The annual RaboDirect Financial Health Barometer survey has been running since 2011. This year’s Super & Retirement Report is developed from the survey insights and aims to help all Australians become more aware of the importance of their savings and super for a happy and healthy retirement.

A total of 2,300 Australians between the ages of 18 and 65 were surveyed for the 2017 RaboDirect Financial Health Barometer, with results used throughout this report.

With a raft of changes taking place to super from 1 July 2017, it’s more important than ever for Australians to make a solid financial plan for their retirement. The RaboDirect Super & Retirement Report reveals significant gaps between reality and the expectations of Australian workers when it comes to the financial requirements of retiring.

There is a big job to be done by all Aussies but it isn’t all bad news. The research shows that 69 per cent of Aussies who make voluntary contributions are twice as likely to believe that their super will adequately fund their retirement.
Whilst this is positive, ‘head-in-the-sand’ syndrome is still rife throughout each generation and shows that although those nearing retirement are aware that their super will fall short of their needs, they are unlikely to make voluntary contributions to their super funds, or enlist the help of a financial planner. In fact, the majority of Baby Boomers (55 per cent) believe they will run out of money during their retirement.

Since 2011, the RaboDirect Financial Health Barometer results have continued to show that Australians who take steps to control their finances, and make plans for the future are better off in the long run, no matter if they’re 18 or 60. It’s never too late to put a plan in place, start making contributions to your super and savings accounts, and get engaged with your finances.

The RaboDirect Super & Retirement Report includes expert commentary from:

- **Bede Cronin**
  Head of RaboDirect

- **Jenny Brown**
  Founder & CEO of JBS Financial Strategists

- **Peter Hogan**
  Head of Technical SMSF Association
WHO BELIEVES THEY WILL HAVE ENOUGH MONEY TO RETIRE?

Expectations at odds with reality

The RaboDirect Super & Retirement Report unveiled considerable disparity between what people estimate they will need for retirement and what they expect to have in their super. Baby Boomers have the biggest super gap at $500,516, and Gen Y the lowest at $220,925.

The report illustrates that Australians in different life phases, have very different expectations about their retirement. While a significant portion of Gen Y believe they will have enough super to fund either a comfortable or modest retirement (55 per cent), the figure drops to 31 per cent for Gen X. This indicates that as Aussie workers add financial pressures to their life, such as mortgage or family, focusing on longer term retirement and wealth creation goals takes more of a backseat. Likewise, only 30 per cent of Baby Boomers believe their super will fund either a comfortable or modest retirement.
People who have made voluntary contributions to their Super Fund

On average, the number of Australians making voluntary super contributions has increased by five per cent from last year to 32 per cent. The number of Gen Y’s contributing to their super has increased by 10 per cent in 12 months, up to 40 per cent this year.

“A lot of young people don’t want to make contributions into super because they want the cash now to fund lifestyle, family and mortgages, which is understandable. But I encourage people to make sure they’re salary sacrificing early on, and that they have adequate insurance.

Making contributions to superannuation is essential. A lot of small business owners say, ‘My business is my super.’ But that’s not necessarily going to work out if your business relies on good will.”

Jenny Brown
Founder & CEO of JBS Financial Strategists
The overall expected retirement age has steadily decreased since 2014. Gen Y’s expect to retire at the youngest age of 60.4 (a drop of more than three years since 2014), with Gen X and Baby Boomers believing they will be aged around 65 at retirement, though currently, Government regulations allow an Age Pension at 65 which is expected to lift to 67 by 2023.

This expectation to retire younger every year is at odds with the expectation of having less money at retirement, and tends to reflect that average Aussie workers are not proactively engaged with their super funds, nor do they have a concrete strategy for a comfortable retirement. The results highlight a critical need for Aussies to take stock of their super and savings to plan for the future.

Bede Cronin
Head of RaboDirect
Gen Y are leading the way in terms of active engagement with their finances, setting themselves up for success through increasing their level of voluntary super contributions, engaging with financial planners and more likely to trust and use different financial advice sources. These behaviours are already seeing benefits for Gen Y, with an increase in confidence about their ability to maintain a comfortable lifestyle when they retire.

**Gen Y has the highest proportion of people who believe they’ll be able to retire and maintain a comfortable lifestyle.**

Generation Y are building great habits and setting themselves up for success in retirement. The fact that they’re more likely to use a financial planner and currently contribute more to their super funds indicates that they’re serious about educating themselves and creating a realistic strategy to be prepared for the future.

On the other hand, Baby Boomers are a product of the economic conditions they’ve experienced and this has perhaps decreased their ability to contribute to their superannuation, where Generations Y and Z have more time to catch up.

*Bede Cronin*

*Head of RaboDirect*
RaboDirect’s research over the years has shown that Australians who have a plan are the happiest and financially better off than those who don’t. In fact, the Super & Retirement Report found that those who are currently using or intend to use a financial planner expect their super funds to be almost $200,000 better off at retirement.

By the same token, Australians who better plan their spending and savings are more likely to be able to voluntarily contribute to their super and 69 per cent of Australians who’ve made voluntary super contributions in the past 12 months agree that their super will support them through their retirement.

The research also indicates that 18 per cent of Aussies believe they don’t need to carefully plan their retirement, instead relying on an inheritance from relatives.

