One in two Australians regret not saving more

If they could start their working life again, 46 per cent of retirees said they would make extra super contributions, start saving earlier, or save more consistently, according to new research from Investment Trends.

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Based on a online survey of 974 retirees and pre-retirees late last year, the Investment Trends 2010 Retirement Incomes Report revealed a considerable mismatchbetween Australians' expectations before retirement and the reality of life for many retirees.

Key findings include:

- Before retirement, Australians expect on average that they will need $56,000 a year to lead the retirement lifestyle they are looking for. But retirees spend an average of just $39,000 a year once they retire, with spending declining to an average of $32,000 a year after 10 years in retirement.

- Those in their 40s and 50s underestimate their life expectancy, and thus the amount of retirement savings they will need. However, retirees currently in their 80s expect to live to 95 on average, with only one in eight saying they are in poor health. That gives them an average of 31 years of retirement.

Tim Cobb, Chief Operating Officer, Investment Trends, said many Australians seem to be unprepared for retirement, and have unrealistic expectations for their retirement savings.

"Among those yet to retire, around one in four expect to earn 10 percent a year on their retirement savings, considerably more than recent returns," he said. "Similarly, almost half expect to receive the Age Pension, whereas only 31 percent of current retirees are in fact entitled to a full or part-pension," Cobb said.

At the same time, the report shows that retirees adjust rapidly to their reduced incomes, with actual spending among retirees considerably lower than the amounts that those in the workforce anticipate they will need.

"While around 47 percent say that living in retirement is cheaper than expected, it also seems likely that many retirees are adjusting their lifestyle to fit their means," said Cobb. "More than half have been negatively affected by the GFC, with 35 percent saying that they have somewhat less income than before, and 14 percent saying that they have substantially less income."

Asked what they thought was most important in a retirement income product, both retirees and pre-retirees preferred transparency and stability to high returns. The five features they rated most highly were tax efectiveness (rated as essential, very important, or important by 91 percent of participants); easy access to money (87 percent); easy to understand (86 percent); protection against market falls (77 percent), and stable returns (86 percent).

Written by – Tim Cobb (Financial Planning Magazine)

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