

**A QUANTITATIVE REPORT ON
RETIREMENT SAVINGS –
DESIRES AND DRIVERS**

Project 2057
December 11th, 2001

Prepared for:
Bill Stanhope
Senior Policy Manager
Investment and Financial Services Association
Level 24, 44 Market St.,
Sydney NSW 2000

CONTENTS

A QUANTITATIVE REPORT ON 1

RETIREMENT SAVINGS – 1

DESIRES AND DRIVERS 1

1. EXECUTIVE SUMMARY 1

1.1 Demographic and Other Sample Measures 1

1.2 Attitudes Towards Savings Prior to Retirement 2

1.3 Age of Retirement 3

1.4 Retirement Savings Vehicles 3

1.5 Sources of Income in Retirement 4

1.6 Actions & Decisions (or Forecast Actions) Re Super Benefits on Retirement 4

1.7 Methods of Taking Superannuation Benefits on Retirement 5

1.8 Retirement Income Stream Product Attribute Preferences 7

1.9 Preference Testing Paired or Composite Income Stream Product Attributes 8

1.10 Advice Sources For Investing in Retirement 10

1.11 Attitudes Towards Leaving an Estate 10

2. INTRODUCTION 12

2.1 Background.....12

3. RESEARCH OBJECTIVES14

3.1 Operational Research Objectives14

4. RESEARCH APPROACH.....17

5. MAIN FINDINGS19

5.1 Demographic Characteristics of the Sample (n=600).....19

5.2 Attitudes Towards Savings24

5.3 Retirement Issues36

5.4 Retirement Savings Vehicles37

5.5 Segmentation Based on Preferences Regarding Income Stream Product Attributes.....83

6. APPENDICES: QUESTIONNAIRES.....90

EXHIBITS

Exhibit 1. Summary of Super Benefit Usage (Actual & Anticipated) – Whole Sample n=600 6

Exhibit 2: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products
(n=400)..... 9

Exhibit 3: Gender, Age, Retirement Status, Area, & State 19

Exhibit 4: Income 20

Exhibit 5: Household and Family Status 21

Exhibit 6: Accommodation, Mortgage Size & Employment..... 22

Exhibit 7: Occupation, Marital Status & Partner’s Work Status (n=600)..... 23

Exhibit 8. Mean Agreement With the Statement: “I live /used to live for today, and don’t/didn’t worry about saving money” 24

Exhibit 9 “My living expenses don’t leave room for saving/During my working life my living expenses did not leave room for saving” 26

Exhibit 10. “Building assets and wealth is/has been important to me” 28

Exhibit 11. “Saving or investing to fund my retirement is/was a priority for me” 30

Exhibit 12. “I feel confident I will have enough money in retirement to provide a good standard of living” 32

Exhibit 13. “I know at what age I will retire / I knew several years in advance of retiring at what age I would retire” 34

Exhibit 14. Planned Age of Retirement (Actual Age for Retirees) 36

Exhibit 15. Retirement Savings and Investment Vehicles 37

Exhibit 16. Main Retirement Savings and Investment Vehicles 38

Exhibit 17. Main Retirement Savings and Investment Vehicles 39

Exhibit 18. Main Retirement Savings and Investment Vehicles 40

Exhibit 19. Age at Which Started/Expecting to Start to Save for Retirement 41

Exhibit 20. Sources of Income in Retirement 42

Exhibit 21. Single Most Important Source of Income in Retirement 43

Exhibit 22. Single Most Important Source of Income in Retirement 44

Exhibit 23. Incidence of Superannuation Benefits being Seen as the Single Most Important Source of Income in Retirement..... 45

Exhibit 24. Action Taken (or Anticipating Taking) Regarding Super Benefits at Retirement 47

Exhibit 25. Estimated Size of Lump Sum 48

Exhibit 26. Estimated % of Lump Sum That Will Go to Pay Off Home Mortgage 49

Exhibit 27. Estimated % of Lump Sum That Will Go to Pay Off Debt..... 50

Exhibit 28. Estimated % of Lump Sum That Will Go to Extend/Modify a Home or Purchase a New Home..... 51

Exhibit 29. Estimated % of Lump Sum That Will Go to Purchase a Car or Other Large Item Such as a Whitegood 52

Exhibit 30. Estimated % of Lump Sum That Was/Will Be Spent on Holidays/Entertainment 53

Exhibit 31. Estimated % of Lump Sum That Was/Will Be Invested for Capital Growth 54

Exhibit 32. Estimated % of Lump Sum That Was/Will Be Used to Provide a Regular Income to Live Off 55

Exhibit 33. Estimated % of Lump Sum That Was/Will Be Used for Other Things 56

Exhibit 34. How Lump Sum Was/Will Be Used - Summary..... 57

Exhibit 35. When/While Still Working, Did (Do) Plans to Take Part/All of Your Super as a Lump Sum Encourage You To 58

Exhibit 36. Investing Some Super Benefits for Capital Growth – In Which Types of Investments? 59

Exhibit 37. Retirees Who Put Some Super Benefit Into Regular Income Products – Proportion of Super Benefit Into a Pension or Annuity That is Paid for Life 60

Exhibit 38. Retirees Who Put Some Super Benefit Into Regular Income products – Proportion of Super Benefit Into an Allocated Pension..... 61

Exhibit 39. Retirees Who Put Some Super Benefit Into Regular Income products – Proportion of Super Benefit Into Something Else.... 62

Exhibit 40. Retirees Who Put Some Super Benefit Into Regular Income products – Summary..... 63

Exhibit 41: Reasons for Selecting a Pension or Annuity That is Paid for Life (n=31) 64

Exhibit 42: Reasons for Selecting an Allocated Pension (n=25) 65

Exhibit 43: Reasons for Selecting Something Else (n=13) 66

Exhibit 44. Summary of Super Benefit Usage (Actual & Anticipated) – Whole Sample n=600 67

Exhibit 45. Summary of Anticipated Super Benefit Usage on Retirement– Pre-retirees (n=400)..... 68

Exhibit 46. Summary of Super Benefit Usage– Retirees (n=200) 69

Exhibit 47. Retirement Income Stream Product Attribute Preferences..... 70

Exhibit 48. Retirement Income Stream Product Attribute Preferences – By Main Segments..... 71

Exhibit 49. Retirement Income Stream Product Attribute Preferences – By Super Benefit Preferences 73

Exhibit 50. Retirement Income Stream Product Attribute Pair Preferences 75

Exhibit 51. Advice Sources For Investing For Retirement 77

Exhibit 52. Advice Sources For Investing For Retirement 78

Exhibit 53. Type of External Adviser Used/Anticipated Using For Investing For Retirement..... 79

Exhibit 54. Purchase Channel Used/Preferred For Investing For Retirement..... 80

Exhibit 55. Attitudes Towards Leaving an Estate..... 81

Exhibit 56. Leaving Assets in an Estate – In What Form?..... 82

Exhibit 57: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products 84

Exhibit 58: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products 87

Exhibit 59: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products 88

1. EXECUTIVE SUMMARY

This research aims to identify underlying drivers of retiree decisions, particularly those concerning financial matters.

This particular report covers the second phase of this research – quantitative research. This phase involved the collection of quantitative information from a sample of 600 consumers (400 pre-retirees and 200 retired people) in order to test a number of hypotheses generated by phase one, and to provide data for future modelling of various products and policies in the retirement incomes arena.

The earlier qualitative phase involved six focus groups and has been reported separately, in Volume 1 of this report.

This attitudinal and behavioural research concerns financial matters associated with:

-] Planning and saving for retirement.
-] Decisions and actions at the point of retirement.
-] Attitudes and needs surrounding various features of retirement income stream products.

A summary of the quantitative findings is as follows:

1.1 Demographic and Other Sample Measures

-] The mean annual household income of the pre-retirees in this sample was \$62,800, and for retirees, \$29,700.

-] Personal income for the pre-retirees was currently \$51,000, and for those who are now retired, the mean personal income in the year prior to retirement was \$39,300 pa.
-] Two thirds of the sample owned their own homes (54% of pre-retirees and 85% of retirees).
-] Mortgages over \$50,000 applied to more than half of the pre-retirees and none of the retirees.

1.2 Attitudes Towards Savings Prior to Retirement

-] Most respondents disagreed that they lived for today and did not worry about saving money, although retirees (as opposed to pre-retirees) older (as opposed to younger) and those who mainly relied on non-super investments for income in their retirement were more likely to partly agree with this statement.
-] There was moderate agreement that “living expenses had not/did not leave room for saving during your working life” by those in this sample, with lower income respondents likely to more strongly agree with the statement than higher income respondents.
-] Conversely, “building assets and wealth is/has been important to me” was a statement that respondents agreed with quite strongly overall, with males identifying more closely than females with this sentiment. Not surprisingly, high-income respondents agreed more strongly than low -income respondents with this.
-] Similarly, “saving to fund my retirement is/was a priority for me” was another statement receiving fairly high agreement scores in this research, although retired people agreed slightly less strongly than pre-retirees with the statement.
-] Overall, there was little confidence that there would be enough money in retirement to provide a good standard of living.

1.3 Age of Retirement

-] Although few people were confident of / or knew several years in advance of retiring at what age they would retire, those reliant (or anticipating relying) mainly on superannuation savings at retirement were more confident about their age of retirement than others in the sample.
-] Of those pre-retirees who knew fairly well when they would retire, the mean retirement age was expected to be 61 years. (The mean age of retirement of the retirees in the sample was 59 years).

1.4 Retirement Savings Vehicles

-] “Employer contributions to super” was the most frequently cited retirement savings and investment vehicle owned, mentioned by 70% of respondents. It was also the single most important retirement savings vehicle for 46% of the sample.
-] Other frequently cited retirement investment vehicles, prior to retirement, included own super contributions to work super schemes (52%), shares (47%), bank savings products of various kinds, including term deposits (41%), and property investments (40%).
-] Pre-retirees were noticeably more involved than retirees had been with superannuation, shares, managed funds and other personal superannuation schemes. They used bank investments less than retirees had done during their employment years.
-] The median age at which respondents began to save for retirement was 45 (mean 36), with 28% of people stating they started before the age of 30. Those in higher income households commenced saving earlier than those in lower income houses.

1.5 Sources of Income in Retirement

-] By far the highest incidence of actual (or planned) income sources in retirement was superannuation benefits (72%). Super benefits were /were anticipated to be the single most important source of retirement income for 43% of the sample (54% for pre-retirees versus 22% for retired people in the sample).
-] One fifth of the sample were using or expected to use a full pension and 11%, a part pension as their single most important source of income in retirement.

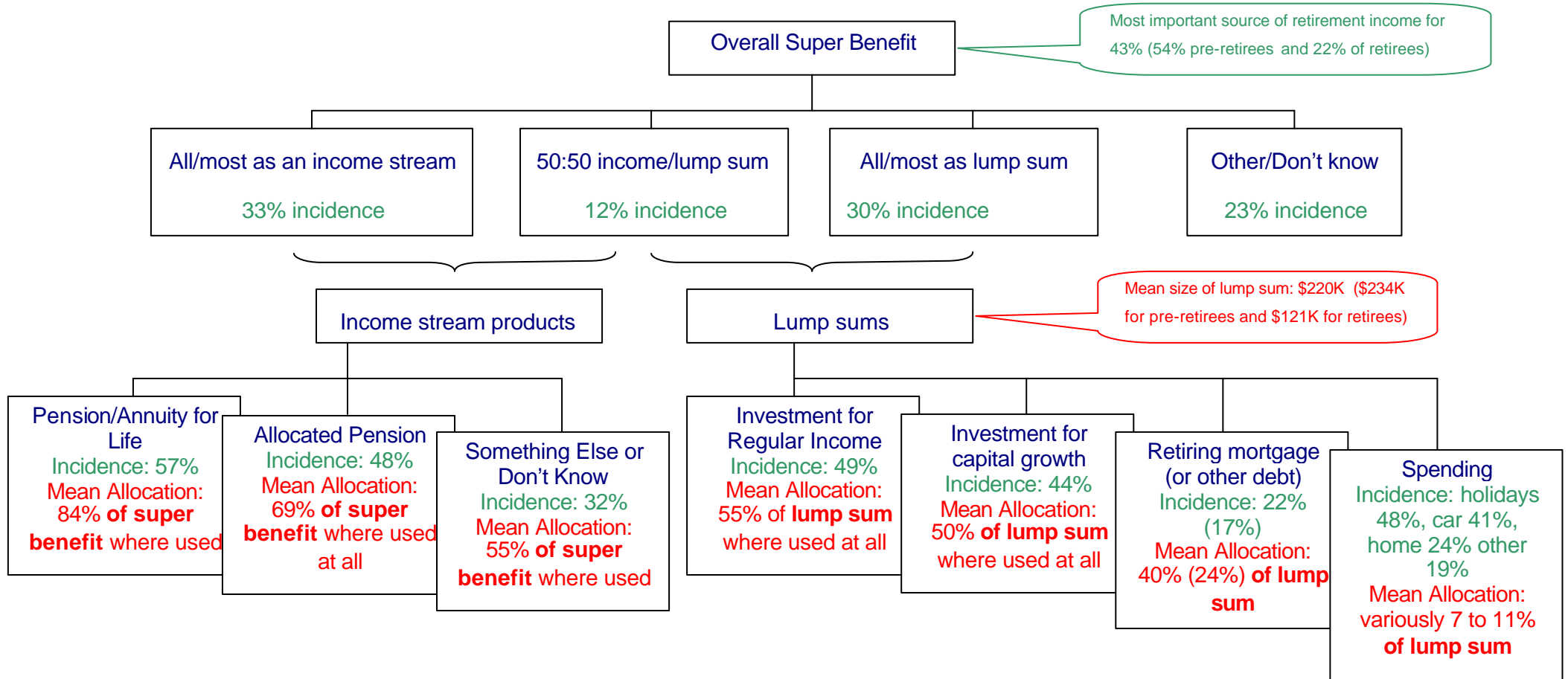
1.6 Actions & Decisions (or Forecast Actions) Re Super Benefits on Retirement

-] The most frequently mentioned action on retirement was to take all or most of the super benefit as a lump sum (30%), or 50:50 lump sum/pension or annuity of some kind (12%).
-] Another 28% said they had taken/would take it all or most of it, as a pension or annuity.
-] 17% said they would roll it over, keeping it in a super environment.

1.7 Methods of Taking Superannuation Benefits on Retirement

-] Among pre-retirees expecting a lump sum on retirement, the size of the lump sum was expected to be \$234,000 on average, whereas retired people taking a lump sum, had averaged a lump sum benefit of \$121,000.
-] A summary of the manner in which superannuation benefits is expected to be/has been taken by this sample is given overleaf, with more detail on pre-retirees and retirees in the body of the report.

Exhibit 1. Summary of Super Benefit Usage (Actual & Anticipated) – Whole Sample n=600



1.8 Retirement Income Stream Product Attribute Preferences

-] In the combined sample, the most important attribute of retirement income stream products, was that “the balance of the fund goes to the estate or to your partner if you die early” (mean importance score was 9.2 on a zero to 10 scale).
-] Also of very high importance were:
 - Guaranteed income for life (8.7)
 - Income indexed against inflation (8.2)
 - Guaranteed level of payment each month (8.1)
-] Of least importance, or most disliked, were:
 - No account statements (5.0).
 - High risk/high returns (5.2)
 - Guaranteed income for a set number of years (5.6)

1.9 Preference Testing Paired or Composite Income Stream Product Attributes

-] A series of 13 “paired or composite attributes” of hypothetical income stream products were tested for preference scores, again using a zero to ten preference score scale.
-] The findings were that:
 - There were strong preferences shown for combinations of attributes in the overall sample, which deliver:
 - Access to social security benefits.
 - Access to capital in case of needing to withdraw some of it.
 - Low risk investments.
 - Tax advantages.
 - These results also showed that retirees and pre-retirees were relatively adverse to products which:
 - Involve no residual money being left in their estate.
 - Do not allow the possibility of withdrawal of capital if needed.
 - Appear to have no age pension benefits.
-] The preference scores on pair attributes of hypothetical income stream were further analysed (using factor analysis) to identify underlying dimensions of preference, and then clustered (using cluster analysis) to identify five attitudinal or needs based segments of pre-retirees. The segments are summarised overleaf.

Exhibit 2: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products (n=400)

<i>Item</i>	Cluster 1 Access & Benefits Seekers	Cluster 2 Medium Risk Takers	Cluster 3 Low Risk Unsophisticated	Cluster 4 High Return Seekers	Cluster 5 High Return & Access to Capital Seekers
% of Pre-Retirees	29%	31%	5%	21%	15%
Factor Scores					
Maximum tax & other benefits	High	Medium	Very high	Medium	Low
Low risk investments	Medium	Medium	Very high	Very low	Medium
Access, but less tax & SS benefits	Moderately high	Low	Very high	Medium	Low
Access plus tax & SS advantages	Moderately high	Very low	Very high	Very low	Moderate
Demographics					
Personal income	Average spread	More middle income	Slightly lower income than average	Average income spread	Slightly higher income distribution
Gender split				Higher proportion of men than average	Higher proportion of women than average
Age		Younger, on average	Older, on average	Younger, on average	

1.10 Advice Sources For Investing in Retirement

-] The most usual approach to obtaining advice prior to retirement was (or was planned to be) obtaining views from one or two outside sources (35% incidence).
-] 29% of pre-retirees in the sample were currently receiving professional investment advice.
-] The main sources of advice, where used, was a financial planner (69%), an accountant (28%) or a bank employee (26%).
-] 18% said they used/would use a super fund, and 14% a fund manager. Life insurance companies were cited by 4%.
-] Over one third of the sample (38%) preferred to use some form of financial adviser to purchase or gain access to the retirement investments they may require, and 25% preferred to deal directly with a fund or provider.
-] Women (47%) were more likely than men (34%) to deal through some form of financial adviser, and conversely, men were more likely to deal directly with a fund manager (29%) than women (16%).

1.11 Attitudes Towards Leaving an Estate

-] Over half (61%) felt it was important to leave *some* assets in their estate, and that they would structure (or have structured) their financial affairs accordingly. Only 13% wanted to leave a large proportion of their retirement assets in their estate.

-] The vast majority of respondents who anticipated and planned to leave assets in their estates, were thinking of the family home (94%). This result supports the qualitative research findings.
-] Other fairly frequently mentioned asset classes that were anticipated to be left in estates included:
 - Bank savings (65%)
 - Superannuation (62%)
 - Shares (53%)
 - Managed funds/life insurance (46%)
 - Investment property (45%).
-] Pre-retirees were more likely than retirees to anticipate leaving an estate component in the form of superannuation (71% versus 41%).

2. INTRODUCTION

2.1 Background

IFSA has undertaken a great deal of work in the area of Retirement Incomes and Long Term Savings (RILTS). The RILTS project aims to:

-] Take a leading and influential role in the public debate on retirement incomes policy;
-] Be a key resource to Government during the establishment of, and throughout the proposed review of retirement incomes policy, so as to influence both the review strategy and its outcomes.

As part of this work, IFSA generated a project entitled “The Retirement Savings Desires and Drivers Project” that aimed to investigate key consumer drivers, intentions and behaviour with regard to:

-] Retirement savings
-] Retirement product choice and planning

IFSA commissioned Chant Link & Associates in May 2001 to undertake qualitative and quantitative research on the above mentioned issues to inform future debate and developments in retirement savings and income products.

This report presents the findings of the quantitative phase of research.

3. RESEARCH OBJECTIVES

3.1 Operational Research Objectives

The detailed research were as follows:

Attitudes towards saving for retirement

1. To determine the importance attributed to saving for retirement at this point in an individual's life.
2. To determine whether people expect to make their own contributions to retirement saving (ie apart from employer contributions).
3. To determine the degree to which people expect to rely on a) welfare support; b) employee superannuation benefits and c) own retirement savings to fund retirement.
4. To determine the age at which people commenced or intend to commence retirement saving (that is, savings other than employer superannuation contributions).

Attitudes towards superannuation

5. To determine preferred savings vehicles for saving for retirement, including the relative role of superannuation (compared to other savings/investment products).
6. To determine attitudes and behaviour with regard to voluntary superannuation contributions.
7. To determine potential barriers (and the strength of those barriers) to making personal contributions to superannuation.

Attitudes towards retirement income product channels

8. To determine preferred access channels with regard to retirement income products.

Attitudes towards retirement income stream products

9. To determine preferred features and attributes in retirement income stream products, and the rationale underlying preferences. A range of features and attributes will be used as stimuli to meet this objective.
10. To determine which features are not attractive in retirement income stream products (and the rationale underlying attitudes).
11. Again more specifically, to determine the importance of maximising tax and social security advantage in retirement planning and the degree to which this affects income stream product selection.
12. To determine attitudes and preferences with regard to specific income stream products (eg asset test exempt products).

Attitudes towards a new transition product

13. To determine the degree to which people expect to combine work and (semi) retirement after preservation age is reached.

14. To determine the ways in which people would like to be able to mix work and (semi) retirement after preservation age is reached (using a range of possible options as stimulus).

Leaving estates on death

15. To determine preferences with regard to leaving estates on death, and in what form assets will be left.

4. RESEARCH APPROACH

The research involved a national survey using CATI (computer aided telephone interviewing). The sample was drawn from a sort of numbers from DtMS (Electronic White Pages) that represents all residential phone numbers sorted by State in proportion to the national population statistics derived from ABS.

All State-based sample files were combined, then a random selection of 20,000 numbers was drawn from this file so that all States had an equal chance of being selected, with all States represented in this derived file proportional to ABS population statistics.

The final sample was randomised and merged into the one location in the CATI program.

The sample was comprised as follows:

-] National sample of metropolitan, regional and rural areas; sample proportional to population in each State
-] Total sample of 600 “pre-retirees” and “retirees”
-] Quota of 400 “pre-retirees”, screened to comprise:
 - Main income earner
 - Aged 45 or over
 - In paid employment for more than 25 hours a week

] Quota of 200 “retirees”, screened to comprise:

- Former main income earner
- Aged 55 or over
- Retired in the past 5 years
- Either fully retired or in paid employment for less than 10 hours per week

Structured questionnaires were administered to respondents, with a separate questionnaire administered to “pre-retirees” and “retirees”.

The number of in-common questions was maximised as far as possible to maximise reporting at an aggregate level (n = 600).

Questionnaire length was 20 minutes on average. Copies of both questionnaires are appended to this report.

Field dates were 1st to 8th and 14th to 18th November 2001, with a hiatus around the date of the General Election (10th November). In our professional opinion, we would not expect the election campaign to have influenced responses and, hence the results, in any demonstrable shape or form.

5. MAIN FINDINGS

5.1 Demographic Characteristics of the Sample (n=600)

Exhibit 3: Gender, Age, Retirement Status, Area, & State

Variable	%	Variable	%
Gender		Area	
Male	64	Metro	69
Female	36	Regional	17
Age		Rural	14
45-49	21	State	
50-54	24	NSW/ACT	32
55-59	23	Vic	26
60-64	15	Tas	4
65+	16	WA	12
Retirement Status		SA	13
Pre-retiree	67	Qld	13
Retiree	33	NT	1

Key Findings

-] By design, the sample comprised 200 retirees and 400 pre-retirees.
-] Almost two thirds of the sample were men.
-] There was a fairly even split between those in the age ranges 45 to 49, 50 to 54, 55 to 59, and over 65. Two percent were over 75 years of age. The mean age was 56.5 (pre-retirees 53, retirees 64).
-] Almost 70% of the sample lived in metropolitan areas of capital cities, with 17% in regional centres and 14% in rural locations.
-] By state, as expected, most lived in NSW/ACT or Victoria.

Exhibit 4: Income

Variable	% of Pre-Retirees (n=400)	% of Retirees (n=200)
Household Income		
<\$31,000	14	63
\$31,000 to \$60,999	40	22
\$61,000+	41	7
Refused	5	8
<i>Mean Household Income</i>	<i>\$62,800</i>	<i>\$29,700</i>
Personal Income¹		
<\$31,000	20	42
\$31,000 to \$60,999	56	35
\$61,000+	19	13
Refused	5	10
<i>Mean Personal Income</i>	<i>\$50,968</i>	<i>\$39,319 (just prior to retirement)</i>

¹ Note that in the case of retirees, the personal income question sought their pre-tax personal income in the year prior to their retirement from the workforce, whereas household income for both retirees and pre-retirees refers to current household income.

Key Findings

-] In terms of current household income, 14% of pre-retirees received less than \$31,000 pa pre-tax, compared with 63% of retirees in the sample.
-] Conversely, 41% of pre-retiree households received \$61,000 or more pa, compare with only 7% of retiree households.
-] Pre-retirees current personal income profiles showed 20% currently earning less than \$31,000 pa, and 19% earning \$61,000 or more.
-] 42% of retirees said they were earning less than \$31,000 in the year prior to their retirement. Further, 13% of retirees were earning \$61,000 or more in the year prior to their retirement.

Exhibit 5: Household and Family Status

Variable	%
Personal Circumstance	N=600
Couple - no dependent children at home	50
Single – no dependants at home	24
Couple - dependents at home	22
Single – dependents at home	4
Age of Youngest Child at Home (where occurring)	N=155
<10 years	19
10 to 18	54
18 to 24	20
25+	6

Key Findings

-] 74% had no dependent children at home, and 28% were not living with a partner.
-] For the 26 percent (155 respondents) who had dependent children at home, one quarter of those homes contained adult children, and a further 54% contained children whose youngest age was between 10 and 18 years of age. It should be noted that these results are based on a small sample.

Exhibit 6: Accommodation, Mortgage Size & Employment

Variable	%	Variable	%
Accommodation	N= 600	Employment Status (Before Retirement, if Retired)	N= 600
Fully owned home	64	Self employed	21
Paying off mortgage	24	Full time permanent employee	66
Rented home	11	Full time casual employee	3
Living in someone else's house but not paying rent	1	Part time permanent	7
Size of Mortgage (where applicable)	N= 145	Part time casual	2
>\$50,000	54	Other	1
\$20,000 to \$50,000	33	Business Status	N= 127
<\$20,000	12	Incorporated business	23
No answer	1	Sole trader or partnership	76

Key Findings

-] Almost two thirds of the sample owned their own homes (54% of pre-retirees and 85% of retirees), while 24% were still paying of their mortgage (34% of pre-retirees and 5% or retirees). 11% of both retirees and pre-retirees were in a rented home.
-] In over half of the cases where a mortgage was involved, the size of the mortgage was greater than \$50,000 (57% of pre-retirees and none of the retirees).
-] 21% were self employed (before retiring in the case of retirees), of which three quarters had been sole traders or in a partnership, as opposed to running a company.
-] Only two thirds were in full time permanent employment prior to retirement.

