



## The Future of Super

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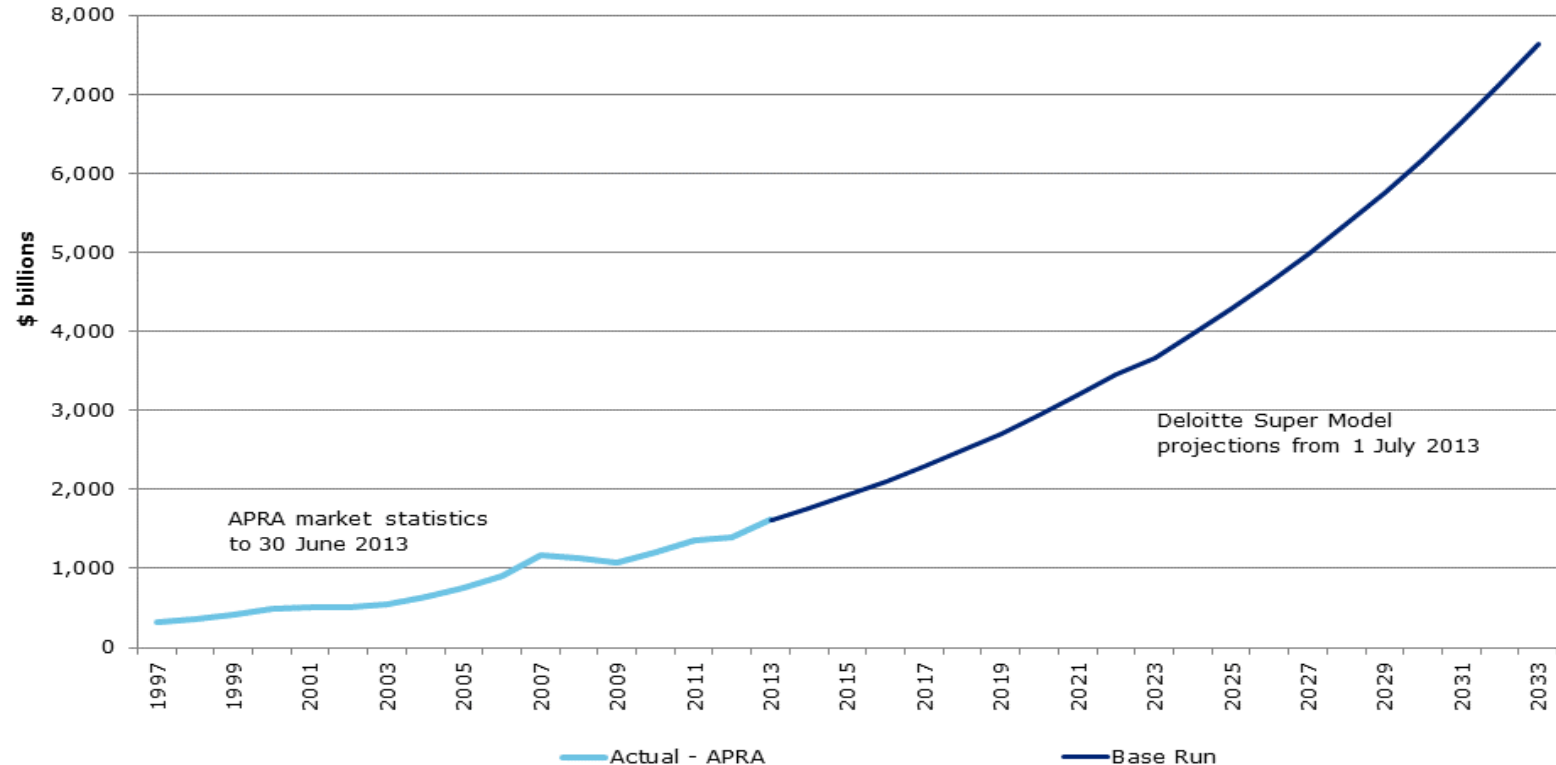
## Highlights

- Tough last five years, despite healthy growth in total super assets
- The industry will grow from \$1.6 trillion in 2013 to \$7.6 trillion by 2033
- Strong competition for assets in accumulation phase
- Limiting concessional contributions inhibits industry growth
- Lower growth of post retirement assets than predicted
- Demographic forces are massive
- Adequacy will remain the major concern for retiring Australians



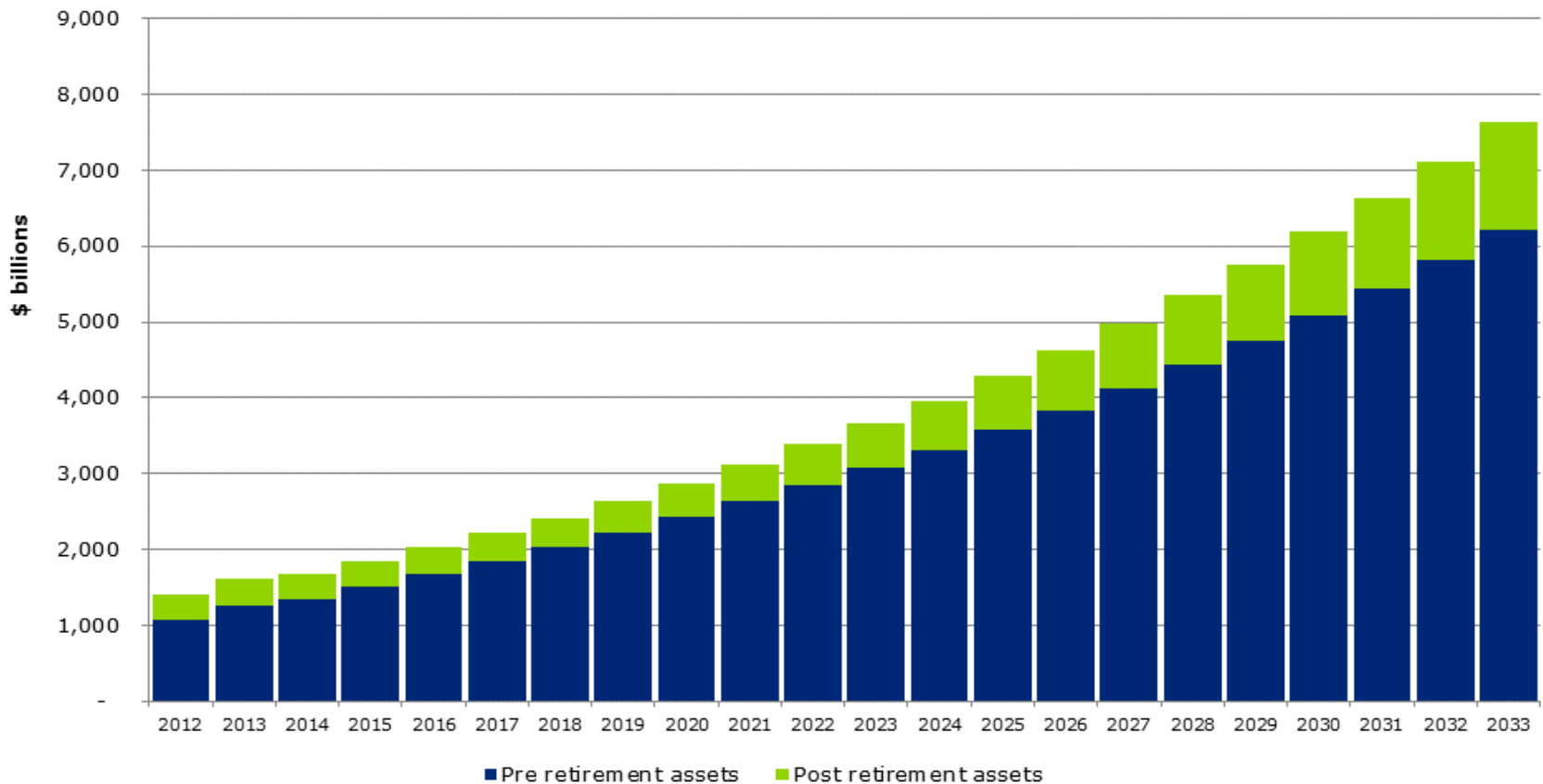
## Total superannuation assets to 2033 including SG to 12%

