

## International Study Finds Biggest Gap in Retirement Readiness Among Australian Women

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- **Survey in UK, US and Australia shows that 58% expect to live a poor or modest life in retirement.**
- **A third of all respondents do not plan to retire at all.**
- **Many have no idea how long their money will last, and fear outliving their savings.**

Sydney – The Actuaries Institute Australia today said an international survey of retirement expectations shows more than half of respondents believe they will have a diminished or meagre existence despite a quarter of a century of compulsory saving in Australia, and savings schemes in the UK and US designed to provide retirees with funds once they stop work.

The survey also shows that fewer Australian women are preparing to retire than men. In fact, the gap between men and women preparing to stop work is higher in Australia, at 22%, than either the UK where the gap is 7%, or the US at 15%.

Prepared by the Actuaries Institute Australia, the American Academy of Actuaries and the United Kingdom's Institute and Faculty of Actuaries, the "Retirement Readiness" paper is a comparative analysis of what people expect after they stop full-time work. This is the second international paper dealing with retirement and longevity issues prepared by the Institute in collaboration with its US and UK peers.

"The survey, of working-age individuals across three countries, shows people have remarkably similar expectations," said Actuaries Institute President Jenny Lyon.

"A great number of people expect to rely, in part or in whole, on some form of government payment during their retirement. 58% of respondents expect to live a poor or modest lifestyle during retirement. We are immersed in an era of diminished expectations compared to the period even two decades previous," Ms Lyon said.

The survey asked 2,953 working men and women from age 18 to 64, who live in Australia, the UK and the US, how prepared they are to meet risks once they stop work, including the risk they will outlive their money.

"Respondents, on average, are least prepared when it comes to knowing how much they need to retire, how long their money will last, and what might happen if they are forced to stop work unexpectedly," Ms Lyon said.

"Alarming, many respondents were also unprepared to retire at all, or believe they can re-enter the workforce if they need to."

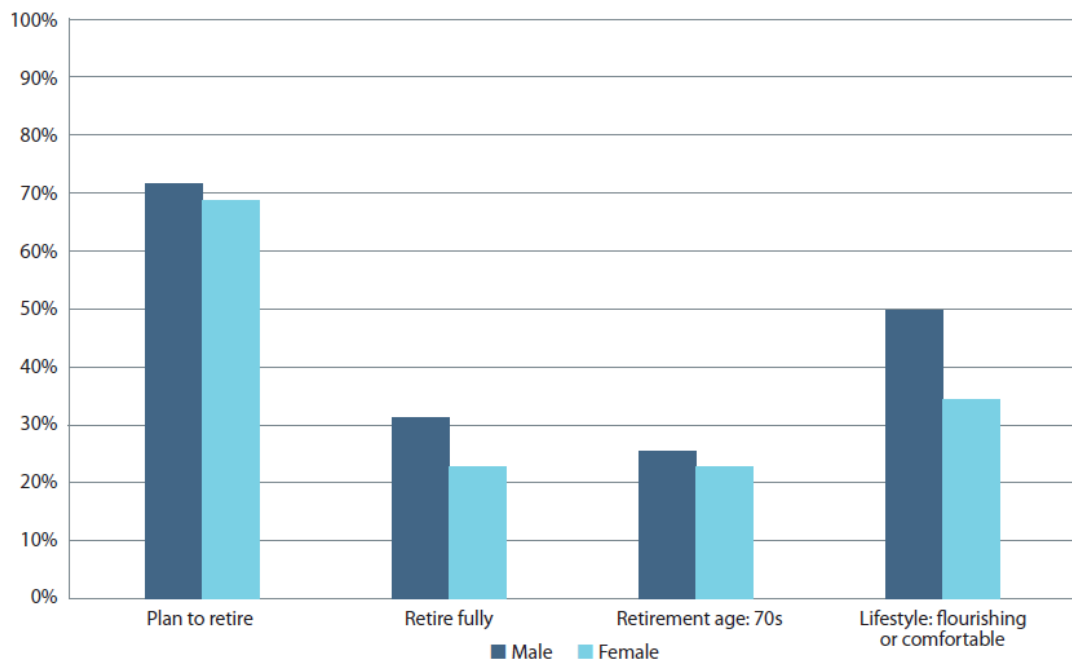
The survey also found that retirement readiness is highly gender based. It is more common among men than women in all three countries, with 47% of men preparing compared to 34% of women, but the gender gap is highest in Australia at 22%. Around 70% of people are married when they retire so the gender gap has the largest financial burden on single female retirees.

Ms Lyon said some people may choose to keep working because they enjoy it. But financial pressures mean continuing to work will be a necessity for many.

Although many of those surveyed, particularly those earning above average incomes could change their circumstances, “inertia and procrastination, broadly characteristic of most people’s decision-making, seem to lead to similar results across all three countries,” the survey notes.

“Very low participation rates among the young, while not surprising, underlines the importance of automatic enrolment in a retirement savings plan once a young person starts earning a modest amount of money,” Ms Lyon said.

