

February 2014

Special report: MLC Retirement Survey

In this report we take a closer look at some of the key drivers of preparedness for retirement.

Participants were asked to identify whether they expect to have sufficient savings at retirement to live to their desired standard, how well they had factored in possible setbacks (such as a major illness or another GFC) into the retirement plan, and score the degree to which a range of factors form barriers to having enough savings at retirement. Overall, only 3.5% of respondents indicated to expect having more than enough money to maintain desired lifestyles in retirement. Majority of respondents indicated an expected financial shortfall at retirement and only 8.5% of participants had a well considered plan for major setbacks. Major health issues, unemployment, and lack of formal investment plans were identified as the most significant barriers to sufficient retirement savings. In contrast, divorce, financially supporting elderly parents, and career break to raise kids were the least concerning.

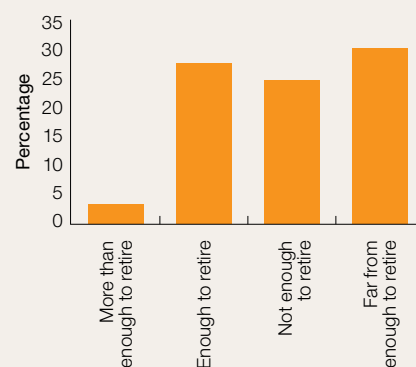
Enough money to retire on?

Over half of all participants indicated they expect not to have enough money to retire on. Almost one third (31.7%) of all respondents expect a large financial shortfall at retirement and a quarter (24.9%) expect a shortfall to a lesser extent. Of those who expect financial sufficiency at retirement, less than 5% think they will have more than enough to retire on. By category, those with a marital status of divorced expect the largest shortfall, whereas professionals and people earning more than \$100,000 expect the most financial sufficiency.

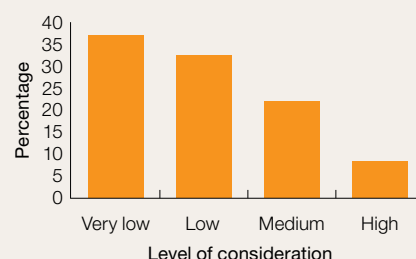
Considered a major setback to retirement plans?

When asked about the degree to which a major financial setback had been factored in, the majority of respondents answered very low (36.9%) and low (32.5%) levels of consideration. In contrast, less than 10% of participants indicated a high level of consideration. Professionals, labourers, and bachelor/post graduate degree holders have the highest level of consideration for future setbacks, whereas participants who are unemployed, earning less than \$35,000, or residing in Queensland gave it the least consideration. Gender difference is also evident with females indicating a very low level of consideration and males indicating medium level of consideration.