Total superannuation assets (1997 to 2033)



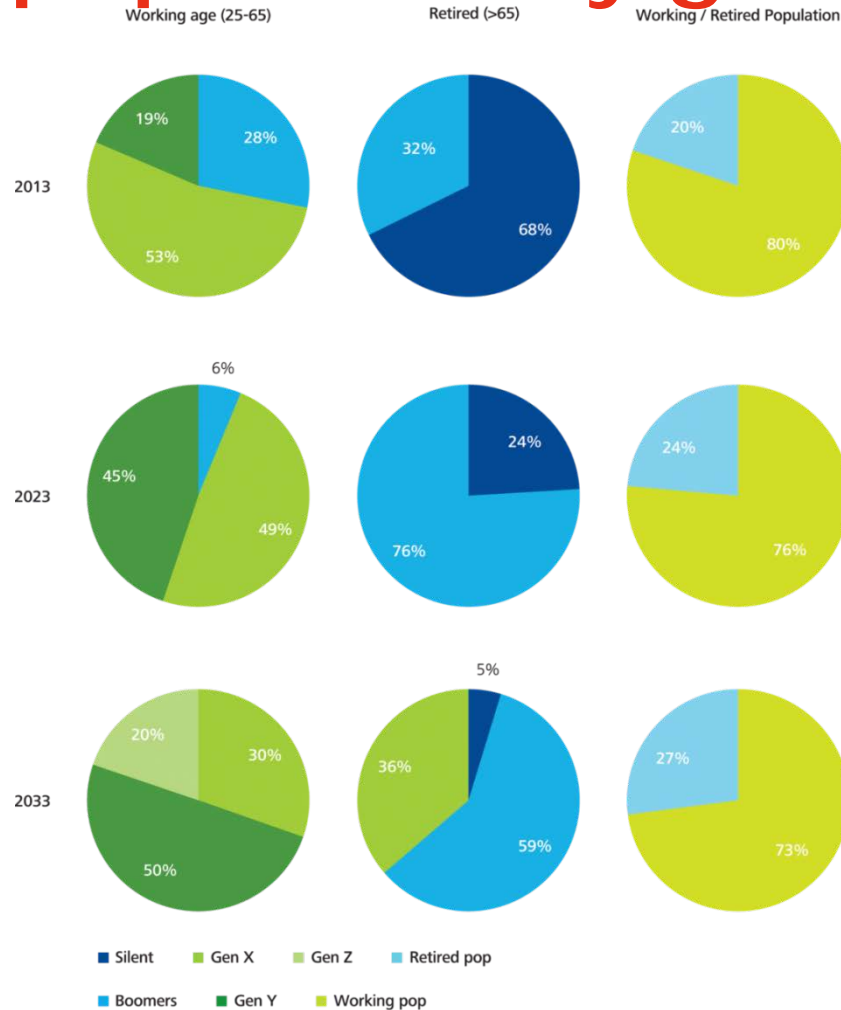


## Projected superannuation assets (2012 to 2033)





## Australian population by generation



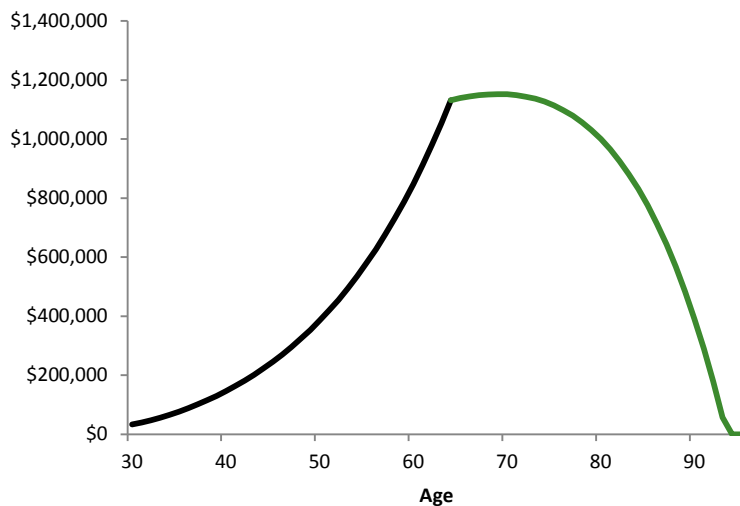


# For most: super is not enough

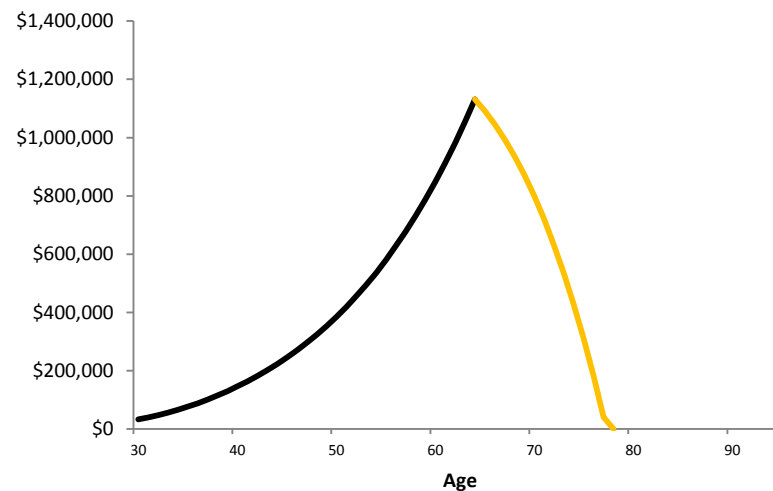
	Modest lifestyle in retirement			Comfortable lifestyle in retirement		
	Male Age 65	Female Age 65	Couple (both 65)	Male Age 65	Female Age 65	Couple (both 65)
ASFA Standard income	\$23,175	\$23,175	\$33,358	\$42,158	\$42,158	\$57,665

Source: The ASFA Retirement Standard, December 2013 and Deloitte Actuaries & Consultants, 2014

