

MEDIA RELEASE

Retirement funding in the ageing century

Thursday, 1 November 2018: A new set of research briefs has been released by the ARC Centre of Excellence in Population Ageing Research (CEPAR), examining the current state and projected future of Australia's retirement incomes system.

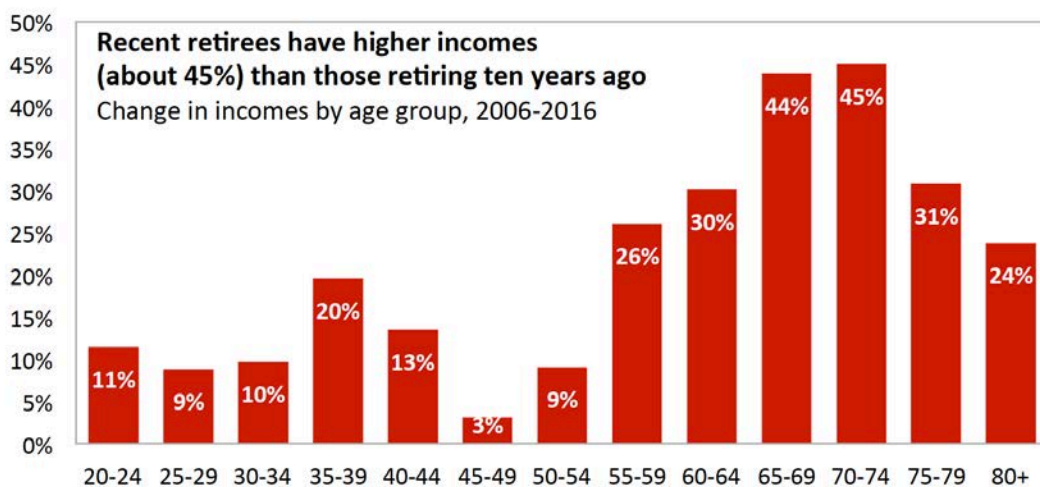
The set of three new research briefs presents the latest data on retirement incomes and highlights new and relevant research in this area, featuring findings from over 40 of CEPAR's leading researchers. The briefs focus on the public and private elements of retirement incomes provision. They take stock of the Age Pension and its poverty outcomes, discuss how Australians will be able to convert superannuation into retirement income, and assess existing financial behaviour of consumers and how best to guide them.

The Australian system compares well internationally

"The Australian retirement system is among the most sustainable and provides a more progressive level of replacement rates than seen in other countries. The system continues to score highly. But weaknesses identified to date have included a lack of requirement or incentive to take benefits as income streams, and incomplete provision of information to members," said CEPAR Director and UNSW economist Scientia Professor John Piggott.

Improved standards of living in retirement

"Our analysis shows that standards of living of older people have improved over the last decade. About three in five older Australians can afford a lifestyle that is deemed to be above a modest level, according to a set of commonly used budget standards. And households reaching retirement age today have incomes about 45% higher than those reaching the same milestone ten years ago," said Professor Piggott, a leading pension and retirement researcher and former member of the Henry Review panel.

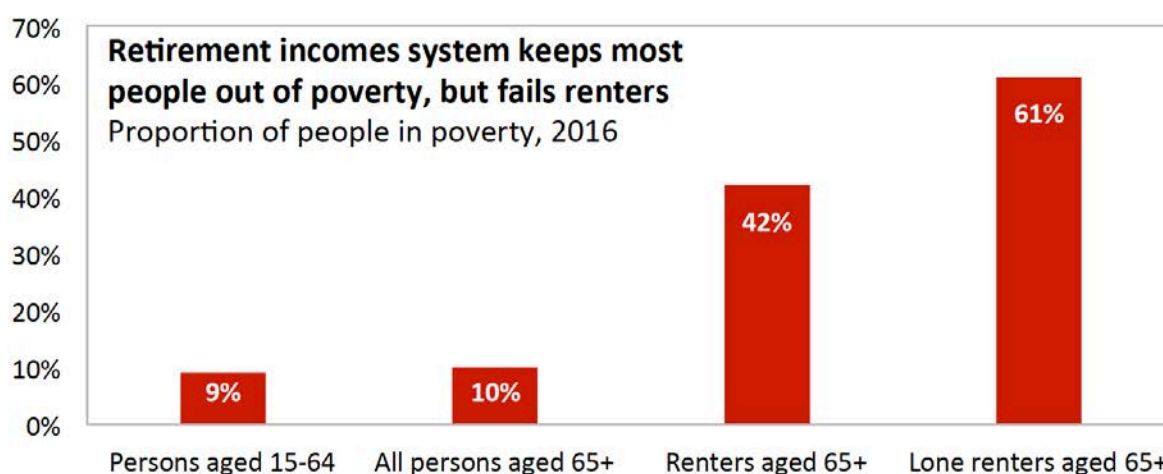


Note: Based on age of household head and change in median disposable household income, adjusted for household size. Source: Chomik et al. 2018 'Retirement incomes in Australia', ARC Centre of Excellence in Population Ageing Research

“The overall view is that the system is unique, broadly affordable and suitable for most Australians. It costs less than 3% of GDP and keeps most out of poverty, but not renters,” he said.

