

1 October 2015

Australia's Cautious Age Pensioners: Not spending the inheritance

Australia's aged pensioners tend to preserve financial wealth and consume conservatively says a new study by the ARC Centre for Excellence in Population Ageing Research (CEPAR).

"1 October is the UN's International Day of Older Persons and a good occasion for us to examine retirees' income, assets and decumulation patterns which show older Australians generally live well within their means," says Ramona Meyricke, an Associate Investigator with CEPAR.

Age Pensioner Profiles: A Longitudinal Study of Income, Assets and Decumulation draws on eight years of Centrelink data of over 10,000 pensioners whose retirement is funded either by a full or part age pension, with some extras from mandatory and voluntary superannuation balances and from private savings.

It describes how older households, who have accumulated during working life with the intention of funding consumption in retirement, in fact don't fully access all their assets in old age. Instead they are holding on to their wealth potentially for bequests, as a precaution against uninsurable shocks, and/or unexpected expenditure and a longer lifetime.

"We call them 'buffer stock savers'. To meet daily costs, they rely on the age pension and income from investments, and will avoid dipping into retirement savings which they keep to cover anticipated future health or care costs, and for bequests. They are very concerned about unforeseen expenses as they get older, and cautious about preserving assets for protection," says Dr Meyricke.

"Our research shows that Australian pensioners' consumption is often conservative. Younger, wealthier pensioners tend to spend more and reduce their savings, but at later ages, most households carry on accumulating assets."

The authors believe pensioners could have less anxiety about their financial future if they

- have a better estimate of any future medical and aged care costs
- have access to financial products providing longevity, health and aged-care insurance.

This could improve their current welfare by reducing the need to retain assets they rarely - if at all – divest to support themselves in older age.

The full paper is available at: <http://cepar.edu.au/working-papers/working-papers-2015.aspx>

About CEPAR: CEPAR is a unique, independent, ARC-funded research centre bringing together academia, government and industry to address one of the major social challenges of the twenty first century. It is based at University of New South Wales, with nodes at the Australian National University and the University of Sydney.

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