. Attitudes towards retirement, by retirement journey and segments



Australians tend to start their working lives feeling confident about retirement but this confidence wanes the longer they go without a plan and purposeful preparation

Australians on the *Low Confidence Journey* are more likely than those on the *High Confidence Journey* to feel a negative emotion towards retirement such as worry or anxiety. They generally feel unprepared for retirement, lack either understanding or interest in planning for this later phase of life, and are generally more concerned than those on the *High Confidence Journey* about not having enough income in retirement.

While different segments on the *Low Confidence Journey* have different levels of expectations and senses of urgency towards retirement, they generally feel less optimistic, and have less of an idea of what actions they need to take to achieve the retirement they envision, than those on a *High Confidence Journey*.

Interestingly, however, *Aspiring Professionals* (the segment that are youngest on average), exhibit the highest level of retirement confidence out of the segments on the *Low Confidence Journey*, with 29% of Australians in this category stating they are "very confident". They are also the most optimistic, with 41% of *Aspiring Professionals* feeling positive emotions towards retirement. Notably, *Aspiring Professionals* also exhibit some similar traits to those who are *Highly Confident*, including being more likely to set clear budgets and prioritise savings than the rest of the segments. *Aspiring Professionals* also desire the highest level of income in retirement but are uncertain of how to attain the lifestyle they desire. This might be because retirement feels too far in the future for *Aspiring Professionals* to think about now or because they lack the guidance and information required to start preparing.

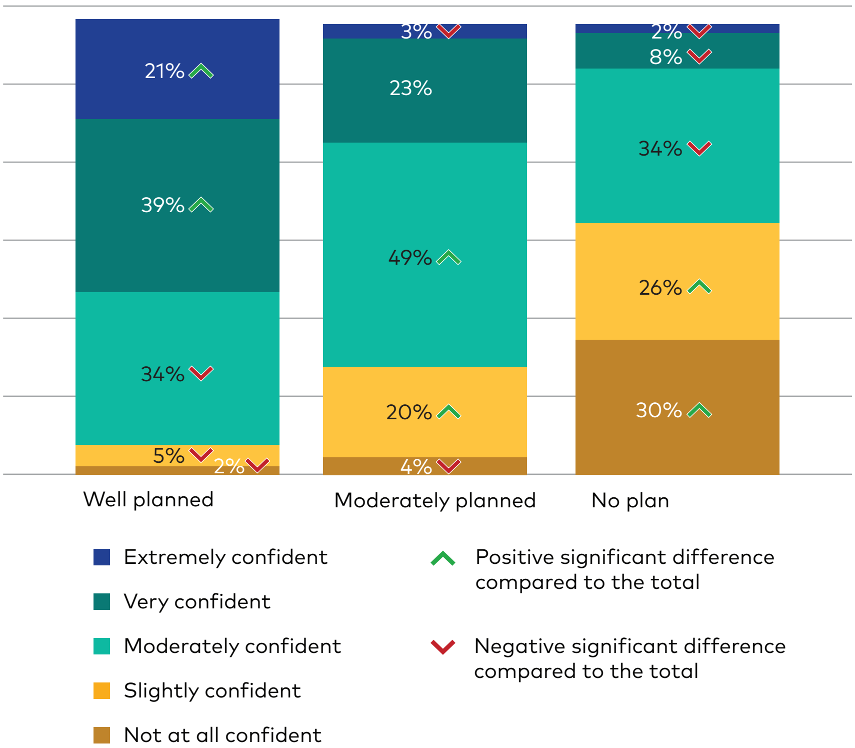
Passives skew towards middle age and are beginning to lower their expectations about retirement income as they get closer to retirement. Confidence is also waning as they age, with only 22% of Australians in this segment feeling very confident about retirement and 25% feeling prepared. Only 1 in 4 *Passives* make regular contributions to their superannuation. They also have only a general idea of how to prepare for retirement, and no firm or detailed plan.

Similarly, out of those who are *Late in the Game* (the segment that skews the oldest), just 23% of Australians feel very confident about retirement and just 27% feel optimistic and 25% feel prepared. Despite likely having a higher sense of urgency as they near the traditional retirement age, they are the least interested in retirement planning, the least likely to budget and the most unsure of how to get the retirement lifestyle they want, particularly so late in their journey. *Late in the Game* have much lower expectations for income during retirement and believe the Age Pension will form the biggest component of their retirement plan. Without much purposeful preparation for retirement to date, those who are *Late in the Game* may fall into a cycle of inertia where the later they leave retirement planning, the less motivated they are to begin, and the lower likelihood of achieving the retirement lifestyle they desire.