Exhibit 7: Occupation, Marital Status & Partner’s Work Status (n=600)

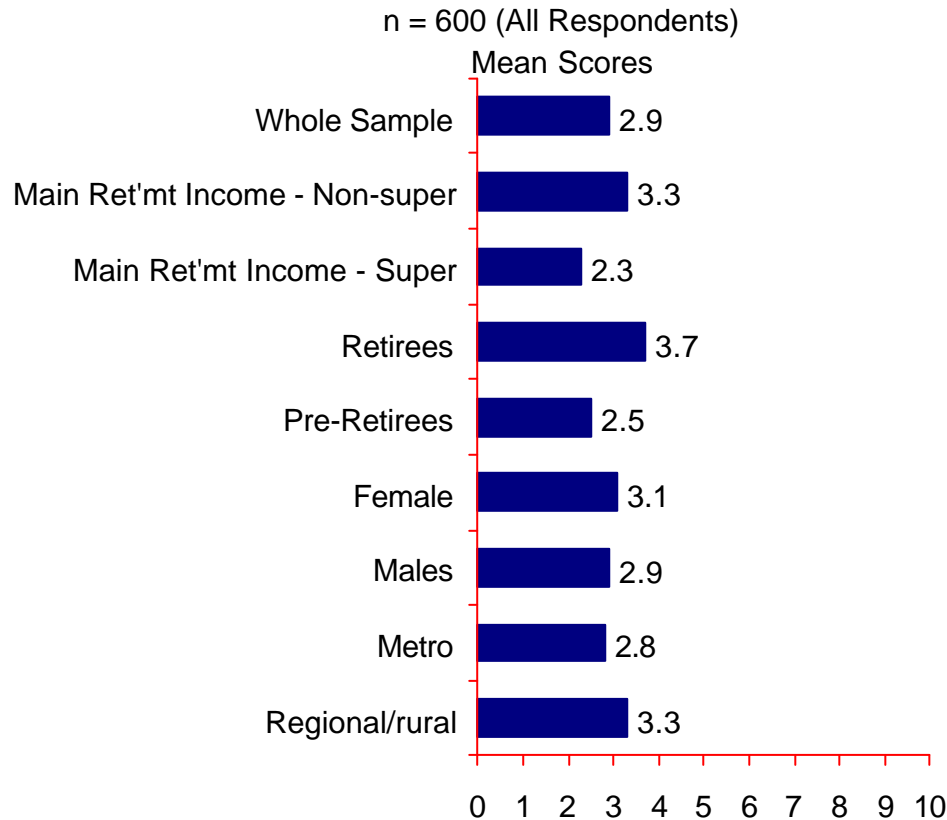
Variable	%	Variable	%
Occupation (before retirement where retired)		Partner’s Work Status	
Professional	38	Retired	29
Upper white collar	16	Home duties	17
Lower white collar	16	Part time permanent	12
Upper blue collar	20	Part time casual	11
Lower blue collar	10	Full time permanent	26
Marital Status		Full time casual	3
Married	67	Unemployed, looking for work	0
Permanent partner	4	Student	0
Single	10		
Divorced/separated	14		
Widowed	5		

Key Findings

-] Occupations now (prior to retiring in the case of retirees) were 38% professional positions, 32% white collar and 30% blue collar.
-] 71% of the sample were married (67%) or had a permanent partner (4%), while 19% were either divorced or separated (14%) or widowed (5%).
-] Partner’s work status was 29% retired (9% for pre-retirees, and 70% for retirees).

5.2 Attitudes Towards Savings

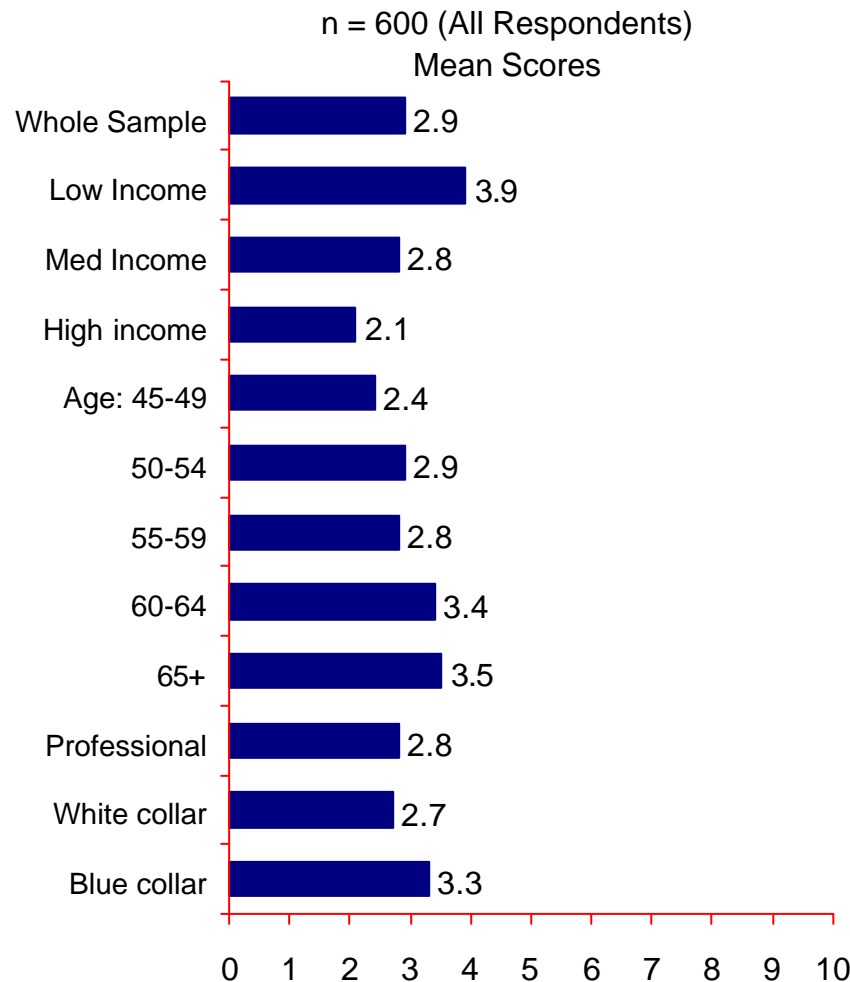
Exhibit 8. Mean Agreement With the Statement: “I live /used to live for today, and don’t/didn’t worry about saving money”



Key Points:

-] Most respondents disagreed that they lived for today and did not worry about saving money (mean agreement score 2.9), although 17% of the sample agreed with the statement (scoring 7 or more out of 10).
-] Retirees were somewhat more inclined to agree with the statement than pre-retirees, indicating that today’s pre-retirees are perhaps more concerned about saving than previous generations.
-] Those relying (or intending to rely) mainly on non-super sources of income in retirement were more likely to agree with this statement than those depending mainly on their superannuation.
-] The gender and other differences shown are not quite statistically significant.

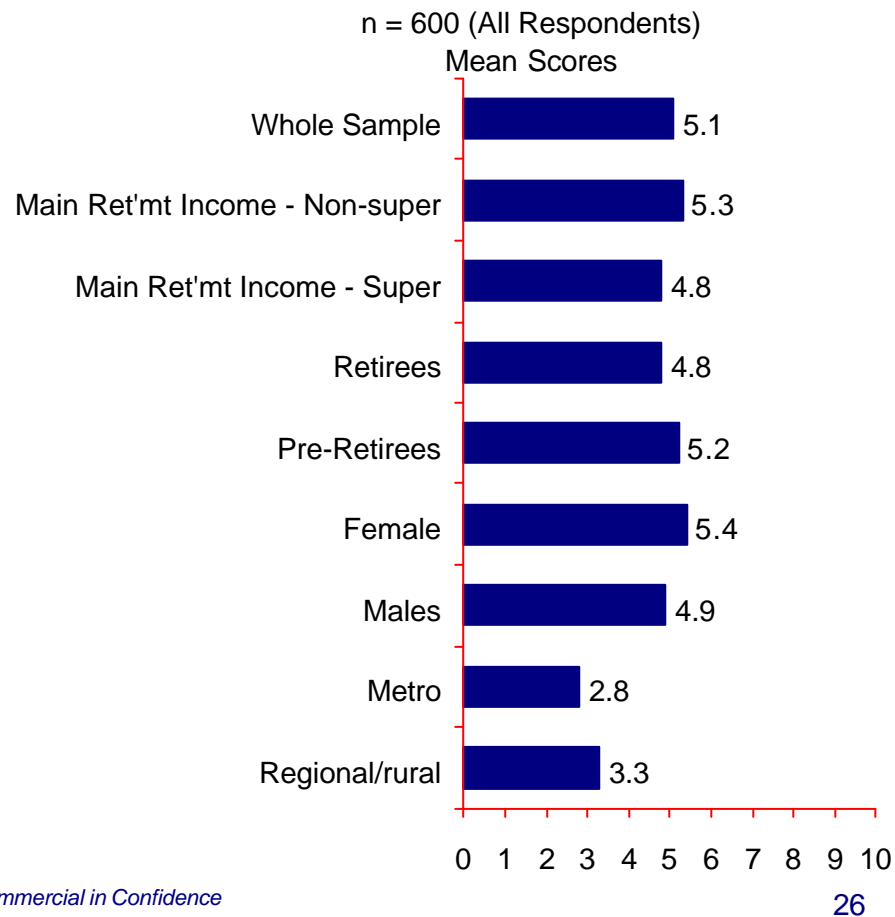
“I live (or during my working life I tended to live) for today, and don’t/didn’t worry about saving money” (continued)



Key Points:

-] Lower household income and blue collar respondents tended to agree more with this statement than higher income groups.
-] Higher age groups appeared to agree with this statement more, in line with retirees being more in agreement with this statement than pre-retirees.
-] Again, this suggests that saving is more important to the next generation of retirees than the current.

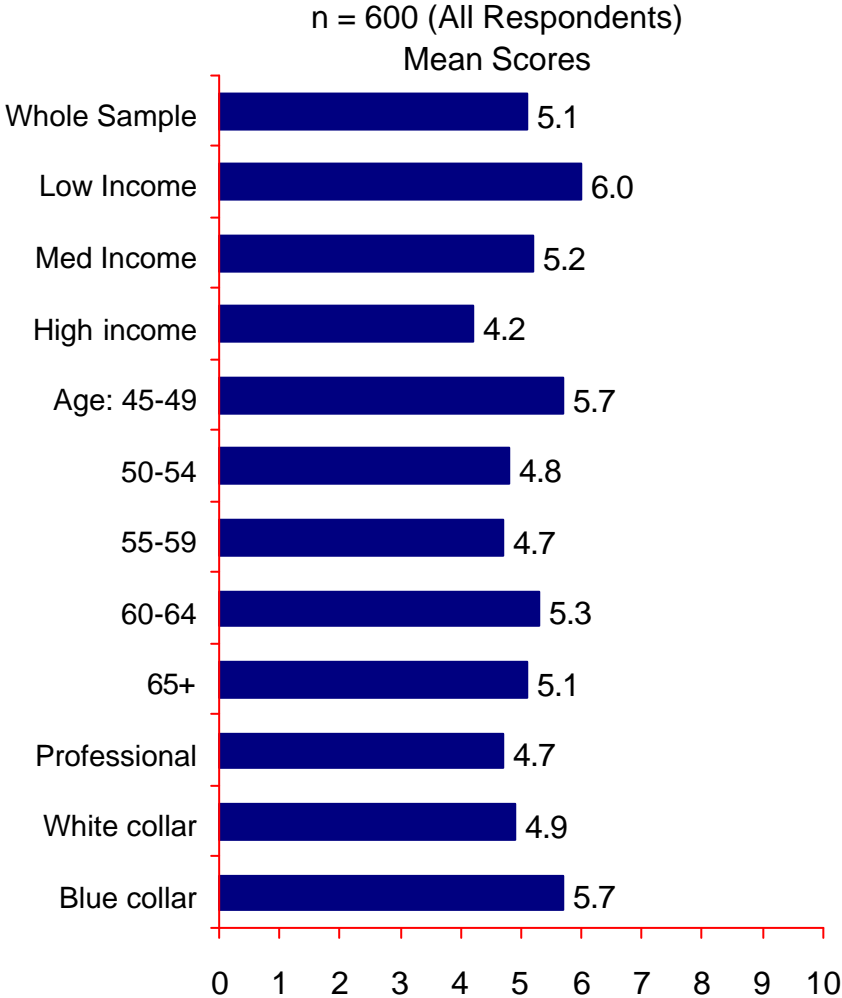
Exhibit 9 “My living expenses don’t leave room for saving/During my working life my living expenses did not leave room for saving”



Key Points:

-] Overall, respondents neither agreed nor disagreed with this statement. It achieved a mean score of 5.1. Females were slightly inclined to agree with the statement, though not strongly (at 5.4, versus 4.9 for males).
-] Pre-retirees were slightly more likely to agree with this than retirees, indicating that current pre-retirees perhaps feel more financially stressed than the previous generation of retirees.
-] Those relying/intending to rely mainly on non-super savings in retirement were slightly more inclined to agree with this statement than those intending to/ or actually relying on super savings in retirement.
-] Regional and rural respondents were slightly more likely to agree than those in cities.

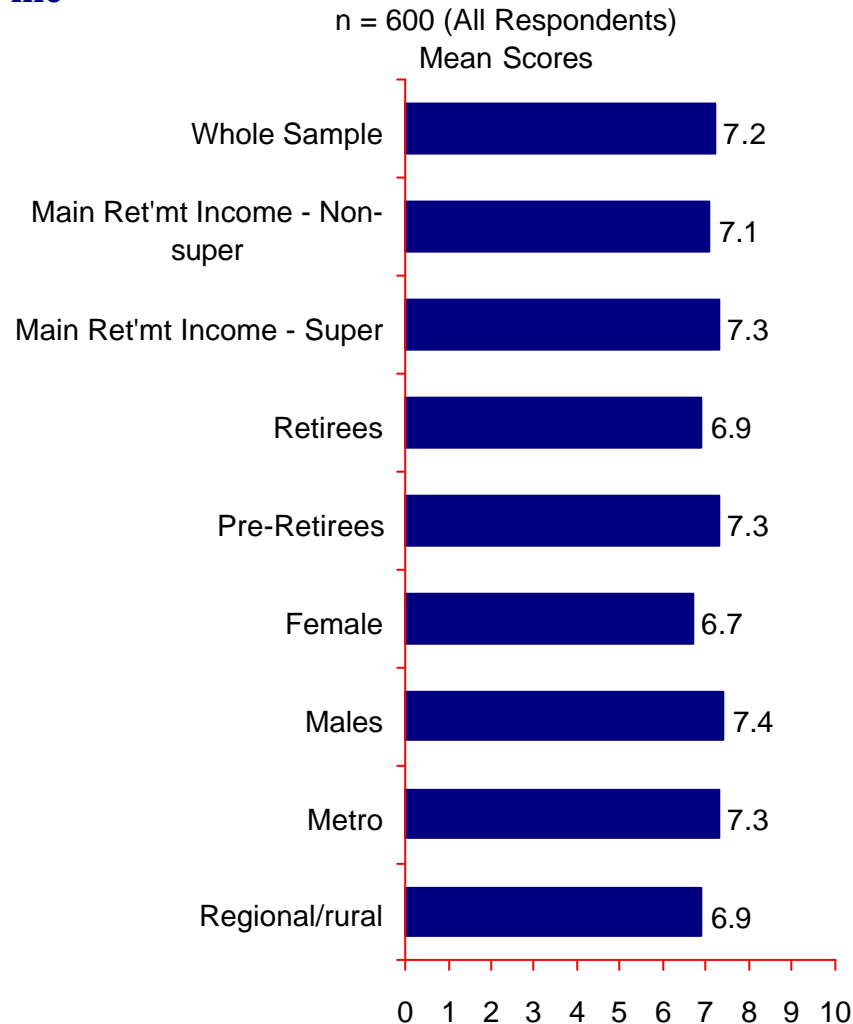
“My living expenses don’t leave room for saving/During my working life my living expenses did not leave room for saving” (continued)



Key Points:

-] Lower income/blue collar respondents tended to agree with this statement more than higher income respondents.
-] The youngest age group agreed more with this statement than other age groups, which may reflect the presence of higher mortgages and dependent children in the household.

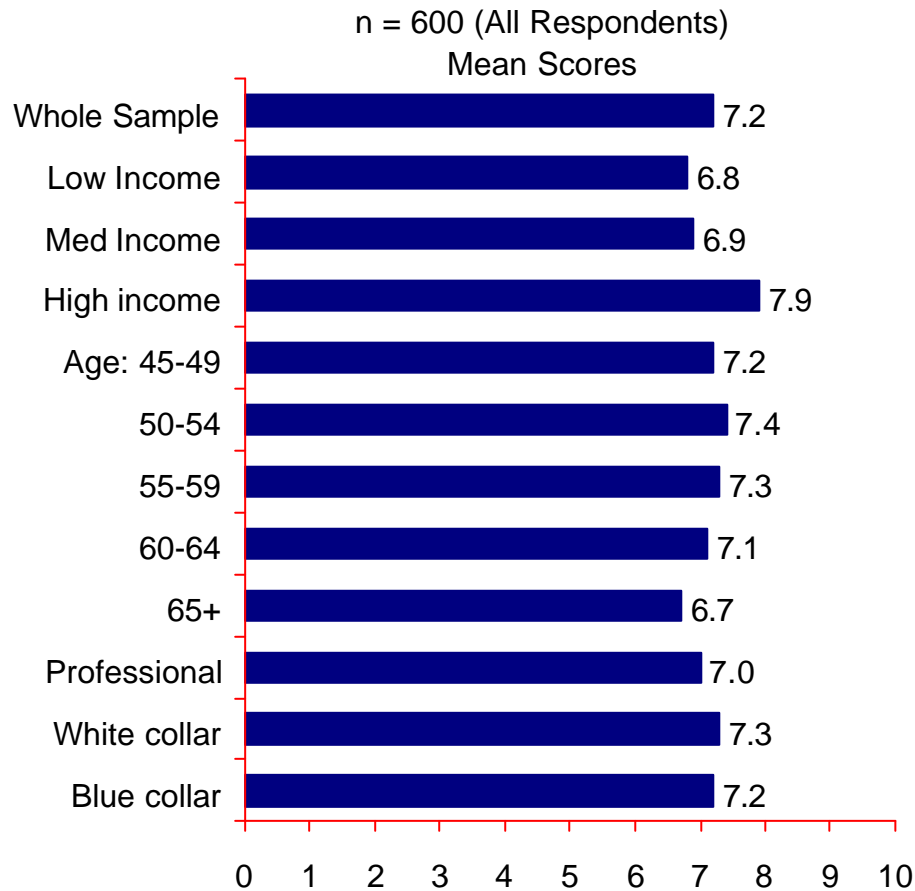
Exhibit 10. “Building assets and wealth is/has been important to me”



Key Points:

-] Overall, respondents agreed fairly strongly with this statement. It achieved a mean score of 7.2.
-] Males were slightly more inclined to agree with the statement (at 7.4, versus 6.7 for females).
-] Pre-retirees were more likely to agree with this than retirees, indicating that current pre-retirees feel more financially anxious about their retirements than the previous generation of retirees had done.
-] Regional and rural respondents were slightly less likely to agree than those in cities.

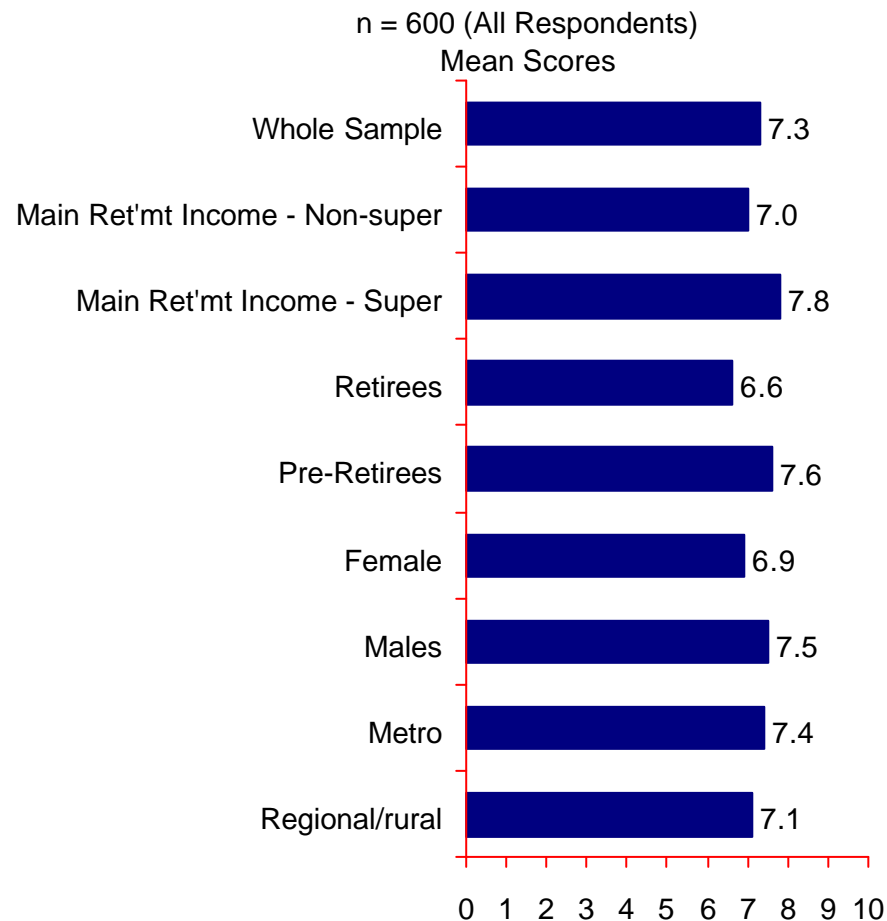
“Building assets and wealth is/has been important to me” (continued)



Key Points:

-] Whilst highest income respondents tended to agree with this statement more than lower income respondents, this was not a statistically significant result.
-] The oldest age group tended to agree slightly less with this statement than other age groups.

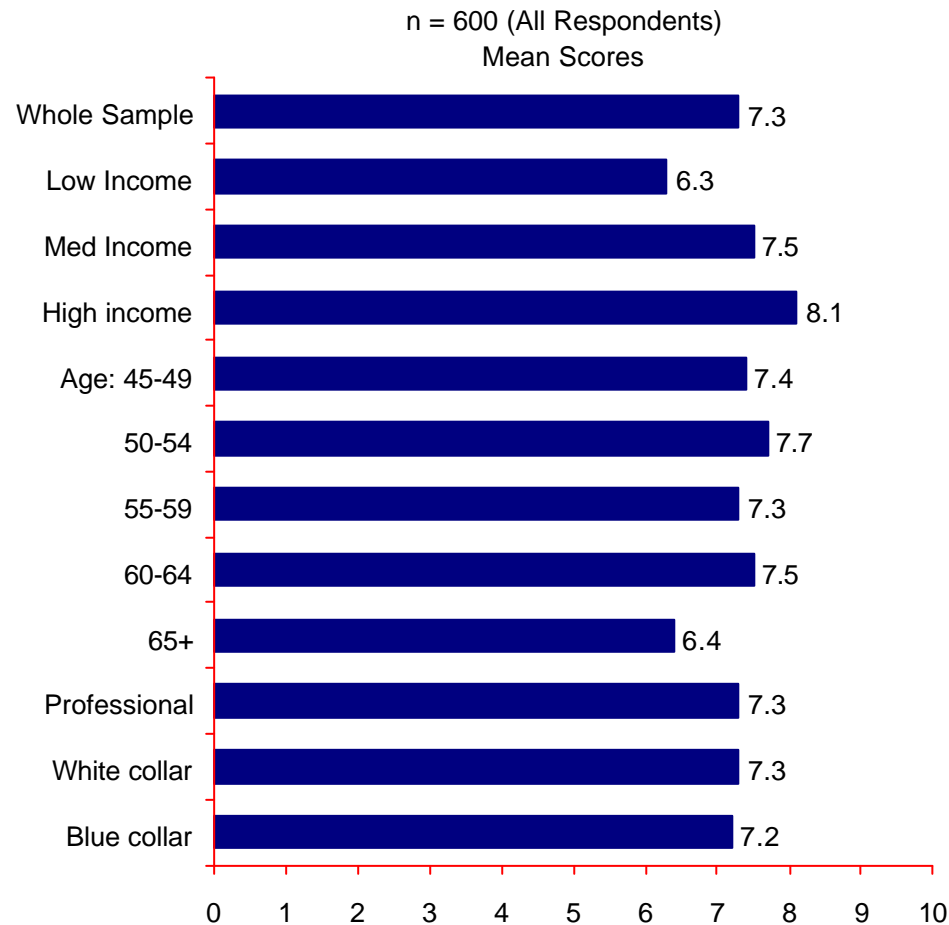
Exhibit 11. “Saving or investing to fund my retirement is/was a priority for me”



Key Points:

-] Overall, respondents also agreed fairly strongly with this statement. It achieved a mean score of 7.3.
-] Males were slightly more inclined to agree with the statement (at 7.5, versus 6.9 for females).
-] Pre-retirees (7.6) were more likely to agree with this than retirees (6.6), reinforcing the earlier finding that current pre-retirees feel more financially anxious about their retirements than others before them.
-] Regional and rural respondents were slightly less likely to agree than those in cities.

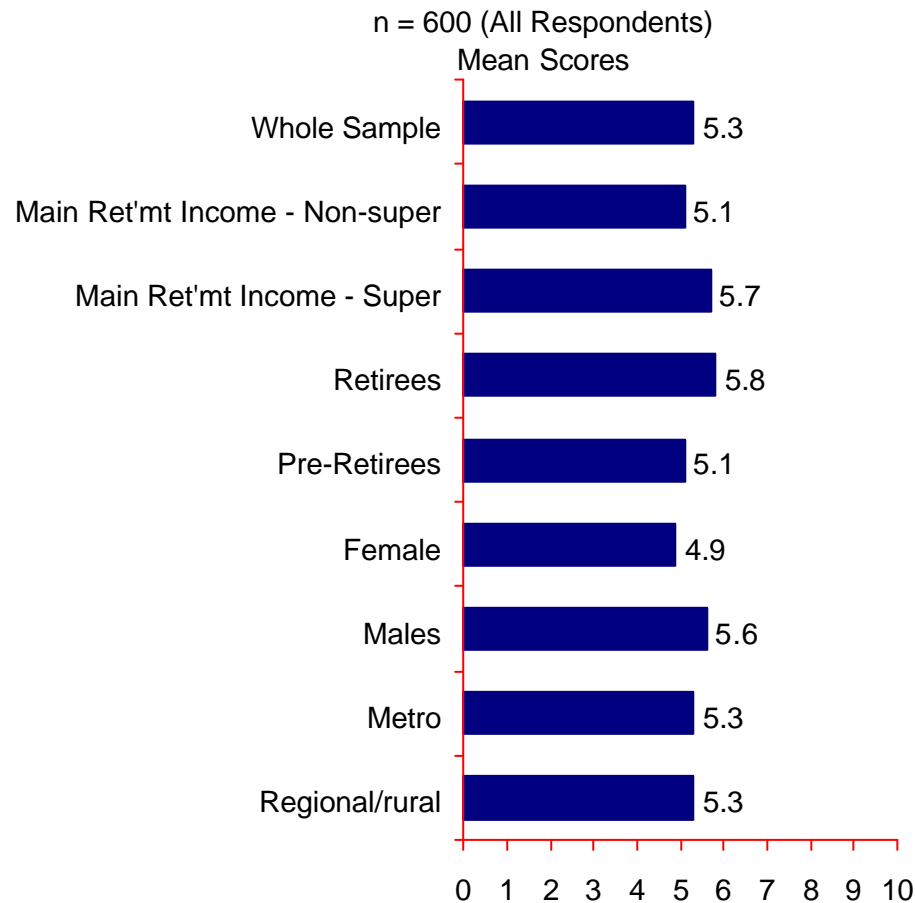
“Saving or investing for my retirement is/was a priority for me” (continued)



Key Points:

-] Higher income respondents tended to agree with this statement more than lower income respondents, this was not a statistically significant result.
-] The oldest age group tended to agree less with this statement than other age groups.

