



# Citibank Retirement Index 2007

Issue 4

# Introduction by Suvrat Saigal

Welcome once again to Citibank's Retirement Index - the fourth in our twice-yearly series of insights into the lives of Australia's over-55s.

With four consecutive Retirement Index surveys behind us, Citibank is developing an unequalled database on the financial lives of our senior citizens, providing a valuable picture of how Australians prepare for, enjoy, and share their post-work days with their families, contemporaries and the community.

With each six monthly survey, our understanding of our seniors deepens and though clear patterns are emerging, our over-55s never fail to deliver surprises.

It's clear the post-World War II generation - the 'baby boomers' are changing the very definition of 'old age'. For many, 60 is not just the new 50 - it's the new 45. The increasing pep of Australia's older citizens can be attributed to improvements in preventive medicine, advances in drug development and innovative medical technologies. The notion of retirement is changing too. In this, our latest Retirement Index, 14% of our semi-retired over-55s say they intend to work well past 70 and 29% have no plans to retire at all. Clearly, the concept of retiring at age 65 has become outdated.

For some, financial pressures and a lack of funding make delaying retirement more of a necessity than a choice. But even this reflects the reality that most will be healthy enough to work.

There's a downside to everything, of course, even extended health and longevity. And for the over-55s a longer, fuller life calls for a substantial retirement nest egg. The good news here is that our latest Retirement Index shows older Australians are enjoying renewed confidence in the capacity of their retirement funds to last the distance. Indeed, we're seeing a new optimism all round, with the majority of our respondents saying they need less money in retirement compared to the findings of a year ago and with fewer planning a return to work based on a need for cash.

As the baby boomers move toward old age, it's no surprise that the generation that challenged and transformed so many aspects of life is defying the conventions of old age and retirement. For a growing number of people, a 55th birthday marks a new beginning - not the beginning of the end.

Providing a valuable addition this time around is Professor Sol Encel, an expert in his field, who provides further insight on our findings and the challenges of retirement.



**Suvrat Saigal**  
Director Citigold

# Introduction by Professor Sol Encel

The Citibank Retirement Index is a marvellous resource for someone in my position. If I were trying to collect this information myself, it would be an enormously complicated and expensive task. Thank you Citibank for funding such valuable research.

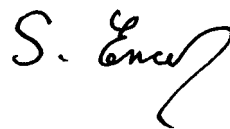
The Index reminds us that many people are ignorant about superannuation. We shouldn't be surprised. Research tells us that only a minority of the population - no more than one-sixth - think beyond the next 12 months. In fact, the Citibank respondents did rather better - 24% claimed to be fully aware of their superannuation entitlements.

The Index also confirms, not surprisingly, that many people are confused about superannuation. The majority of people seem to be unaware of the latest wave of liberalisation, announced in the Budget speech of May 2006. This is reflected in the fact that 86% of the Citibank respondents said that they had not changed their plans.

Although the Citibank study shows a high level of confidence in retirement savings, there is a significant section of the public that are not so happy. Confidence is strongly influenced by the state of the stock market, which can fluctuate, leading to public uncertainty. This uncertainty is reflected in another recent survey. In September 2006, the Australia Institute published a report on "Baby Boomers and Retirement". It looks as though many members of the baby boom generation do not believe that superannuation will give them a decent level of retirement income. They consider that it is the responsibility of government to assure them of an adequate pension.

The Citibank survey, like a number of other studies, shows that many people plan to go on working in some capacity, paid or voluntary, after they leave the regular workforce. Some look for an entirely new occupation, like the retired advertising man who became a naturopath. Some continue in the same occupation, like the merchant banker who retired at 70, became bored and took a "temporary" position in another merchant bank. When I interviewed him, he had been in the job for 11 years. His story is a bit like mine. After 25 years at the University of NSW, I retired from teaching, but instead of taking up golf I became an unpaid research worker. I had to move from a room of my own to a cubicle in an open-plan office, but I was able to keep my university parking sticker. When people ask me what I am doing with myself, I like to say that I am a mature-age worker.

Most people are not so fortunate, but there has been a slow but steady increase in the number of people remaining in the workforce into their 60s. A couple of years ago the Treasurer, Peter Costello, declared that full-time retirement was a thing of the past, and in future there would be a combination of part-time work and part-time retirement. The Commonwealth Government has introduced a variety of incentives to encourage this shift. There are still a lot of obstacles in the way of such developments, but it looks as though that is the way the world is going.