This suggests that retirement confidence doesn't necessarily start low in younger Australians, but rather, could wane as they get closer to retirement and feel increasingly worried about not being able to afford the lifestyle they want because they lack a retirement plan – a key difference between those on the *Low Confidence Journey* and *High Confidence Journey*.

Figure 6. Retirement confidence by level of retirement planning

Net: Extremely/Very Confident	60%	26%	10%
Net: Slightly/Not at all	7%	25%	56%



Note: Percentages within a metric may not add up to 100 due to rounding.

Overall, across all respondents surveyed, those who have a detailed retirement plan (formal or informal) are 6 times as confident about retirement than those without a plan, with 21% stating they are extremely confident and 39% stating they are very confident.

Conversely, those without a plan feel much less confident about retiring and how they will financially prepare for the retirement lifestyle they desire, with 30% stating they are not at all confident. Only 2% stated they are very confident.

Felix & wife

52 years old
Brisbane, Queensland

Felix lives with his partner Charlotte and their children. He is a teacher who works full time. Felix lacks understanding in how much he will need to fund the lifestyle he desires in retirement. Despite this, he hopes to be able to use his retirement income to support his family. Felix plans to continue some form of paid work in retirement and is also interested in volunteering. He is a little nervous about dipping into his superannuation and would prefer to leave it untouched for as long as possible. Instead, he plans to live frugally off the income he generates from casual work. This, he feels, will allow him more time to figure out how long his superannuation can support his lifestyle in retirement.

Family

- De-facto with kids living at home

Financial Situation

- Household income of $150,000-$159,999
- Rents his home

Confidence Level Financial Products

- Shares: **Very**
- Bonds: **Slightly**
- Exchange traded funds (ETFs): **Not at all**
- Managed funds/Investments: **Slightly**
- Savings/deposit account: **Very**
- Superannuation: **Moderately**

Financial Future and Retirement

3 words that best describe his financial future and retirement

1. **Freedom:** to choose where to invest my time and energy
2. **Sharing:** opportunity to be generous with what I give
3. **Steady:** a good steady income that meets our needs with plenty leftover to share

Superannuation

He slightly disagrees with the following - *"I know how much I need in my superannuation to have a comfortable retirement."*

Felix feels moderately confident that he will be able to fund the lifestyle he wants in retirement.

Where does Felix see himself in...

5 years' time...

- I hope to be able to provide for my family's needs, build our savings for our future, have an abundance that we can use to share with others

In 10 years' time...

- I plan to be retired in 10 years and be free to volunteer in the community, travel overseas and focus on building up my family and my garden

"I changed my job seven weeks ago. So generally every time I change a job, I have a look at it (superannuation) again."

— Male, 24

Insight 04

Financial information is abundant but professional advice creates real value

In recent years, the financial advice industry has faced severe criticism and undergone substantial structural change following the Royal Commission into Misconduct in the Banking, Superannuation, and Financial Services Industry.

Consequently, these developments have resulted in a lack of trust in the financial advice industry, and it is therefore not surprising that working-age Australians would seek alternative sources of guidance and advice. The proliferation of social media and online forums has also spawned a wide range of channels, with some being useful hubs for information-sharing but many offering unsubstantiated information without the required regulatory authorisations and oversight.

In addition, the cost of seeking financial advice remains a barrier for many Australians and is driving a growing advice gap that may be detrimental to their financial outcomes.