People need to work out what level of income they’re going to need in retirement and then compare that against what they’ll be able to generate with their assets. Everyone’s level of comfort is different. The essential reason for the changes to superannuation taking place on 1 July 2017, is to target the larger funds, predominantly self-managed, where the pension accounts exceed $1.6 million. After 30 June, Australians with pension accounts exceeding $1.6 million will no longer be able to make after-tax contributions.

Peter Hogan
Head of Technical SMSF Association

18% of Aussies believe they can rely on an inheritance from relatives in retirement.
RaboDirect’s ongoing Financial Health Barometer research continues to confirm that having a financial plan coupled with investing in personal relationships and a healthy lifestyle contribute to a happy life. In RaboDirect’s latest Happiness Report, of the Australians who responded as being completely happy, 61 per cent have a good financial plan in place, 53 per cent stay financially informed and 52 per cent have good saving habits.

When it comes to your retirement, having a lifestyle plan is just as important as a financial one. Both non-retirees and retirees say that staying healthy and active is a top goal for their retirement, followed by spending time with family and maintaining a comfortable lifestyle without being short of money.

“More and more people are retiring without a clear direction of what they want to do. They may plan to retire at 60 but what will they do with their time? There’s only so many games of golf you can play, only so many holidays you can take. A solid plan is essential and the first step is to get a handle on your budget and know what you’re spending. That way, when you do retire, you know you’ll be generating enough income to support your lifestyle.”

Jenny Brown
Founder & CEO of JBS Financial Strategists
Don’t get caught out! The rules for super contributions continue to evolve. Keep track of the changes through the Australian Taxation Office or informative websites such as www.superguide.com.au, an independent website on super.

Be clear on what you need and want out of your retirement. Is your heart set on travelling the world? Do you plan to prioritise spending time with family and friends? Do you wish to live a healthy, active lifestyle? The ideal financial plan for the future differs not only for each generation, but for each individual.

People with $300,000 to $500,000 in their superannuation funds will be in a position to make voluntary after tax contributions under the new regime up to $100,000 per year, or $300,000 over three years. This means they don’t need to rush to contribute extra before 30 June. They can still make voluntary after-tax contributions and spousal contributions.

Keep in mind, the new rules don’t limit the lump sums that people can pay themselves out of superannuation and they don’t impact the common pension account.

The important thing to remember is that, despite the changes to superannuation, there are still opportunities to play catch up, even later in life.

Peter Hogan
Head of Technical SMSF Association
Every generation needs to have a budget that they work to and understand where their money goes so they can ensure their savings plan works. Follow RaboDirect’s top three financial hacks for a healthy retirement:

**Gen Z**
Arm yourself with knowledge. Join financial forums online, read trusted money blogs, and follow financial planners and institutions on social media.

**Gen Y**
Visualise the kind of retirement you want and plot to make it happen. A financial planner can provide you with a blueprint for a comfortable retirement and set you on the right path.

**Gen X**
Enlist the services of a financial planner and create a strategy to pay down your debts, cover your children’s education, and save for a comfortable retirement.

**Baby Boomers**
Speak to a financial planner about your plans ahead of 1 July to ensure you’re maximising the current super contribution caps before the change and making the most of any relevant tax breaks.

- **Write down your expenses for the month, including education, social life, and mobile phone bills.** Create a budget, allocating 20 per cent of your income to savings and super. Budgeting is an essential life skill for a comfortable future.

- **Create a good credit history.** Pay off your credit cards quickly so that you can start saving so you’re in a better position to do the things that matter to you, like buying a home, starting up your business or planning that sabbatical in Europe.

- **Set up automatic payments for credit card debts and other bills to avoid late fees and to minimise interest charges.**

- **Retirement may feel like a long way off, but the choices you make now will have a huge impact.** Make wise financial decisions on major outlays such as overseas holidays, a wedding, car, or house. Also, making some small changes, such as contributing an extra $20 a week to your super (the price of a coffee every weekday) over 30 years, will result in an extra $79,727 for your retirement*.

- **If you don’t own your home outright, it’s important to get ahead on your mortgage now and shorten the life of your loan.** Once the house is paid off, you’ll have spare funds to make additional contributions to your super.

- **If you’re not already, start making voluntary contributions to super.** Contributions you make as a salary sacrifice are taxed at 15% and in some cases lower your tax threshold. You may not be able to spare a great deal, but even a little will have a big impact.

- **Create a plan for your transition to retirement, whether it’s continuing part time work, mapping out your travel dreams or putting your bucket list down on paper.** You’ll be able to better prioritise your finances and decisions once you have a plan in place.

The changes to super laws coming into effect on 1 July 2017 will impact many Australians, the amount you can contribute to your super will be decreasing. The maximum contributions will be reduced and the maximum balance of tax-free pension funds that you can save for retirement will be capped at $1.6M.

Additionally, Australians who are transitioning to retirement using a Transition to Retirement (TTR) pension will be paying more tax, while those receiving a pension will need to put more thought into where their living expenses come from and how they manage their estate planning with super.

Upcoming changes include:
- Removal of tax exemption for transition-to-retirement pensions (TRIPS)
- Before-tax contributions cap to be reduced – but you can catch up
- After-tax contributions cap reduced to $100,000 annually
- Spousal super income threshold increased
- Tax hike for high earners
- More tax-deductible super contributions

For more detail on these changes visit our information page: www.rabodirect.com.au/smsf-and-trust-savings/changes-to-super

For more information about RaboDirect
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