**Professor Sol Encel**, February 2007



**Emeritus Professor Sol Encel** was professor of Sociology at the University of NSW from 1966 to 1990. Since 1991, he has been Honorary Research Associate at the Social Policy Research Centre, University of NSW. He has published or edited more than 20 books and numerous articles on a wide range of social and political issues. He was a member of the National Health and Medical Research Council from 1991 to 1993, and a member of the NSW Consultative Committee on Ageing from 1993 to 1997. He is currently a member of the NSW Ministerial Advisory Committee on Ageing. He is currently co-editor of a new book on the implications of an ageing population, entitled Longevity and Social Change, to be published by NSW University Press in 2007.

# The Citibank Retirement Index - a barometer of change

The ageing of Australia's - and indeed the global population - is a phenomenon of unprecedented proportions. According to a 2005 UN report<sup>1</sup> the twentieth century witnessed the most rapid decline in mortality in humanity's history. The result is that two-thirds of the people who ever reached age sixty are alive today.

When today's 55-year olds were born, their parents enjoyed a life expectancy of less than 58 years. In the last century our life expectancy has risen by over 40%<sup>2</sup>, and today, many of us will live to be octogenarians. Advances in medical technology coupled with declining birth rates (the so-called 'baby bust') mean that at some point in the next 13 years, Australia's over-65s will outnumber the very young.

The concept of old age - even middle age - and how long we will work for are being transformed. Sixty is not what it used to be. The average age of the Rolling Stones is 64, and while some may shake their heads at the ageing rockers, our Retirement Index respondents show many are following their lead - thumbing their noses at old age, and reinventing 55, 60 and even 65 as a more vital, vigorous and youthful time than ever.

Our older citizens are becoming a powerful demographic force, but the power they potentially wield will be determined in part by their financial muscle. The ability to live life to the full post-55 is as dependent on the size of our nest egg as it is on good health. And this is an area where all Australians face a challenge. New superannuation laws, many of which are due to come into force on 1 July 2007, are designed to improve retirement incomes now as well as encourage a long-term commitment to building our nest egg. And as we'll see, making this commitment can mean the world of difference in our senior years.

As the rules of retirement are rewritten, the Citibank Retirement Index provides its readers with an insight of what to do - and what not to do - to ensure a long and full retirement.

1. Source: UN Department of Economic and Social Affairs: Population Challenges & Development Goals, New York, 2005

2. Source: ABS Catalogue No. 3222.0 - Population Projections, Australia, 2004 to 2101. November 2005

# Retirement as we know it is over. Thank goodness!

Instead of viewing life post-50 as a time of decline and withdrawal, we are coming to see it as a new and welcome opportunity to re-evaluate our lives. With the expectation of many fruitful years ahead, it's a time for new passions to be discovered and long-dormant interests to be rekindled. It's this diversity of choice that gives our senior years so much potential.

Little wonder today's semi-retirees have indefinite plans for the future.

## Plans to fully retire\*:

Age	Nov 2005	May 2006	Nov 2006
55 to 59	9%	0%	11%
60 to 64	12%	17%	5%
65 to 69	23%	17%	23%
70 plus	18%	27%	14%
No plans to fully retire	20%	23%	29%
Don't know	18%	17%	18%

While 18% of the semi-retired still haven't set a date for exiting the workforce, our latest Retirement Index suggests a swing back to early retirement. There has been an increase in those intending to give up work before age 60 - reaching 11% in November 2006, up from zero in May 2006, and 9% in late 2005.

The renewed enthusiasm for early retirement may reflect the strength of the investment markets in recent years, providing a boost to nest eggs and bolstering investor confidence. However it also places a question mark over the issue of retiring before age 60.

From 1 July 2007, pay-outs from superannuation will be tax free for the over-60s, making it worthwhile to delay retirement until this point. Subsequent Retirement Indexes may show a trend to postpone retirement, but as we'll see later, a worrying number of over-55s have only limited understanding of the changes to our superannuation system, and their current plans to retire early could leave many short-changed.

## Rehire or retirement?

The majority (62%) of over-55s are planning to keep a hand in the workforce in one form or another. Some will embark on second careers in a field they love, 26% will work part-time, and 62% will devote time to unpaid charity work. Whatever the case, it's clear the era of 'the golden handshake' as a final farewell from work is behind us.