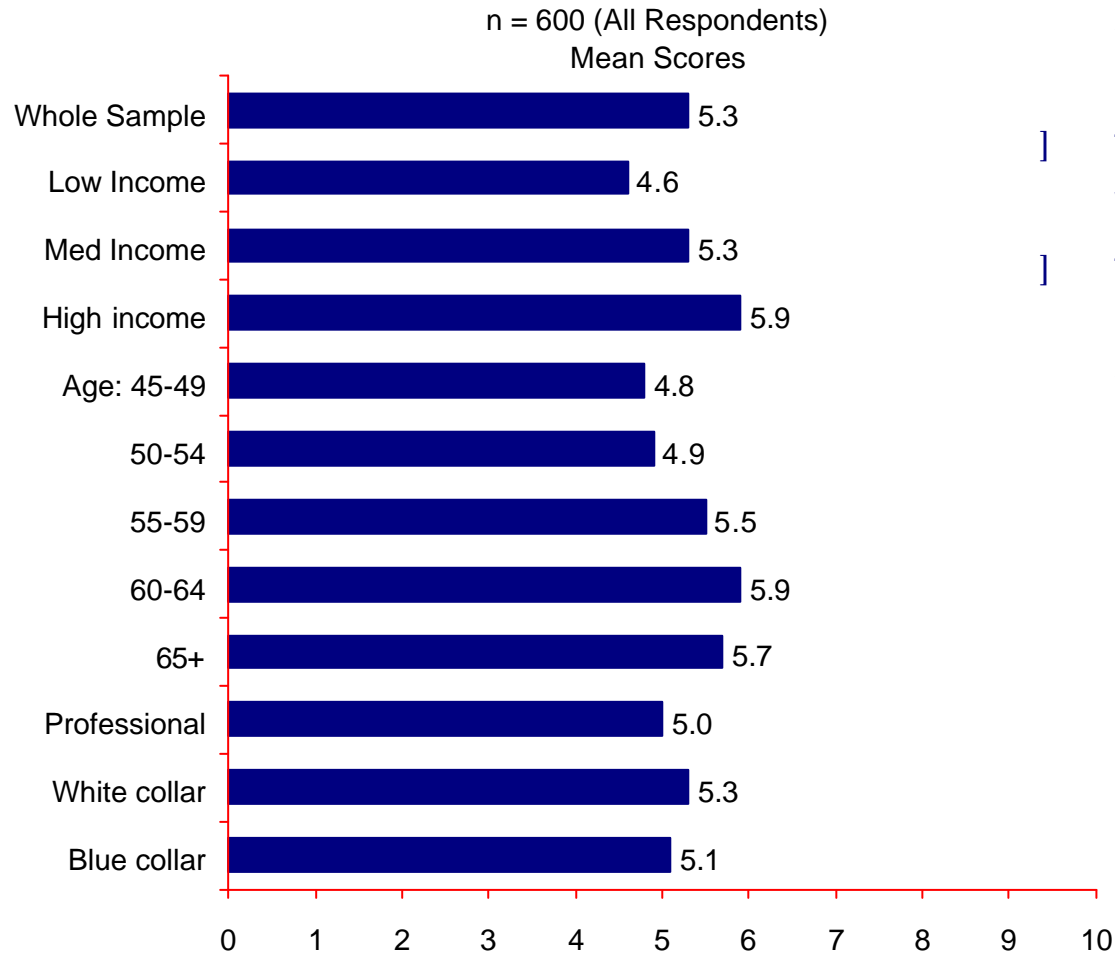
Exhibit 12. “I feel confident I will have enough money in retirement to provide a good standard of living”



Key Points:

-] Overall, respondents were neutral about this statement. It achieved a mean score of 5.3.
-] Those mainly relying on superannuation savings were more in agreement with this statement than those relying on non-super savings (5.7 versus 5.1).
-] Males were slightly more inclined to agree with the statement (at 5.6, versus 4.9 for females).
-] Retirees (5.8) were more likely to agree with this than pre-retirees (5.1), again reinforcing the earlier finding that current pre-retirees feel more financially anxious about their retirements than others before them.
-] Regional and rural respondents were both neutral with regard to this statement.

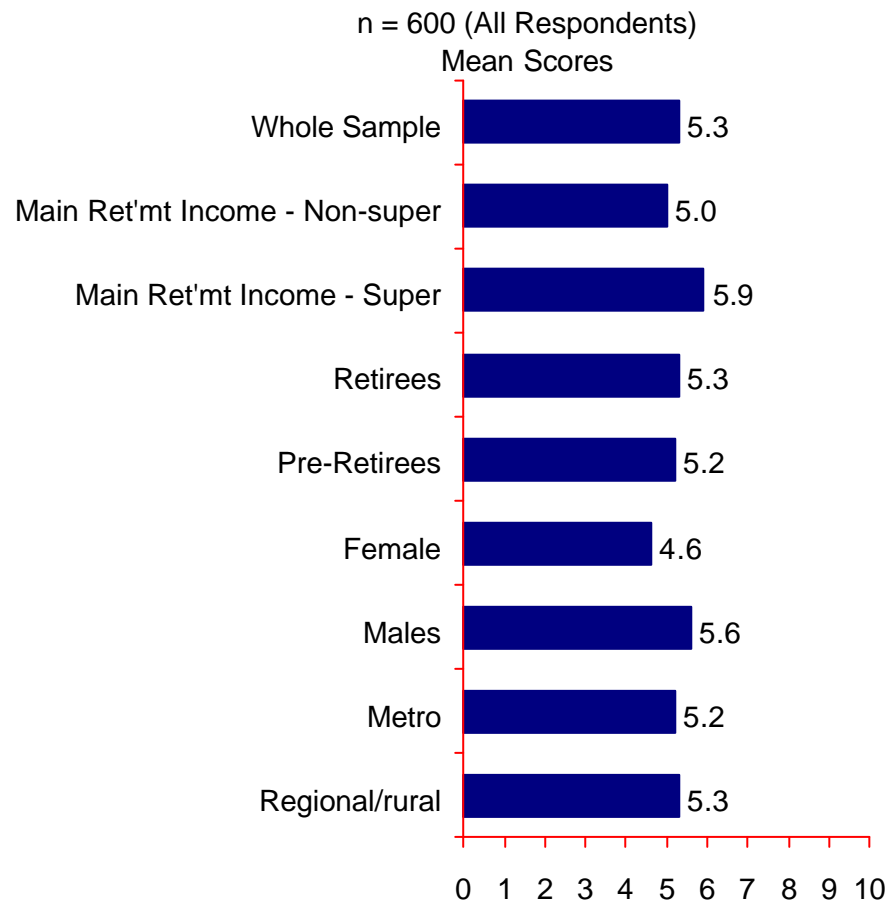
“I feel confident I will have enough money in retirement to provide a good standard of living” (continued)



Key Points:

-] Higher income respondents agreed with this statement more than lower income respondents, as is expected.
-] The oldest age group tended to agree more with this statement than other age groups.
-] There were no discernible differences between professional, white and blue collar employment categories on this statement.

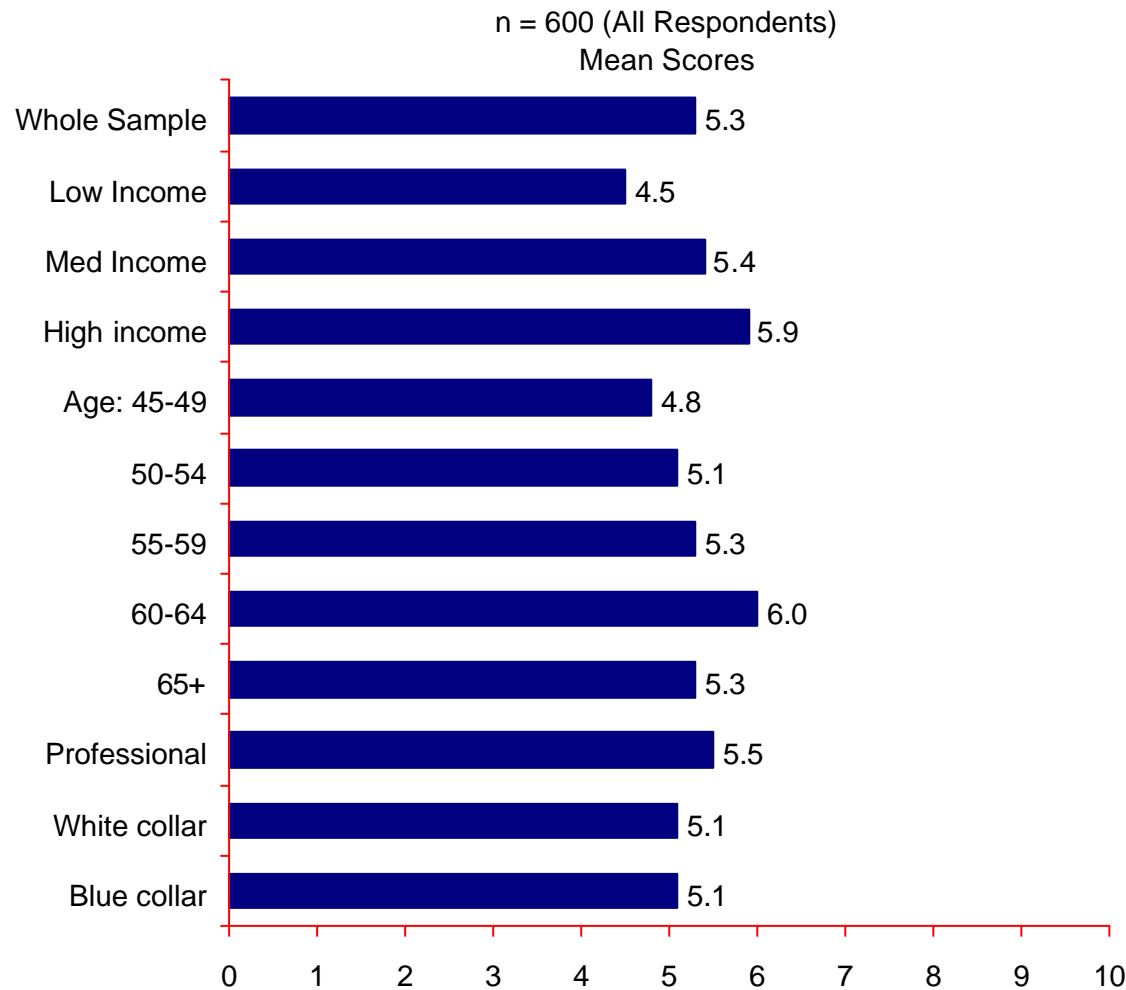
Exhibit 13. “I know at what age I will retire / I knew several years in advance of retiring at what age I would retire”



Key Points:

-] Overall, respondents were neutral about this statement. It achieved a mean score of 5.3.
-] Those mainly relying on superannuation savings were more in agreement with this statement than those relying on non-super savings (5.9 versus 5.0).
-] Males were slightly more inclined to agree with the statement (at 5.6, versus 4.6 for females).
-] Retirees (5.3) were no different to pre-retirees (5.2), in reacting to this statement.
-] Regional and rural respondents were both neutral with regard to this statement.

“I know at what age I will retire / I knew several years in advance of retiring at what age I would retire” (continued)



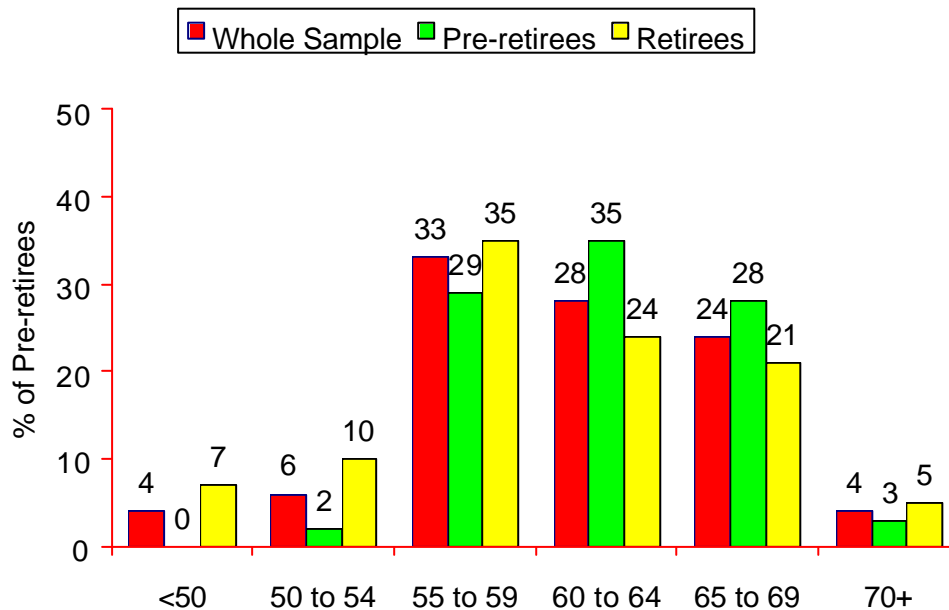
Key Points:

-] Higher income respondents agreed with this statement more than lower income respondents, but a mean score of 5.9 out of 10 still indicates a lack of certainty.
-] The older age groups tended to agree more with this statement than other age groups.
-] Professionals and former professionals seemed to agree with this statement slightly more than white and blue collar employment categories.

5.3 Retirement Issues

Exhibit 14. Planned Age of Retirement (Actual Age for Retirees)

n = 340 (retirees n=200; and pre-retirees n=140 of 400 who were fairly sure when they would retire. 260 or 65% of pre-retirees were unsure when they would retire)

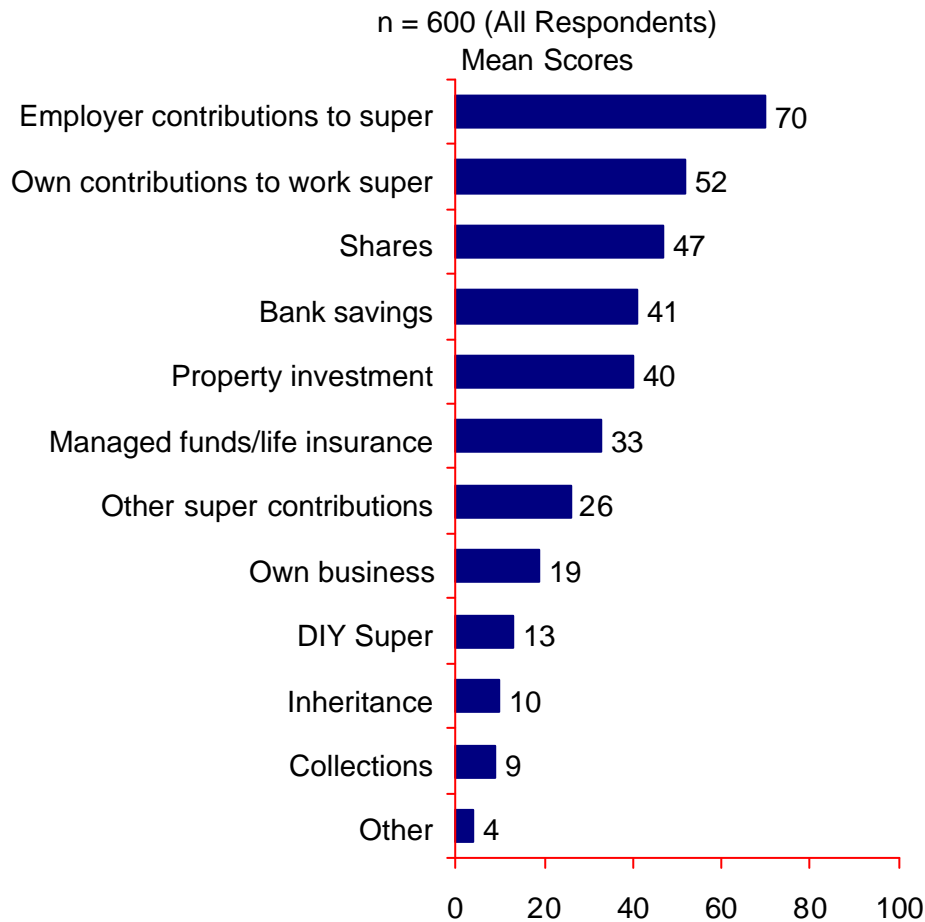


Key Points:

-] Only 140 of the 400 pre-retirees knew fairly well when they would retire.
-] Of these 140, 2% expected to retire before age 55, and another 29% between 55 and 59. 66% expect to be retired by age 65, and only 3% expect to be working beyond age 70. Mean retirement age was expected to be 60.8 years.
-] Among those already retired, 17% had retired before age 55, and a further 35% between 55 and 59. 76% had retired by age 65, and 5% had retired beyond 70 years of age. Mean retirement age was 59.2 years.
-] In the overall sample, 81% of females expect to be retired by age 65 (or had done so already at that age) compared to 62% of males.

5.4 Retirement Savings Vehicles

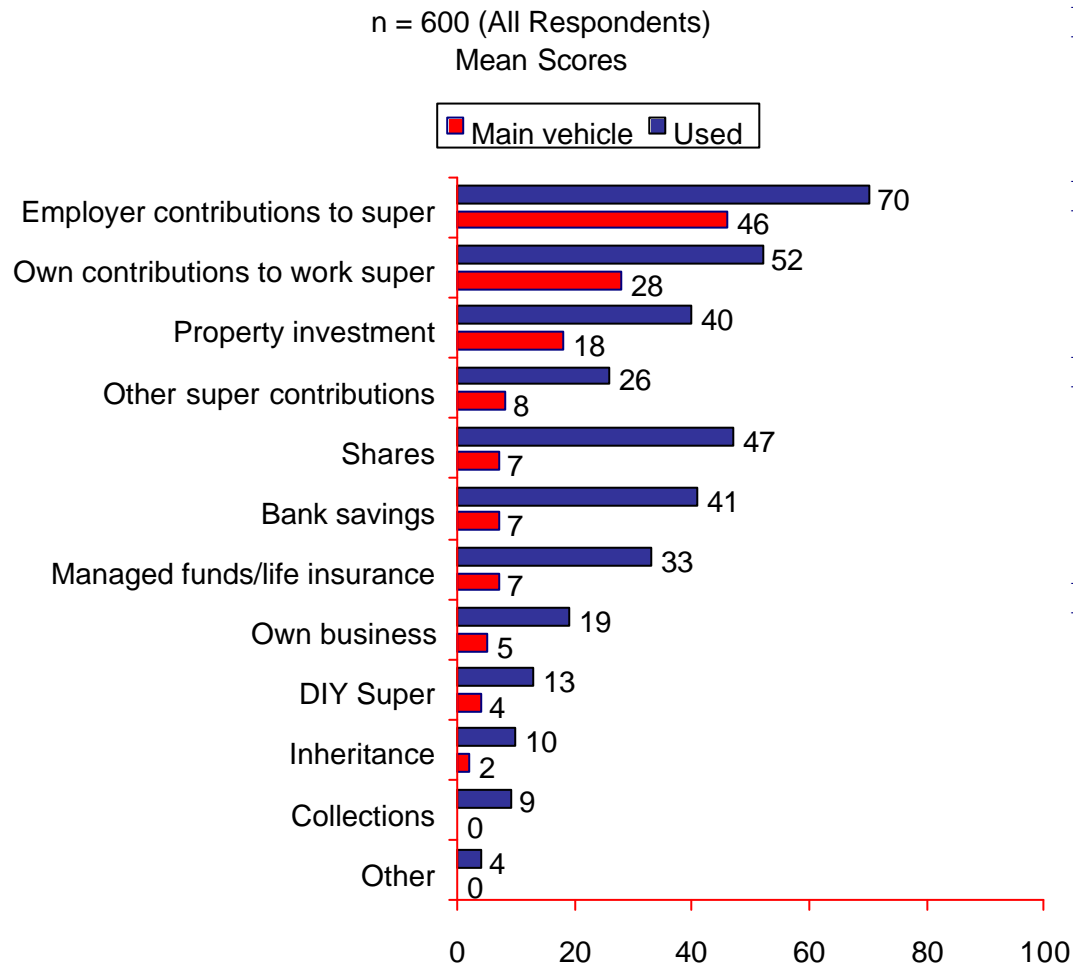
Exhibit 15. Retirement Savings and Investment Vehicles



Key Points:

-] The most frequently cited incidence of retirement savings and investment vehicles used, was employer contributions to super, cited by 70% of respondents.
-] Other frequently cited retirement investment vehicles, prior to retirement, included own super contributions to work super schemes (52%), shares (47%), bank savings products of various kinds, including term deposits (41%), and property investments (40%).
-] Of moderate incidence were managed funds and life insurance investments (33%) and other personal superannuation products (26%). Less frequently cited investments included own business (19%), self managed super (13%), inheritance (10%) and collections (eg of art) (9%).

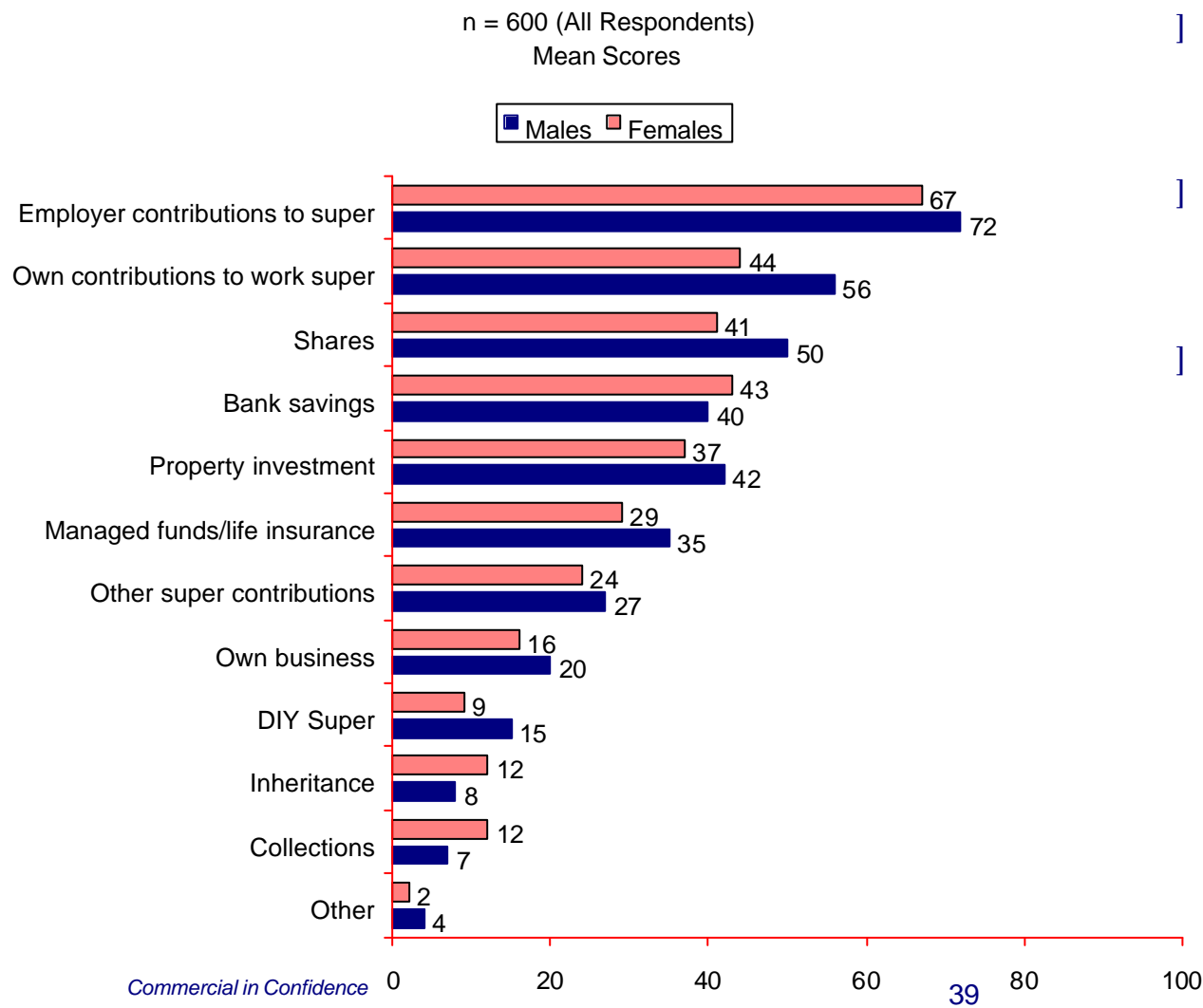
Exhibit 16. Main Retirement Savings and Investment Vehicles



Key Points:

-] The single most important investment vehicle for almost half of the sample (46%) was employer contributions to super.
-] Own contributions to the employer’s super scheme was the most important retirement savings vehicle for 28% of the sample.
-] Although shares were used as a retirement investment vehicle by almost half of the respondents, only 7% cited shares as the *main* retirement investment vehicle.
-] Other personal superannuation products, used by 26% of respondents, was the main investment vehicle for 8% of people in the sample.