Almost 2 in 3

working-age Australians have never engaged a financial adviser

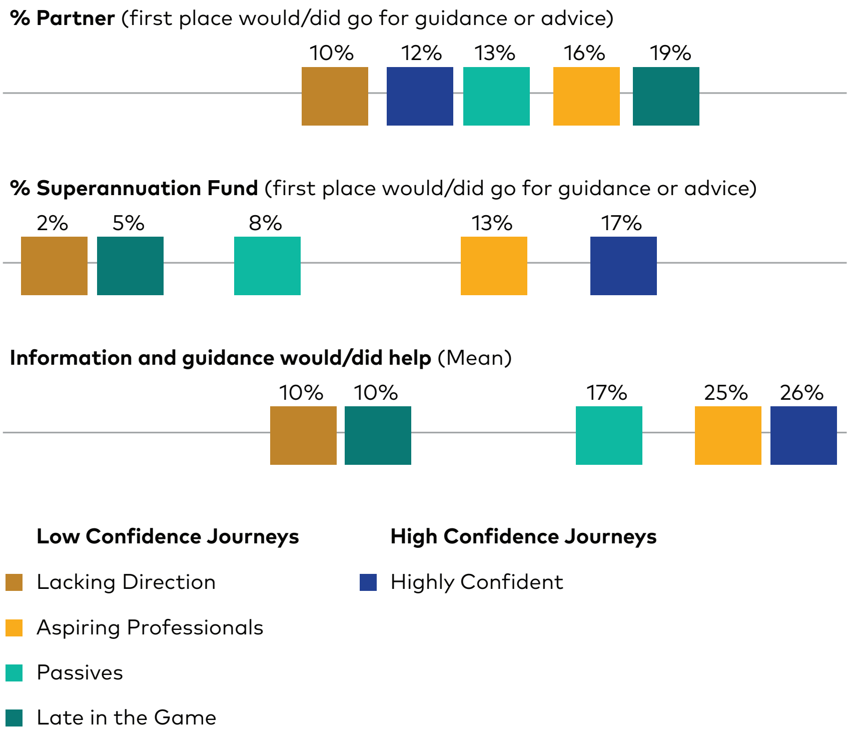
Financial advisers are not the leading source of professional guidance for working-age Australians, particularly for those on the *Low Confidence Journey*. Superannuation funds are in fact the primary source, alongside banks, accountants and government websites.

Working-age Australians however are more likely than current retirees to consult a non-professional source, preferring to do their own research or seek guidance from their partner or family and friends. This perhaps indicates a wariness of professional advice (whether that be due to a lack of trust or as a result of high fees) or simply because friends and family are more easily accessible.

Working-age Australians, particularly those on the *Low Confidence Journey*, are also much more likely to seek information from digital sources including podcasts, blogs, and social influencers. In contrast, retired Australians and those on the *High Confidence Journey* predominantly consult professional sources of guidance, such as financial advisers or their superannuation fund. Whether these preferences are due to generational differences (for example, younger Australians perhaps being more comfortable with technology and non-professional sources of financial information having grown up with it) or otherwise, seeking financial advice from a licenced professional can not only add financial and emotional value[6], but can also improve retirement readiness.

6. Source: Vanguard, *Putting a value on your value: Quantifying Vanguard Adviser's Alpha* (July 2022).

Figure 7. Preferred source of financial advice and information, by segment



Seeking advice

leads to greater confidence in being financially prepared for retirement

Despite the abundance of financial information online and elsewhere, the study found a strong relationship between the use of a professional financial adviser and the retirement confidence it can inspire.

Of the study participants that have received professional advice, 44% indicate they are extremely or very confident in funding their retirement.

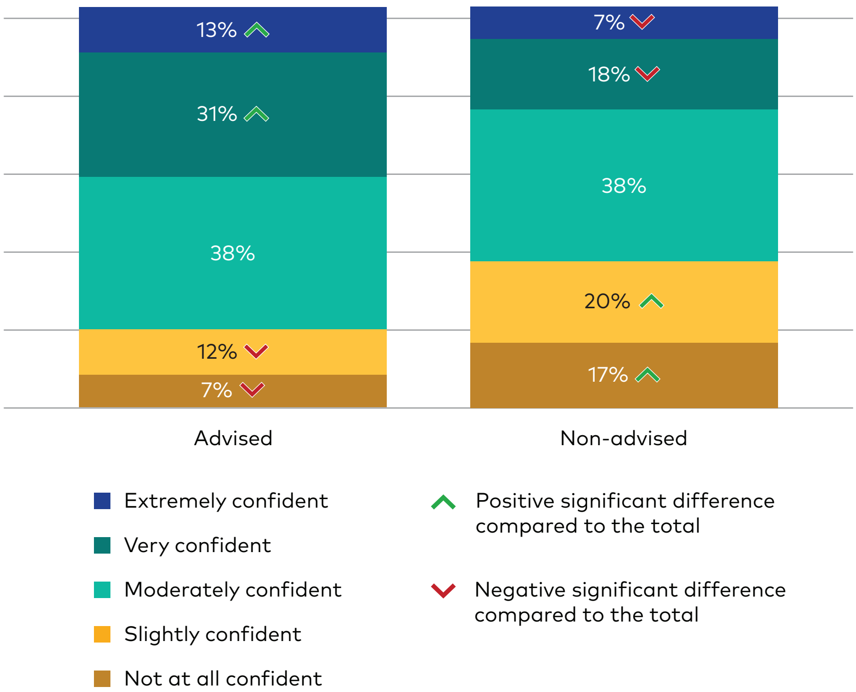
In contrast, Australians who have not sought professional advice, only 25% report being extremely or very confident in funding their retirement.