“Australian old age poverty is low once we take account of housing, but the system fails renters. Home owners are significantly better off than renters,” said lead author Rafal Chomik, CEPAR Senior Research Fellow at UNSW Sydney.

“About 60% of lone renters are in poverty, which translates to low standards of living. For example, a quarter of pensioners who rent alone spend on average less than \$6 on food per day. Our analysis suggests an increase in rental assistance payments of 40% would reduce lone renter poverty by almost 20 percentage points, at a cost of about \$380m,” Chomik said.



Note: Based on disposable household income including net imputed rent, adjusted for household size, and a poverty line drawn at 50% of population median. Source: Chomik et al. 2018 'Retirement incomes in Australia', ARC Centre of Excellence in Population Ageing Research

Superannuation is an integral part of retirement income but consumers find it complex and need guidance

Older Australians are increasingly relying on private incomes with much of this coming from the Superannuation Guarantee. Two out of five older Australians now rely on non-public-pension income as their main source of income and one out of five receive no Age Pension at all.

The Superannuation Guarantee has attracted extensive policy attention and recent developments mean that it continues to be closely watched by pensions researchers and policymakers in Australia and overseas. Major areas of reform revolve around improving efficiency and developing a retirement incomes framework in which individuals will be better able to manage risks in retirement.

Evidence base for policy reform

“Australia is not ageing as fast as some countries, and boasts a retirement income system ranked among the best in the world. But it continues to be the subject of a series of reviews, reforms, and incremental refinements that seek to resolve remaining weaknesses,” said Professor Piggott.

“As population ageing moves from projection to reality and affects more people, any design flaws in retirement incomes systems will continue to attract attention by policymakers. CEPAR provides the research evidence base for policy reform to enable individuals, businesses and governments to respond better to demographic change and improve wellbeing,” he said.

The research briefs are available to download for FREE at cepar.edu.au/resources-videos/research-briefs.

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Hardcopies of the new set of research briefs will be distributed at the [CEPAR / Crawford School Policy Dialogue on Retirement Incomes](#) on November 1, 9:00am – 3:15pm at ANU in Canberra. The policy dialogue brings together leading Australian and international experts, policymakers, researchers and commentators to consider current and future challenges for this policy area.

Journalists are welcome to attend the dialogue.

Media assets

- Research briefs Part I – III available online at cepar.edu.au/resources-videos/research-briefs
- Infographics available online at cepar.edu.au/sites/default/files/CEPAR-infographics.pdf

Source: Chomik et al. 2018 'Retirement incomes in Australia', ARC Centre of Excellence in Population Ageing Research

- o Who is the typical pensioner?
- o What's happening with retirement incomes?
 - Recent retirees have higher incomes than those retiring ten years ago
 - Retirement incomes system keeps most people out of poverty, but fails renters
- o What's happening with super decumulation?
 - Those receiving private income streams tend to rely on phased withdrawals, with no cover against longevity, investment and inflation risk
 - New tax-benefit rules are encouraging a small resurgence in annuities

Available for interviews

- Scientia Professor John Piggott, CEPAR Director, UNSW Sydney
- Professor Hazel Bateman, CEPAR Deputy Director, UNSW Sydney
- Mr Rafal Chomik, CEPAR Senior Research Fellow, UNSW Sydney

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About CEPAR

The ARC Centre of Excellence in Population Ageing Research (CEPAR) is a unique collaboration between academia, government and industry, committed to delivering solutions to one of the major social challenges of the 21st century. Funded primarily by the Australian Research Council (ARC) through the Centres of Excellence scheme, CEPAR's research is providing global solutions to the economic and social challenges of population ageing and building a new generation of researchers to global standard with an appreciation of the multidisciplinary nature of population ageing. The Centre is based at the University of New South Wales (UNSW) with nodes at The Australian National University (ANU), Curtin University, The University of Melbourne and The University of Sydney.

For more information about the work of the *ARC Centre of Excellence in Population Ageing Research*, please visit the Centre of Excellence's [website](#).