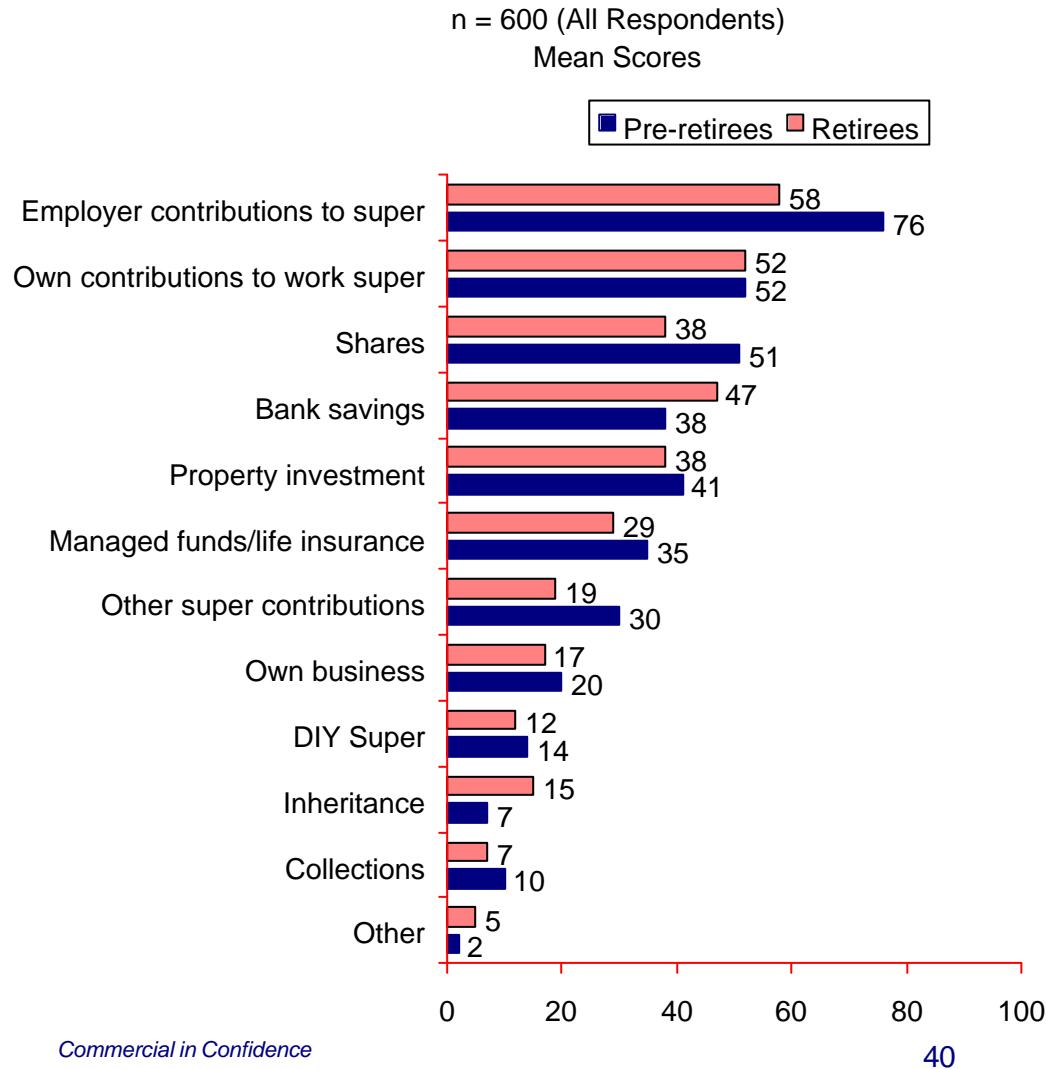
Exhibit 17. Main Retirement Savings and Investment Vehicles



Key Points:

-] Males were more likely than females to have made contributions themselves to work super (56% versus 44% for females).
-] Men were more likely to have used shares as an investment vehicle for retirement (50% versus 41%).
-] DIY super schemes seemed to be more popular with men (15%) than women (9%).

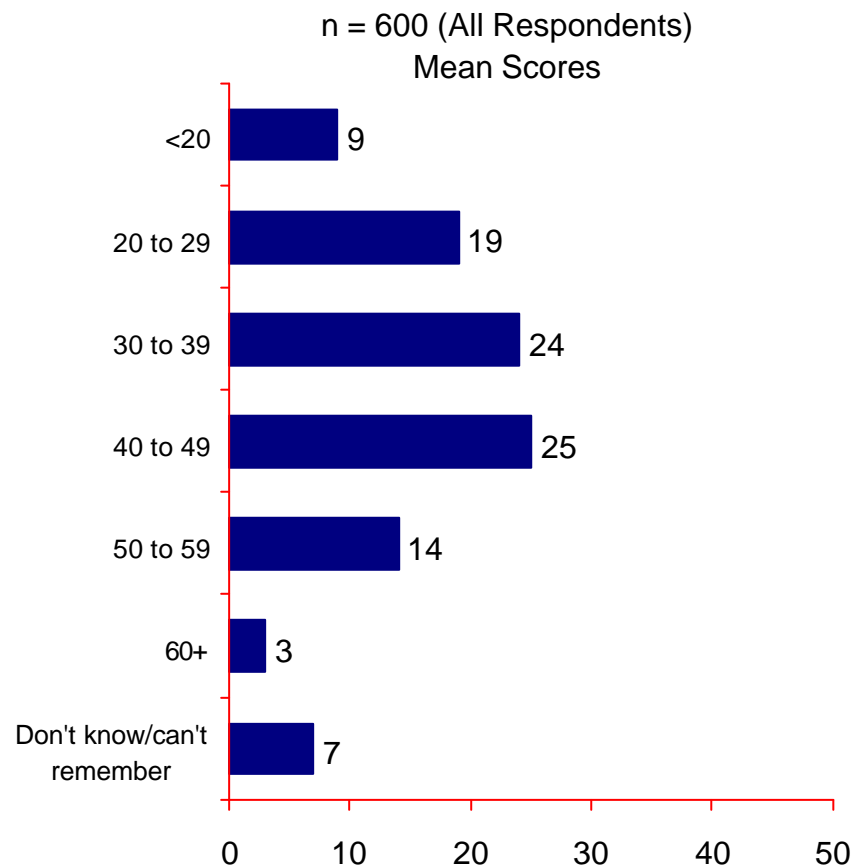
Exhibit 18. Main Retirement Savings and Investment Vehicles



Key Points:

-] Pre-retirees cited employer contributions to super more frequently (76%) than did retirees (58%), as a source of savings for retirement.
-] Pre-retirees were also using shares in greater numbers (51%) than retirees had done in preparing for retirement (38%).
-] Pre-retirees also:
 - Used banks less for retirement (38% versus 47% for retirees)
 - Used managed funds/life insurance more (35%, 29%)
 - Used other personal super schemes more (30%, 19%).

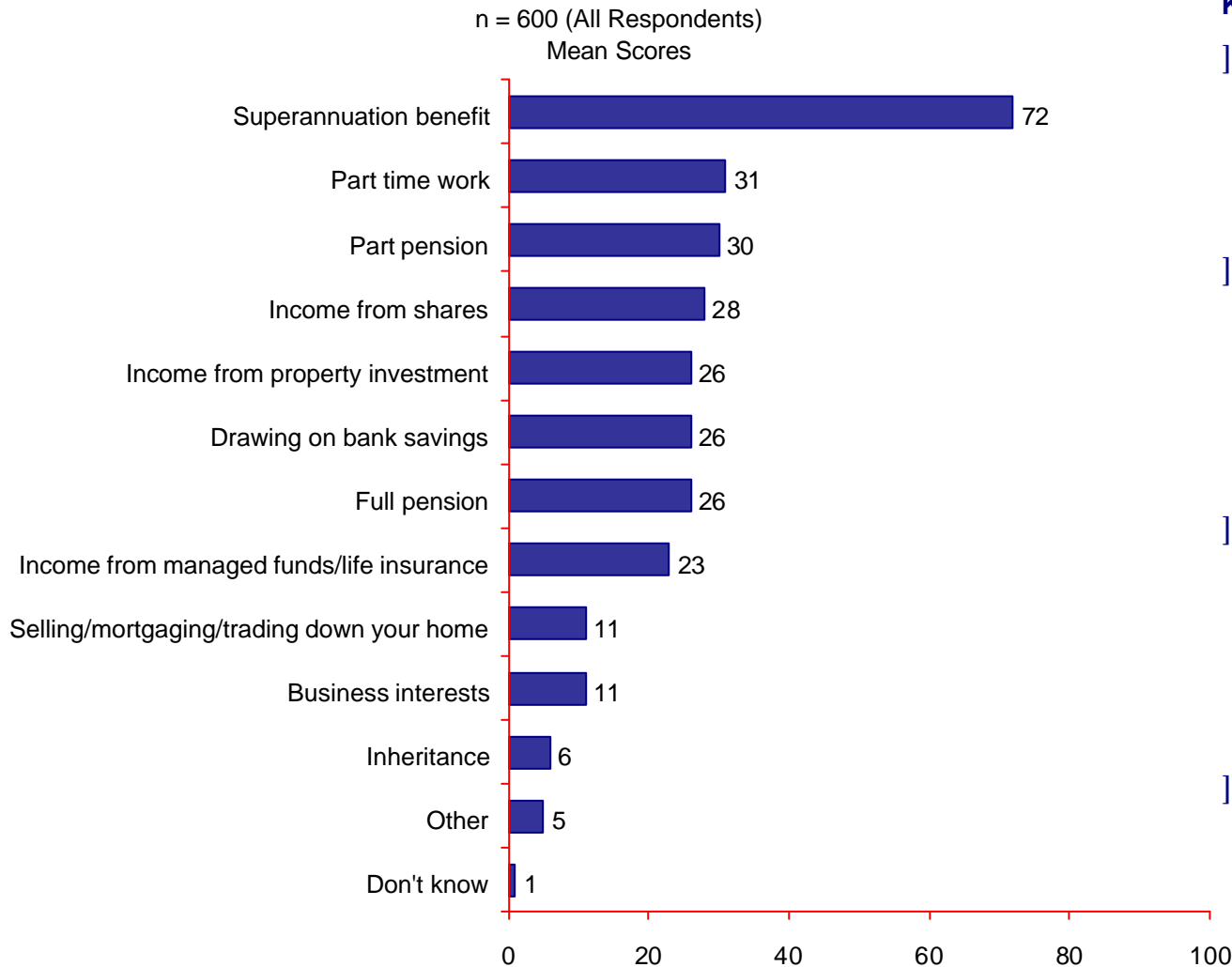
Exhibit 19. Age at Which Started/Expecting to Start to Save for Retirement



Key Points:

-] The median age at which respondents in the sample started to consciously save for retirement was 45, and the mean was 36 years. This compares with the mean current age of those in the sample, of 56 years. (Pre-retirees were currently 53 on average and retirees 64).
-] 28% of people felt they started saving for retirement before the age of 30.
-] Higher income households tended to commence retirement savings earlier than lower income households, which was explained by surplus cash availability in the qualitative phase of the research.

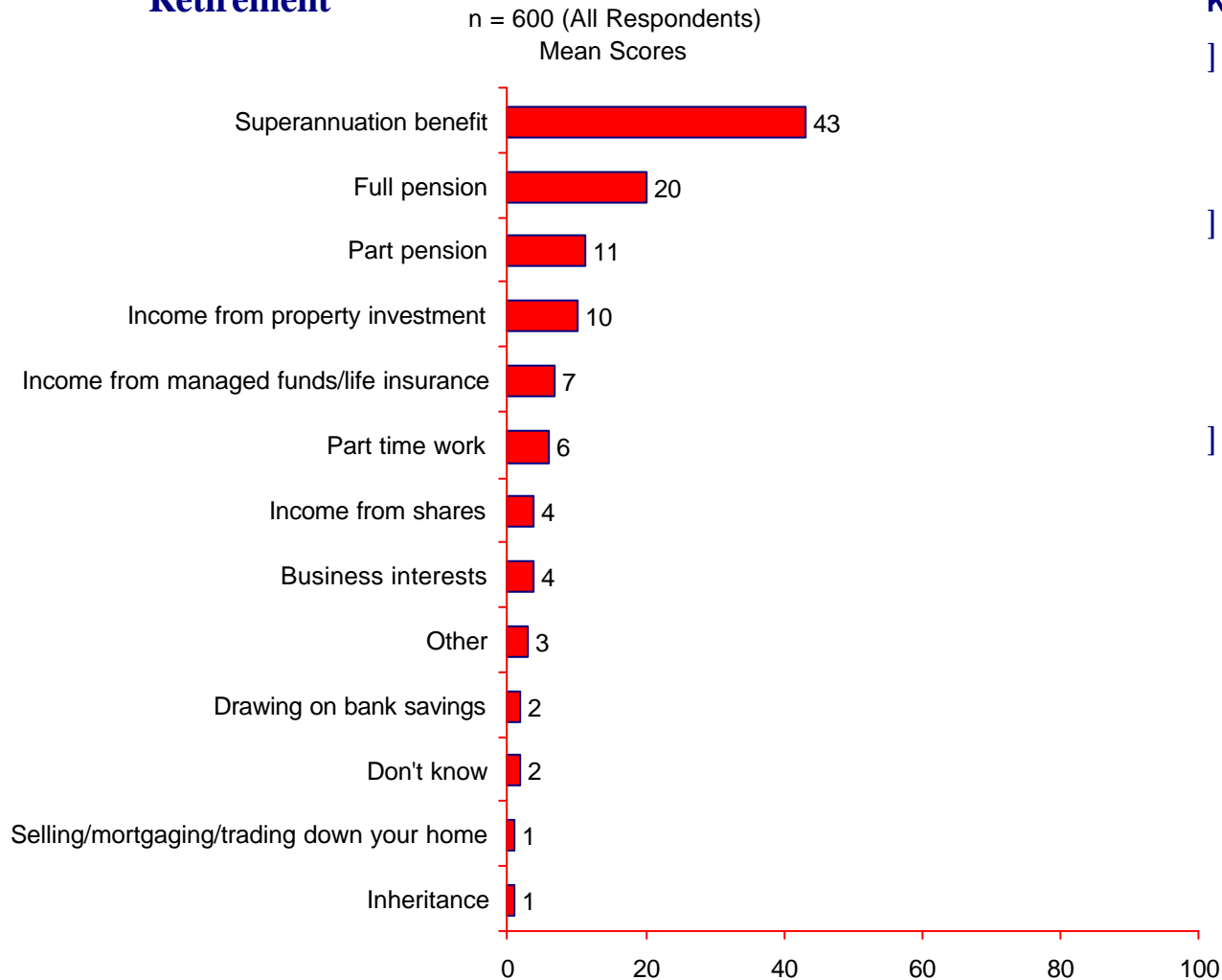
Exhibit 20. Sources of Income in Retirement



Key Points:

-] By far the highest incidence of actual or planned source of income for people in retirement, was superannuation benefits (72%).
-] A range of other sources of income were cited by between a quarter and one third of respondents, ranging from part time work (31%) to income from managed funds/life insurance investments (23%).
-] 5% cited “other” responses not listed in the chart. The most frequent “other” responses included disability pensions, overseas pensions, redundancy packages, and spouse’s income.
-] The average number of sources nominated per person was three.

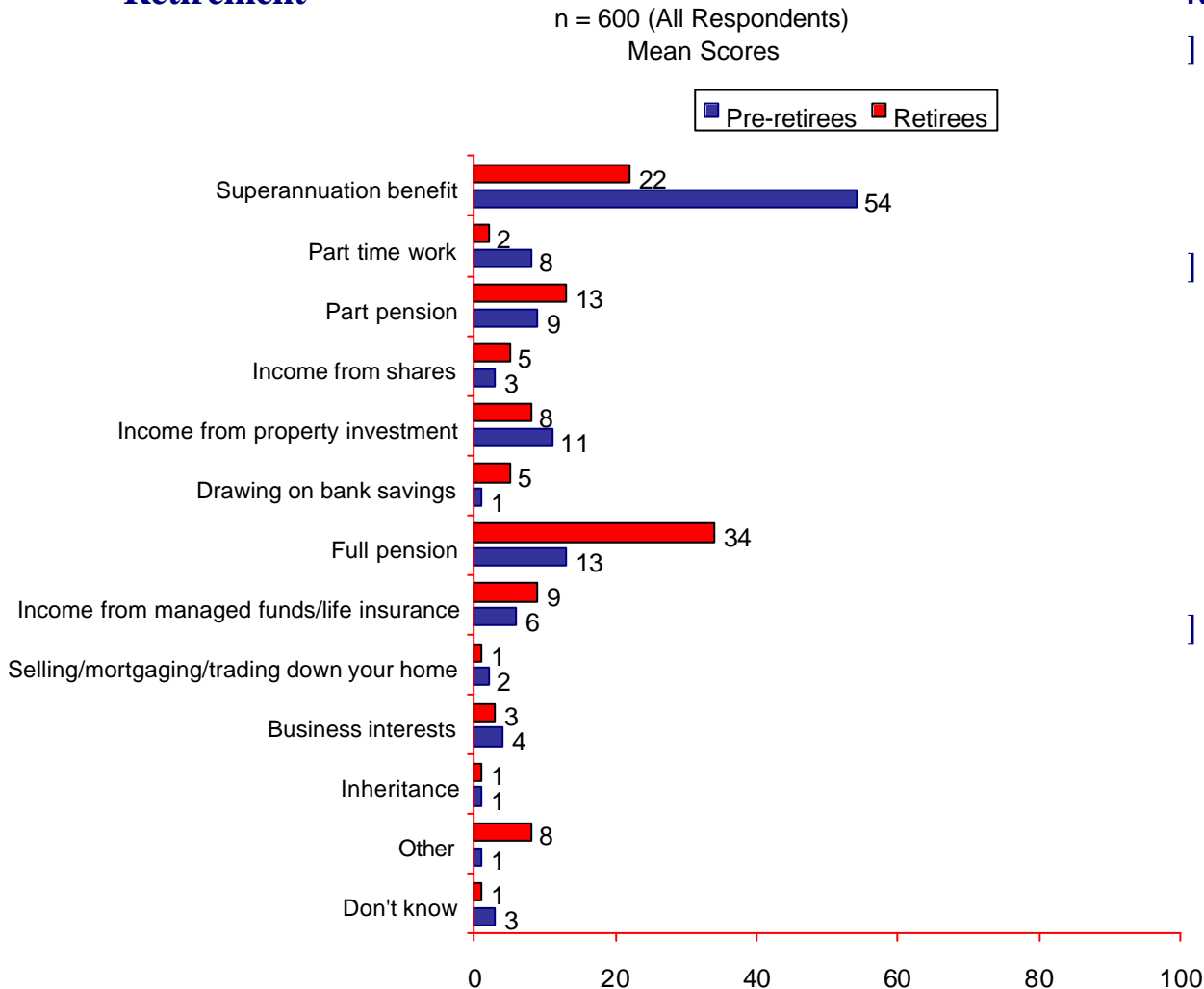
Exhibit 21. Single Most Important Source of Income in Retirement



Key Points:

-] Superannuation benefits were the *single main* source of income in retirement for 43% of people.
-] 20% of respondents were using or expected to use a full pension, and 11% a part pension, as their main source of retirement income.
-] Next most frequently cited as the single most important source of retirement income were:
 - Income from property (10%).
 - Income from managed funds or life insurance investments (7%).
 - Part time work (6%).
 - Income from shares (4%).

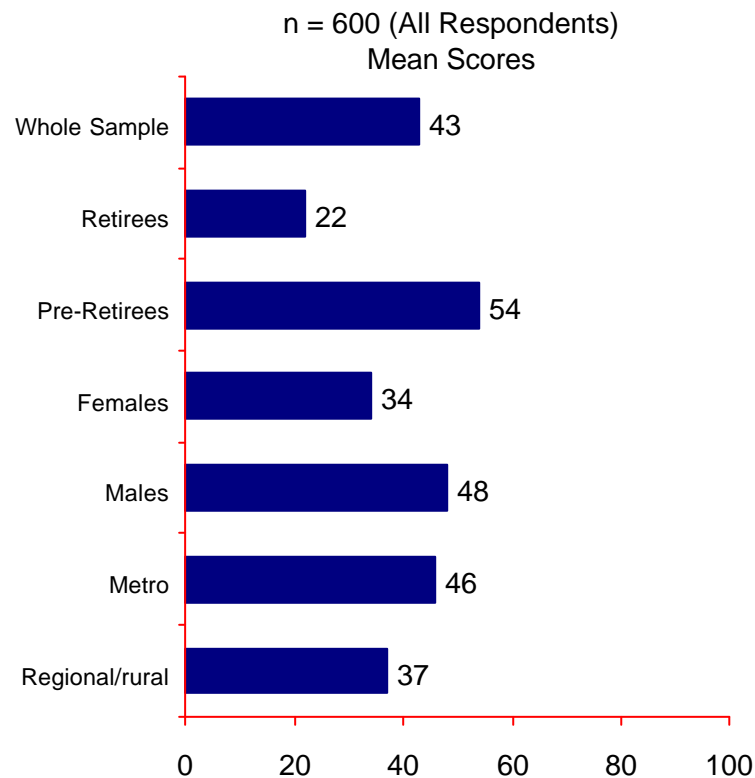
Exhibit 22. Single Most Important Source of Income in Retirement



Key Points:

-] Superannuation benefits were much more frequently the *single main* source of income in retirement for pre-retirees (54% versus 22% of retired people).
-] 34% of retirees were using or expected to use a full pension, and 13% a part pension, as their main source of retirement income as opposed to 13% (full pension) and 9% (part pension) of pre-retirees. Hence a greater proportion of pre-retirees expect to be self-reliant in retirement.
-] There were few differences between men and women (not shown in graph form).

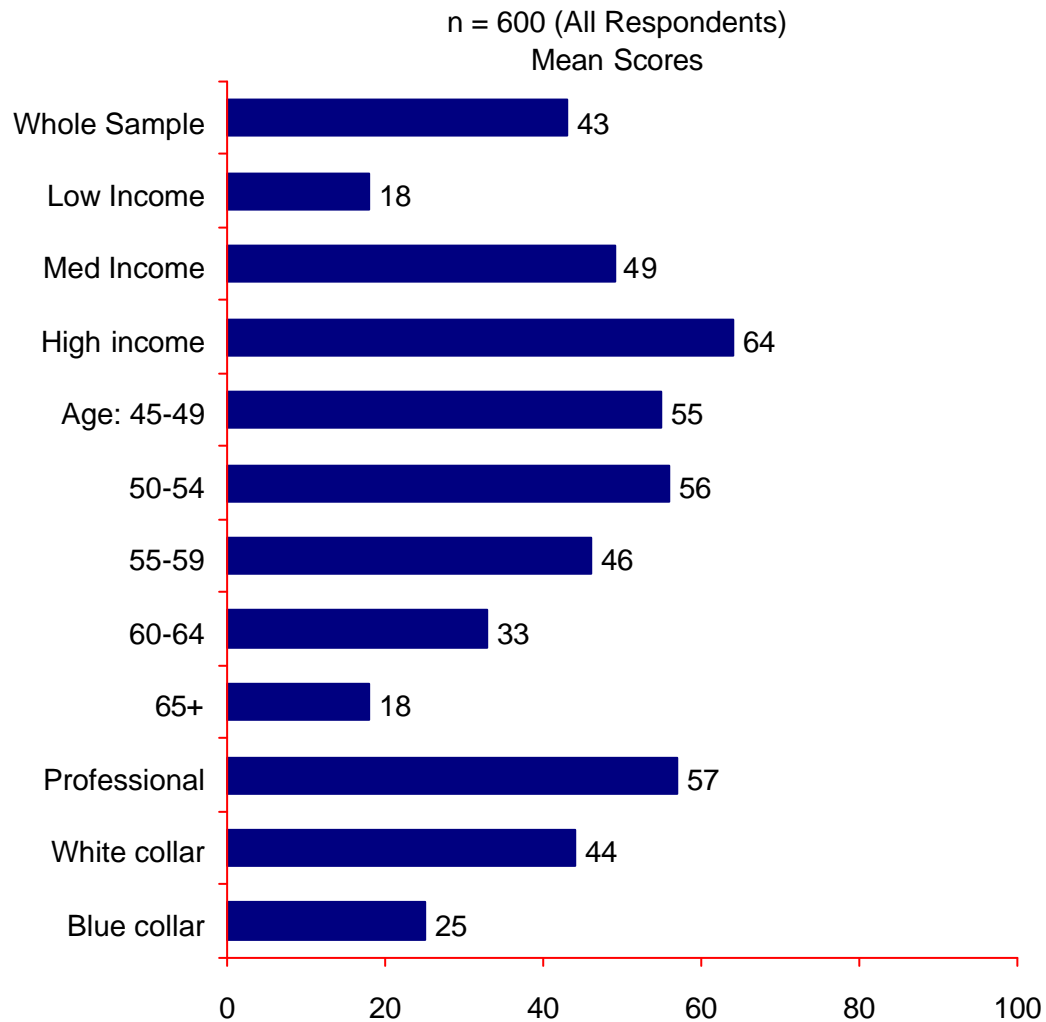
Exhibit 23. Incidence of Superannuation Benefits being Seen as the Single Most Important Source of Income in Retirement



Key Points:

-] Over half of the pre-retirees (54%) predicted they would be dependent mainly on super benefits in retirement. This compared with 22% of retirees who said they were mainly dependent on super benefits in their actual retirement.
-] Men were (or predicted they would be) more dependent on super benefits than women in retirement (48% to 34%).
-] Those in cities were/predicted they would be more dependent (46%) than those in regional and rural areas (37%) on super for income in retirement.

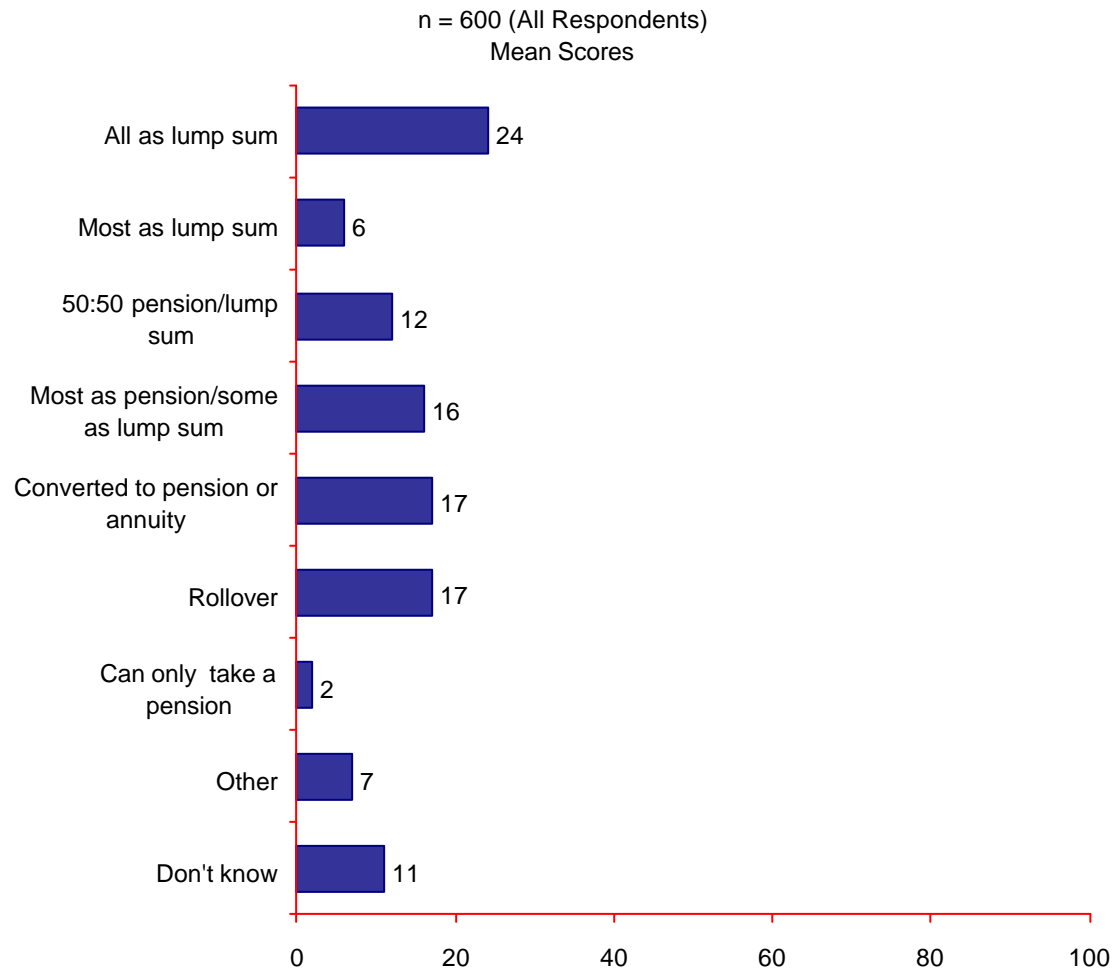
Incidence of Superannuation Benefits Being Seen as the Single Most Important Source of Retirement Income (continued)



Key Points:

-] Higher income respondents were more dependant on super in their retirement than lower income respondents.
-] The older age groups were less dependent on super at retirement, than younger age groups.
-] Professionals and former professionals were more dependent on their super for income than white and blue collar employment categories.