**Modest drawdown**

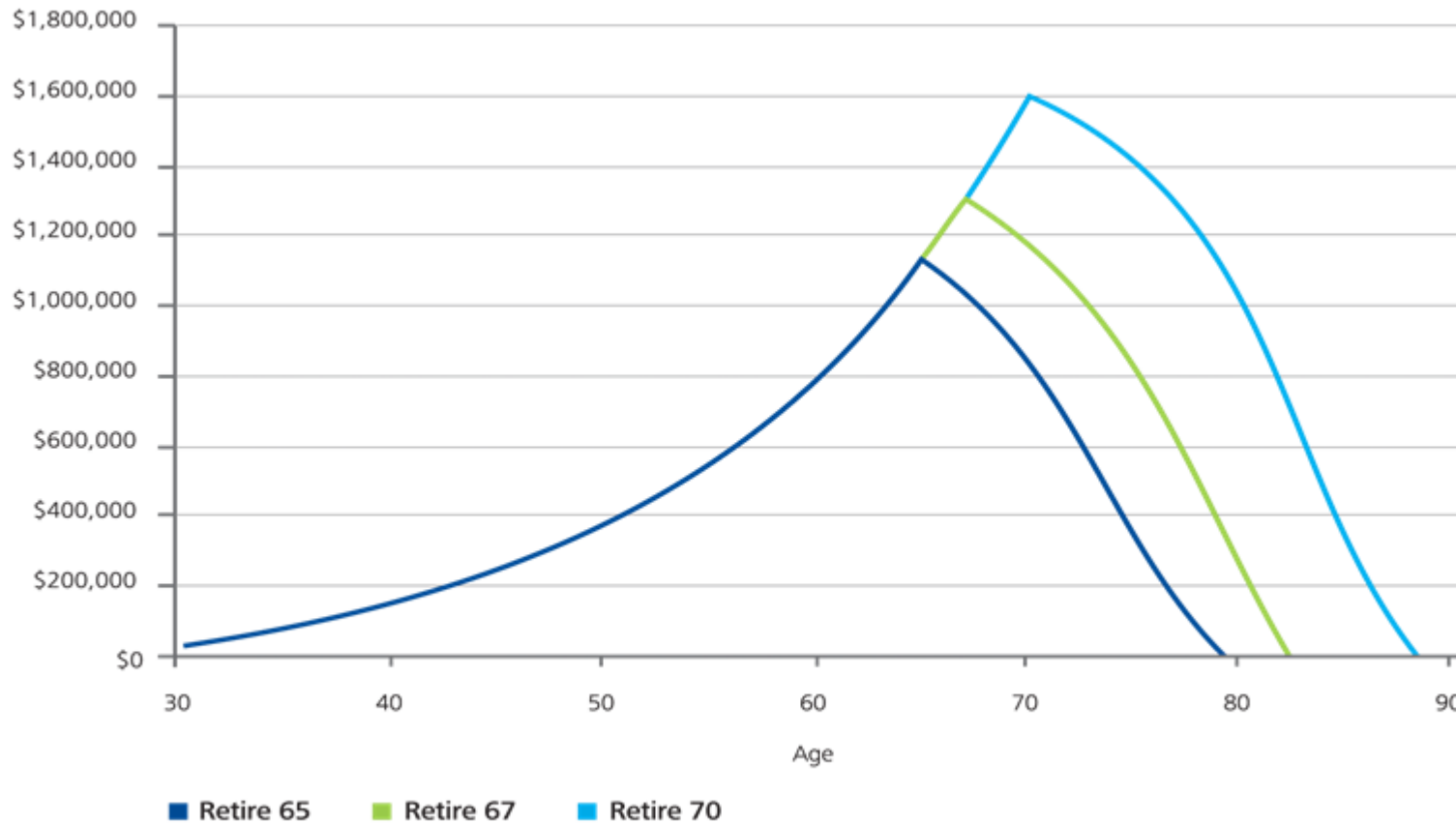


**Comfortable drawdown**





## Impact on superannuation account balances of delaying retirement





## 2024 snapshot – retirement focus

### Probably

- Assets of ~\$3 trillion
- \$500 billion of post retirement assets
- 70% of super assets held by Gen X, Y and Z
- Life expectancy for 65 year old is 86 for males and 89 for females
- Around 80% receive at least part age pension in retirement
- Average balance for 65 year old in an industry fund is around \$200k<sup>1</sup>
- ASFA comfortable retirement standard for a couple is around \$720k<sup>2</sup>

### Possibly?

- People are retiring later
- Fund members are more engaged and taking greater interest in retirement
- Regulatory changes have been introduced to address the ageing issue
- Post retirement products more advanced and gaining traction
- Another market correction/GFC

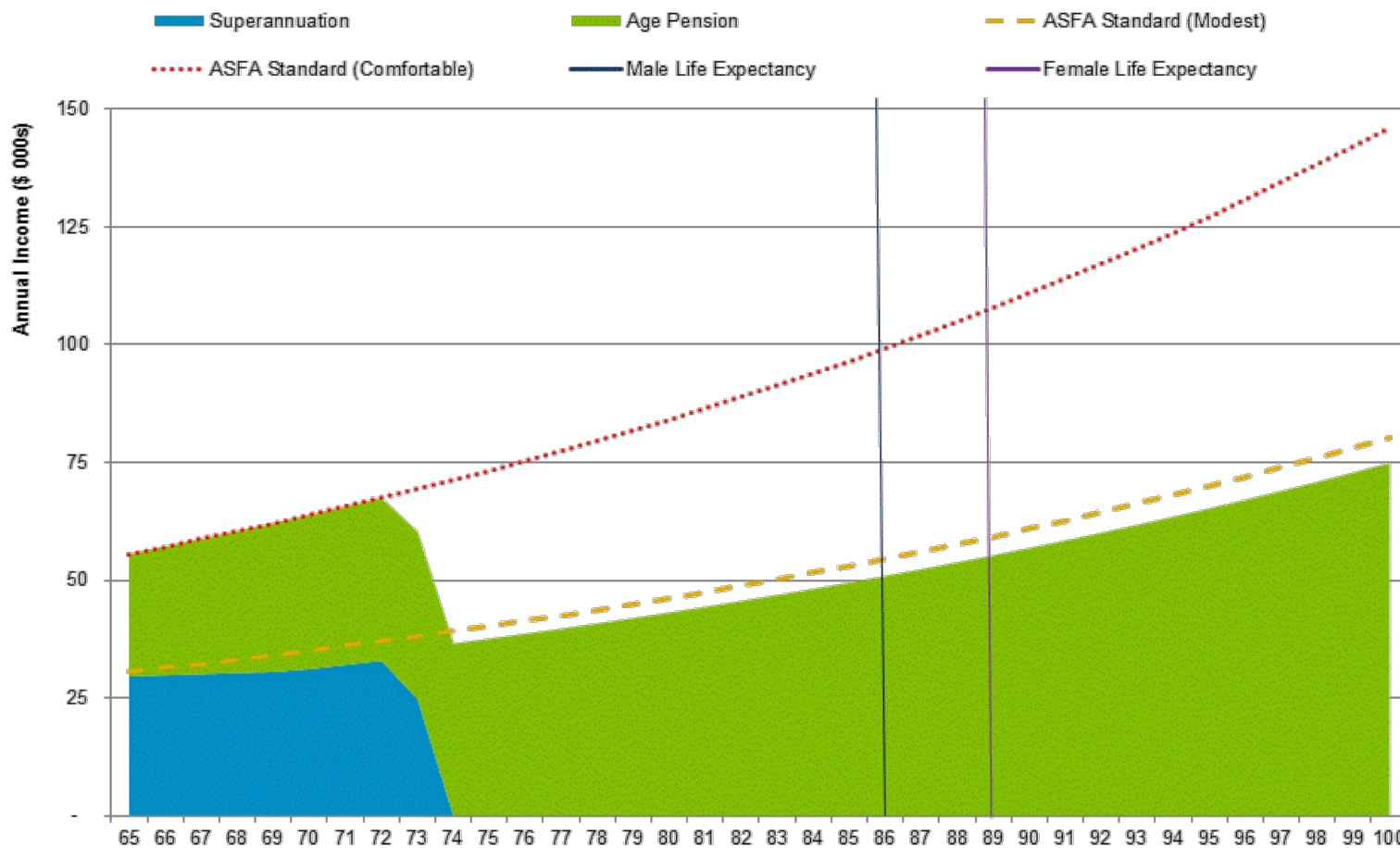
1. Future dollars. Basis: APRA statistics 30/6/2013. Average balance age 50-59, projected with SG contributions at average weekly earnings growing with 3.5% pa and 6.5% pa investment earnings (males = ~\$225k and Females = ~\$160k)

2. Allows for Dec 2013 retirement standard of \$510k with 10 years indexation at assumed rate of 3.5% pa. Allows for receipt of part pension