Figure 8. Impact of professional advice on confidence in being able to fund desired lifestyle in retirement

Retirement confidence

Net Advised: Extremely/Very Confident 44%

Net Non-advised: Extremely/Very Confident 25%



Q. How confident are you that you will be able to fund the lifestyle you want in retirement?

Note: Percentages within a metric may not add up to 100 due to rounding.

Australians who have received professional advice are also twice as likely to have a clearer, more detailed retirement plan, and are twice as likely to feel confident that they will be able to fund their retirement lifestyle.

Conversely, Australians who do not seek professional advice or seek only the assistance of family and friends tend to have less comprehensive retirement plans.

Working-age Australians who have developed their own financial plan are relatively likely to have prioritised budgeting and regular savings, while those with a financial plan from an adviser are more likely to prioritise superannuation contributions. Contributing regularly to superannuation is a key trait of those on the *High Confidence Journey*, whereas the majority of Australians on the *Low Confidence Journey*, particularly those in the *Passives* and *Late in the Game* segments, typically do not do so.

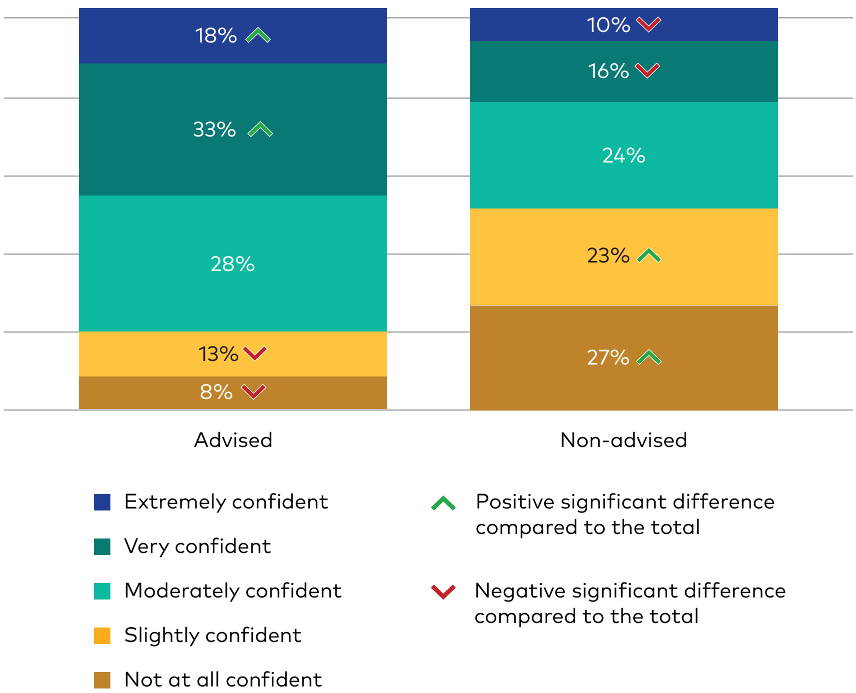
Further, those who have a more detailed plan have typically taken more purposeful action to prepare for retirement, particularly in debt management and budgeting while also making additional superannuation contributions and investing in securities and property.

