

3 September 2014

Actuaries Institute disappointed that Super Guarantee increase frozen

The Actuaries Institute President, Daniel Smith, said today Clive Palmer was incorrect in claiming over 50% of Australians will be dead by the time they get access to their superannuation.

Mr Smith said that the Institute was disappointed that Australians will not receive the retirement income benefits of an increase in the Superannuation Guarantee for a number of years.

Mr Smith said the facts are:

- ▲ 89% of Australians will live to 65, based on the most recent Australian Life Tables (ALT 05-07). The percentage will be even higher if long-established trends to increasing longevity continue.
- ▲ The average life expectancy of a person born today is 94 for an Australian female and 93 for an Australian male – which means that more than 50% of people are expected to live to this age.
- ▲ In Australia in the next 30 years the over 65s will double from 3.5 million (15% of the population) to 7.0 million (22% of the population) and will out-number the under 18s.
- ▲ If the Superannuation Guarantee never increases to 12%, the average Australian will have \$80,000 (or 20%) less in their superannuation account balance at the age of 65, which would make the difference of having an annual income in retirement of \$15,000 versus \$20,000 per annum.*

Mr Smith said the Actuaries Institute *supports the progressive increase in the Superannuation Guarantee level from 9.5% to 12% of earnings*, and believes the decision to hold the Superannuation Guarantee at current levels for a number of years will negatively impact most Australians' superannuation savings.

"We are disappointed at the decision to freeze increases in the Superannuation Guarantee for seven years.

"The fact is that Australians life expectancy is increasing and, as a result, we require a comprehensive retirement income policy to ensure that Australians have the ability to finance a desirable standard of living during retirement.

"This decision is a backward step, which will only result in more people being reliant on the Age Pension at a time when the average age of our population is significantly increasing," Mr Smith said.

*Assumptions are wage of \$65,000 per annum, 35 years of Superannuation Guarantee at 9.5% versus 35 years at 12%, 6.5% investment return in accumulation and 5.5% investment return in retirement, 3.75% wage inflation. Please note this assumes the Superannuation Guarantee never gets to 12%.

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