However after a year of prosperity and economic well-being, the over-55s seem far less enthusiastic about a return to work, and while past Retirement Indexes showed post-55 was often a time of rehire, it seems this time around retirement is winning out.

Workforce involvement*	Nov 2005	May 2006	Nov 2006
Unpaid charity work	64%	64%	62%
No plans to work in retirement	38%	42%	38%
Part-time work	31%	35%	26%
Paid charity work	23%	22%	18%
Freelance work	16%	18%	16%
Self-employment	10%	15%	11%

Our latest survey indicates some decline in part-time work intentions, with only 26% of retirees intending to look for part-time work - a fall of 9% in the last six months. This suggests a failure by the government to provide enticements to retain over-55s in the workforce longer.

In keeping with lower intentions to stay at work, our latest Retirement Index also found the reasons for keeping a hand in the workforce have become far less compelling. Even the chance to earn additional cash has become less appealing, with 44% of our over-55s apparently working for extra income, compared to 49% in May 2006 and 72% in November 2005. Perhaps when times are good, putting our feet up really is the preferred option!

\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

“Whilst many Australians have good intentions to work during retirement, it is, in most cases, an unreal expectation. The majority of Australians aged 60 or older are unlikely to work. This is both a reflection of a desire by retirees to enjoy their later years in the pursuit of leisure and also a reluctance of employers to hire mature workers. Governments will need to play a more active role in the future to provide both re-training for the older workers and employer incentives to maintain Australia’s workforce.”

**Professor Sol Encel**

Interestingly though our over-55s have not experienced a major rise in income, with average incomes remaining at a similar level to this time last year. What has changed is their perception of their wellbeing and this is having a marked effect on attitudes to work.

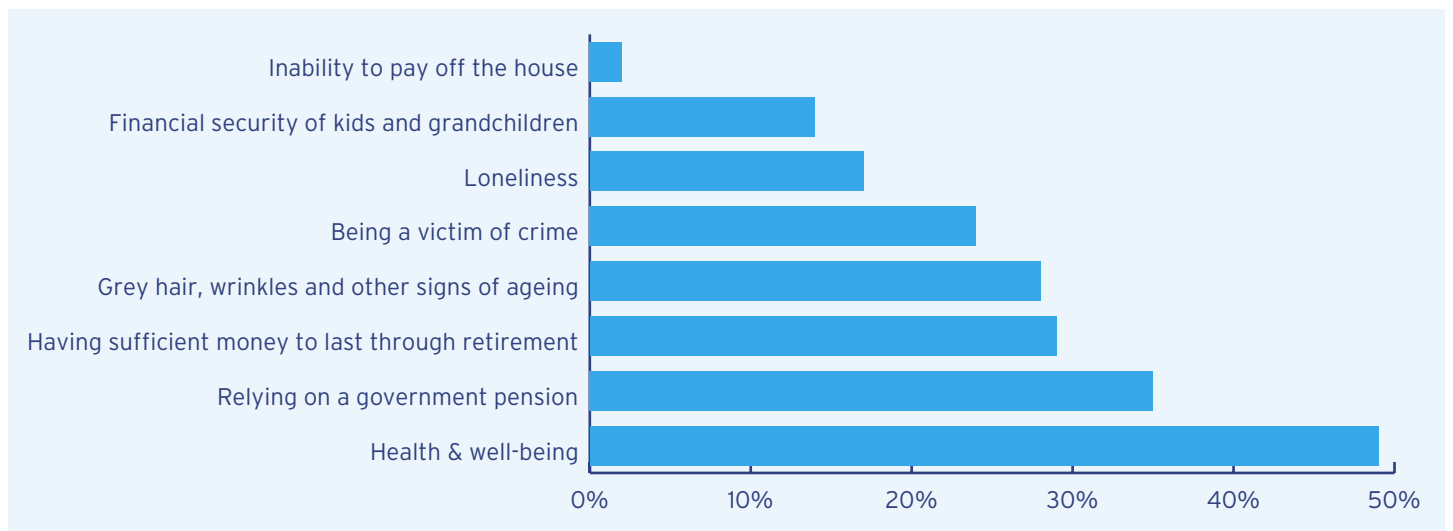
Motivation for work*	Nov 2005	May 2006	Nov 2006
Mental stimulation	91%	84%	78%
Do something for the community	70%	68%	46%
To boost income	72%	49%	44%
An escape from boredom	48%	62%	43%
The social scene	57%	43%	33%
Learn new skills	50%	48%	29%

**Health, wealth and handouts**

Our over-55s may have fluid plans for exiting the workforce, but their concerns for retirement have remained remarkably consistent over four Retirement Indexes. Moreover, these worries are almost shared equally by men and women, boomers and war veterans (those aged over 65).