Figure 9. Impact of professional advice on financial preparation and detailed planning

Retirement confidence

Net Advised: Has an exact plan with all details/ has a good idea with most detail — 51% ▲

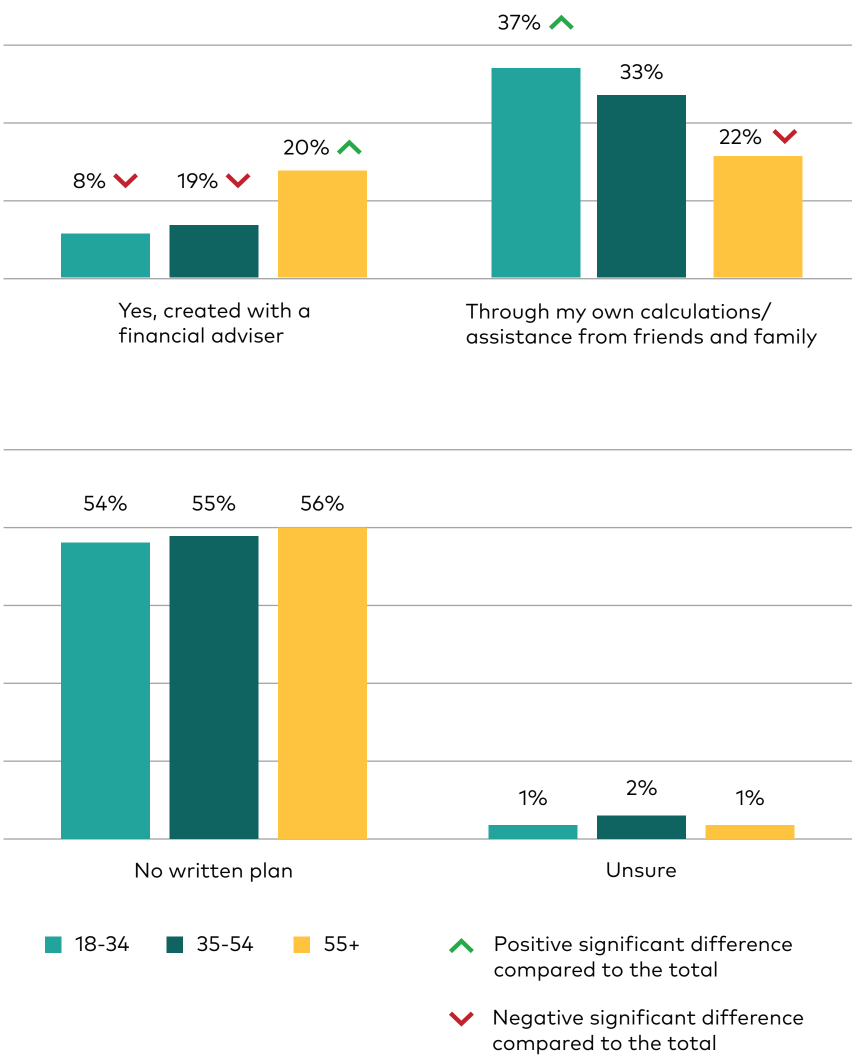
Net Non-advised: Has an exact plan with all details/ has a good idea with most detail — 26% ▼



Q. Do you have a clear plan (either formal or informal) for how you'll financially prepare to reach the retirement lifestyle you want? Base Advised n=643, Non-Advised n=1179

Note: Percentages within a metric may not add up to 100 due to rounding.

Figure 10: How a respondent's written financial plan was created, by age



Q: And do you have a written financial plan? Base n = 1,078

Saskia & husband

36 years old
Sydney, New South Wales

Saskia lives by the beach with her husband Rob and their children. She works full time as a HR consultant. She has a strong understanding of how much she needs in superannuation to fund her retirement and hopes to retire in 10 years' time in her mid-40s, relying on income from her investment properties.

Family

- Married with kids living at home

Financial Situation

- Household income of $230,000+
- Own their home paying off a mortage

Confidence Level Financial Products

- Shares/Equities/ Stock: **Slight**
- Bonds: **Not at all**
- Exchange traded funds (ETFs): **Not at all**
- Managed funds/Investments: **Not at all**
- Savings/deposit account: **Extremely**
- Superannuation: **Slightly**

Financial Future and Retirement

3 words that best describe her financial future and retirement

1. **Balanced:** I think my husband and I have a balanced sense of risk when it comes with money, investments and savings
2. **Planned:** I think long term and recognise I need to be patient for myself to be in a strong financial situation long term
3. **Aware:** I think about money, my future, security a lot. I like nice things but I have always greatly appreciated money and needing to work and respect it. I have never nor will never have a family to fall back on or ask for money - so from as long as I remember I was always aware of how hard you need to work

Superannuation

She strongly agrees with the following - *"I know how much I need in my superannuation to have a comfortable retirement."*

Saskia feels very confident that she will be able to fund the lifestyle she wants in retirement.

