


CAN YOU AFFORD TO RETIRE?

The latest CommBank Retire Ready Index looked at the savings of some of Australia's working population and their ability to meet a comfortable retirement. **Stephen Nadin** talks to some financial experts on their verdict.

IS AUSTRALIA RETIREMENT READY?



7.7 MILLION PEOPLE aged between 25 and 64 are expected to be retire ready

5.1 MILLION AUSTRALIANS are not likely to have enough for a comfortable retirement

53% EXCLUDING THE AGE PENSION, ONLY 17% OF AUSTRALIAN HOUSEHOLDS ARE EXPECTED TO BE RETIRE READY

It is anticipated 40% of Australian households will be retire ready when including the Age Pension and superannuation assets

6% SUPER ONLY

17% SUPER & PERSONAL WEALTH

40% AGE PENSION & SUPER

53% AGE PENSION, SUPER & PERSONAL WEALTH

22% 31% of single males are expected to be retire ready
22% of single females are expected to be retire ready

Women are expected to be less retire ready than men due to lower average incomes and career breaks. They have longer life expectancies.

75% OF COUPLES ARE EXPECTED TO BE RETIRE READY COMPARED WITH 27% OF SINGLES

However, 44% of singles and 94% of couples are almost retire ready for a comfortable retirement.

THE MIX OF RETIREMENT ASSETS IS DISTINCTIVE
Older age groups have a significant amount of assets outside of superannuation, while the younger age groups are expected to accumulate more in superannuation via compulsory contributions.

| PERCENTAGE OF RETIREMENT ASSETS HELD IN SUPERANNUATION | | |
|--|------------|------------|
| 78% | 74% | 49% |
| Age 25-34 | Aged 45-54 | |
| 78% | 64% | 49% |
| Aged 35-44 | Aged 55-59 | |
| | | Aged 60-64 |

Source: CommBank Retire Ready Index

FIFTY-three per cent of Australian households are expected to have enough for a comfortable retirement from their combined superannuation savings, personal assets and the age pension, according to the latest CommBank Retire Ready Index.

The bank's Retire Ready Index report looked at the savings of Australia's working population aged between 25 and 64 and the proportion projected to have sufficient assets — including superannuation, personal wealth and age pension entitlements — to meet a comfortable level of retirement.

The report drew on data from Rice Warner and the Australian Bureau of Statistics, using the Association of Superannuation Funds of Australia's retirement standard — defined as \$43,372 a year for singles and \$59,619 a year for couples — to examine the factors affecting retirement adequacy and the challenges facing product providers as retirees lived longer.

The University of Queensland Emeritus Professor Linda Rosenman said the results of the study repeated what was already known.

"Namely that only a small proportion of men and an even smaller proportion of women at the point of retirement will be able to reach an adequate income without the age pension," she said.

"This is more pronounced for those in the 10 years before current pensionable age than for younger people and for singles rather than for couples.

"The implication is obvious and one that the superannuation funds have been pushing for years, namely that people should be encouraged to save more for retirement and presumably ensure that their money is well managed through superannuation funds such as those managed by CommBank."

She said superannuation was now the largest pool of money in the Australian economy amounting to \$2-3 trillion.

"Exhorting people to save more does little — most people are not in a position to do so until later in life — if ever," Emeritus Prof Rosenman said.

"There is lot of confusion and distrust about superannuation — because the government keeps tinkering with superannuation and the related taxes. These changes are not grandfathered in and are not predictable so people never know whether the taxation and

pension policies that govern their income in retirement will be changed when they are in the superannuation draw down stage and unable to do anything to adjust.

"Assumptions about retirement need to be rethought. Retirement ages have been going up over the past decade, and work and retirement patterns are changing.

"Many now have portfolio work and work longer and phase down over a long period either by working part time or continuing to work in a different job after leaving their peak career.

"Using 64 as a cut off may be convenient but it is increasingly irrelevant. Similarly not including work as a possible source of income in older age maintains the myth that the only income sources in old age are superannuation and age pension.

"All of the focus has been on income sources at the assumed age of retirement — ie 65. It is time to stop assessing income adequacy at age 65 — most people who have reached age 65 are likely to live for another 20-30 years or longer. It is time to start considering how much they need for 30 years of later life and not the first year."

Dr Rand Low, UQ Business School honorary fellow, said that the study approached modelling retirement outcomes with sufficient rigour; however some of the modelling assumptions in the report were overly optimistic.

Retirees should tend not only to their financial portfolios, but their psychological ones too

DR RAND LOW

"The CommBank Retire-Ready index model assumes that gross investment returns range between 7-7.5 per cent; however, I believe a more appropriate approach would be between 4.5-6 per cent," he said.