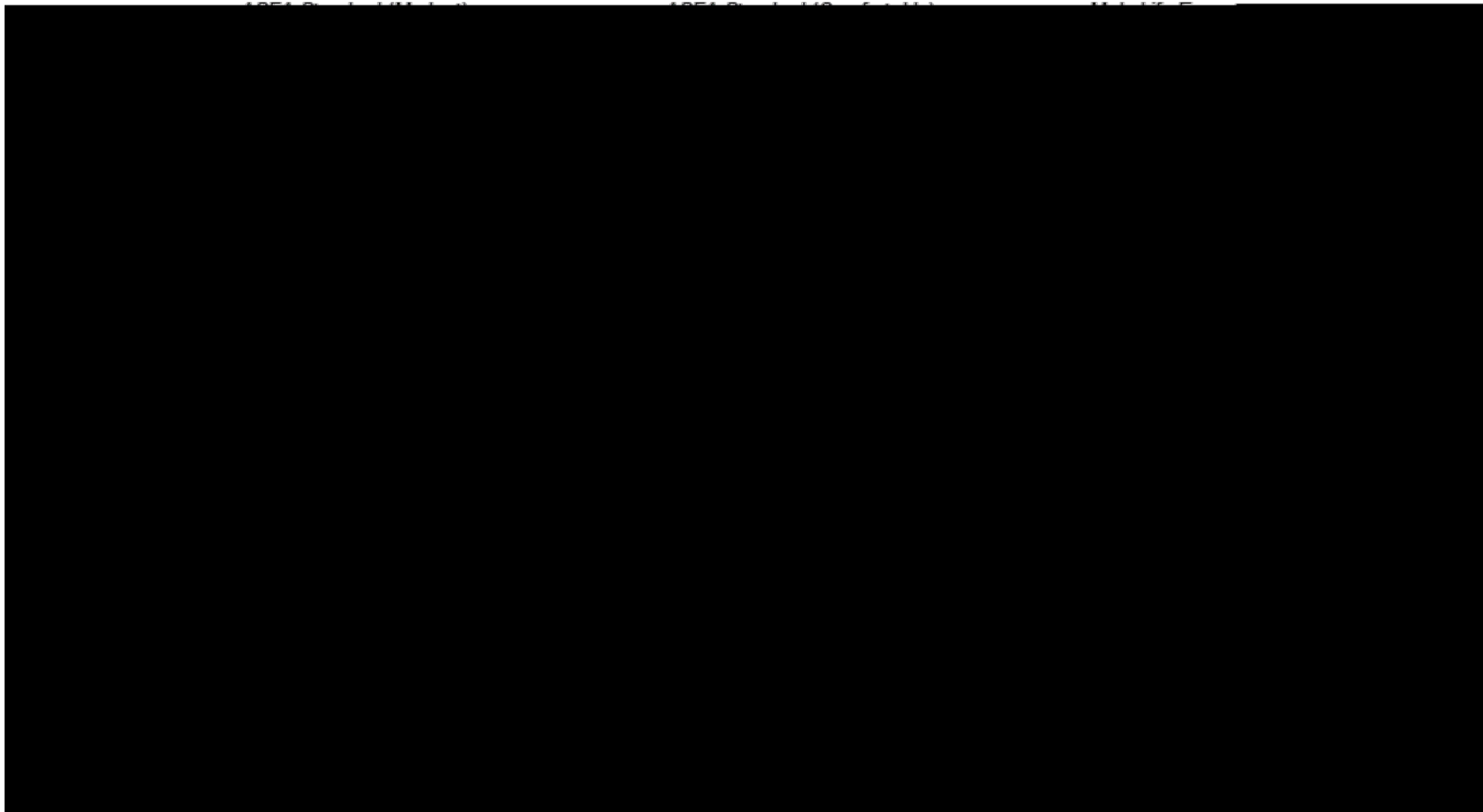
## For a 55 year old today who will retire at age 65 ... Annual Income upon Retirement - Comfortable Lifestyle





## Annual Income upon Retirement - Comfortable Lifestyle

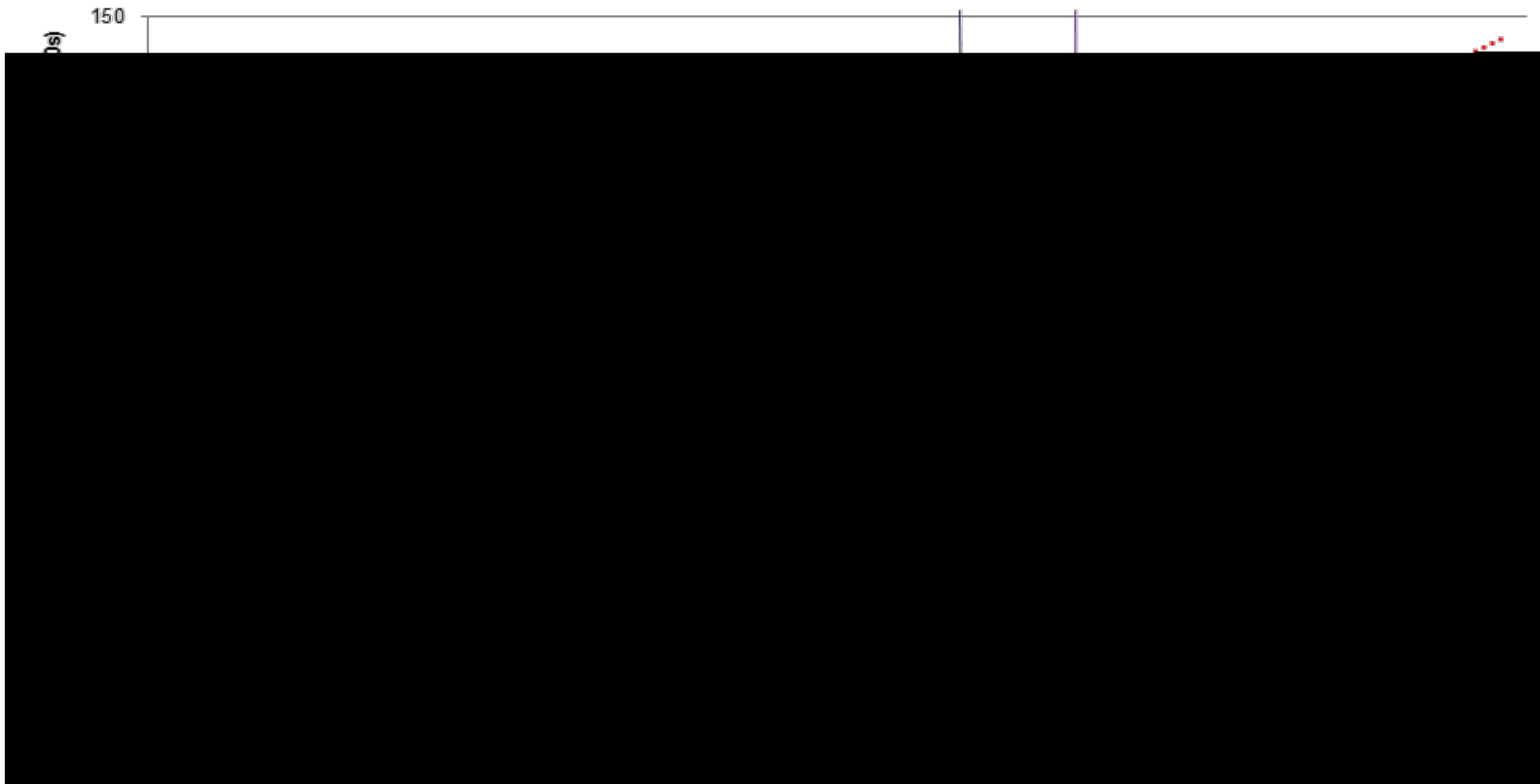
■ Superannuation      ■ Age Pension      ■ Other Income