Where does Saskia see herself in...

5 years' time...

- Mine and my husband's 5 year plan is to have a house in the northern beaches. Our dream is a 3 bedroom house. Also, we'd like to have paid off our business loan, which we are on track to do

In 10 years' time...

- We want to be able to keep our current apartment in Sydney as an investment property and then have our family home. Our dream is to buy a weekender in the blue mountains in 10 years and have it as a money making tool

"I took it upon myself to educate myself and just through simple avenues. I jumped on google and also listened to podcasts. I now listen to financial podcasts on a weekly basis."

— Female, 36

Insight 05

Superannuation is still the foundation of retirement savings

As a significant portion of superannuation fund members are now approaching or in the retirement phase[7], superannuation fund trustees are turning their attention to delivering stronger outcomes for members approaching and in retirement.

To retain and grow this segment, superannuation funds need a better understanding of their members, including what support they need and expect from their fund, what their pain points are, and how they make decisions regarding their superannuation and retirement.

Superannuation funds also need to understand the extent to which their current products and digital experiences meet their member needs, as well as how fit-for-purpose strategies and the provision of advice and guidance to members may improve their engagement and experience.

It is widely expected that member expectations will continue to evolve, whereby they will want advanced levels of service delivery, communications and interaction, and engagement with their superannuation funds.

7. Source: KPMG, Super Insights 2022

50%

of working-age Australians view superannuation as a key part of their retirement plan, but expect it to account for a smaller proportion of their total assets than current retirees.

54% of working-age Australians estimate that their superannuation balance constitutes 50% or less of their total investment balance. That is, at least 50% of that total balance is comprised of non-superannuation investments such as savings account, property they live in or investment properties, and shares and exchange traded funds (ETFs). Most notably, 1 in 4 working-age Australians highlight investment property as a key part of their financial plan.

By contrast, while only 1 in 3 current retirees consider superannuation as a core part of their financial plan, especially those younger than 65 years old, they are more likely to rely on it. Retirees are significantly more likely to expect the Age Pension to form a part of their retirement plan, and only 1 in 10 report investment property as an asset.

Despite the importance of superannuation in working-age Australians' plans, fewer than half make additional superannuation contributions to maximise their future returns.

Most notably, only 5% of those Lacking Direction make regular additional contributions to superannuation. Those who contribute extra into their superannuation funds are significantly more likely to feel prepared and confident in funding their retirement lifestyle, evidenced by 36% of those who are in the Highly Confident segment making regular additional superannuation contributions.

Table 4: Percentage that make regular additional superannuation contributions, by retirement journey and segment

Journey	Segment	% that makes regular contributions to superannuation
Low Confidence Journey	Lacking Direction	5%
	Aspiring Professionals	28%
	Passives	23%
	Late in the Game	15%
High Confidence Journey	Highly Confident	36%

1 in 2

Australians are unsure what they pay in superannuation fees

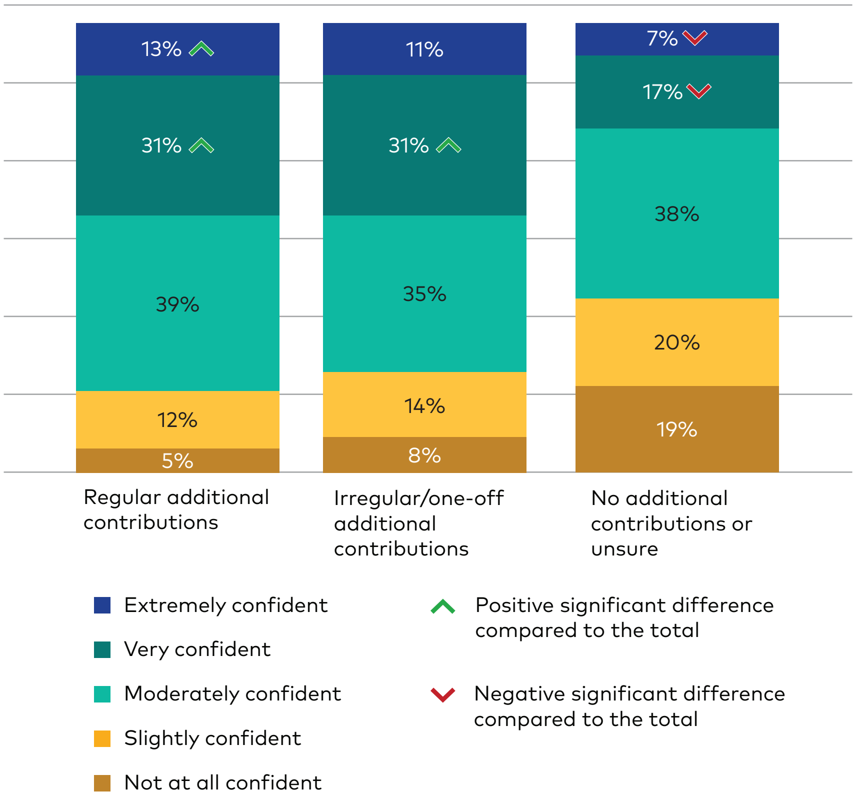
Australians are generally not well aware of the fees they are paying or what their current superannuation balance is – indicating low levels of engagement with their superannuation funds.