Expected financial sufficiency at retirement

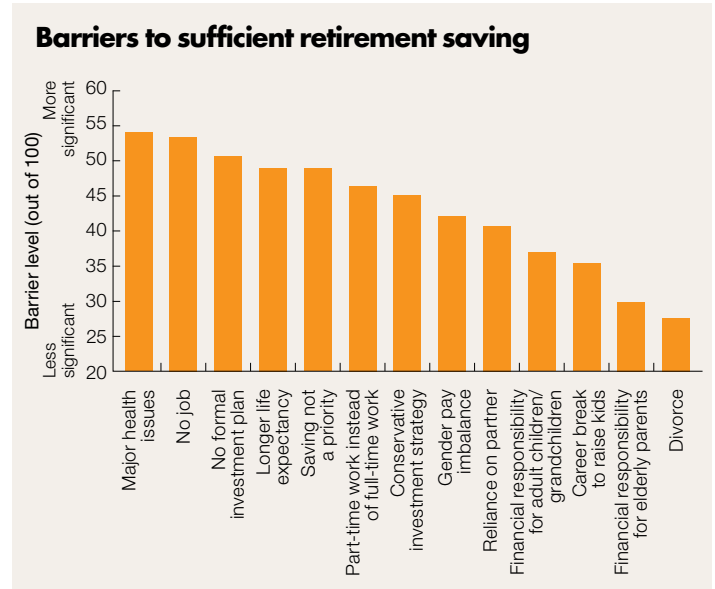


Level of consideration for major future financial setbacks



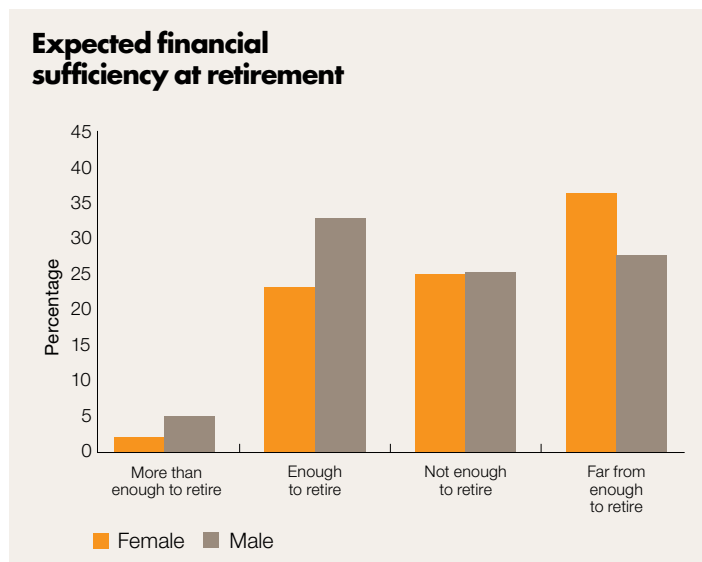
Barriers to sufficient retirement saving

Participants rated major health issues and unemployment as the top two most severe barriers to sufficient retirement saving, whereas divorce and financial responsibility for elderly parents were the least significant. The demographic categories that seem most concerned with health are those that earn less than \$50,000, are from regional cities or rural towns/bush, and aged 30 to 49. However the results are not uniform across all demographics. For most, the leading categories are major health issues or unemployment. However for those employed part-time, the lack of full-time employment is seen as the chief barrier to sufficient saving for retirement. For single households and widowed groups the chief barrier is not rating savings as a priority. This also correlated with results from our regular survey with regard to inadequate savings for retirement, as these two groups show lower levels of concern.

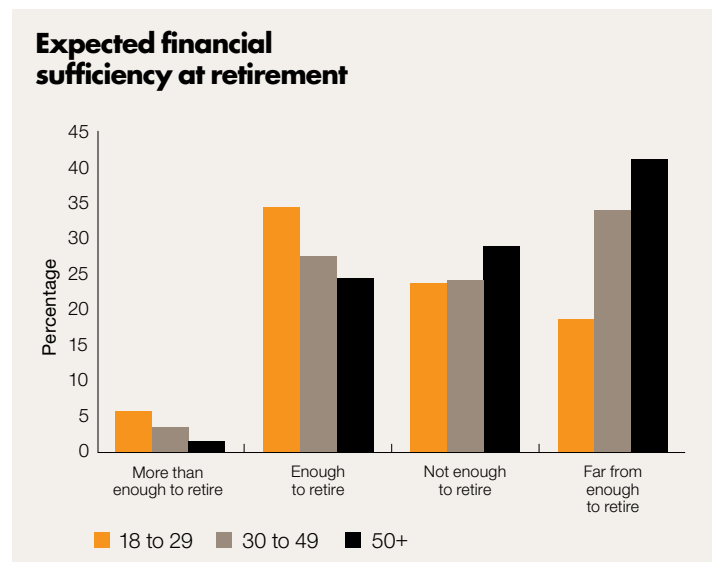


Enough money to retire on?

By gender: Males are more positive towards their financial situation at retirement, with almost one third expecting to have 'enough to retire' (32.5%) or 'more than enough to retire' (4.9%). In contrast, more women (36.1%) expected to have 'far from enough to retire'.



