A majority of retirees display very conservative superannuation spending habits, according to the largest ever Australian study released today

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Drawdown behaviours are universally similar among retirees regardless of the size of their accounts, with almost half of all retirees only drawing down the regulated minimum, according to the most comprehensive study of Australian superannuation accounts ever undertaken.

"Contrary to some views that retirees quickly run down their super balances and then rely wholly on the Age Pension, the reality is that at least half of the pensioners take a very financially conservative approach in retirement," said Anthony Asher, convenor of the Actuaries Institute Retirement Income Working Group.

The view is based on two studies: one from actuaries, Plan for Life, and one from the CSIRO. The first was sponsored by the Actuaries Institute, and compiled from data supplied by 15 large funds, accounting for more than $12 billion of assets in the drawdown phase in each year, of the study. The second is based on ATO data provided to the CSIRO.

However, the reports also predict there will be an increasing number of retirees in the future who will run down their superannuation accounts completely, by drawing down more than 10% of their balances (the minimum is 6% for those under 80 and 7% for those over), putting further pressure on the Federal Budget and the Age Pension.

"The data confirms research from other sources that a significant minority of retirees have, in recent years, run out of retirement savings before death. The next step is to understand why? It could be intentional and a natural step as their income needs decline, such that the Age Pension is sufficient at older ages. On the other hand, they may have lost money due to dementia, financial abuse of some kind, or poor decision making," said Dr Asher.

He said more work needed to be done on understanding why this happened. The reports' main findings include:

- While average account sizes were significantly lower for industry funds when compared with retail, corporate and self-managed funds, their pension and partial drawdown patterns were remarkably similar suggesting shared behaviours between pensioners in all groups.
- Close to 50% of pensioners seem very cautious and draw the regulated minimum from their accounts, underlining the importance of default mechanisms in superannuation. This is true for all types of funds.
- Some retirees will exhaust their superannuation balances entirely and while the proportion overall is small (about 5% of SMSF balances), the numbers will grow in future

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years as the population ages. This is because, between the ages of 75 and 85, about a fifth of balances are being drawn down at more than 10% of their balances, which is not sustainable for those who live longer than average.

- The data also revealed that approximately 400,000 accounts, totalling $22 billion, were withdrawn in full from non-SMSF accounts, reflecting a large number of small accounts. Interestingly, average full withdrawal amounts for industry funds were found to be two to three times larger than for retail and corporate funds;
- The average balance on death for retail and corporate funds was $50,000. However, the superannuation system is not yet fully mature and these balances do not reflect participation in the superannuation system throughout a working life.

About the reports

The Plan For Life report has been compiled from 10 years of data across the spectrum of corporate, retail and industry funds. It was commissioned by the Retirement Incomes Working Group (RIWG) of the Actuaries Institute. The study has been designed to unearth very detailed information about superannuation members in part or full retirement.

The comparative analysis of the SMSFs was made by Prof Pavel Shevchenko (CSIRO Research Scientist and a member of the RIWG) complementing the recently published CSIRO Data61 reports for the CSIRO-Monash superannuation research cluster analysing ATO superannuation data.

Simon Solomon, Founder of Plan for Life, said: "Previously data at this level of detail had to be estimated. We wanted to see what the numbers really showed. The data confirms some pre-existing views but also includes some surprises. "We are now getting a much clearer picture of retiree's behaviour. Our research is ongoing. Examination of differences between accounts held by males and females, as well as changes in pension drawings in the two most recent years – 2015 and 2014, and then 2016 - will enable more information to be drawn from the study."

The CSIRO analysis is based on a random sample of 50,000 individuals with only SMSF accounts in 2004; and 50,000 who had both balances in an SMSF and another fund in 2004, covering 11 tax years from 2004 to 2014.

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Total Account Balances and Drawings Levels – Non-industry Funds

Age & Minimum % Drawing required	Minimum % Drawing	More than Minimum but <6%	6%-10%	10% - 15%	15%-24%	Over 24%	Total
<65: <=4%	19.03%	7.74%	6.92%	2.55%	0.65%	0.40%	35.90%
65-74: 5%	26.08%	5.65%	16.05%	3.50%	1.03%	0.38%	53.15%
75-79: 6%	3.61%		2.32%	1.36%	0.31%	0.13%	8.45%
80-84: 7%	1.09%		0.26%	0.39%	0.23%	0.06%	2.25%
85-89: 9%	0.15%		0.01%	0.03%	0.04%	0.02%	0.25%
90-94: 11%	0.01%						
>95: 14%							
Total	49.97%	13.39%	25.56%	7.83%	2.26%	0.99%	100.00%

Total Account Balances and Drawings Levels – Industry Funds

Age & Minimum % Drawing required	Minimum % Drawing	More than Minimum but <6%	6%-10%	10% - 15%	15%-24%	Over 24%	Total
<65: <=4%	20.60%	8.10%	9.60%	4.70%	2.40%	2.60%	48.00%
65-74: 5%	26.50%	6.50%	9.50%	3.60%	1.70%	1.30%	49.10%
75-79: 6%	1.60%		0.60%	0.20%	0.10%	0.10%	2.60%
80-84: 7%	0.30%		0.10%				0.40%
85-89: 9%							
90-94: 11%							
>95: 14%							
Total	49.00%	14.60%	19.80%	8.50%	4.20%	4.00%	100.00%

Source: Plan for Life

The tables analyse the number of accounts by age and percentage of the account balance that is drawn down. They show that just under half of our samples took the minimum balance over the 10 years of the survey. Another 14% took less than 6% pa.

Around 90% of Non-Industry Fund and 83% of Industry Fund members under 75 are taking less than 10%, but these numbers will be distorted by those taking Transition to Retirement pensions where the maximum that can be taken is 10% pa.

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For those between 75 and 79, the percentage of members taking over 10% is much higher. For industry funds, it is 15%; for other funds it is 20%, and this rises to 30% for those over 80. Life expectancy at 80 is about 9 years for males and 10 for females, but many people live longer. Actuarial calculations are that between 20% and 30% of this group would outlive their superannuation – if they do not reduce their drawings significantly.

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