Heading the list of retirement concerns are issues of personal health (49%) though worries about relying on government handouts and running out of money are never far behind.

**Factors causing concern in retirement (Nov 2006)\***



\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

# When it comes to confidence, veterans lead the way

It used to be that people worried about “What if I die too soon?” Today it’s more likely to be a question of “What if I live too long?”

The prospect of entering retirement with insufficient financial resources is undoubtedly daunting. And although 27% of our over-55s report a lack of confidence in their retirement pool, the good news is that our latest survey finds more of our over-55s feeling ‘very’ confident in their retirement savings than in any previous survey.

“The buoyant stockmarket and the growth of occupational superannuation funds is a likely factor to the upbeat sentiment amongst Australian retirees.”

**Professor Sol Encl**

## Confidence in retirement savings\*

Level of confidence	Nov 2005	May 2006	Nov 2006		
			Overall	Boomers	Veterans
Very confident	35%	38%	42%	36%	46%
Somewhat confident	35%	29%	26%	22%	29%
<b>Total confident</b>	<b>70%</b>	<b>67%</b>	<b>68%</b>	<b>58%</b>	<b>75%</b>
Not very confident	12%	14%	15%	23%	9%
Not at all confident	13%	15%	12%	14%	10%
<b>Total not confident</b>	<b>25%</b>	<b>29%</b>	<b>27%</b>	<b>37%</b>	<b>19%</b>

When it comes to confidence in their retirement pool, our over-65s feel ‘very’ confident, with a total of 75% feeling confident overall in their retirement savings.

Despite widespread perceptions to the contrary, the baby boomers don’t feel quite so secure. A respectable 58% are confident in their retirement funds but this still leaves 37% - close to two out of five - feeling uncertain about their nest egg lasting the distance.

It could be that older retirees have had time to acclimatise to tighter budgets and living on accumulated savings, but it may also be the case that the boomers’ greater expectations of retirement call for a substantial nest egg - something not everyone has.

\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

# 'RAG' status

Citibank's Retirement Indexes have consistently pointed to a link between various demographic features (including education, work history and marital status) and confidence in our retirement funds. Using these indicators, we can develop an insight into the types of people - and the action they take - that will be confident their nest egg will provide a long, comfortable retirement. Take a look at our guide below to see if your retirement planning will put you among the greens or...the reds.

## 1. You are:

- a) Married
- b) Single
- c) Widowed

## 2. You began saving for retirement:

- a) 20 years ago
- b) 10 years ago
- c) Haven't yet begun

## 3. In retirement, your income will mainly come from:

- a) Super and other investments
- b) The sale of the family home
- c) The age pension

## 4. How familiar are you with the changes to our super system?

- a) Very familiar
- b) Somewhat aware
- c) What changes?

## 5. You intend seeking professional financial planning advice:

- a) In the next six months
- b) In the next 12 months
- c) I don't intend seeking professional advice

## How did you respond?

Add up your tally using the results below.

Allow 3 points for each response marked (A)

Allow 2 points for each response marked (B)

Allow 1 point for each response marked (C)

## How did you rate?

**15 - 12 points:** Give yourself a pat on the back! Your plans appear to be on track, but be sure to keep that appointment with your financial planner. Fail to do this and you may not be able to take full advantage of the new super system.

**11 - 8 points:** Some aspects of your retirement planning have probably been well-planned, but it's unwise to leave anything to chance. A mistake now could cost you dearly. Set a date to get some professional planning advice to ensure you don't miss out on the new super regime.

**7 points or less:** Your retirement is at stake! Aim to take urgent action now to turn what could be a 'tea and toast' retirement into a champagne and caviar affair. Your first step? Get some expert advice on how to turn your situation around.

# Income needed in retirement

It's the six million dollar question: how much money will I need in retirement? And in our latest Retirement Index, the pendulum has swung away from needing more money in retirement than was earned in the workforce, to needing less. Fifty seven percent now say they can live on a reduced income compared to 48% in May 2006 and 52% in November 2005. Among those who believe they need less money in retirement, the majority felt they could live on up to 30% less.