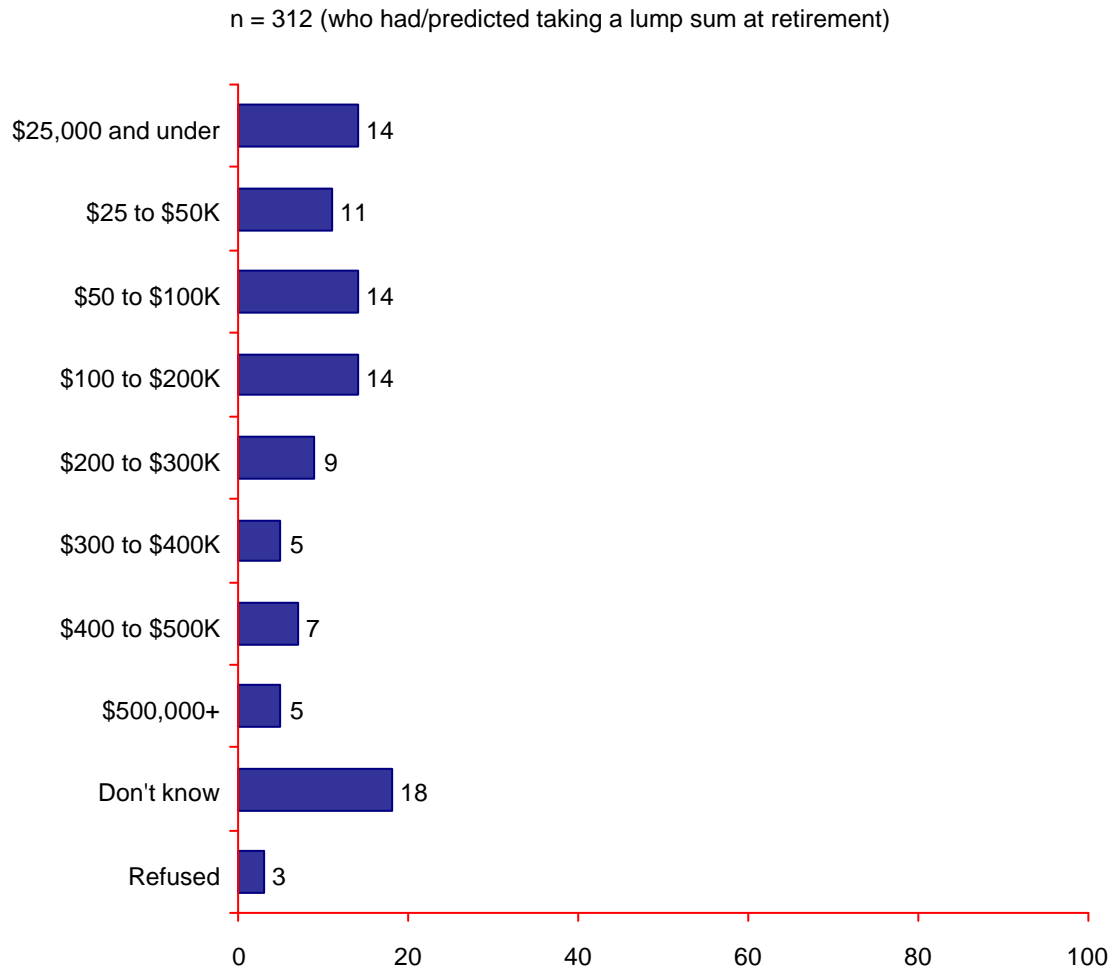
Exhibit 24. Action Taken (or Anticipating Taking) Regarding Super Benefits at Retirement



Key Points:

-] The most frequently mentioned action taken with superannuation (of the options open to those with super) on retirement, was to take it all as a lump sum (24%).
-] Males and females were similar (23% and 27% - not shown in graph form).
-] 37% of retirees had taken it as a lump sum, whereas only 18% of pre-retirees expected to take all their benefit as a lump sum
-] Preference for taking the benefits all in a lump sum increased with age and income (not shown here).
-] 7% of responses were “other” actions taken, including did not have super /did not withdraw the benefit/just left it there/purchased various items.

Exhibit 25. Estimated Size of Lump Sum

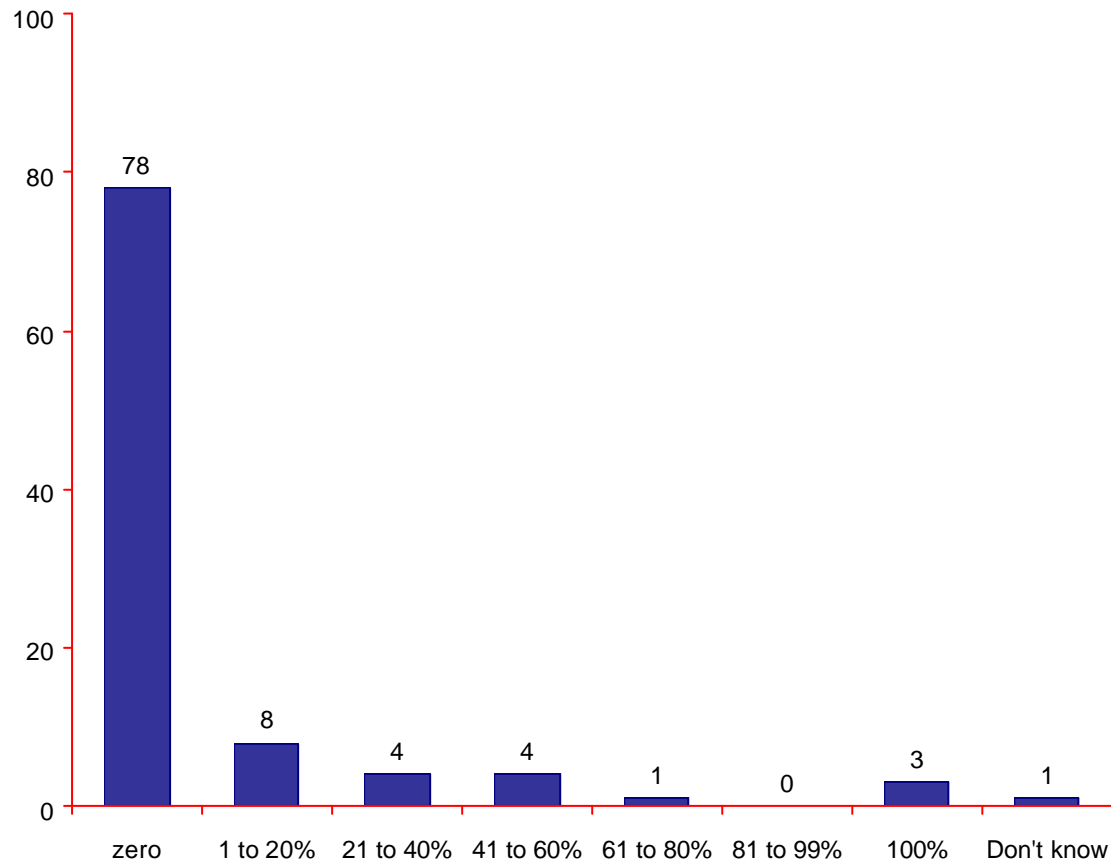


Key Points:

-] Almost one fifth did not know the size of the lump sum.
-] The median lump sum size expected among those who had taken or anticipated taking one, was \$100,000, for those who knew. The mean was \$200,200.
-] Only 5% had (or anticipated) a lump sum of over \$500,000, with 12% estimating it would be more than \$400,000, 17% greater than \$300,000, and 26% greater than \$200,000.
-] Men had a greater mean lump sum benefit (of \$234,000) than women (\$137,000).
-] Pre-retirees were expecting a lump sum of \$234,000 compared with the mean actual lump sum benefit received by the retirees in the sample, of \$121,000.

Exhibit 26. Estimated % of Lump Sum That Will Go to Pay Off Home Mortgage

n = 312 (who had/predicted a lump sum at retirement)

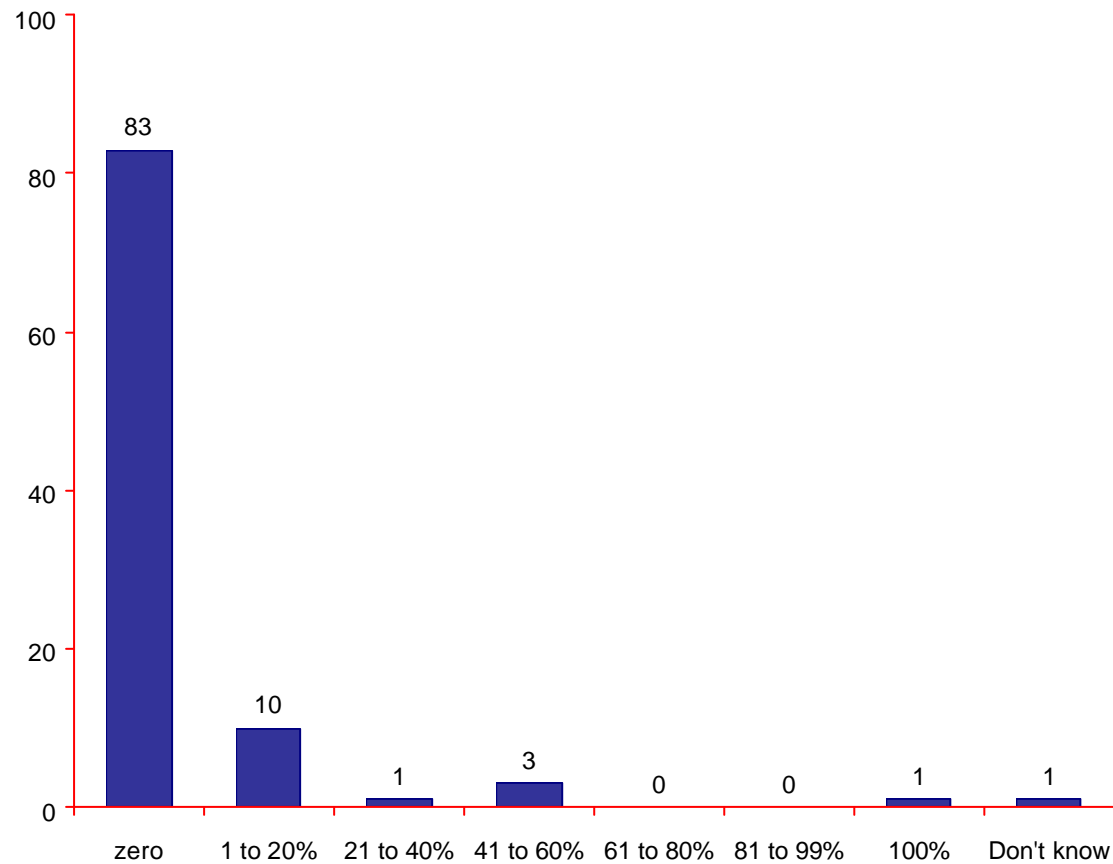


Key Points:

-] Over three-quarters (78%) of those taking/anticipating lump sums felt none of it went/would go towards paying off a mortgage loan.
-] Thus, 22% expected to use/used all or part of the lump sum to pay off a home mortgage.
-] 3% felt all of the lump sum would be used to pay off the mortgage, and only 8% felt that 40% or more of the lump sum would be used for paying of a mortgage loan.
-] The mean allocation of the lump sum for this purpose was 8.8% across all taking or anticipating taking a lump sum, and 40% among those wanting to use at least part of it for paying off a mortgage.

Exhibit 27. Estimated % of Lump Sum That Will Go to Pay Off Debt

n = 312 (who had/predicted a lump sum at retirement)

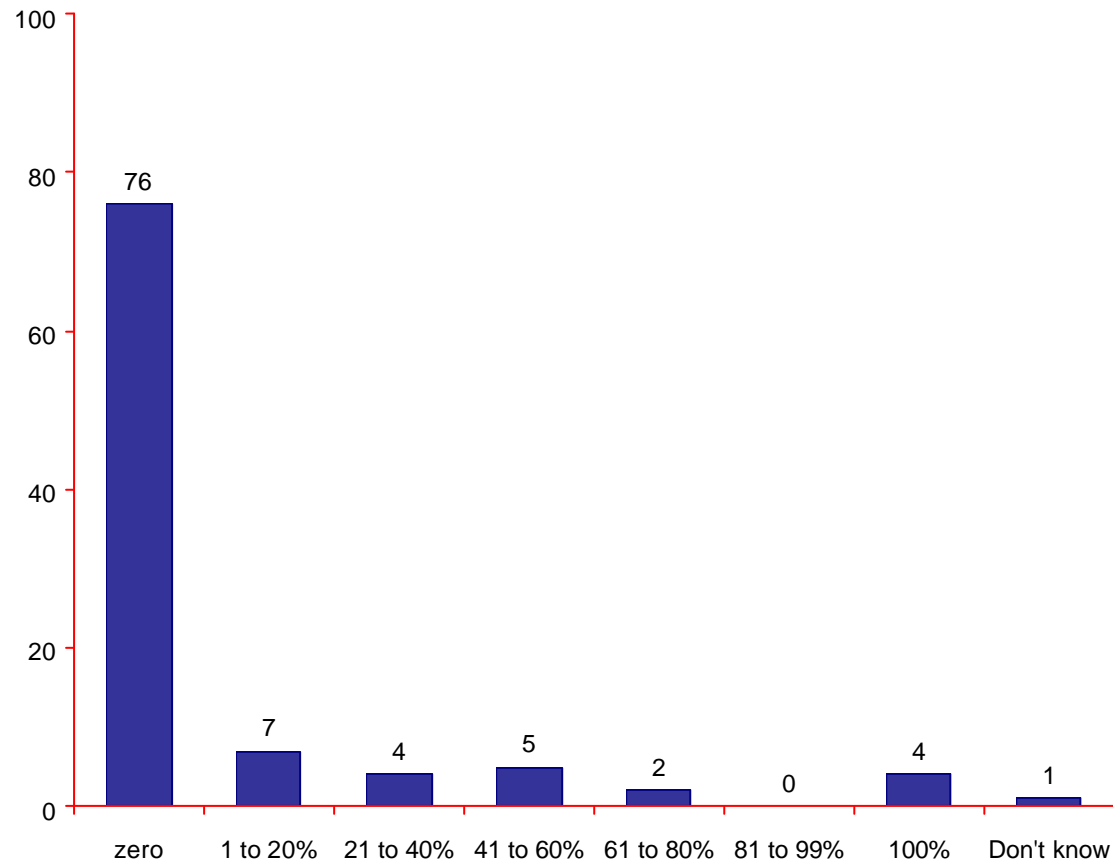


Key Points:

-] 83% of those taking/anticipating lump sums felt none of it went/would go towards paying off debt.
-] 17% expected to use the lump sum at least partly to pay off other debt.
-] 1% felt all of the lump sum would be used to pay off debt, and only 4% felt that 40% or more of the lump sum would be used for paying of debt.
-] The mean allocation for this purpose was 4.0% among those taking or anticipating taking a lump sum, and 24% among those using or planning to use at least part of it for this purpose.

Exhibit 28. Estimated % of Lump Sum That Will Go to Extend/Modify a Home or Purchase a New Home

n = 312 (who had/predicted a lump sum at retirement)

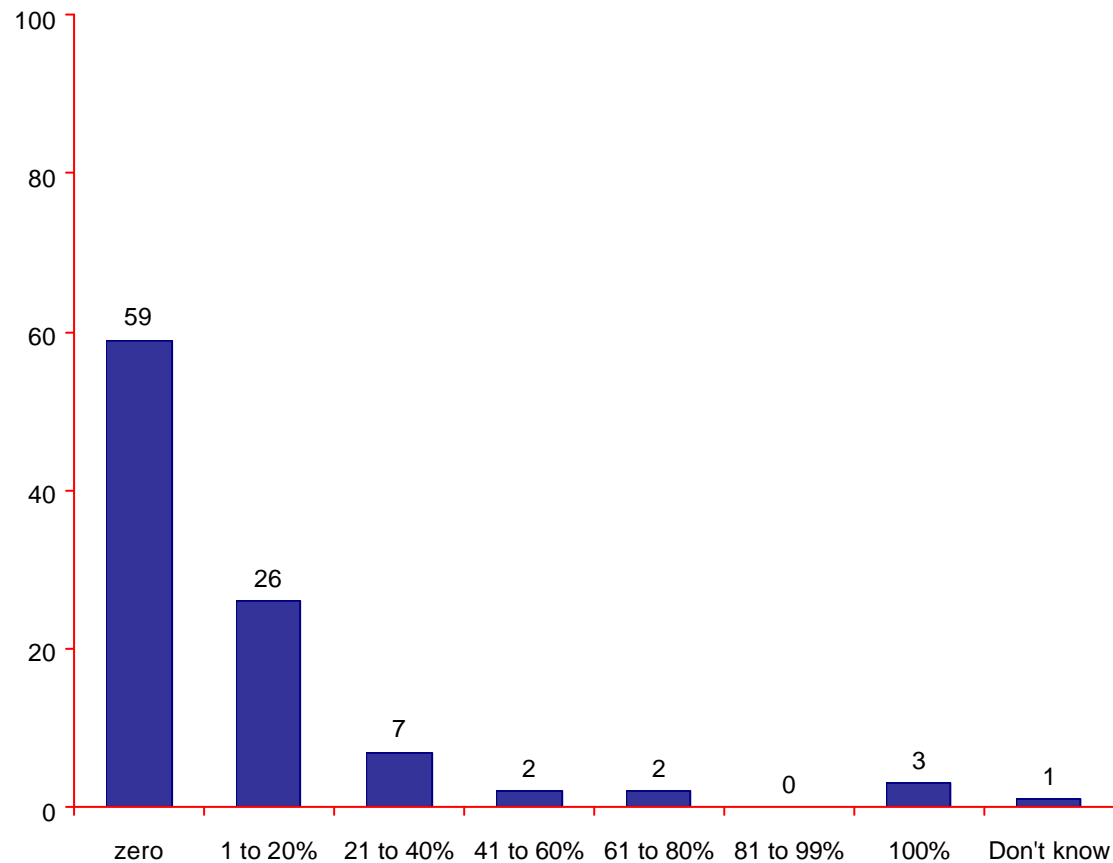


Key Points:

-] 76% of those taking/anticipating lump sums felt none of it went/would go towards the home or purchasing a new home.
-] 24% would use/used part of the lump sum for home improvement or a new home.
-] 4% felt all of the lump sum would be used for home extensions or a new home, and 11% felt that 40% or more of the lump sum would be used for major home extensions or a new home.
-] The mean allocation for this purpose was 10.1% of those taking or anticipating taking a lump sum, and 42% among those who used or planned to use any of it this purpose.

Exhibit 29. Estimated % of Lump Sum That Will Go to Purchase a Car or Other Large Item Such as a Whitegood

n = 312 (who had/predicted a lump sum at retirement)

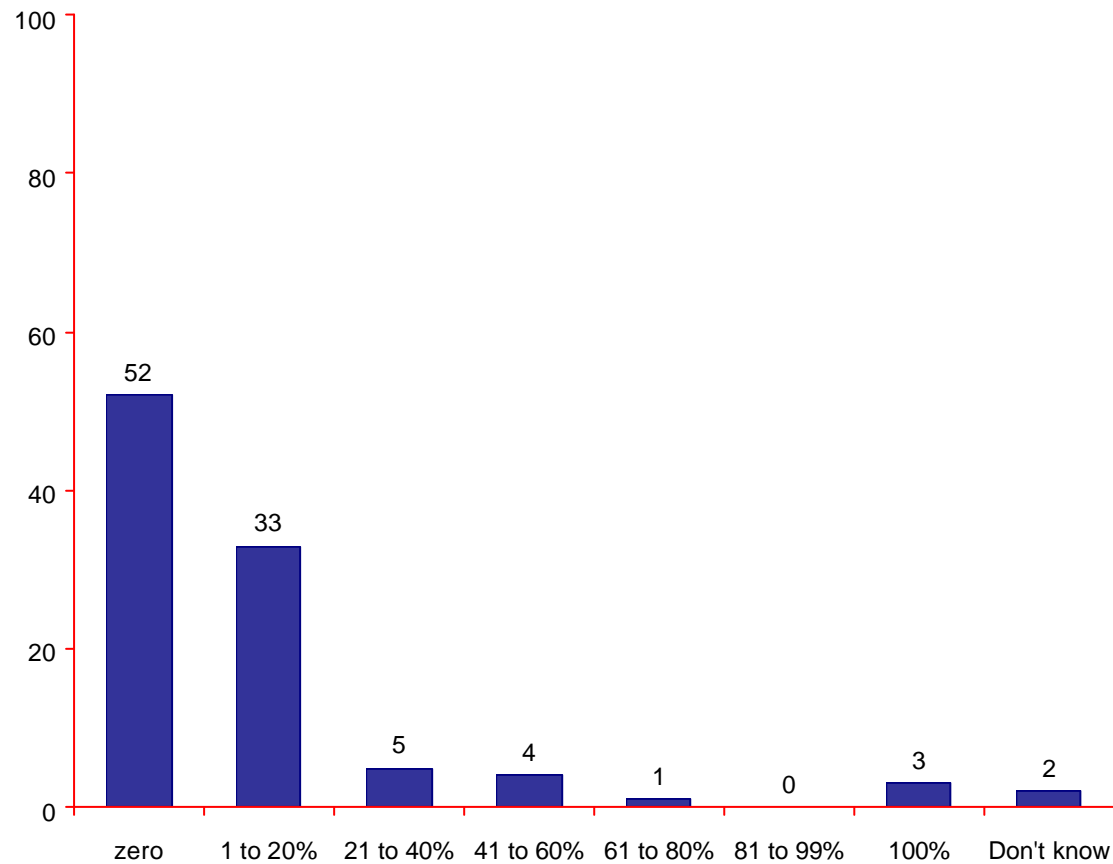


Key Points:

-] 59% of those taking/anticipating lump sums felt none of it went/would go towards a car or other large purchase.
-] 41% felt they would use/used all or part of the lump sum for purchasing a car or other large item.
-] 3% felt all of the lump sum would be used for a car or other large purchase, and 7% felt that 40% or more of the lump sum would be used for a car or other large purchase.
-] The mean allocation for this purpose among those taking or anticipating taking a lump sum, was 10.1%. Among those using or planning to use some of the lump sum for this purpose, the mean allocation/planned allocation was 33% of the lump sum for this purpose.

Exhibit 30. Estimated % of Lump Sum That Was/Will Be Spent on Holidays/Entertainment

n = 312 (who had/predicted a lump sum at retirement)

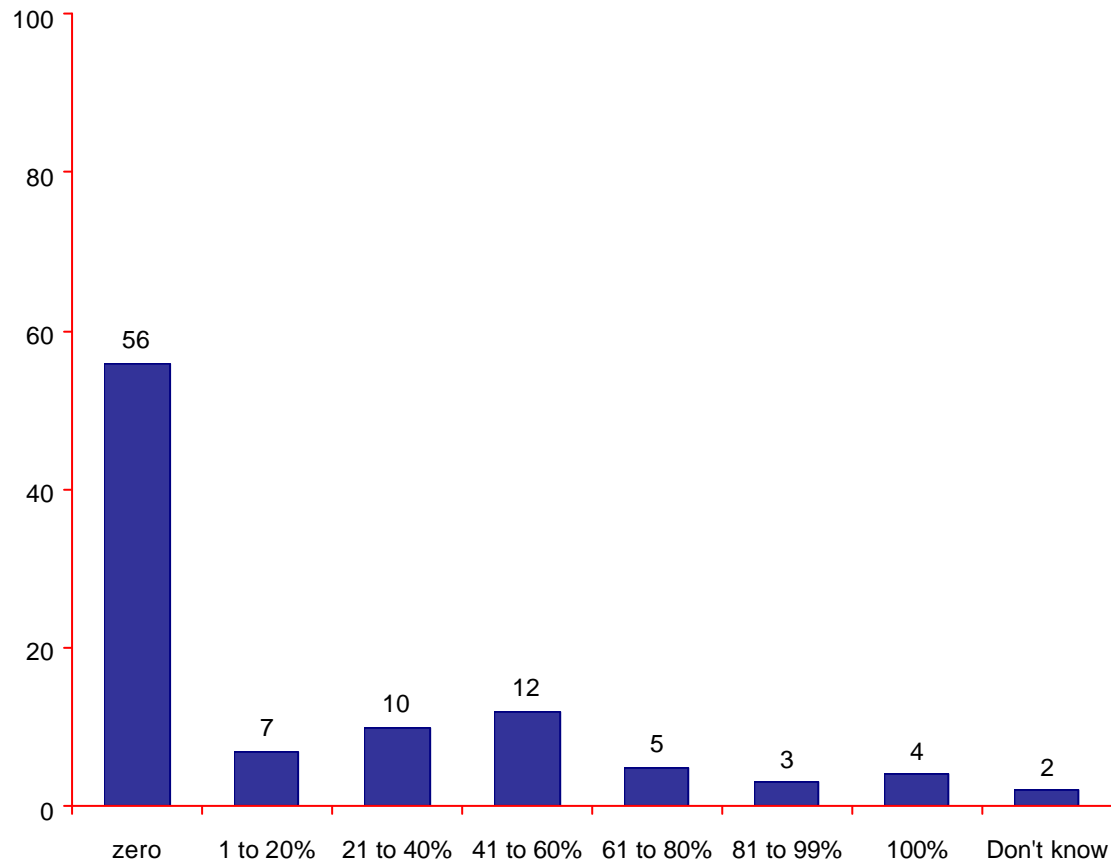


Key Points:

-] 52% of those taking/anticipating lump sums felt none of it was/will be spent on holidays or entertainment.
-] 3% felt all of the lump sum would be used for holidays/entertainment, and 8% felt that 40% or more of the lump sum would be used for this purpose.
-] The mean allocation for this purpose among all who took or anticipated taking a lump sum was 10.7%, and 22% for those using or planning to use any of it for this purpose.