**FIGURE 1.4 Retirement Expectations—By Gender**



Marjorie Ngwenya, President at the Institute and Faculty of Actuaries, UK, said: “This crucial report shows that UK respondents are less ready for retirement than their US and Australian counterparts.

“They were the least likely to have any personal savings set aside for retirement or have any idea how long the savings that they did have would last,” Ms Ngwenya said. “Worryingly, they also had the lowest understanding of their life expectancy and how they would avoid running out of money if they lived longer than expected.

“Looking to the US and Australia, it is clear that the UK is lagging behind. Policymakers and the pensions industry in the UK need to move urgently to educate and promote adequacy of income in retirement, if individuals are going to escape pensioner poverty without increasing the burden on the State.”

But the report also notes that those on low incomes may lack the resources to save for retirement. Public pension systems, like the Age Pension in Australia, must be sustainable for those who will rely on it.

Ms Lyon said the Actuaries Institute has advised the government on the development of retirement income policy to help manage longevity risks. The Institute supports policies that discourage retirees from taking lump sum payments and has encouraged less government ‘tinkering’ around superannuation and greater certainty for retirees.

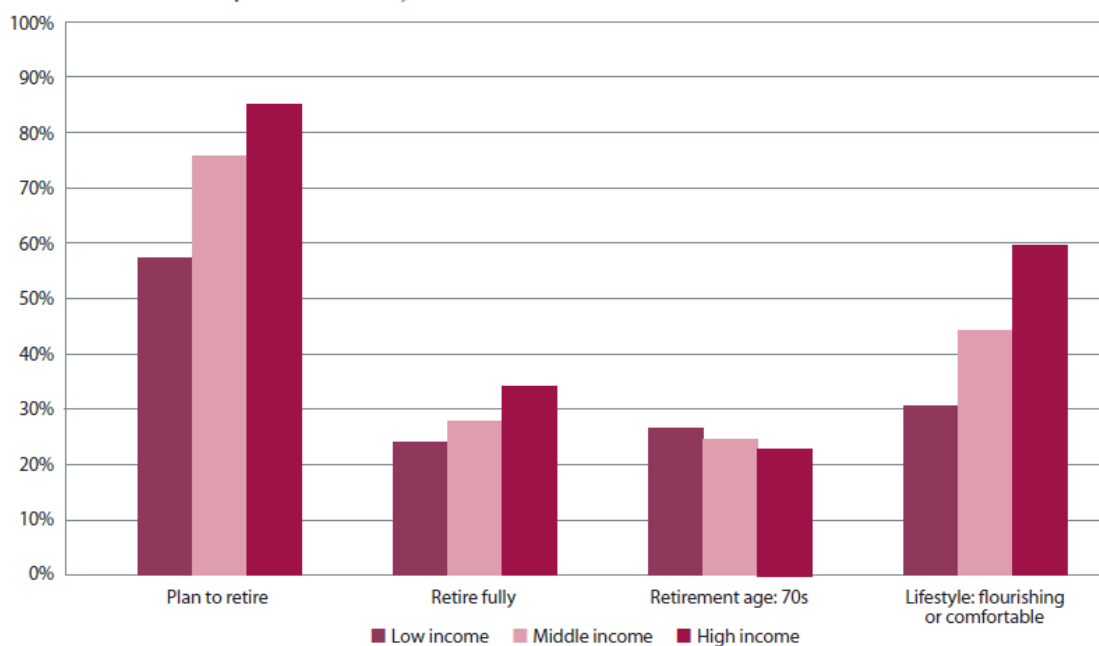
The international paper identifies public policy initiatives governments in all three countries must pursue:

- better and more education, including around financial literacy and retirement planning;
- clear and workable default options for retirement savings; and
- sustainable public pensions that will remain an essential part of retirement funding for many people.

It also found:

- Australia and the UK have roughly equal percentages of gross domestic product invested in private pension funds: 102% and 100% respectively, compared with 83% for the US; and
- in the UK, 43% of the working-age population is invested in a voluntary private pension, in the US the number is 47%, but participation is much lower in Australia at 20%, where superannuation contributions are compulsory.

**FIGURE 1.3 Retirement Expectations—By Income**



“This original research finds there are similar patterns of retirement readiness across our three countries – indicating there is room for improvement for all,” said the American Academy of Actuaries President, Bob Beuerlein.

“We have a clearer idea of how working-age people see the retirement picture changing for them and how they are — and are not — preparing for retirement.”

The Actuaries’ first combined report, released in October 2015, urged governments to examine the need for reforms to safeguard retirement incomes and develop policies to foster lifetime income guarantee products.

Download a copy of the report *Retirement Readiness: A Comparative Analysis of Survey Responses from Australia, the United Kingdom and the United States* [here](#).



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## About the Actuaries Institute

As the sole professional body for Members in Australia and overseas, the Actuaries Institute represents the interests of the profession to government, business and the community. Actuaries assess risks through long-term analyses, modelling 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 and health financing.