

The underspending puzzle and help to solve it.

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The research is preliminary, has not been peer-reviewed and is not for circulation.

Help with the 'hardest problem in finance': Retirement Projections?

Lump Sum (Wealth) Projection



Estimated
balance at age
92: \$100,000

Hypothesis:

Receiving retirement
projections would prompt
people to increase their
withdrawal amount and
draw down their
superannuation faster

Income Stream Projection



Estimated average
annual payment
from age 67 to age
92: \$25,000

How much of your superannuation balance would you like to withdraw this year?

	Level of Withdrawal
<input checked="" type="radio"/>	Minimum
<input type="radio"/>	Minimum + \$5,000
<input type="radio"/>	Minimum + \$10,000
<input type="radio"/>	Minimum + \$15,000
<input type="radio"/>	Minimum + \$20,000

Minimum Option

You may also be eligible for up to \$24,550 per year of Age Pension from the government as your superannuation runs down

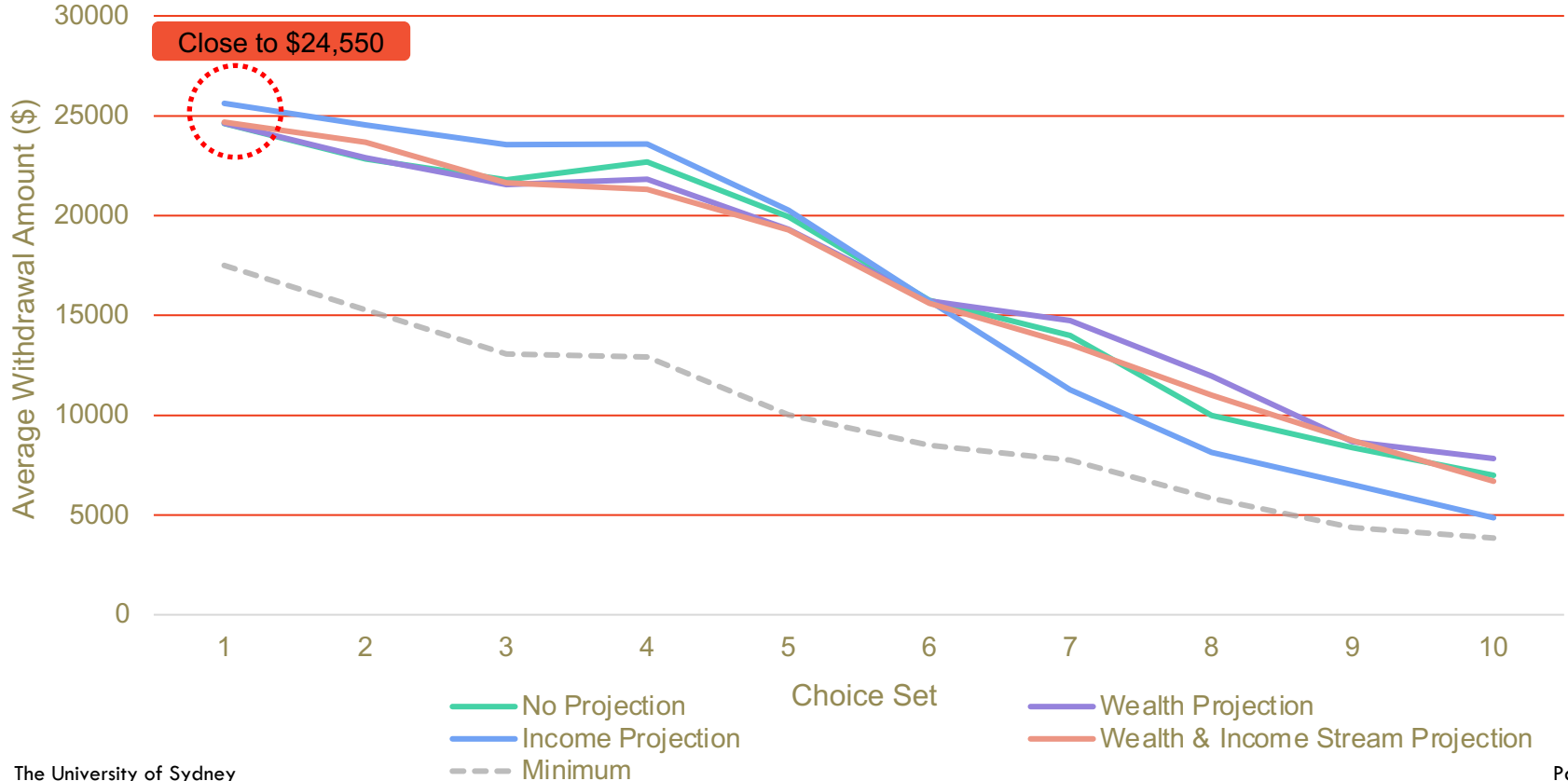
If you continue to select this withdrawal level, you will have:

- \$122,695 left in your account at age 92
- \$16,063 per year to spend, on average, from your superannuation between the age of 67 and 92

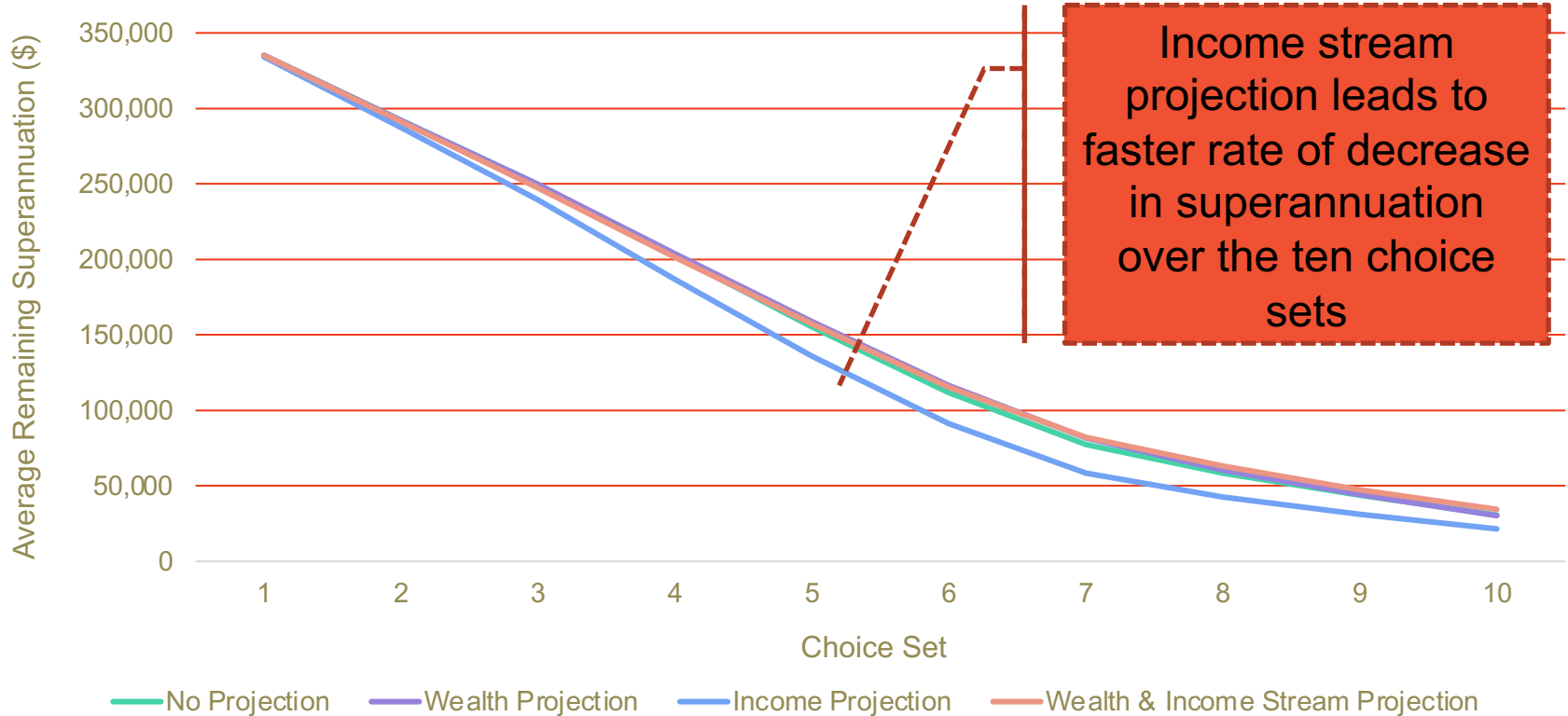
Wealth Projection

Income Stream Projection

Withdrawal Amount Over Time



Remaining Superannuation Over Time

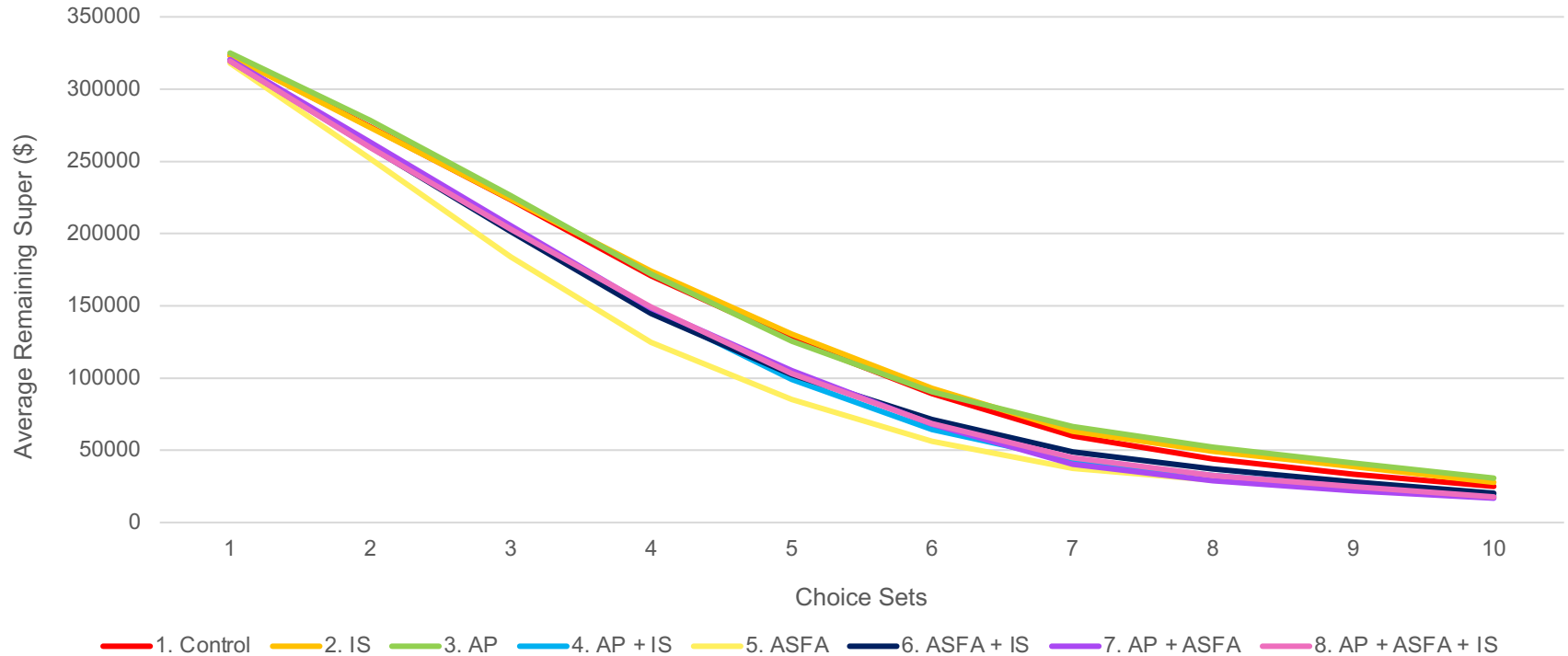


Main Findings

1. Retirement projections in the income stream format prompted participants to draw down their superannuation at a faster rate
2. Reminding participants of age pension eligibility may influence them to use the age pension amount as an anchor



New experiments with different income references: Remaining Super Over Time



Main Findings: Guidance matters

1. ASFA retirement standard information prompted fastest drawdown- people respond to income targets.
2. People with higher financial literacy and numeracy tend to draw down faster.