Exhibit 31. Estimated % of Lump Sum That Was/Will Be Invested for Capital Growth

n = 312 (who had/predicted a lump sum at retirement)

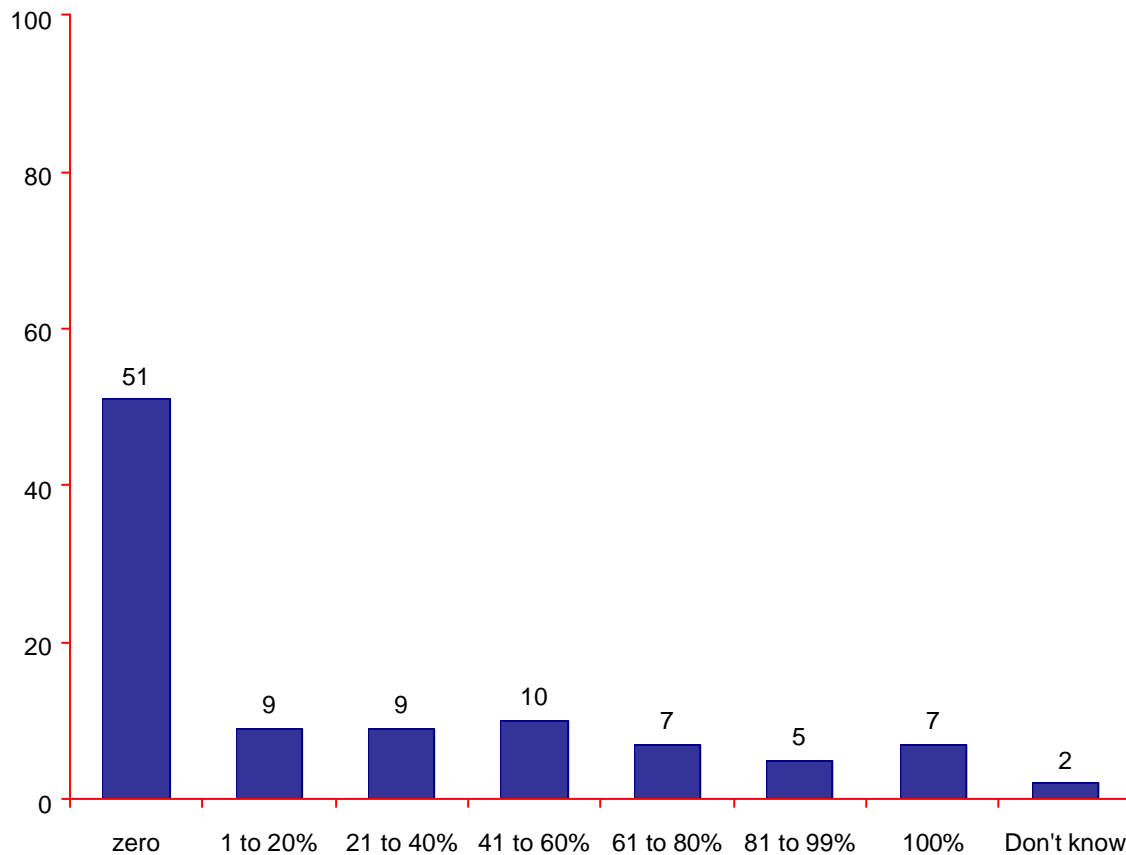


Key Points:

-] 56% of those taking/anticipating lump sums felt none of it was/will be invested for capital growth.
-] 4% felt all of the lump sum would be used for investing for capital growth, and 24% felt that 40% or more of the lump sum would be used for this purpose.
-] The mean allocation for this purpose among those who took or anticipated taking a lump sum, was 22.2%. For those using or intending to use the lump sum for this purpose, the mean allocation for this purpose was 50.4%

Exhibit 32. Estimated % of Lump Sum That Was/Will Be Used to Provide a Regular Income to Live Off

n = 312 (who had/predicted a lump sum at retirement)

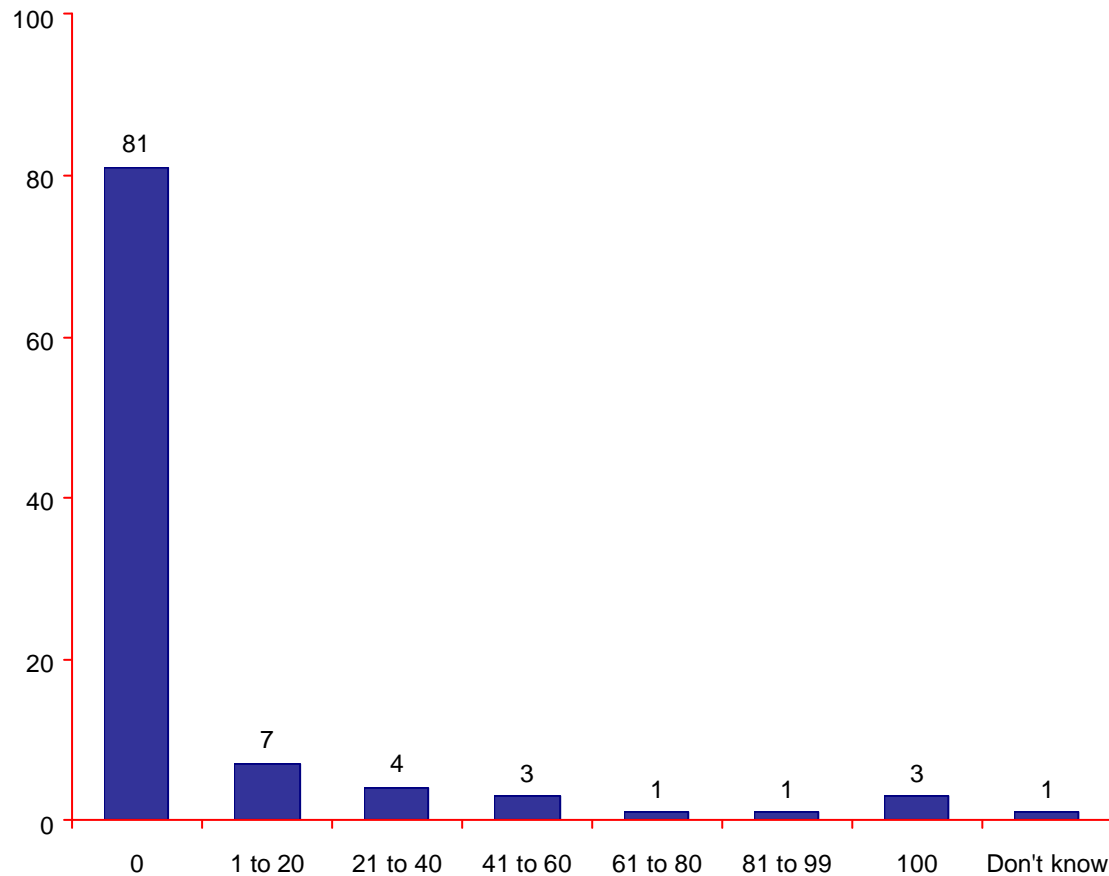


Key Points:

-] 51% of those taking/anticipating lump sums felt none of it was/will be used to provide a regular income to live off.
-] 7% felt all of the lump sum would be used for investing for regular income generation, and 29% felt that 40% or more of the lump sum would be used for this purpose.
-] The mean allocation for this purpose among those taking or anticipating taking a lump sum was 27.0%. For those who used or planned to use at least part of the lump sum for this purpose, the mean allocation of the lump sum for this was 55%.

Exhibit 33. Estimated % of Lump Sum That Was/Will Be Used for Other Things

n = 312 (who had/predicted a lump sum at retirement)

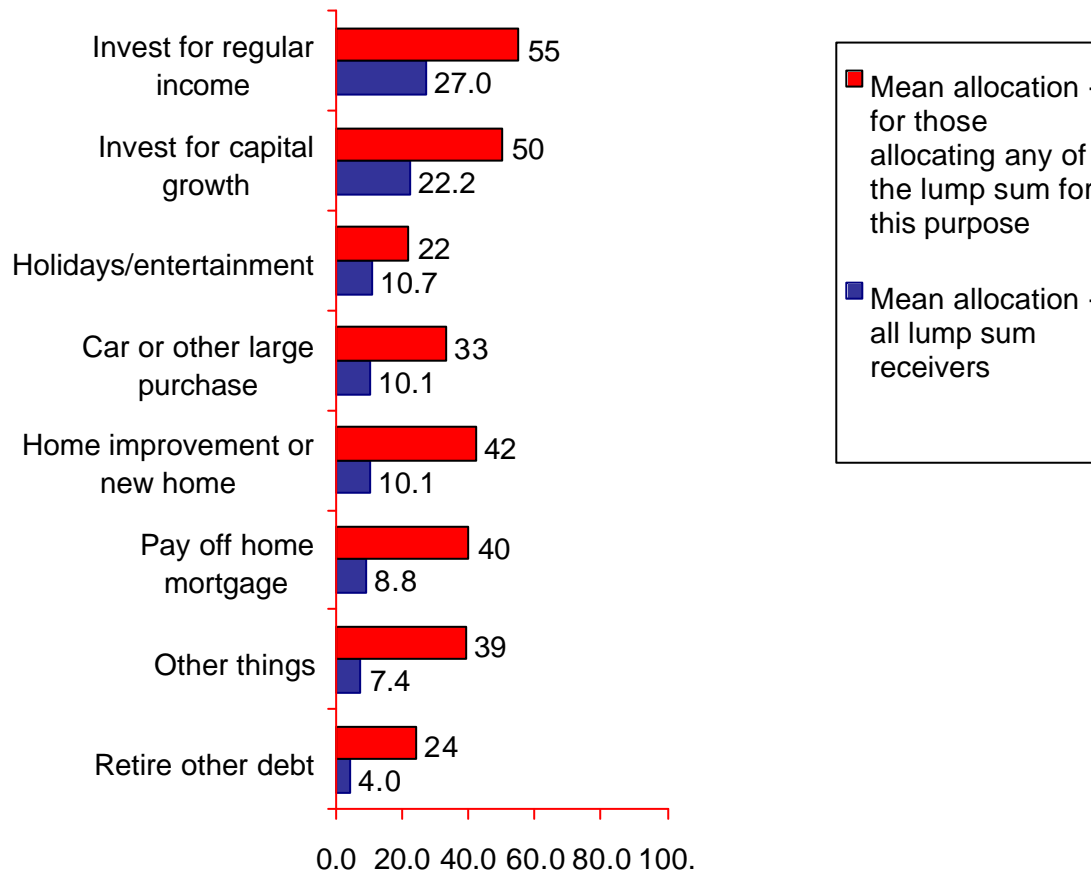


Key Points:

-] 81% of those taking/anticipating lump sums felt none of it was/will be used to provide a regular income to live off.
-] 3% felt all of the lump sum would be used for investing for regular income generation, and 8% felt that 40% or more of the lump sum would be used for this purpose.
-] The mean allocation for this purpose among those who took or planned to take a lump sum was 7.4%. Among those who used or planned to use at least part of the lump sum for this purpose, the mean allocation of the lump sum to this was 39%.

Exhibit 34. How Lump Sum Was/Will Be Used - Summary

n = 312 (who had/predicted a lump sum at retirement)

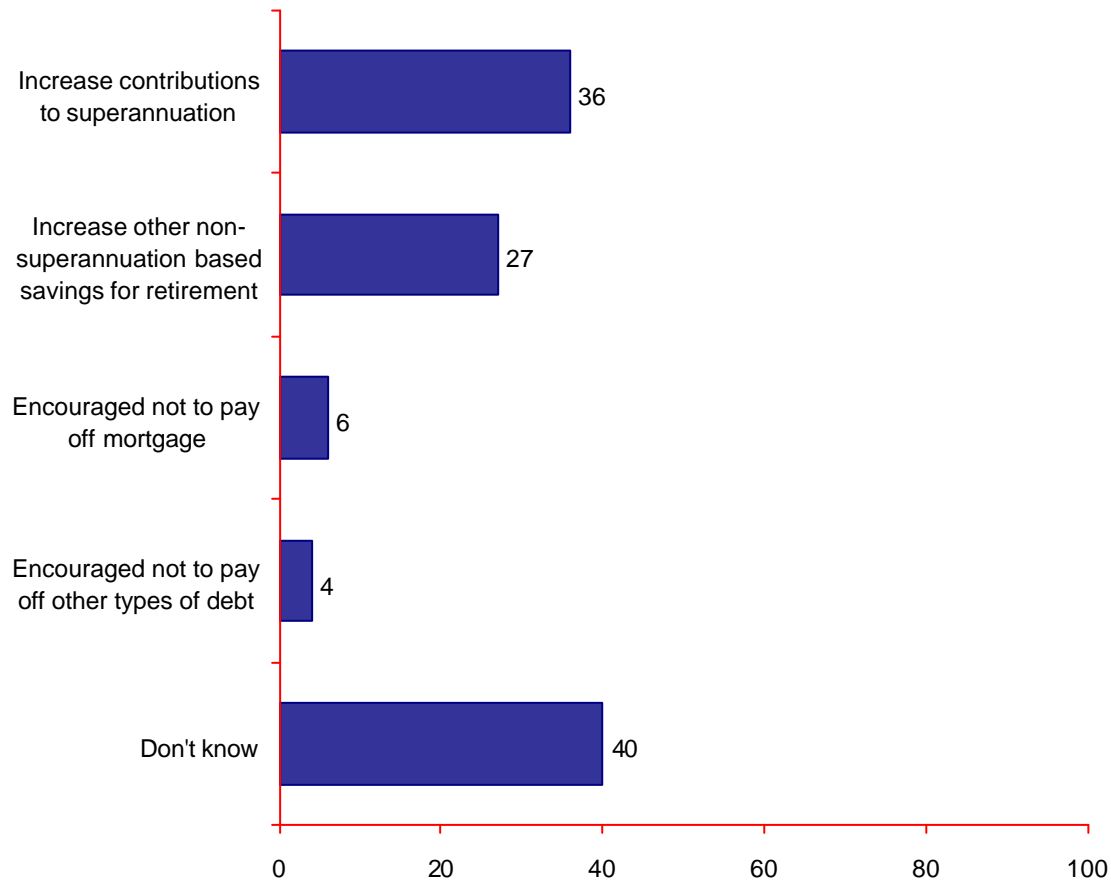


Key Points:

-] On average, the main allocation of the lump sum was for investing for a regular income (mean allocation 27%). Those who invested any of the lump sum for this purpose, on average, allocated 55% of the lump sum for this purpose.
-] Investing for capital growth was also a popular main way of using the lump sum (22.2% mean allocation), and 50% allocation for those who invested any of it for capital growth.
-] Notably, those who invested any of the lump sum in home extensions/a new home; or paying off the home mortgage, allocated 42% and 40% of the lump sum respectively for these purposes.

Exhibit 35. When/While Still Working, Did (Do) Plans to Take Part/All of Your Super as a Lump Sum Encourage You To

n = 358 (Respondents taking/anticipating some lump sum element)

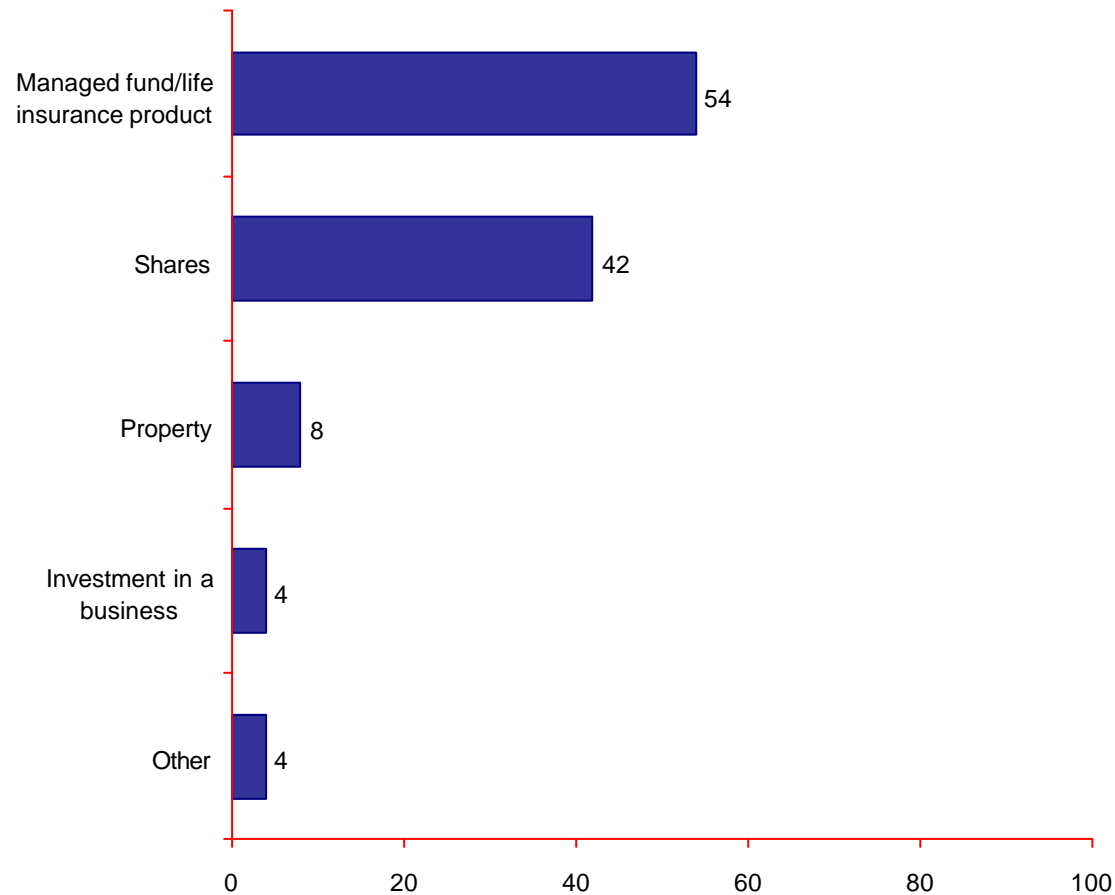


Key Points:

-] Over one third (36%) of those taking/anticipating taking a lump sum component in their super benefits, had been motivated by the prospect of access to a lump sum, to increase their contributions to super prior to retirement. Pre-retirees were more often encouraged to do this (39%) than retirees (30%).
-] Over one quarter (27%) were encouraged by the prospect of the lump sum access, to increase other non-super savings or investments for retirement. Again, pre-retirees were more encouraged to do this (31%) than retirees (18%).
-] 10% had been encouraged not to pay off debt (mortgage and other).

**Exhibit 36. Investing Some Super Benefits for Capital Growth
– In Which Types of Investments?**

n = 40 (Respondents investing lump sum in capital growth vehicle)

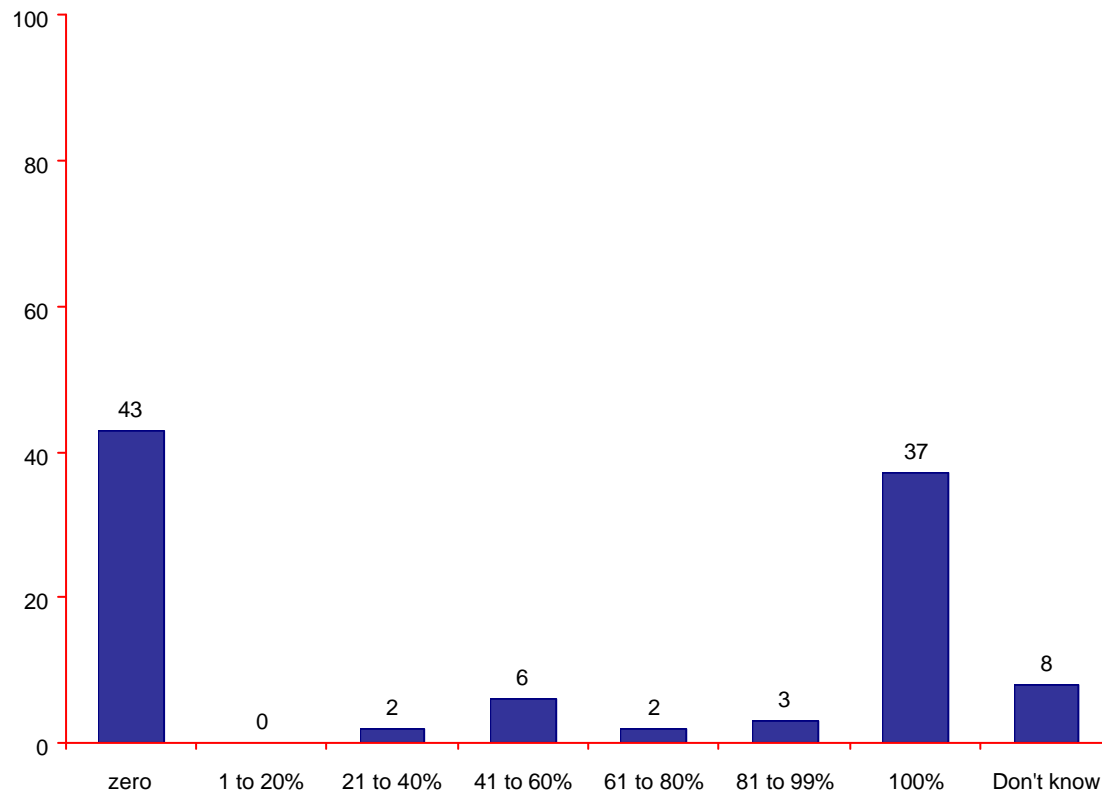


Key Points:

-] Over half of the small number of people planning to/actually investing in capital growth vehicles with their lump sums from super on retirement, were using/would use bank products, including savings accounts, term deposits and cash management accounts.
-] A similar proportion was/would also directing the lump sum towards a managed fund or life insurance product.
-] A smaller proportion (42%) were investing some of the lump sum in shares.
-] However, it is stressed that these respondents represented less than 7% of the sample.

Exhibit 37. Retirees Who Put Some Super Benefit Into Regular Income Products – Proportion of Super Benefit Into a Pension or Annuity That is Paid for Life

n = 63 (retirees who had put some/all of their benefit into an income product)

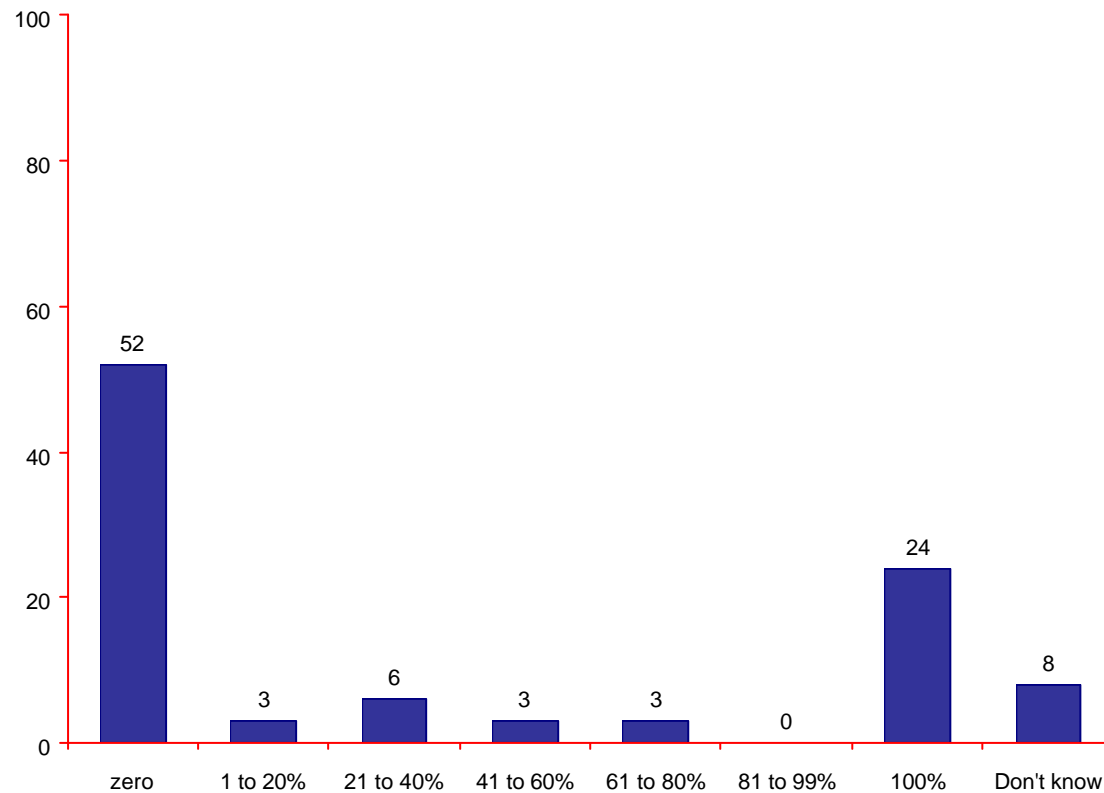


Key Points:

-] 57% of retirees who had put some of their super benefit into a regular income product, had elected at least part of this to be placed in a pension or annuity that is paid for life.
-] 43% were not using/contemplating using a life pension or annuity.
-] The mean proportion of super benefit going into a pension of this kind was 48.0%, although the bi-modal result is the more important finding. 37% put all their benefit into this.
-] Of those who used any of their benefit for a pension or annuity for life, the mean allocation for this was 84%.

Exhibit 38. Retirees Who Put Some Super Benefit Into Regular Income products – Proportion of Super Benefit Into an Allocated Pension

n = 63 (retirees who had put some/all of their benefit into an income product)

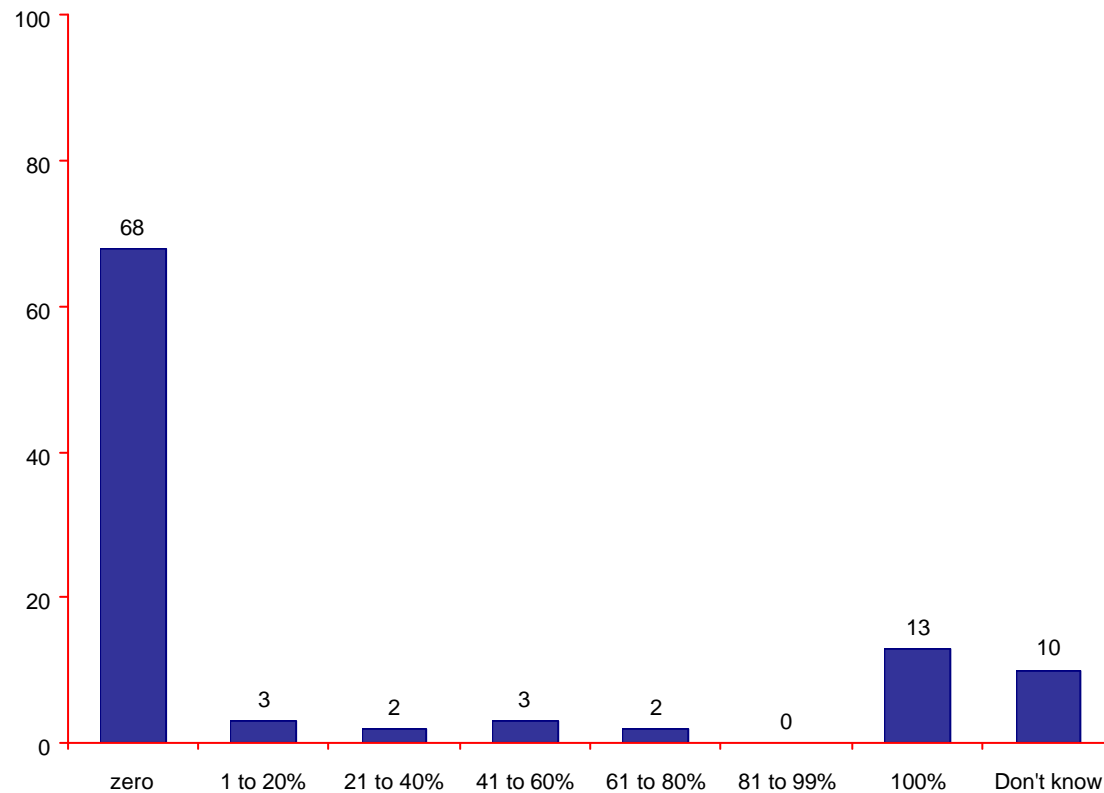


Key Points:

-] 48% of retirees who had put part of their super benefit into regular income products, had put at least some of the benefit into an allocated pension.
-] 24% of retirees who had taken some or all of the benefit as an income stream product, had put 100% of their super benefit into a allocated pension.
-] The mean proportion of super benefit placed into this kind of product was 33.3% and 69% among those who bought this kind of product at all.
-] Again the bi-modal result is more important, with 52% not using this product type.

