SPECIAL TOPIC – Aussies increasingly less prepared for retirement

Contributed by Suzanne McCarthy, Financial Planning Client Services Manager

A steadily increasing number of retirees say they are financially unprepared for retirement, according to Investment Trends research.

Of approximately 750 over-40s in the sample, the proportion who said they were “pretty much” or “definitely” on track to reach their retirement goals dropped from 38% in the previous year to 27%, while those who said they were “way behind” climbed from around 20% to 26%.

“Proportionally there is an increase across the Australian population from about 62% to 72% saying year-on-year they are not sure or behind on retirement objectives,” Investment Trends chief operating officer Eric Blewitt said when presenting the data at the Financial Services Council conference this month.

“Those proportions are magnified as people get closer to retirement and that last three years before retirement seems to be the rabbit-in-the-headlight moment, with only 40% - which is down from 60% the previous year – of people saying they are going to meet their retirement objectives,” he said.

That large increase close to retirement was due to both market impact as well as a “harsh glimpse of reality”, Blewitt said.

Despite so many being behind in their objectives, only around 40% of over-40s are actively taking action or are about to, while around 35% would like to do something but can’t afford to, Blewitt said.

For those close to retirement, despite saying they are less prepared, there was actually a drop from 55% last year to 35% this year in those saying they were actually going to do something about it.

“The harsh reality is that less action is being taken to meet an increasing gap,” Blewitt said.

Given the low median retirement superannuation balance of around $109,000 and the market conditions we’ve had, an increasing proportion of both retirees and accumulators expect to be reliant in whole or in part on the age pension, he said.

Around 54% of accumulators expect to be mostly or totally reliant on the age pension, but once they reach retirement this rises to 69%.

More than one third of retirees are spending more than they had planned in retirement, largely due to price increases. Those who are spending less are doing so not because life is cheaper than they expected it to be but because they’ve had a reduction in their assets and have had to cut their spending accordingly, Blewitt said.

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In our opinion, you can protect your retirement investments by holding a more conservative portfolio for 2012 and early 2013 and buy into growth assets on weaknesses in the market in 2013. We can help by reviewing your retirement investments and assessing your preparedness for retirement.

Please contact us to provide an independent review of your investments and superannuation and your retirement plans. If you are saving for retirement then we can advise you on your optimal plan.

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