The low level of engagement with superannuation funds and lack of understanding is evidenced by 1 in 4 Australians being unsure of their current superannuation balance and 1 in 2 being unsure of the fees paid on their account.

Compounding this is the lack of direct contact between member and superannuation fund. 1 in 2 working-age Australians have either not made contact in the last 12 months or indeed never made contact at all. For retirees, this is even higher at almost 3 in 4 having not made contact in the last 6 months. This includes contact through any form of engagement such as accessing the superannuation fund's website, sending an email, speaking to staff via telephone or in person or through social media for both working-age Australians and current retirees.

Figure 11. How confident respondents feel towards retirement, by additional superannuation contribution type

	Regular additional contributions	Irregular/one-off additional contributions	No additional contributions or unsure
Net: Extremely/Very Confident	44%	42%	23%
Net: Slightly/Not at all	17%	22%	39%



Q. Have you made additional contributions (above the standard amount your employers pays) into your superannuation as part of your retirement plan?

Note: Percentages within a metric may not add up to 100 due to rounding.

Over 50%

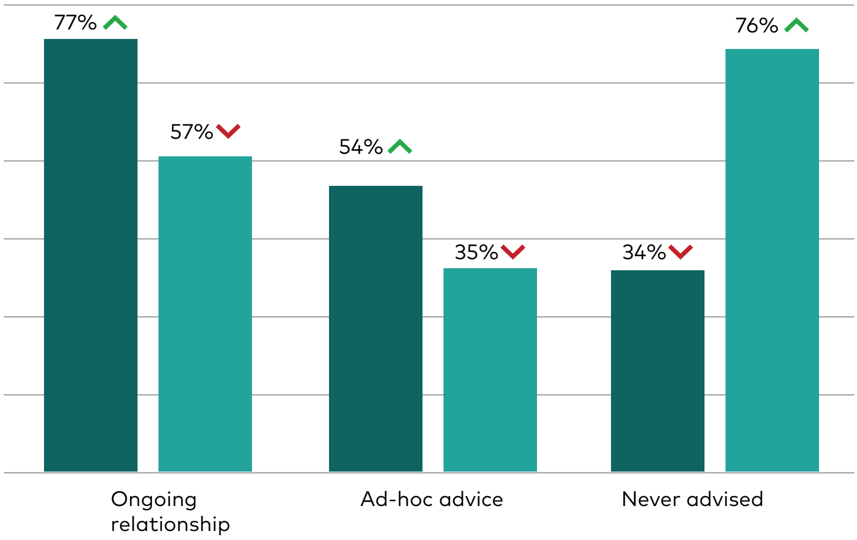
of members who engage a financial adviser also engage with their superannuation fund

Members who seek professional financial advice are more than twice as likely to connect with their superannuation fund than those who have not.

Financial advisers may be directing Australians to engage with their superannuation, but given the important role that superannuation funds play as a go-to source of retirement information, there is also an opportunity for superannuation fund trustees to develop highly personalised and relevant experiences (particularly digital) to surface member insights and subsequently recommend possible actions members can easily take to improve their retirement outcomes.