Exhibit 39. Retirees Who Put Some Super Benefit Into Regular Income products – Proportion of Super Benefit Into Something Else

n = 63 (retirees who had put some/all of their benefit into an income product)

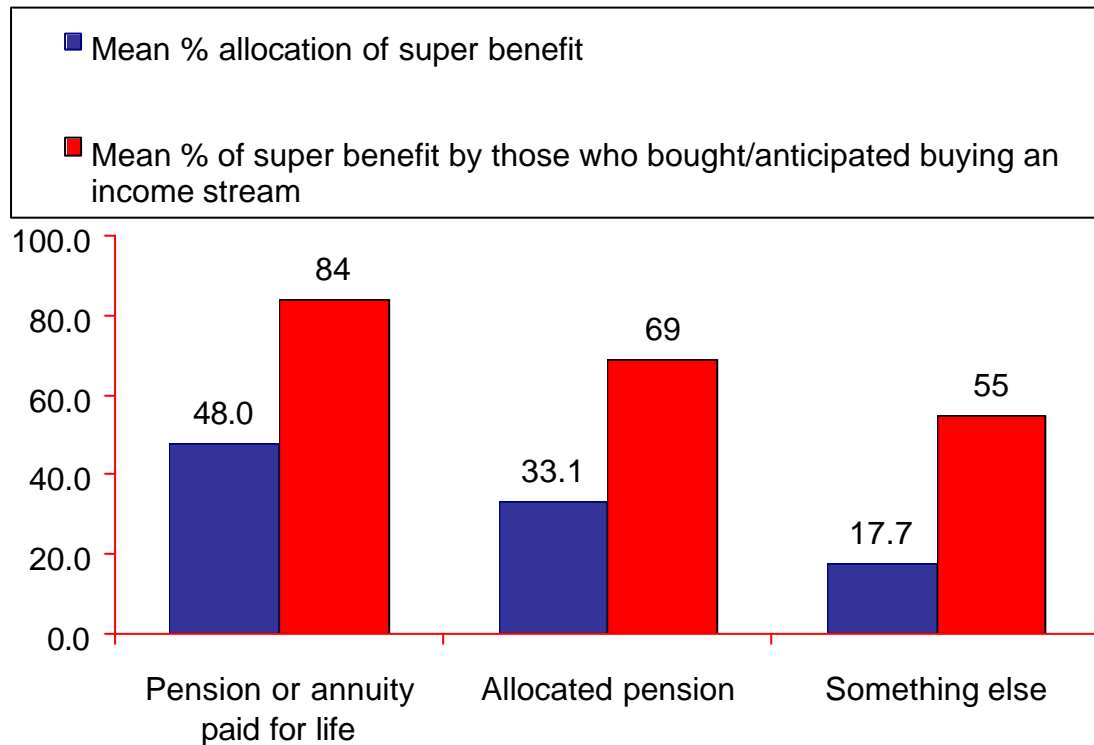


Key Points:

-] 32% of retirees who had taken some or all of the benefit as an income stream product, had put *at least some* of their super benefit into “something else”.
-] 13% put *all* of the benefit into this kind of product, and 18% had put at least 40% of the super benefit into something other than an annuity or allocated pension.
-] The most usual “something else’s” included, shares, bank products, managed funds, and simply “leaving it in a personal super fund”.
-] The mean proportion of super benefit allocated to something else was 17.7%, and 55% for those who put any of the super benefit into something else.

Exhibit 40. Retirees Who Put Some Super Benefit Into Regular Income products – Summary

n = 63 (retirees who had put some/all of their benefit into an income product)



Key Points:

-] The mean allocations of total super benefit across the sample, ignoring variations in lump sum sizes across the sample, showed the greater appeal of pensions and annuities that deliver an income for life, which accounted for a mean allocation of 48% of super benefits accessed on retirement (84% for those who put at least some of their benefit into a pension or annuity for life)
-] Allocated pension accounted for a mean 33% of the allocation of the super benefits (and 69% for those who allocated anything to an allocated pension).
-] Other forms of income accounted for a mean of 17% of super benefits among retirees who had put something into regular income products (and 55% for those allocating anything to something else).

Exhibit 41: Reasons for Selecting a Pension or Annuity That is Paid for Life (n=31)

Reason	Number of mentions
Automatic regular income/pension for life	12
Easy/best result/suits my needs	10
Advice from financial adviser/accountant/colleague	8
Safe/degree of security	5
Tax effective/tax benefits	3
Annuities go into estate/allocated pensions don't leave the estate	2
Had no choice/automatically taken out of pay	2
Don't know	2
<i>Total mentions</i>	<i>44</i>

Key Points:

] There were no dominant reasons given for selecting a pension or annuity for life, other than receiving a regular income, ease and convenience and advice from a respected source.

Exhibit 42: Reasons for Selecting an Allocated Pension (n=25)

Reason	Number of mentions
Tax effective/tax benefits	10
Advice from financial adviser/accountant/colleague	9
Automatic regular income	8
Easy/best result/suits my needs	5
Safe/degree of security	1
Annuities go into estate/allocated pensions don't leave the estate	1
Had no choice/automatically taken out of pay	1
<i>Total mentions</i>	35

Key Points:

-] The main reason given for selecting an allocated pension was concerned with taxation benefits.
-] Other main reasons were general – advice from a respected source, automatic regular income, and ease and convenience.

Exhibit 43: Reasons for Selecting Something Else (n=13)

Reason	Number of mentions
Easy/best result/suits my needs	4
Advice from financial adviser/accountant/colleague	2
Automatic regular income	2
Safe/degree of security	2
Other	2
Don't know	3
<i>Total mentions</i>	15

Key Points:

-] Selecting an income stream other than an annuity for life or an allocated pension was mainly for quite general reasons.

Exhibit 44. Summary of Super Benefit Usage (Actual & Anticipated) – Whole Sample n=600

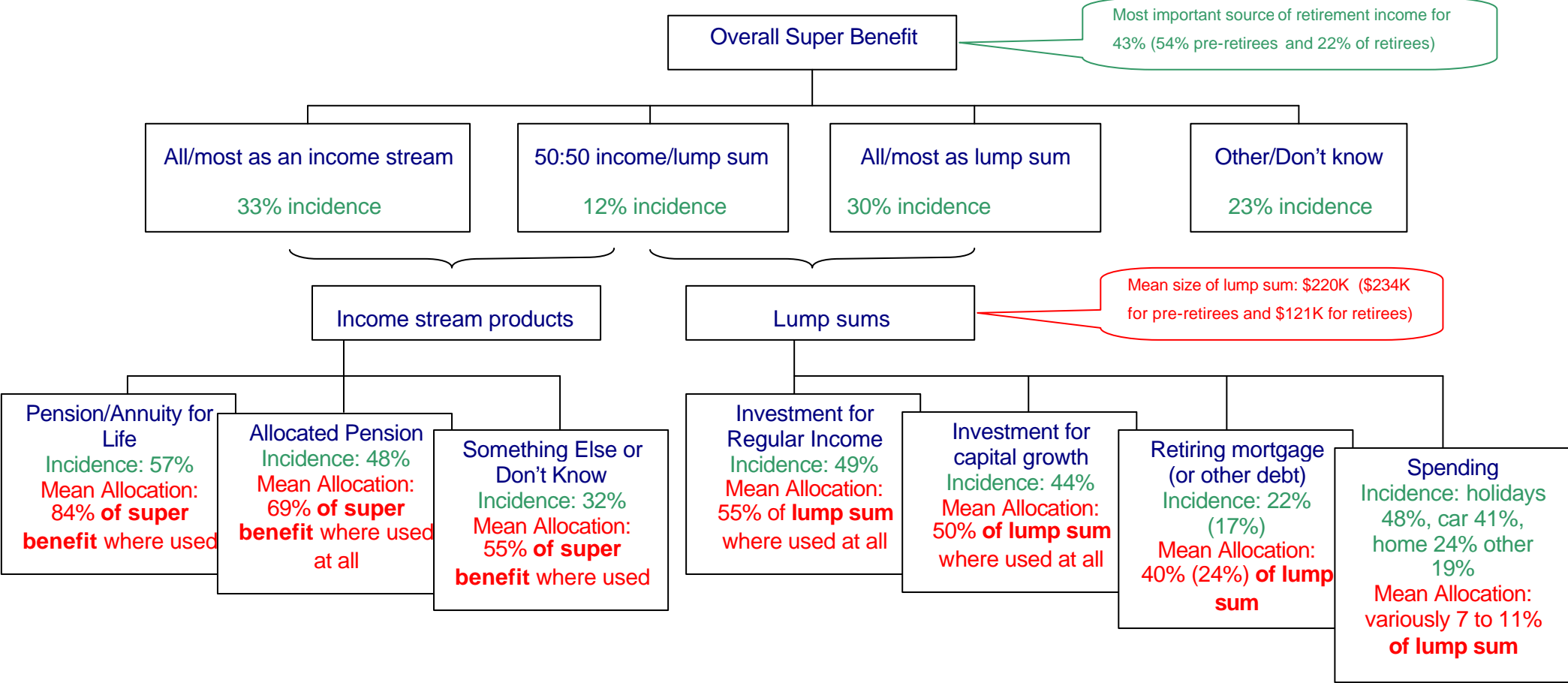


Exhibit 45. Summary of Anticipated Super Benefit Usage on Retirement– Pre-retirees (n=400)

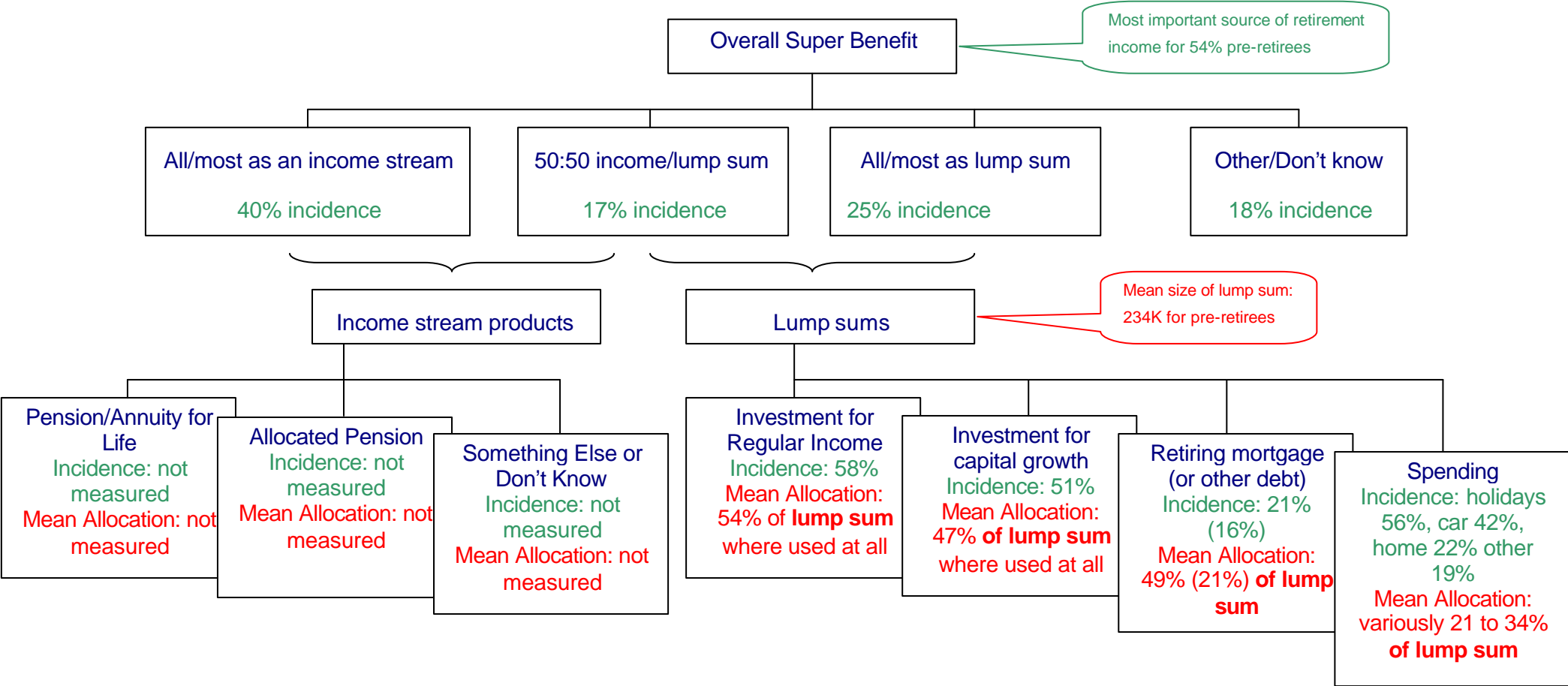


Exhibit 46. Summary of Super Benefit Usage– Retirees (n=200)

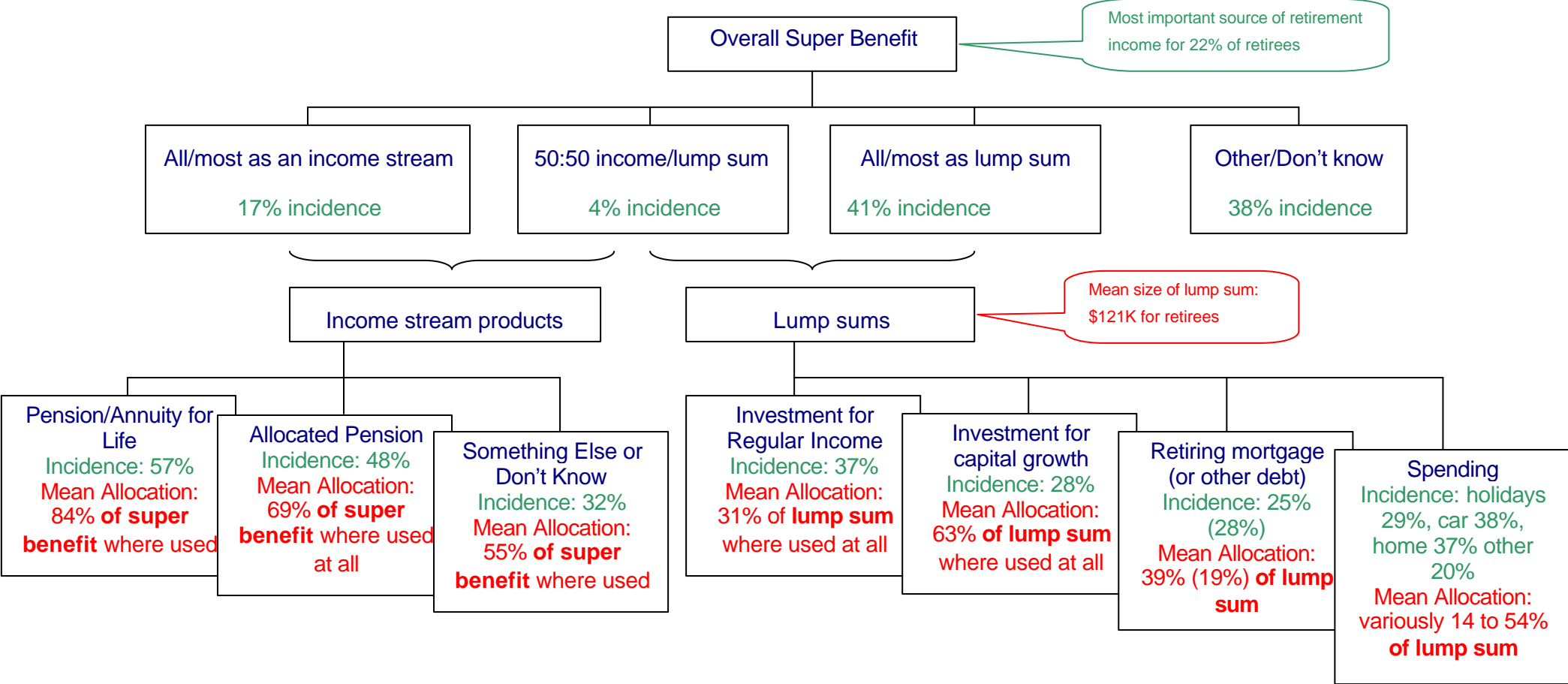


Exhibit 47. Retirement Income Stream Product Attribute Preferences

Attribute	Mean Importance
Balance goes to your estate if you die early	9.2
Guaranteed income for as long as you live	8.7
Income indexed against inflation	8.2
Guaranteed level of payment each week or month	8.1
Receive regular account statements, showing balance	7.9
May help qualify for age pension entitlements (asset test exempt)	7.8
Can vary income taken to suit requirements within limits	7.7
Can choose initial investment mix	7.7
Can change investment mix	7.7
Can switch to another fund manager easily	7.6
Can withdraw some of the capital any time	7.2
Can withdraw all of the capital originally invested at any time	6.8
Invests in low risk types of investments only	6.2
Guaranteed income for a set number of years	5.6
Can invest for growth/higher risk/higher return investments	5.2
No account statements, but you are paid a set amount each week or month	5.0

Key Points:

-] In the combined sample, the most important attribute of retirement income stream products, was that “the balance of the fund goes to the estate or to your partner if you die early” (mean importance score was 9.2).
-] Also of very high importance were:
 - Guaranteed income for life (8.7)
 - Income indexed against inflation (8.2)
 - Guaranteed level of payment each month (8.1)
-] Of least importance, or most disliked, were:
 - No account statements (5.0).
 - High risk/high returns (5.2)
 - Guaranteed income for a set number of years (5.6)

Exhibit 48. Retirement Income Stream Product Attribute Preferences – By Main Segments

Attribute	Mean Importance				
	Whole Sample N=600	Males N=385	Females N=215	Pre-retirees N=400	Retirees N=200
Balance goes to your estate if you die early	9.2	9.2	9.1	9.2	9.2
Guaranteed income for as long as you live	8.7	8.6	9.0	8.9	8.5
Income indexed against inflation	8.2	8.2	8.3	8.4	7.9
Guaranteed level of payment each week or month	8.1	7.9	8.4	8.2	7.8
Receive regular account statements, showing balance	7.9	7.7	8.1	7.8	7.9
May help qualify for age pension entitlements (asset test exempt)	7.8	7.5	8.3	7.9	7.5
Can vary income taken to suit requirements within limits	7.7	7.5	8.0	7.8	7.3
Can choose initial investment mix	7.7	7.7	7.6	7.9	7.3
Can change investment mix	7.7	7.7	7.7	7.9	7.1
Can switch to another fund manager easily	7.6	7.5	7.9	8.1	6.6
Can withdraw some of the capital any time	7.2	7.2	7.4	7.3	7.2
Can withdraw all of the capital originally invested at any time	6.8	6.7	7.1	6.9	6.7
Invests in low risk types of investments only	6.2	6.0	6.6	6.1	6.3
Guaranteed income for a set number of years	5.6	5.8	5.4	5.7	5.5
Can invest for growth/higher risk/higher return investments	5.2	5.4	4.7	5.5	4.5
No account statements, but you are paid a set amount each week or month	5.0	4.8	5.4	4.8	5.4

Main Points:

-] Women assigned higher importance to a number of the attributes, than men. Women gave much higher importance scores than men to:
 - May help qualify for age pension entitlements (asset test exempt) – (8.3 for women, versus 7.5 for men).
 - Invests in low risk types only (6.6, 6.0).
 - No account statements, but you are paid a set amount each month (5.4, 4.8).

-] Men assigned a higher importance than women to some items, such as:
 - Can invest for growth/higher risk and return investments (5.4 for men, 4.7 for women).
 - Guaranteed income for a set number of years (5.8, 5.4).

-] Pre-retirees placed higher importance than retirees on several attributes. Most notable were:
 - Can invest for higher return higher risk (5.5 versus 4.5 for retirees)
 - Can change the investment mix over time (7.9, 7.1).
 - Can choose the initial investment mix (7.9, 7.3).

-] Retirees were more likely to accept no account statements than pre-retirees (5.4, 4.8).

Exhibit 49. Retirement Income Stream Product Attribute Preferences – By Super Benefit Preferences

Attribute	Mean Importance				
	Whole Sample N=600	Super Main Income Source N=260	Non-super Main Source N=368	Prefer Lump sum N=229	Prefer Pension N=185
Balance goes to your estate if you die early	9.2	9.2	9.1	9.2	9.0
Guaranteed income for as long as you live	8.7	8.7	8.8	8.7	8.6
Income indexed against inflation	8.2	8.4	8.1	8.1	8.3
Guaranteed level of payment each week or month	8.1	8.3	7.9	8.0	8.3
Receive regular account statements, showing balance	7.9	7.8	8.0	8.0	7.7
May help qualify for age pension entitlements (asset test exempt)	7.8	7.6	8.0	8.1	7.3
Can vary income taken to suit requirements within limits	7.7	7.8	7.5	7.6	7.5
Can choose initial investment mix	7.7	8.0	7.5	7.7	7.6
Can change investment mix	7.7	7.9	7.6	7.6	7.6
Can switch to another fund manager easily	7.6	7.8	7.6	7.7	7.3
Can withdraw some of the capital any time	7.2	7.4	7.2	7.4	7.0
Can withdraw all of the capital originally invested at any time	6.8	6.4	7.1	7.6	6.1
Invests in low risk types of investments only	6.2	6.0	6.4	6.4	5.8
Guaranteed income for a set number of years	5.6	5.5	5.8	5.8	5.6
Can invest for growth/higher risk/higher return investments	5.2	5.5	4.9	4.9	5.6
No account statements, but you are paid a set amount each week or month	5.0	4.8	5.1	4.9	5.0

Main Points:

-] The largest differences between those for whom super was the main income source in retirement and those dependent mainly on non-super sources were that super-dependents were more interested than non-super dependents in:
 - Guaranteed level of payment each week or month (8.3 versus 7.9).
 - Can choose initial investment mix (8.0, 7.5).
 - Can invest in higher risk/higher returns (5.5, 4.9).

-] Conversely, non-super dependents placed greater emphasis than super-dependents on:
 - Can withdraw all of the capital originally invested at any time (7.1, 6.4).
 - Invests in low risk types of investments only (6.4, 6.0).
 - May help qualify for age pension entitlements (8.0, 7.6).

-] Those who preferred a lump sum (partly or fully) rather than a pension assigned higher importance to pension preferers for:
 - Can withdraw the capital originally invested at any time (7.6, 6.1).
 - May help qualify for the age pension (8.1, 7.3).
 - Invests in low risk types of investments only (6.4, 5.8).

-] Conversely, pension preferers scored higher importance than lump sum preferers for:
 - Can invest in high risk/high return investments (5.6, 4.9).

Exhibit 50. Retirement Income Stream Product Attribute Pair Preferences

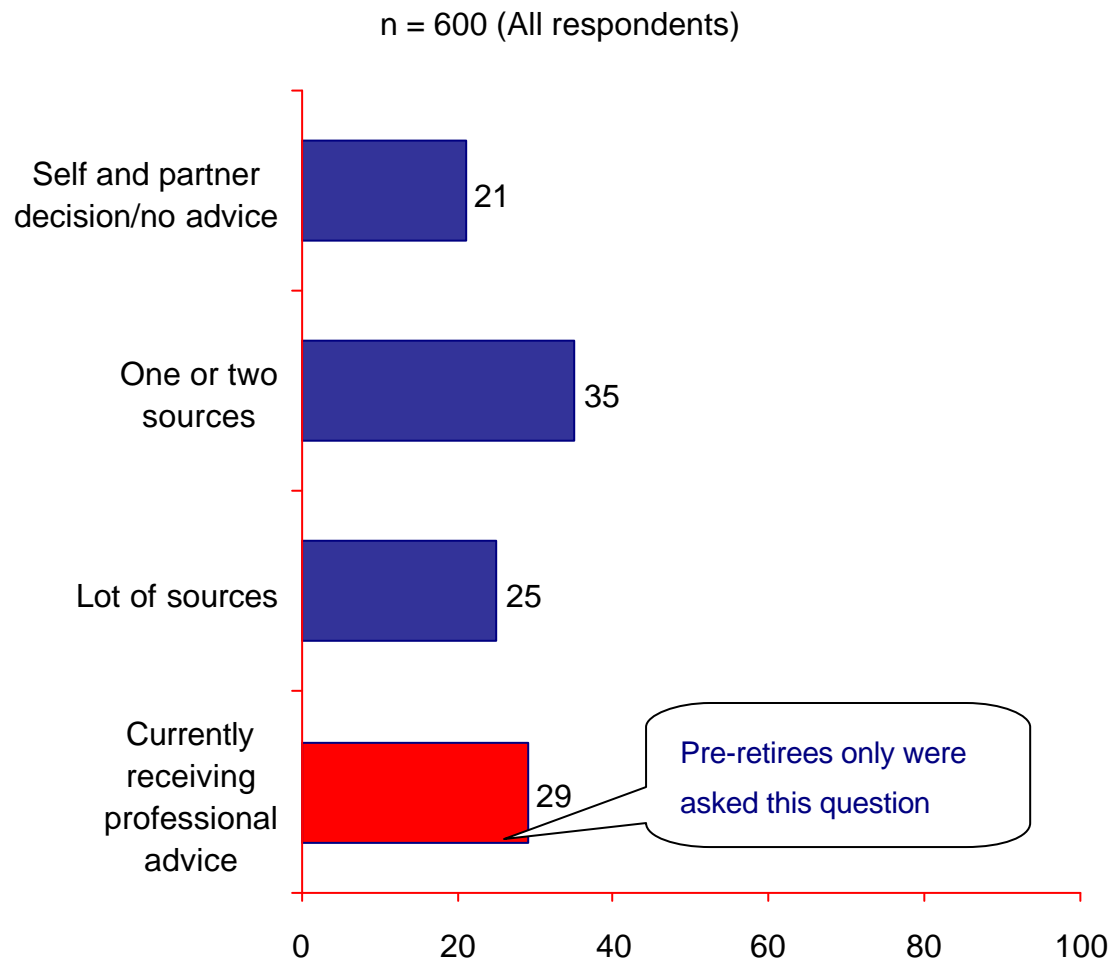
Paired Attribute	Mean Appeal Score
There are social security/age pension advantages an you can withdraw some of your capital	6.9
There are tax advantages and you can withdraw some of your capital	6.8
Product pays low interest but has social security/aged pension advantages	5.7
Product pays low interest, but has tax advantages	5.5
Level of income is guaranteed but income is lower because low risk investments used	5.4
You can withdraw all your capital but there are lower or no tax benefits	4.9
You get statements showing the account balance, interest earned and payments made, get tax and social/age pension advantages, but you cannot withdraw any of your capital	4.3
There are social security/age pension advantages, but you cannot withdraw your capital	4.1
You can switch providers easily, get tax and social security/age pension advantages, but you cannot withdraw any of your capital	4.1
You can leave money for your estate after you die, but less is available for your own use	3.9
You can withdraw all your capital, but there are no age pension benefits	3.8
There are tax advantages, but you cannot withdraw any of your capital	3.7
Income is a guaranteed amount, paid for life, but if you die early, no further money may be paid to your estate	2.8

Main Points:

-] The paired attribute preferences show the high weighting assigned by the sample to combinations of attributes which deliver:
 - Obtaining access to social security benefits.
 - Having access to capital in case of needing to withdraw some of it.
 - Low risk investments.
 - Tax advantages.