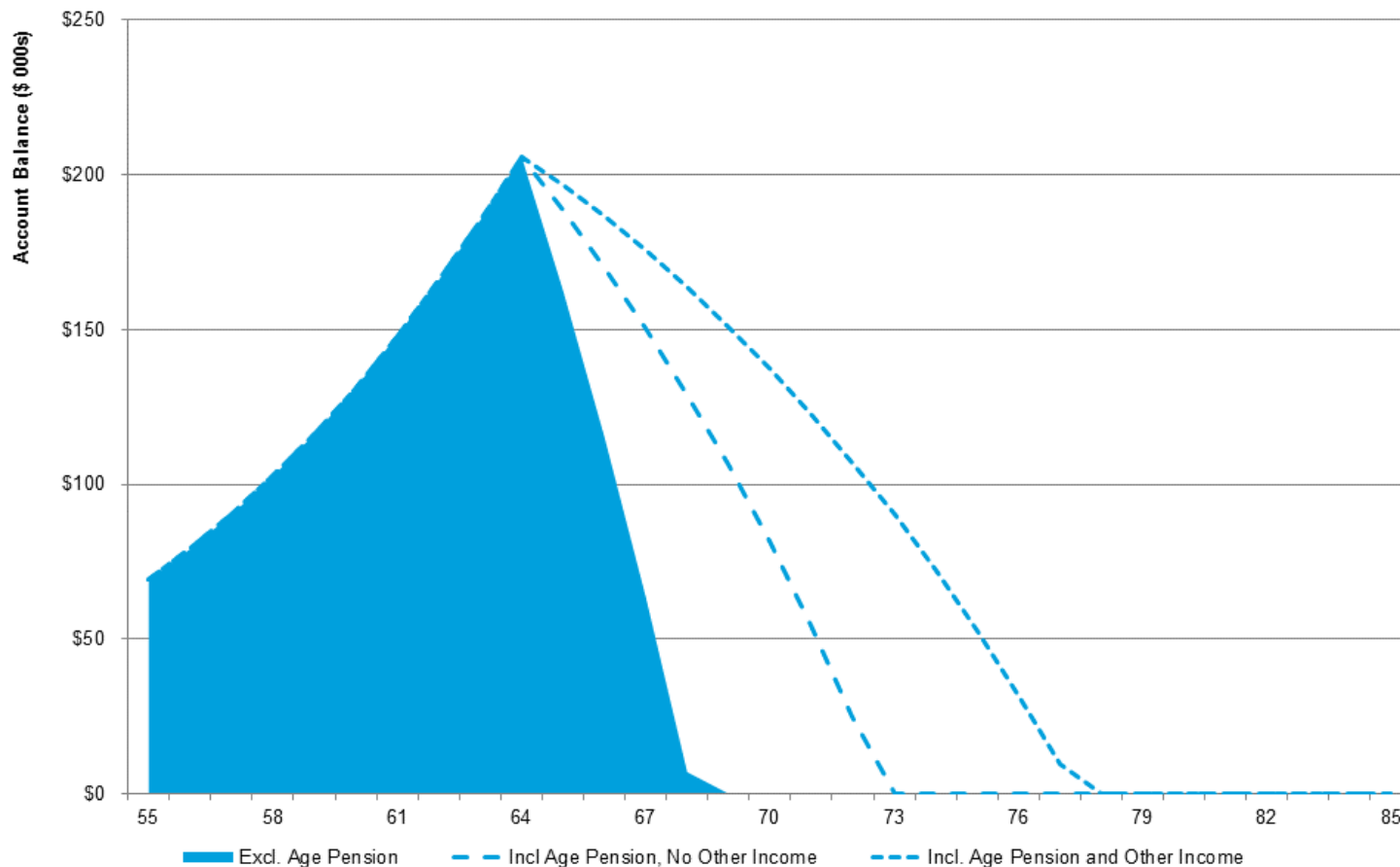
## Annual Income upon Retirement – Modest Lifestyle

- Superannuation
- ASFA Standard (Modest)
- Female Life Expectancy
- Age Pension
- ASFA Standard (Comfortable)
- Other Income
- Male Life Expectancy



