



## MEDIA RELEASE

### **Actuaries warn of retirement underfunding risk**

#### **Australians should plan to fund at least 20 years in retirement**

**14 November 2013** – The Actuaries Institute (the Institute) warns Australians need to be financially prepared for many years of retirement. The warning comes in response to the latest headline life expectancy rates released last week by the Australian Bureau of Statistics (ABS), which projected ‘life expectancy at birth’ age for men of 79.9 and 84.3 for women. (ABS media release can be found [here](#)).

According to the Institute, these ‘reported’ life expectancies focus on reported life expectancies at birth, but those that have already reached age 65 can expect to live longer than the population average and allowing for improvements in longevity will increase this further. The Institute’s own calculations suggest that it is, in fact, more likely that the life expectancy of those aged 65 now will be 86 for men and 89 for women.

This means that 65 year old males need to fund on average 21 years of retirement, and 65 year old females will need to fund on average 24 years of retirement. And, as these are average figures, some people will live much longer. In fact, the Actuaries estimate that one in three 65 years olds will live past 90 and one in five will live past 95.

“Most people don’t realise how long they might live. Understandably many people base their retirement plans on the published life expectancies. However in reality, with rapid advances in medicine and the dramatic improvement in life expectancy, it is quite conceivable that in the coming years half of all healthy 65 year olds will live past 100,” said Mr John Newman, President of the Actuaries Institute.

It is important that retirees consider whether their savings will fund these lengthy retirement periods. Those relying purely on ABS averages are likely to run out of money, meaning that they may face a significant portion of their retirement years in an uncomfortable financial situation.

#### **Actuaries making headway in longevity debate but still more work to do**

The Institute has been vocal on the issue of longevity risk (the risk of people outliving their retirement savings) for some time. In September 2012 the Institute released the white paper [“Australia’s Longevity Tsunami, what should we do?”](#) which emphasised the need for urgent retirement policy reform in the face of Australia’s steep and continuing rise in life expectancies.

Since the launch of the paper and subsequent government consultations, the Institute has welcomed changes announced in the May 2013 federal budget, which removed the inequitable tax treatment of deferred lifetime annuities and allowed them the same tax treatment as current income streams.

“We’ve made an important step in placing the urgent issue of longevity risk firmly on the agenda. We are focused on improving education on this issue, to ensure future generations have a better a chance of planning for their retirement adequately, and we also strongly recommend lifting the pension age, in line with increases in life expectancies” Mr Newman concluded.

## **ENDS**

### **About Actuaries Institute**

As the sole professional body for actuaries in Australia, the Actuaries Institute represents the interests of its members to Government, the business community and the general public. Actuaries assess risks through long-term analyses, modeling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance, health financing, and climate change.

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