-] These results also show that retirees and pre-retirees were relatively adverse to:
 - Any products that involve no residual money being left in their estate.
 - Any products that do not allow the possibility of withdrawal of capital if needed.
 - Any products that appear to have no age pension benefits.

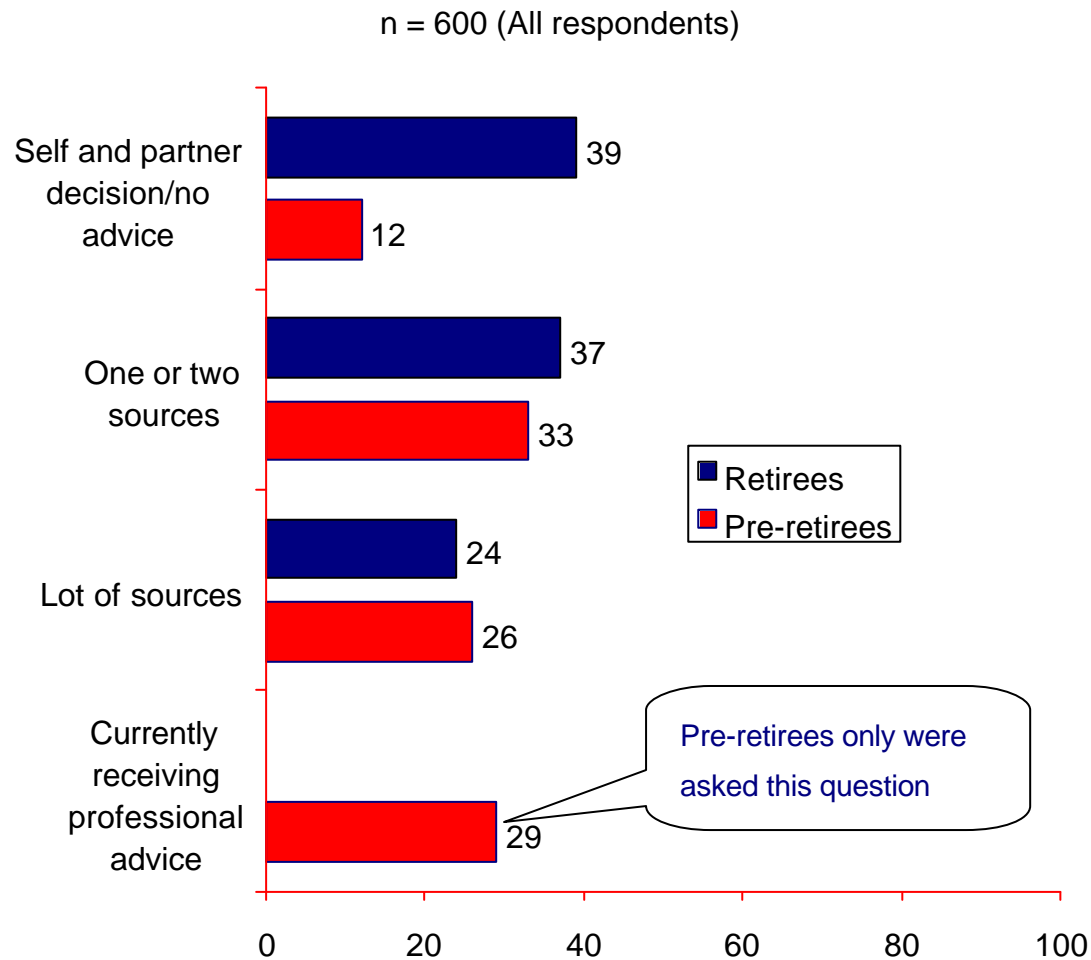
Exhibit 51. Advice Sources For Investing For Retirement



Key Points:

-] In the combined sample, the most usual approach to obtaining advice was to obtain views from one or two outside sources.
-] 29% of pre-retirees were currently receiving financial advice.
-] One quarter of the total sample of retirees and pre-retirees used/predicted they would use a lot of sources of advice.
-] Only around one fifth of the sample (21%) acted on their own, without seeking outside advice.

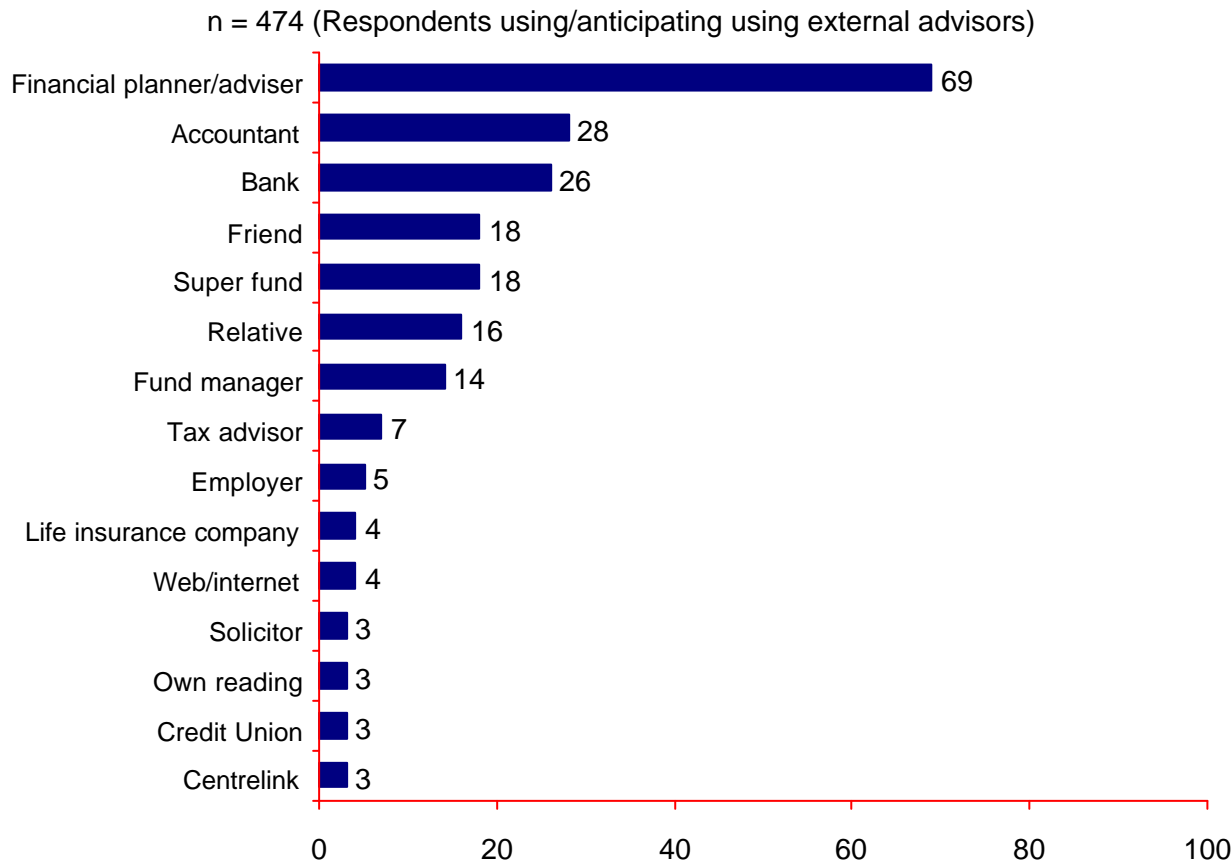
Exhibit 52. Advice Sources For Investing For Retirement



Key Points:

- Only 12% of pre-retirees felt they would act on their own, without seeking outside advice, whereas 39% of retirees said they had acted alone.

Exhibit 53. Type of External Adviser Used/Anticipated Using For Investing For Retirement

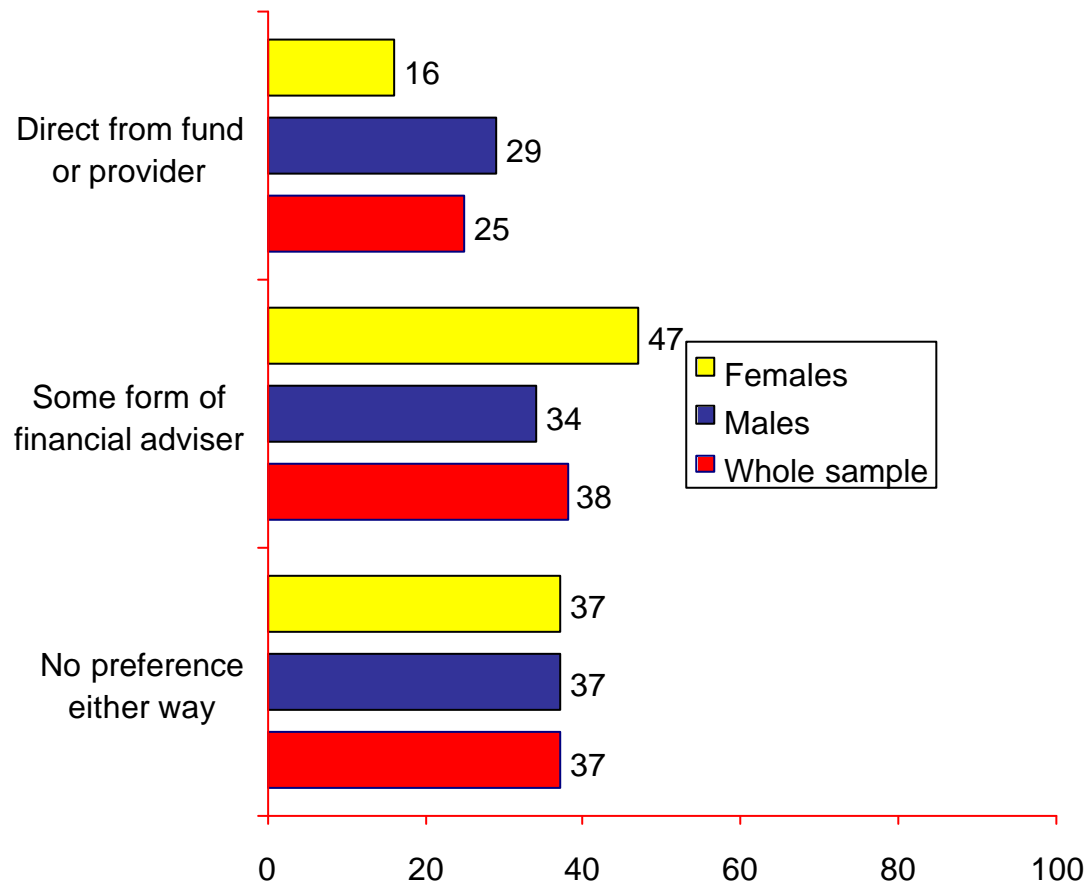


Key Points:

-] The main source of advice (where used or anticipated) was a financial planner or financial adviser (69%).
-] Of moderate incidence were:
 - Accountant (28%)
 - Bank employee (26%)
 - Friend (18%)
 - Super fund (18%)
 - Relative (16%)
 - Fund manager (14%).
-] Other sources of advice used/anticipated by a minority of respondents (see chart).
-] Other sources mentioned included other government, seminars, and stockbrokers.
-] On average each respondent used 2.3 external advice sources

Exhibit 54. Purchase Channel Used/Preferred For Investing For Retirement

n = 600 (All respondents)



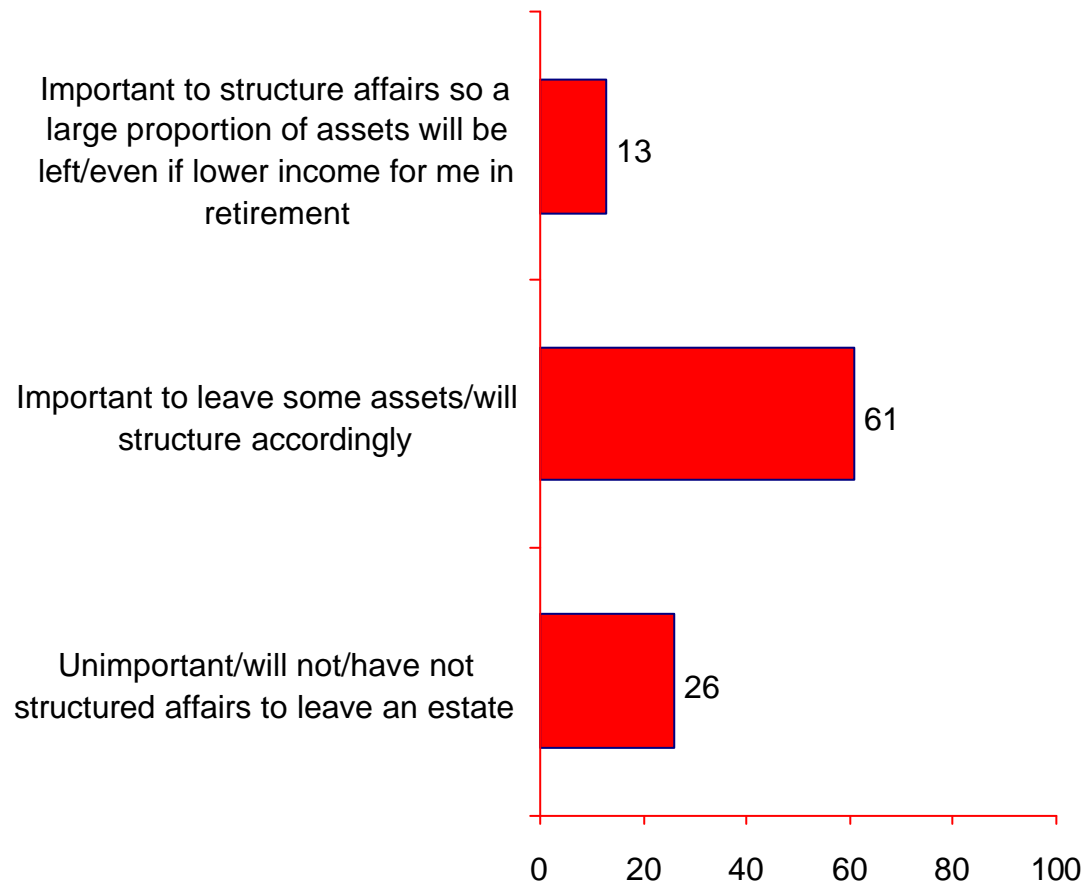
Key Points:

Respondents were asked which of three statements best summed up how they would prefer to purchase investments or other products to provide an income in retirement. The results showed that:

-] The main source of advice (where used or anticipated) was a financial planner or financial adviser (69%).
-] Women showed a higher preference for purchasing from an adviser than men, and a correspondingly lower propensity than men to buy direct from a fund manager.
-] Pre-retirees and retirees showed no significant differences in channel preferences (not shown graphically).

Exhibit 55. Attitudes Towards Leaving an Estate

n = 600 (All respondents)

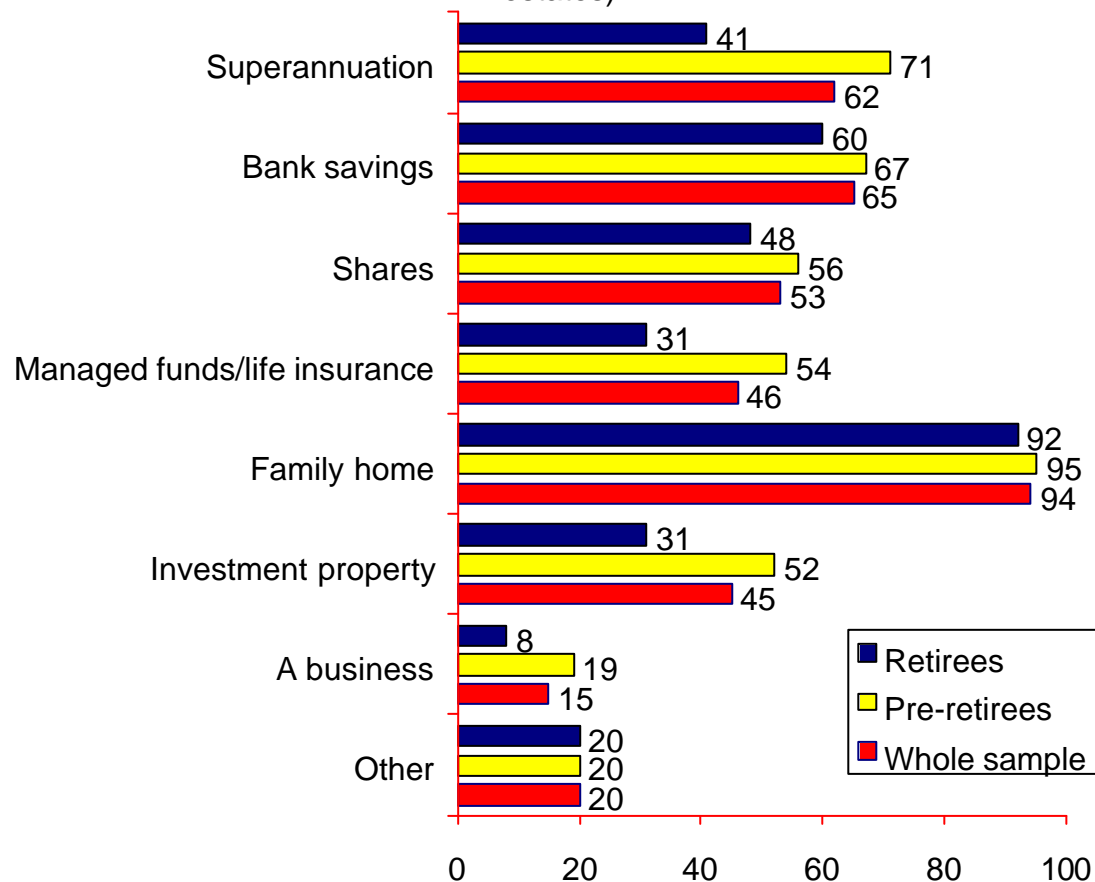


Key Points:

-] The majority expressed a desire to structure their affairs to at least some of their assets were left for their estate (61%).
-] A quarter (26%) placed low importance on leaving an estate and intended not to specifically structure their affairs in retirement to ensure assets were left over to go into their estate.
-] Only 13% placed high importance on leaving a lot of assets in their estates and structuring their affairs to achieve that.
-] Differences in estate preferences between segments (eg by gender, and by retirees versus pre-retirees) showed very minor segment variations.

Exhibit 56. Leaving Assets in an Estate – In What Form?

n = 442 (Respondents planning to leave assets in their estates)



Key Points:

-] The vast majority of respondents who anticipated and planned to leave assets in their estates, were thinking of the family home (94%). This result supports the qualitative research finding.
-] Other fairly frequently mentioned asset classes that were anticipated to be left in estates included:
 - Bank savings (65%)
 - Superannuation (62%)
 - Shares (53%)
 - Managed funds/life insurance (46%)
 - Investment property (45%).
-] Pre-retirees were more likely than retirees to anticipate leaving an estate component in the form of superannuation (71% versus 41%).

5.5 Segmentation Based on Preferences Regarding Income Stream Product Attributes

By analysing the variances in the attribute preference scores, it is possible to make better sense of the data. In particular, the consultants sought to find underlying factors explaining differences in preference scores among the respondents, and then to explore whether the population of pre-retirees in particular² could be segmented by the differing overall needs they displayed on these underlying factors.

Factor Analysis

The attribute preference score data set can be reduced, using principal component (or factor) analysis, which seeks to identify the underlying variables that best describe needs or preferences, based on the variance shown in preference scores. Extensive analysis of both the individual attribute data (questions 21 to 36) and paired attribute data (questions 37 to 48a), showed that the paired attribute data gave a much more satisfactory set of factors. This may be because the single attribute factors were all quite attractive and thus there was insufficient variance across the sample to generate meaningful differences.

Factor analysis showed that there were four underlying factors, which we have labelled as follows, based on the manner in which the preference score for the various paired attributes loaded onto each of the underlying factors. Together, they explained 61% of the variance in the scores of the 13 paired attribute variables measured.

² Pre-retirees were analysed because they were the primary focus of the research, and because there was a larger sample sub-segment of them, than retirees (400 versus 200).

Exhibit 57: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products

<i>Item</i>	Factor 1 Maximum Tax & Other Benefits	Factor 2 Low Risk Investments	Factor 3 Access But Less Tax & SS Benefits	Factor 4 Access But Retaining Tax & SS Benefits
% of Variance Explained	21%	17%	11%	12%
Main Paired Attributes Loading Onto This Factor	<ul style="list-style-type: none">] Tax advantages, but cannot withdraw capital (Q39)] Soc. security/age pension benefits, but cannot withdraw capital (Q42)] Can leave money for estate, but less available for own use (Q44)] Can switch FMs, get tax & soc sec benefits (Q45)] Receive statements, tax & s/s benefits, but no withdrawals (Q46) 	<ul style="list-style-type: none">] Low interest, but has SS/age pension benefits (Q47)] Low interest, but has tax advantages (Q48)] Guaranteed income, but low income/low risk (Q48a) 	<ul style="list-style-type: none">] Income for life, nothing in estate if die early (Q37)] Can withdraw capital but with lower or no tax advantages (Q38)] Can withdraw capital but with no age pension benefits (Q41) 	<ul style="list-style-type: none">] Tax advantages and can withdraw some capital (Q40)] SS/age pension advantages and can withdraw some capital (Q43)

Cluster Analysis

Further, by using cluster analysis based on the factor scores for each respondent, it has been possible to segment pre-retirees who participated in this research into five segments. We have assigned names to these segments, based on their mean factor scores, as follows:

-] **Segment 1:** Those who want tax and social security benefits, as well as access to their capital if they should need it, more than others in the sample. (We refer to this group as “**access & benefits seekers**”).
-] **Segment 2:** Those who were on average prepared to take a medium level of risk, but were less access oriented relative to the views of others in the sample (“**medium risk takers – less access oriented**”).
-] **Segment 3:** Those who were more risk averse than others in the sample, but showed preferences for access and other benefits too (“**low risk, unsophisticated**”).
-] **Segment 4:** Those who appeared prefer higher returns and accepted higher investment risk, relative to the sample overall (“**high return seekers**”).
-] **Segment 5:** Those who preferred high returns, but also showed a higher preference for having access to their capital than others (“**high return seekers, but want access to capital**”).

The relative preferences for the underlying needs derived from the paired attribute parameters, and other information about the inhabitants of each segment are given below. This analysis result was optimised from the data, through exhaustive modelling using 3, 4 and 5 factor solutions, and 3, 4, 5, 6 cluster solutions around the factor scores. The resultant data shows that:

-] It is possible to divide the pre-retirees in the sample into five segments, based on their preferences among 13 paired attributes pertaining to hypothetical income stream products.
-] The five segments are labelled, as above, according to their respective mix of factor scores on the four underlying parameters which explain most of the variations in scores on the 13 parameters of paired attributes for income stream products.
-] Some of the demographic differences between the segments are also shown in the table overleaf.

Exhibit 58: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products

<i>Item</i>	Cluster 1 Access & Benefits Seekers	Cluster 2 Medium Risk Takers	Cluster 3 Low Risk Unsophisticated	Cluster 4 High Return Seekers	Cluster 5 High Return & Access to Capital Seekers
% of Pre-Retirees	29%	31%	5%	21%	15%
Factor Scores					
Maximum tax & other benefits	High	Medium	Very high	Medium	Low
Low risk investments	Medium	Medium	Very high	Very low	Medium
Access, but less tax & SS benefits	Moderately high	Low	Very high	Medium	Low
Access plus tax & SS advantages	Moderately high	Very low	Very high	Very low	Moderate
Demographics					
Household Income	\$69K	\$58K	\$57K	\$65K	\$65K
Mean Age	54	52	54	52	53
Men/Women	67%	67%	65%	80%	51%
Incidence of own contributions to super	49%	55%	40%	44%	70%

Exhibit 59: Underlying Factors Describing Anticipated Needs of Pre-Retirees Associated With Retirement Income Stream Products

<i>Item</i>	Cluster 1 Access & Benefits Seekers	Cluster 2 Medium Risk Takers	Cluster 3 Low Risk Unsophisticated	Cluster 4 High Return Seekers	Cluster 5 High Return & Access to Capital Seekers
% of Pre-Retirees	29%	31%	5%	21%	15%
% Incidence of main retirement income					
Super benefit	53%	51%	35%	54%	65%
Part time work	6%	8%	20%	8%	4%
Age pension	20%	28%	15%	19%	14%
Preferred Channel	22%	19%	40%	32%	23%
Direct from FM					
Via financial adviser	44%	40%	25%	27%	44%

] This cluster solution provides interesting insights into the preferences of the pre-retirees, but care should be taken in interpreting the results. For example, the demographic differences are only indicating slight differences in spread of income and age, between the segments.

-] The data suggests that the needs and preferences exhibited in the various clusters do not generally coincide with particular demographic groups. This may be explained by any of the following:
 - They may be indicative of a deeply held set of (differing) attitudes and needs between these segments, and the attitudes are fairly evenly spread across income groups and across age groups within the pre-retiree range.
 - The segments may not be as relevant as the earlier above analysis (factor analysis and cluster analysis) suggests. This could be the case if the pre-retirees had thought little about their options (financially) on retirement and knew little about the considerations and logic they should be applying. This is a strong possibility, given the qualitative phase findings.
 - It may be that the above segmentation is partly applicable, but that a larger sample size is needed, in order to refine the solution.

-] Chant Link feels that the knowledge levels of respondents was likely to have been low, and that therefore the segmentation analysis presented here should be treated extremely carefully. We have elected to include it in this report in order to show that such an analysis is possible, and to assist further analysis by academic and other researchers who may follow with this, or other data sets.

-] More intuitive segments (eg those anticipating age pension dependency, various income extremes etc) may provide a more useful segmentation at a future stage of analysis, depending on the usage for which the segmentation approach may be designed.

6. APPENDICES: QUESTIONNAIRES

The two questionnaires (“Pre-Retirees” and “Retirees”) appear overleaf.