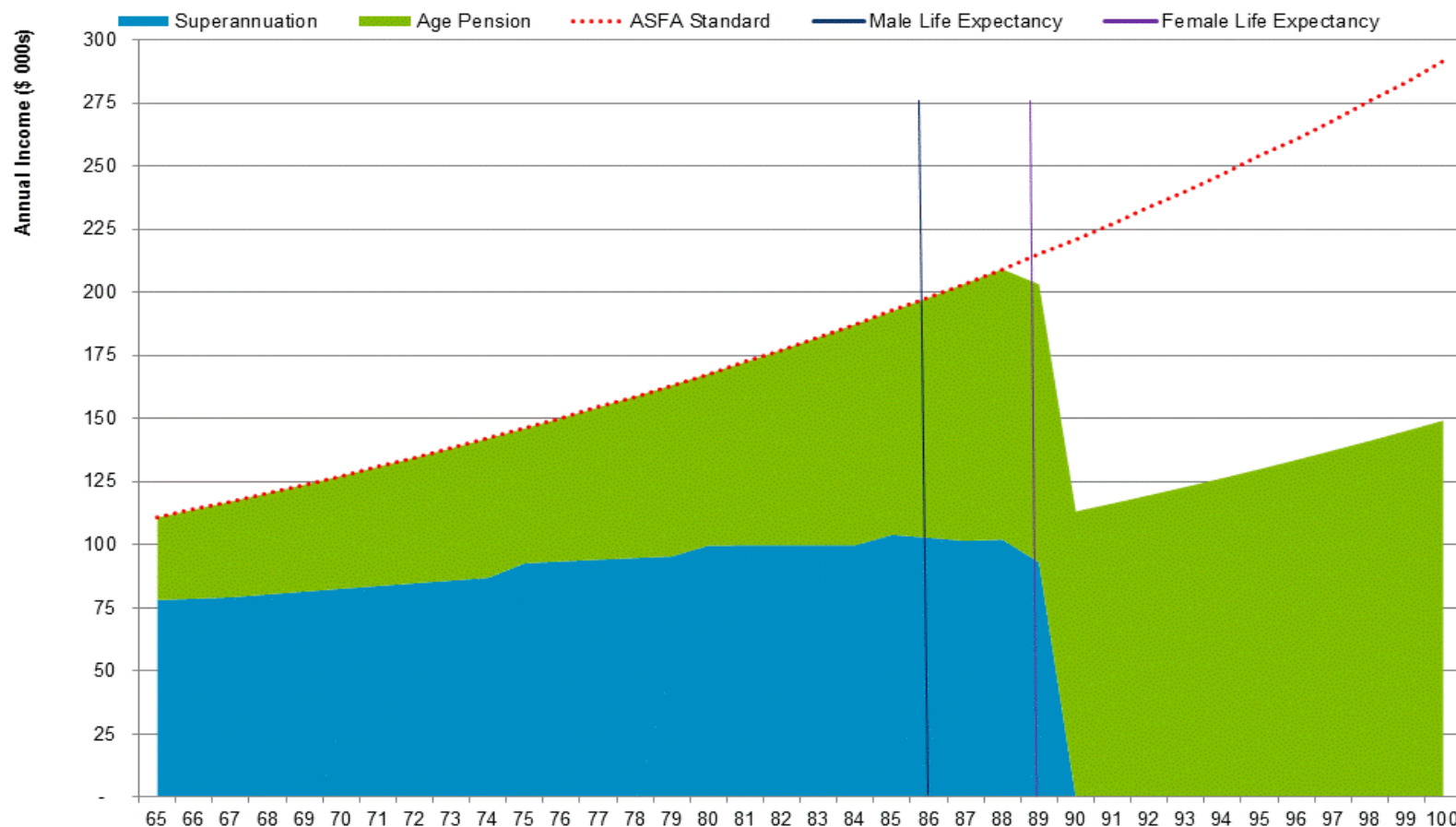


## How quickly does the superannuation balance run down?



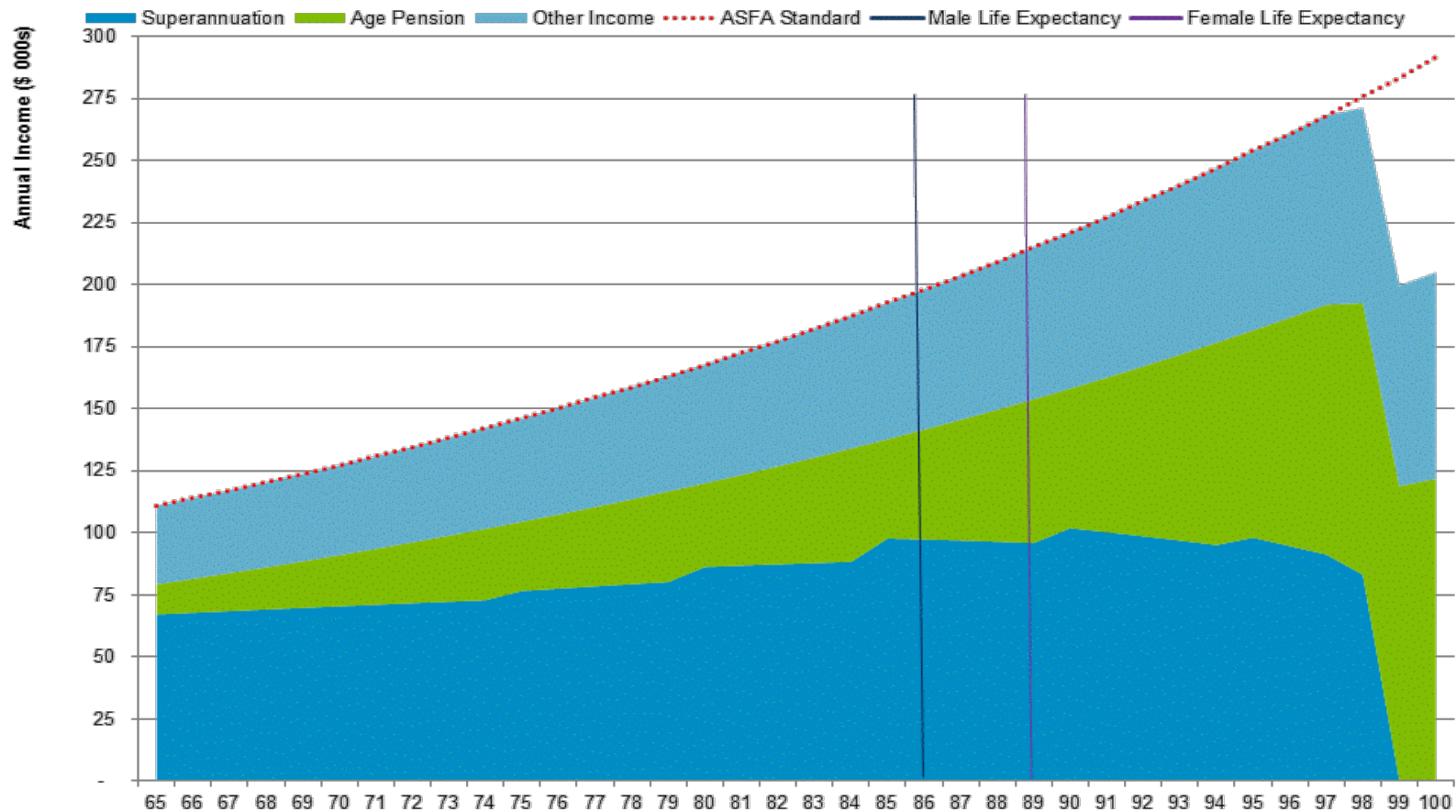


## ... And for a 30 year old today? Annual Income upon Retirement - Comfortable Lifestyle



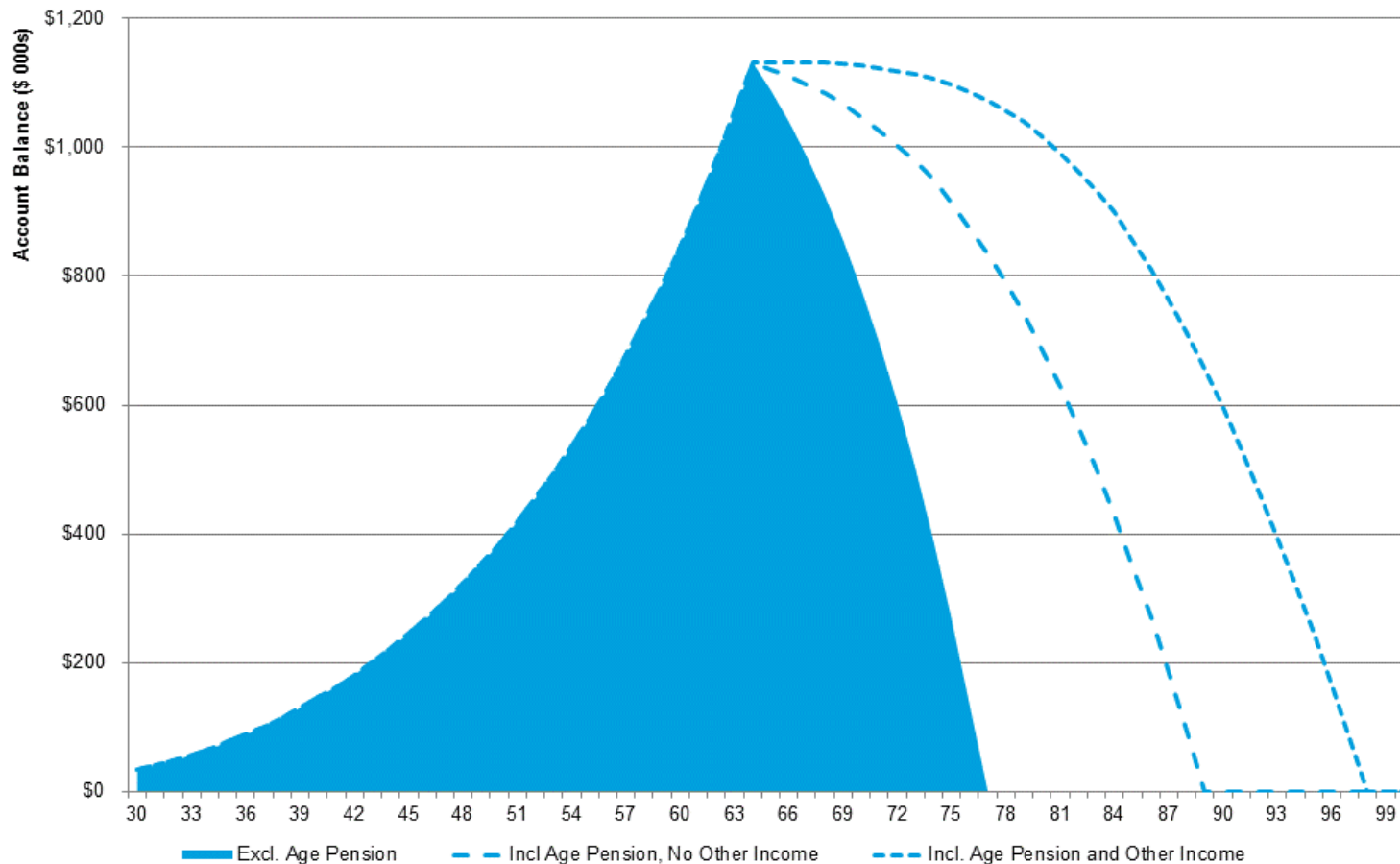


## Annual Income upon Retirement - Comfortable Lifestyle





## How quickly does the superannuation balance run down?





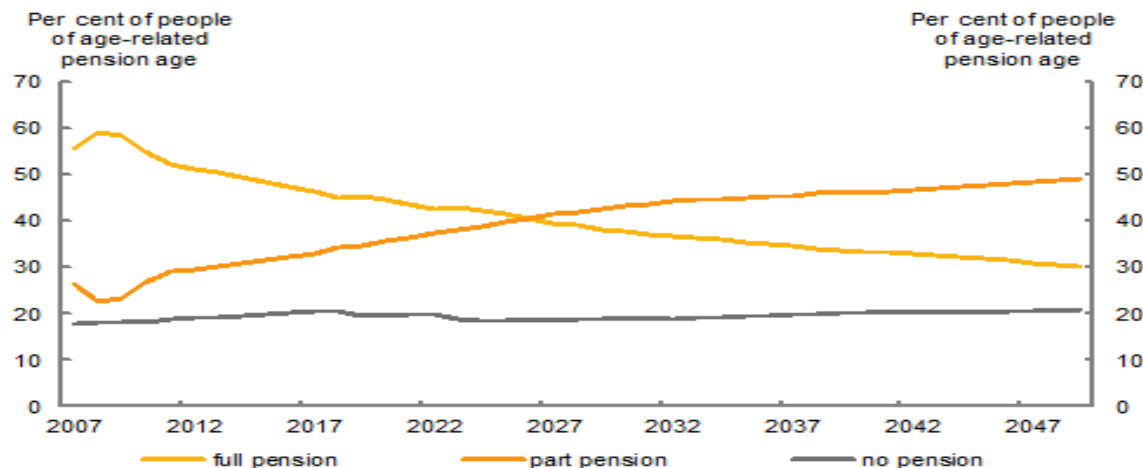


# Sustainability of Age Pension

Treasury modelling (Budget Statements 2013-14) shows:

- Currently, around 50% of people of Age Pension age are full-rate pensioners and around 80% receive some pension