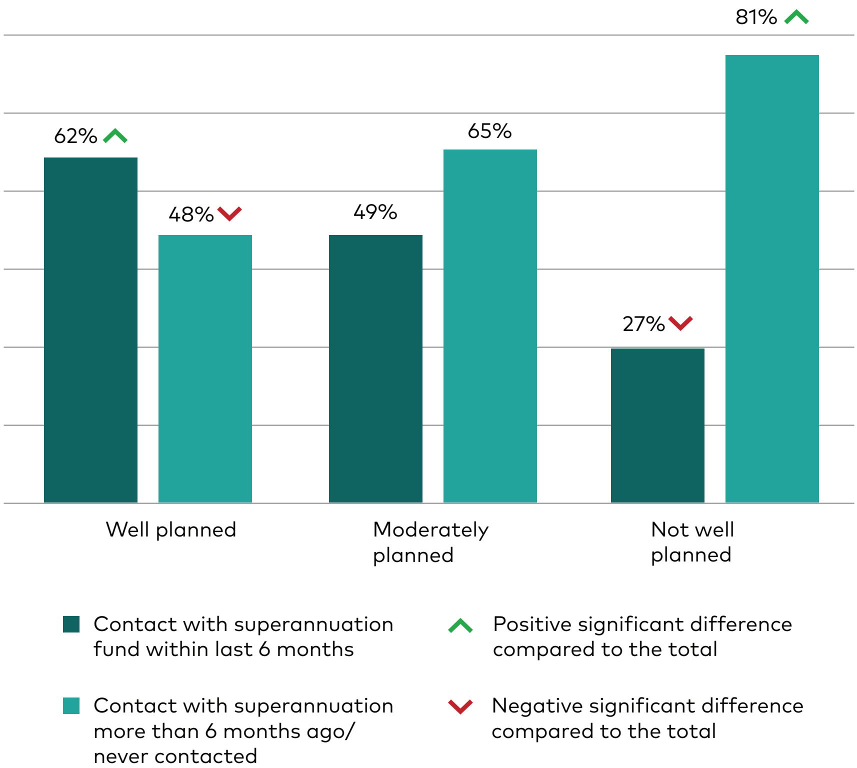
Figure 12. Relationship between consulting a financial adviser with 1) level of contact with a superannuation fund in the last 6 months and 2) level of detail of retirement plan

Contact with superannuation fund



Q. When was the last time you got in touch with your superannuation fund?

Detail of retirement plan



Q. Do/did you have a clear plan (either formal or informal) for how you will/would financially prepare to reach the retirement lifestyle you want?

James

24 years old
Perth, Western Australia

James started his career at a consulting firm after finishing a commerce degree. Desiring something a little different, James has worked for the past 2 years in the fintech industry. He is interested in travelling and working flexibly from overseas, and is confident in his earning potential and ability to fund a comfortable lifestyle in retirement.

Family

- Single

Financial Situation

- Household income of $85,000-$130,000
- Renting

Confidence Level Financial Products

- Shares: **Very**
- Bonds: **Moderately**
- Exchange traded funds (ETFs): **Moderately**
- Managed funds/Investments: **Moderately**
- Savings/deposit account: **Extremely**
- Superannuation: **Very**

Financial Future and Retirement

3 words that best describe his financial future and retirement

1. **Secure:** because I am confident in my money management and earning potential
2. **Open:** by open I mean I will have options and the ability to choose a lifestyle and activities that interest me
3. **Stress-free:** I'm confident that my career will be a success so my super and savings at the moment is 'set and forget' – no stress!

Superannuation

He stronly agrees with the following - *"I know how much I need in my superannuation to have a comfortable retirement."*

James feels very confident that he will be able to fund the lifestyle he wants in retirement.

Where does James see himself in...

5 years' time...

- Maintain the pace of progression in my career as it is now
- Increase my earnings
- Travel the world and work overseas (a job with flex)

In 10 years' time...

- Hard to say but definitely have enough to secure property

Appendix: Methodology

This *How Australia Retires* report was prepared following a robust survey conducted on behalf of Vanguard in late 2022, with a nationally representative sample of 1,814 Australians aged 18+ years old. Just over one fifth of the sample described themselves as retirees (with participants adopting their own definition of 'retired' for this purpose), with the remainder identifying as working-age Australians. The online survey aimed to better understand the way Australians across different age groups feel towards retirement, how they prepare for retirement, and the role that superannuation plays in that preparation.