Whether this is realistic or not, the fact remains that the average monthly income for retirees at the moment is only \$1,916.70 ... ask yourself if you could make do with that?

### Income needed in retirement compared to working days\*

	Nov 2005	May 2006	Nov 2006
More income	16%	19%	17%
About the same	27%	24%	21%
Lower income	52%	48%	57%

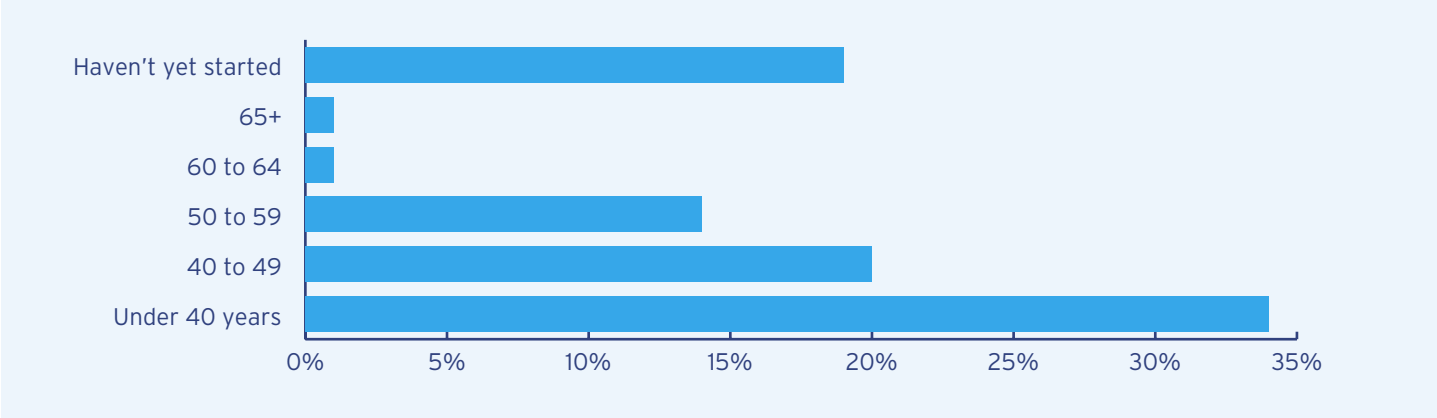
### Preparation - the passport to confidence

Over four successive surveys our Retirement Index continually demonstrates that taking a long term approach to our nest egg leads to far greater financial confidence. While only 34% of respondents began putting away for retirement below age 40, 74% of these are confident in their savings.

A surprising 14% of over-55s left their savings regimen until their fifties - setting themselves a solid challenge to save sufficient funds to provide for twenty years or more of retirement. More astoundingly, 19% of our over-55s haven't begun laying any financial foundations at all. This isn't just a case of leaving things to the last minute, it's more indicative of leaving it all to chance, and possibly assigning your retirement lifestyle to the confines of the age pension.

Certainly, retirement saving has often been a race to the finish for many fifty-somethings, but it is worth noting that from 1 July 2007, when tight limits will be placed on annual super contributions, this approach won't be an option any longer.

### Age started saving for retirement\*



\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

# Where the money comes from

Many working age Australians could not imagine living on a government pension calculated at just 25% of average male weekly earnings. But that's the reality of daily life for a massive 48% of today's over-55s.

## Primary income\*

Income source	Nov 2005	May 2006	Nov 2006		
			Overall	Boomers	Veterans (65 yrs+)
Super-annuation	34%	30%	33%	42%	27%
Government pension	48%	50%	48%	38%	56%
Other assets (for example, shares, property, deposits)	14%	19%	15%	14%	15%

Looking at the main sources of income, it's clear the baby boomers are leading a vanguard action to self-funded retirement. Just 38% of those aged 55 to 64 nominate the age pension as their main source of cash, with 42% relying on super and 14% living off income from independent investments. The veterans however are more likely to rely on the Age Pension, with 56% saying the pension is their primary source of income and only 27% and 15% able to rely on super or other investments respectively.

“Increasing life expectancy is putting greater strain on the government’s resources and the fact that the average level of age pension equates to around 25% of average weekly earnings, suggests that an increasing number of retirees, in particular the baby boomers, will want - and demand - more from the government. ”

**Professor Sol Encel**

## Secondary source of income

While secondary sources of income remain relatively unchanged in the six months between surveys, this is an area of special concern.