"Currently, stock prices are overpriced and



ON THE ROAD TO FREEDOM

THE idea of exploring the open road is the all-Australian dream. From the stark beauty of the outback to the picturesque coastlines, there's no wonder why many over 50s are interested in travelling around in a recreational vehicle.

With increases in the number of RV registrations and production, it's clear people are opting for this type of holiday, a fact supported by Brisbane-based Apollo Tourism & Leisure chief executive Luke Trouchet.

"We've seen unprecedented growth in our national Apollo Caravan & RV Sales dealerships with people wanting to experience the motorhome lifestyle," he said.

"And why wouldn't it be growing? Travelling in an RV/motorhome is the epitome of freedom and exploration.

"What better way to kick up your feet and reward yourself after a long working life, than hitting the road in search of new places and authentic experiences."

Mr Trouchet said they had customers looking to buy for a range of reasons.

"While some people rent or buy second-hand motorhomes to trial out the lifestyle;

others buy new, taking weekend trips to work their way up to hitting the open road fulltime," he said.

"The emergence of businesses like Camplify allows customers to generate growth of their asset offering a platform for those who finish the big Australia trip and rent their motorhome out to other travellers."

Caravanning Queensland chief executive Ron Chapman said for some retirees, buying a caravan, motorhome or other recreational vehicle, hitching it up to the car and hitting the road to begin their grey nomad adventure had been a lifelong dream.

"It's the ultimate Australian holiday and offers retirees an affordable, flexible, enjoyable and exciting adventure in their very own backyard," he said.

"When the time finally comes to turn that dream into reality, many couples find themselves with plenty of questions surrounding what to buy and how they can finally turn this lifelong dream into the trip of a lifetime.

"Many would-be caravanners spend up to



bond yields have never been lower. This is evident from the Shiller Price-to-Earnings ratio, an indicator of whether shares are overpriced, for ASX and US stocks being much higher than long-term historical averages, and central banks around the world using low and even negative interest rates to kickstart the economy."

According to Dr Low, other areas of concern that were highlighted from the report were that women were less likely to retire ready, and that 83 per cent of Australians were dependent on the age pension to retire ready.

"Considering that women are less likely to retire comfortably due to lower average incomes and career breaks for child bearing, the government should consider providing women with additional incentives to save in superannuation to minimise gender inequality during retirement," he said.

Dr Low recommended Australians focus on the means to generating an income at retirement.

"Investing in annuities is attractive as the investor is clearly informed of what his annual income from the investment will be," he said.

"I am in favour of the government providing incentives to encourage retirees to further their education and obtain qualifications that will allow them to obtain part-time employment during retirement.

"Such part-time employment for retirees should be in less physically strenuous positions such as consulting/call-centres or roles where the wisdom that comes with age is highly valued, such as teaching/tutoring/childcare/coaching. Part-time employment reduces the strain on retirement savings, and research shows that it also leads to improved emotional health and overall wellbeing. Retirees should tend not only to their financial portfolios, but their psychological ones too."

Meanwhile, Brendan Coates, a fellow at the Grattan Institute, said the report set the retirement income bar far too high.

"It expects many people to need a living standard in retirement that's much higher than what they have pre-retirement," he said.


"The report uses the Association of Superannuation Funds of Australia (ASFA) comfortable retirement standard to assess whether people are on track to have sufficient retirement savings. Yet as we showed in our 2015 report Super Tax Targeting, the ASFA comfortable standard amounts to an affluent lifestyle in retirement more luxurious than that enjoyed by the majority of Australians even while they are working, let alone when retired."



two years researching and visiting various caravan dealers and shows before they take the final step to purchase.

"For many, a caravan or motorhome is one of the most expensive purchases they are likely to make during their lifetime and for retirees especially, their decision needs to be practical and cost-effective."

One course of action for retirees looking to purchase a recreational vehicle is to attend Caravanning Queensland's annual Caravan, Camping and Touring Supershow at the Brisbane Showgrounds from June 7-12, the largest caravanning and camping industry event in Queensland.



50

CELEBRATING TURNING 60 THIS YEAR ARE:

| | |
|----------------------|-------------|
| Sir Daniel Day-Lewis | APRIL 29 |
| Kelly McGillis | JULY 9 |
| Melanie Griffith | AUGUST 9 |
| Stephen Fry | AUGUST 24 |
| Donny Osmond | DECEMBER 9 |
| Steve Buscemi | DECEMBER 13 |

SIR DANIEL DAY-LEWIS:
Three-time Academy Awards winner for Best Actor, who received a knighthood in 2014

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