- By 2047, it is projected that the proportion of those of eligible age not receiving an age or service pension will remain around 20%, while the proportion receiving a part pension will rise to around 50% and the proportion receiving a full pension will fall to around 30%
- Superannuation is expected to achieve the objective of providing people with a better standard of living in retirement by supplementing the Age Pension

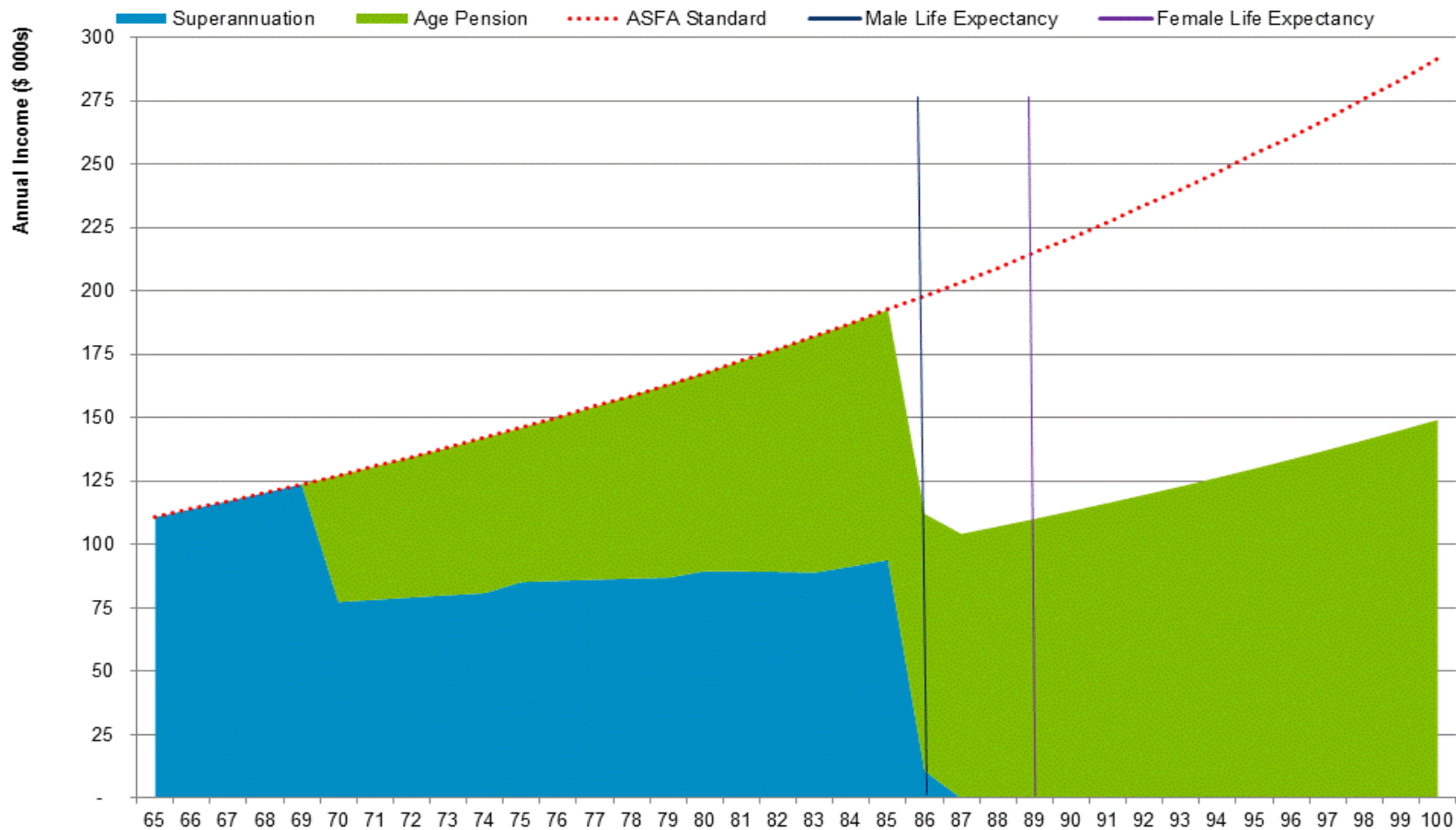
**Proportion of people of eligible age receiving full, part or no age or service pension**