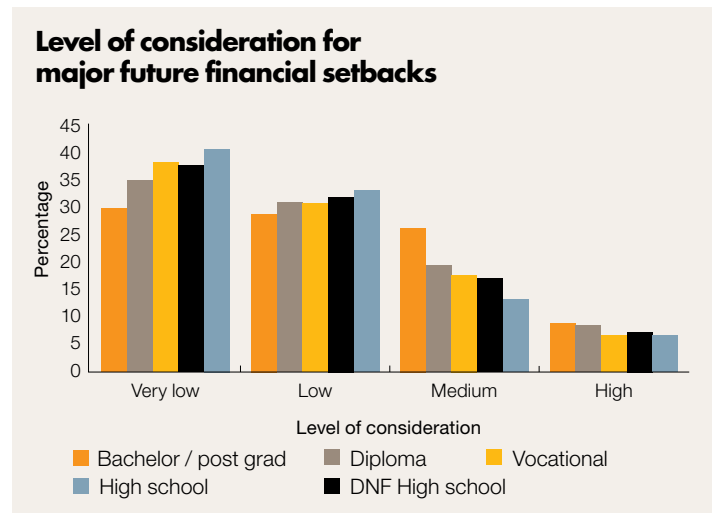
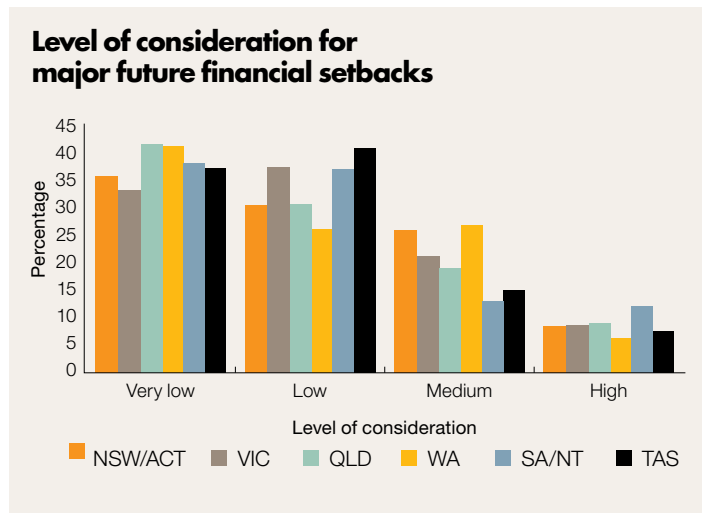
By age: The expectation of financial sufficiency deteriorates the closer people are to retirement, hence the relaxed attitude of 18 to 29 year olds on this issue. A closer look reveals mostly male respondents in that age group driving this result. Those aged 50+ have the lowest expectation, mainly driven by female participants in that age group.



Considered a major setback to retirement plans?

By state: On average, NSW/ACT and SA/NT tend to give higher consideration to the possibility of a major setback to retirement plans. When medium and high categories are combined, respondents from NSW/ACT (34%) give highest consideration relative to other states.

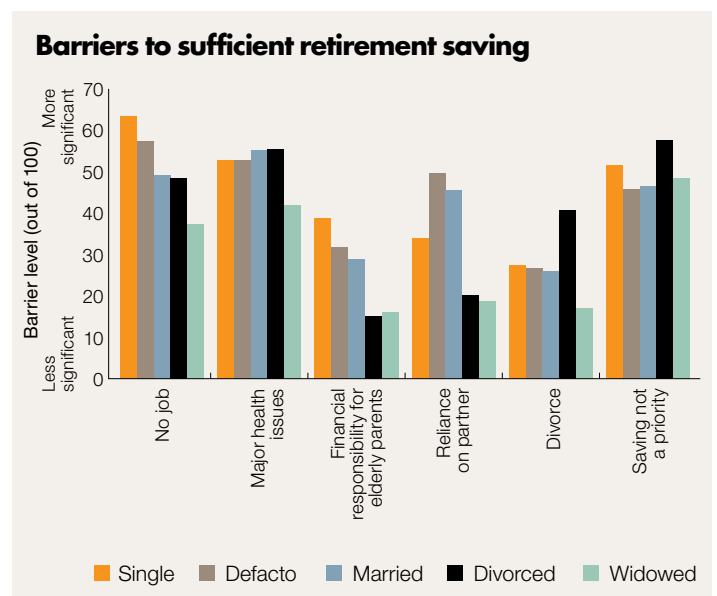
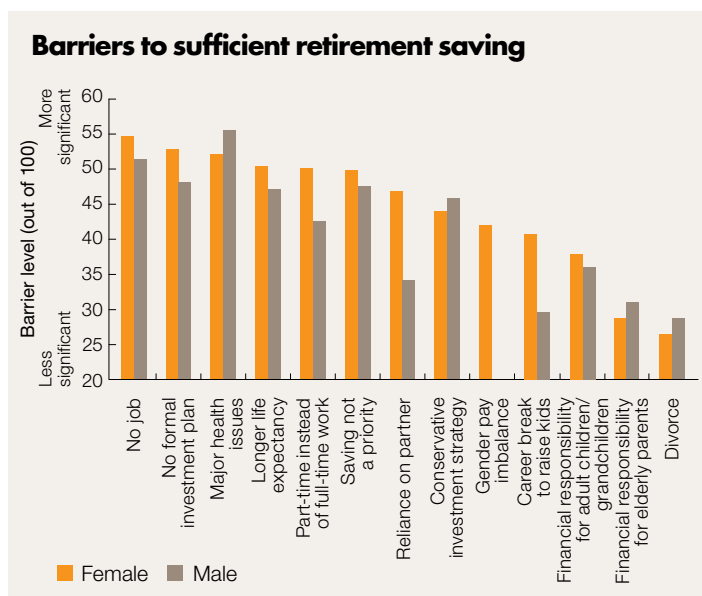
By education: The level of consideration given to a major setback generally rises with education levels. Those who did not finish high school are least likely to incorporate a major setback in their financial retirement plans.



