

The Time to Reimagine Retirement is Now

Australia should reimagine its retirement ecosystem so people can easily access targeted support to plan their futures and fund their lifestyles by having greater work flexibility and access to equity in their homes, if they can and wish to do so, a paper published by the Actuaries Institute today says.

The Dialogue Paper*, *Retirement Matters*, argues that as retirement has evolved from originally being a period of a few years before death to a new life stage of renewal and reinvention lasting up to three decades, more work is required to better prepare people for their futures.

Actuaries Andrew Gale, a former chairman of the Self Managed Super Fund (SMSF) Association and experienced non-executive director, and Stephen Huppert, a superannuation adviser, say the key retirement challenge for many people is longevity, which can make them worry about running out of money and live more frugally than they need to.

They recommend the Federal Government expand Australia's so-called Three Pillars of retirement funding — Age Pension, compulsory superannuation, and voluntary savings — to better promote additional income sources retirees can draw on, such as salaries and wages from part-time work or accessing income from equity in the family home or other property.

They also call on the Government to establish a regulatory framework to enable superannuation trustees to provide people with targeted help, guidance, and advice (HGA) on issues such as those outlined in the recent Retirement Income Review Report. These include assistance on the best age to retire, paying down debt, Age Pension entitlements, retirement income needs, as well as their likely future living expenses.

Such a framework would build on recommendations made during the recent Quality of Advice Review (QAR) to improve the accessibility and affordability of quality financial advice. It would also help resolve the tension superannuation trustees endure while managing their obligation under the Retirement Income Covenant to help their members in retirement and navigating the complexity of financial advice regulations.

Mr Gale said: "The big challenge we have is how to best fund incomes in retirement in the future. It's time we gave more attention to additional sources of retirement income, such as part-time work and home equity, which would provide an additional two "Pillars" to our existing Three-Pillar system.

"People are also often after some general guidance about retirement planning rather than comprehensive financial advice, which can be hard to get and expensive. A Help, Guidance and Advice framework would make it easier for people to obtain the support they need. This remains a real need even after the QAR report and the Government's response to the report."

Mr Huppert added: "Retirement has evolved significantly, and many people will choose not to follow conventional retirement patterns. The needs of people who have 20 to 30 years of retirement ahead of them are going to be very different to those who in the past had only a decade or so. It's time to reimagine retirement and get the system up to scratch."

Australia currently has about four million retirees, with another 670,000 people intending to retire in the next five years, Australian Bureau of Statistics data shows. While Australians intend to retire at 65.5 years, on average, many people retire much earlier than planned.

Mr Gale and Mr Huppert said while financial considerations typically take centre stage when planning for retirement, it's the non-financial considerations that dictate whether one has a good retirement. They suggest individuals take a holistic approach and remember to plan for their physical and mental health needs and how they will maintain their sense of identity and purpose in life after full-time work.

The authors also call for a national Longevity Strategy that could help redefine retirement by celebrating older Australians and their contributions to society, as well as open pathways for them to access new income streams such as part-time work.

Mr Gale said: "Such extended work patterns would have immense benefits for society and the national economy, and businesses would benefit from having workers with experience, insights, and wisdom.

Mr Huppert said: “A major obstacle to address is societal attitudes and stereotypes. We are progressing on some of the ‘-isms’ such as racism, sexism, and potentially ableism, but it is high time that there is an active debate and strong focus on ageism.”

Retirement Matters is the first in an upcoming series of Dialogue Papers to be published by the Actuaries Institute featuring ideas to improve the retirement income system.

The Institute’s 2021 Public Policy Statement, [Securing Adequate Retirement Incomes for an Ageing Australia](#), provides a framework for strengthening the retirement income system.

Andrew Gale and Stephen Huppert are available for comment.

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