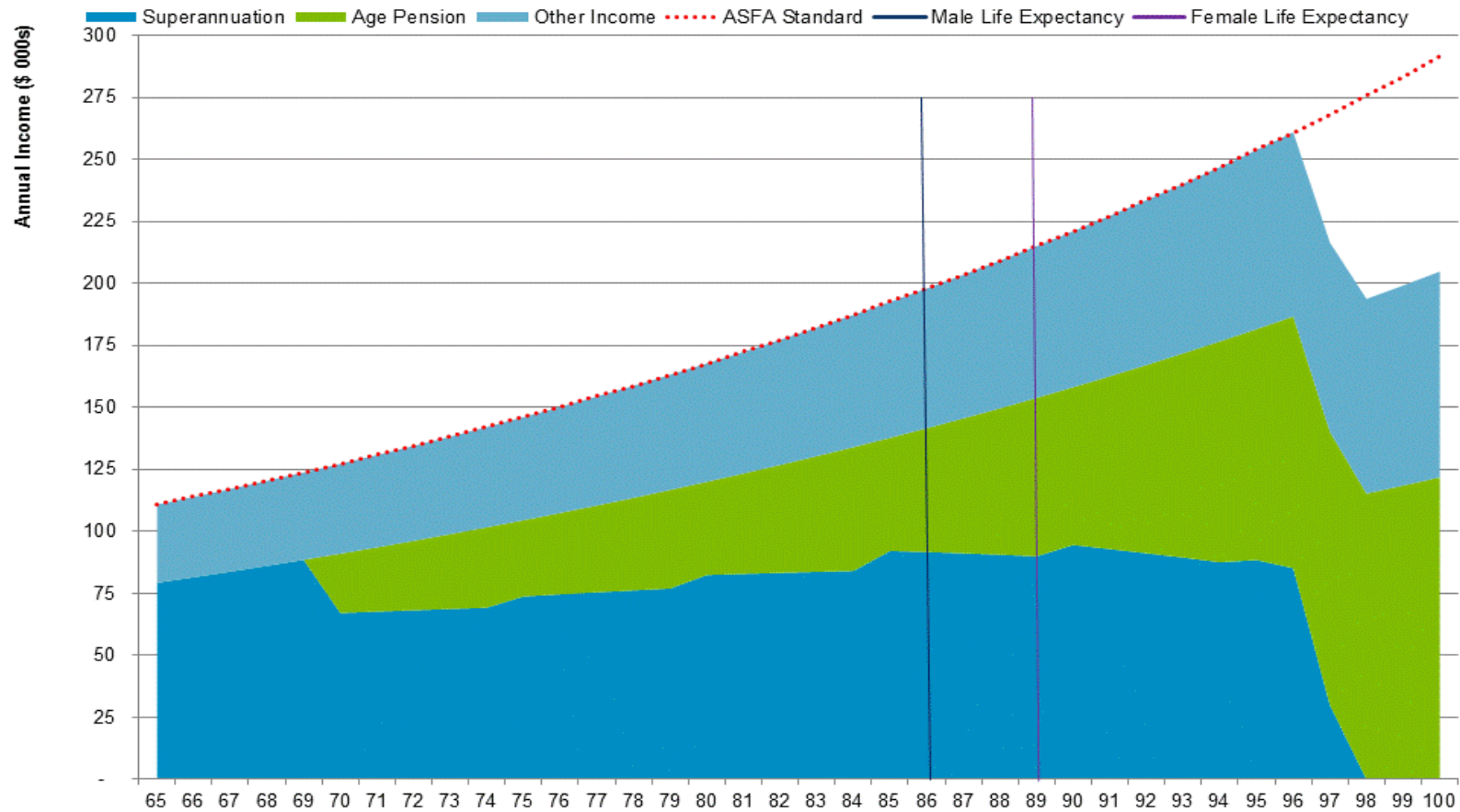


## So if age pension eligibility is from age 70, for our 30 year old today? Annual Income upon Retirement - Comfortable Lifestyle



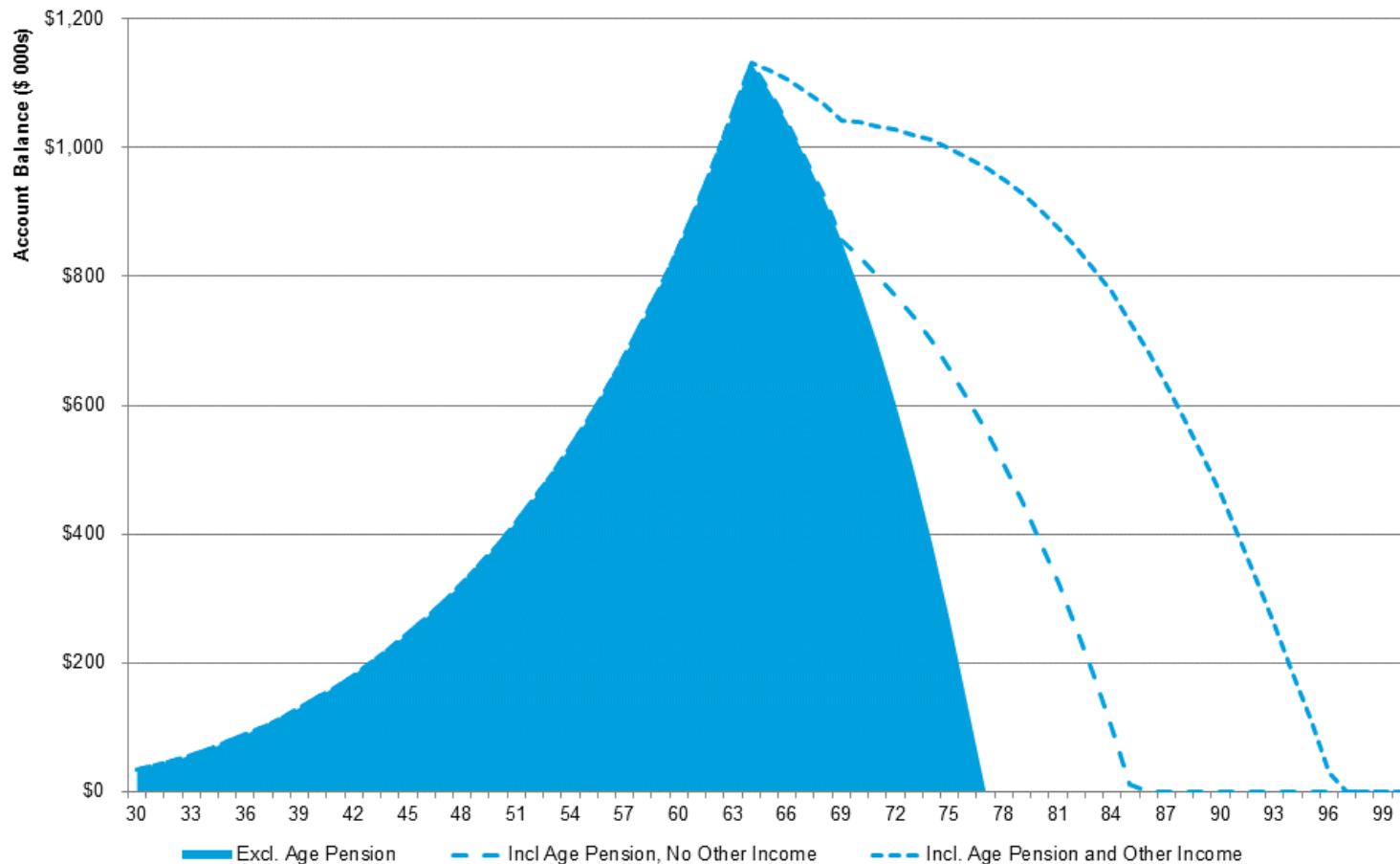


## Annual Income upon Retirement - Comfortable Lifestyle





## How quickly does the superannuation balance run down?





## Where to next?

**UK**

DB

Pensions

Opt out

- Balance sheet burden on corporates
- Recently announced changes to move away from compulsory annuitisation

?

**Sustainable  
solution**

**Aust**

Accumulation

Lump Sum

Compulsory

- High level of reliance on age pension
- Small balances and lack of member engagement
- Regulation and complexity stymie post retirement product innovation



## What should we do?

### Government

- Where practical, encourage Australians to work beyond 65
- Increase employment of older Australians
- Encourage higher contributions into super
- Simple and easy access to independent advice
- Facilitate access to deferred and lifetime annuities
- Gradually de-emphasise the features that allow members to adopt a passive approach to Super

### Funds

- Recognise that retirees constitute a multi-segmented population
- Begin educating retirees well before they retire
- Provide investment options tailored for retirees
- View and manage risk from the perspective of members, and **their** capacity to bear it
- Learn from the success of SMSFs and provide access to SMSF type features
- Use purchasing power to deliver added value benefits to retirees

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