Barriers to sufficient retirement saving

By gender: Unemployment and health issues rank high for both females and males. Key differences emerge where women consider reliance on partner and career break to raise kids as greater barriers. Men on the other hand consider health and conservative investment strategy as relatively higher hurdles.

By marital status: Like most categories, unemployment and health are seen as key barriers. Defactos and married couples indicate reliance on their partner as a key barrier, whereas those who have experienced divorce rated it highly as a barrier to sufficient saving in retirement.



Appendix 1: About the survey

The MLC Retirement Survey aims to assess the investment environment including investor intentions.

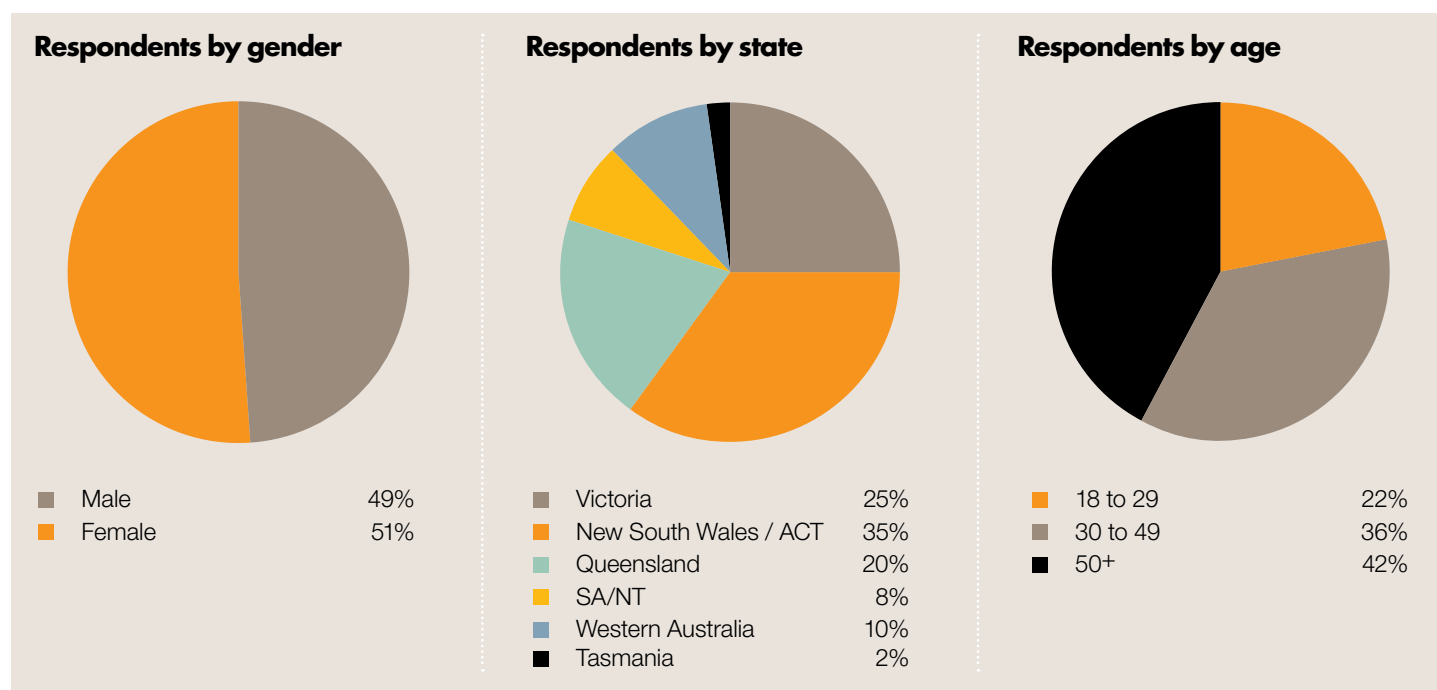
The survey is based on survey participants' responses to three questions related to:

- Perceived retirement sufficiency – asking respondents if they think they will have sufficient savings to be able to live to their desired standard.

- Setback – asking respondents whether they have factored in a setback to their financial plans.
- Barriers to saving – asking respondents about the extent to which factors are a barrier to sufficient savings.

2,087 respondents participated in the December survey, with weights applied to age, location, and gender to ensure the survey reasonably reflects the Australian population. The survey was conducted over the period 9 November to 21 November 2013.

The breakdown of our survey respondents—by age, location, and gender—is shown in the charts below.





Macroeconomic, Industry, and Markets Research

Australia

Alan Oster

Group Chief Economist
+(61 3) 8634 2927

Jacqui Brand

Personal Assistant
+(61 3) 8634 2181

Rob Brooker

Head of Australian Economics
& Commodities
+(61 3) 8634 1663

James Glenn

Economist – Australia
& Commodities
+(61 3) 9208 8129

Vyanne Lai

Economist – Agribusiness
+(61 3) 8634 0198

Dean Pearson

Head of Industry Analysis
+(61 3) 8634 1563

Amy Li

Economist – Industry Analysis
+(61 3) 8634 4611

Robert De Iure

Economist – Property
+(61 3) 8634 4611

Brien McDonald

Economist – Industry Analysis
& Risk Metrics
+(61 3) 8634 3837

Tom Taylor

Head of International Economics
+(61 3) 8634 1883

John Sharma

Economist – Sovereign Risk
+(61 3) 8634 4514

Tony Kelly

Economist – International
+(61 3) 9208 5049

Gerard Burg

Economist – Asia
+(61 3) 8634 2788

Global Markets Research

Peter Jolly

Global Head of Research
+(61 2) 9237 1406

Robert Henderson

Chief Economist Markets – Australia
+(61 2) 9237 1836

Spiros Papadopoulos

Senior Economist – Markets
+(61 3) 8641 0978

David de Garis

Senior Economist – Markets
+(61 3) 8641 3045

New Zealand

Tony Alexander

Chief Economist – BNZ
+(64 4)474 6744

Stephen Toplis

Head of Research – NZ
+(64 4) 474 6905

Craig Ebert

Senior Economist – NZ
+(64 4) 474 6799

Doug Steel

Markets Economist – NZ
+(64 4) 474 6923

London

Nick Parsons

Head of Research – UK / Europe &
Global Head of FX Strategy
+(44 20) 7710 2993

Tom Vosa

Head of Market Economics
– UK / Europe
+(44 20) 7710 1573

Gavin Friend

Markets Strategist – UK / Europe
+(44 20) 7710 2155

Foreign Exchange

Sydney

+800 9295 1100

Melbourne

+800 842 3301

Wellington

+800 64 642 222

London

+800 747 4615

New York

+1 800 125 602

Singapore

+(65) 338 0019

Fixed Interest / Derivatives

Sydney

+(61 2) 9295 1166

Melbourne

+(61 3) 9277 3321

Wellington

+800 64 644 464

London

+(44 20) 7796 4761

New York

+1877 377 5480

Singapore

+(65) 338 1789

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