

News & Commentary

Wanted: Much more super

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Often commentators focus on the \$1.08 trillion-plus in super rather than on what fund members have in their super accounts when entering retirement.

The total dollar figure is impressive and underlines the success of the Superannuation Guarantee system together with voluntary contributions in gathering dollars for our retirement.

However, a new survey by financial researcher Investment Trends gives a disturbing impression of Australia's retirement savings – particularly for individuals on the eve of retirement or already in retirement.

The 2009 Retirement Income Report is based on a survey of 2,861 people over 40 who are either working full-time or in retirement.

Respondents within three to five years of retirement had a median balance in super of just \$73,000 while those within one to three years had \$140,000. And individuals with less than a year before retiring had a median balance of just \$100,000 – clearly reflecting that the Superannuation Guarantee system was introduced only 17 years ago.

Interestingly, there is a degree of realism among pre-retirees with 67% of respondents in this category acknowledging that their super savings were not enough. However, only a quarter expect to use at least some of their super to finance a retirement income stream.

The higher their super balances, the more likely members are to take a superannuation pension or retirement income stream.

Mark Johnston, principal of Investment Trends, comments: "The sweet spot for retirement income-stream products appears to be those with at least \$500,000 in super assets. Among this group, almost half plan to make some use of income stream products."

Two of the powerful points emerging from the survey are the need for us to save much more in super – and then to use much of that money for a pension.

As the findings of the Investment Trends survey underline, baby boomers who joined their first super fund in their mid-forties with the birth of the SG system began their retirement savings on a big handicap.

*** Written by Robin Bowerman, Head of Retail at Vanguard Investments Australia.**

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