The over-65s are far more likely to fall back on other assets (34%) rather than super (9%). With such a significant proportion and payments from super becoming tax-free from 1 July 2007, it begs the question - will our older retirees be disadvantaged under the new super regime?

Perhaps more worrying, is the persistent trend of around one-third (33%) of our over-55s and 39% of the over-65s being unable to name a supplementary income. It's an unacceptably high figure, and one that sets alarm bells ringing suggesting a range of possible reasons - none of which are terribly reassuring - from apathy to insufficient funds, lack of awareness or, quite simply a lack of planning.

\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

# Looking after the pennies...

Despite continuing reliance on the age pension, our respondents' improved confidence is reflected in changed spending patterns over the last six months.

A significant number of respondents - 37% (up from 27% in May 2006) - say they aren't making cutbacks at all, with fewer respondents in particular, cutting back on holidays and eating out. And with the exception of spending on utilities, there has been a drop in the number of seniors forced to make cutbacks right across the board.

One key bright spot is that only 19% are making cutbacks on saving and investment - a welcome improvement on previous results that found as many as 26% were trimming back their savings. And of equal importance, fewer respondents are cutting back on essentials such as clothing and health.

That said, it is still a concern that older Australians are only saving an average of \$80 each month - less than \$20 a week, suggesting many are only just living within their means.

## Where the cutbacks are made\*

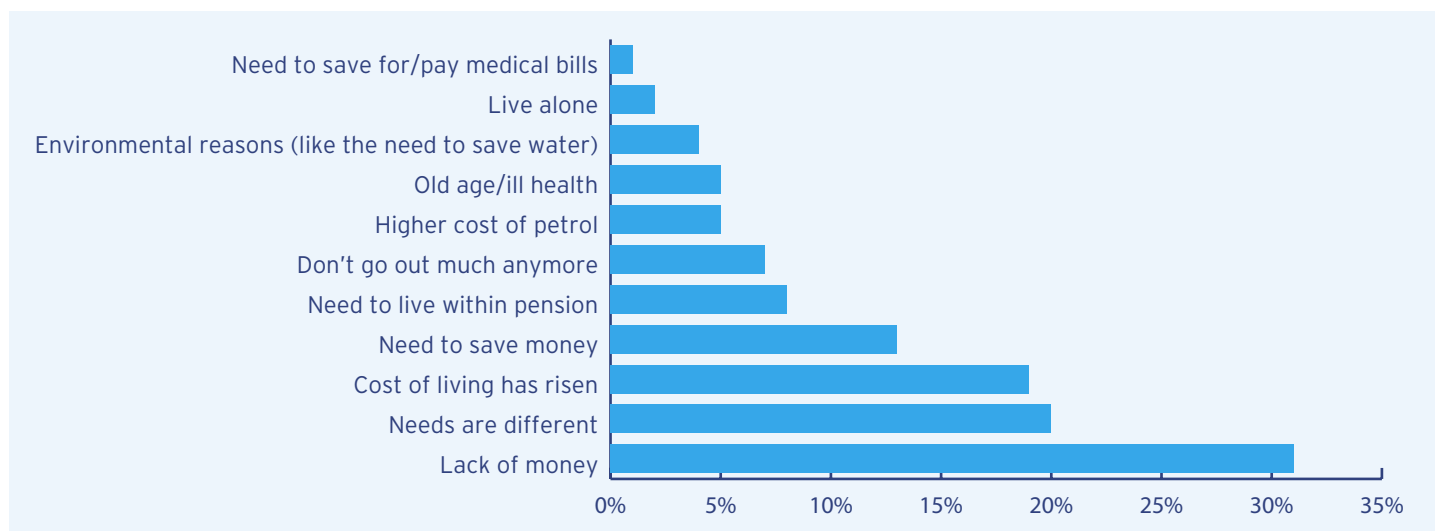
Item of spending	% making cutbacks			Actual monthly spend
	Nov 2005	May 2006	Nov 2006	
<b>Essentials</b>				
Clothing	36%	35%	29%	\$45
Saving & investment	24%	26%	19%	\$80
Phone & internet	19%	23%	16%	\$82
Transport	30%	25%	24%	\$118
Utilities - gas, water, power	23%	18%	20%	\$111
DIY home maintenance	15%	19%	18%	\$38
Groceries	26%	28%	27%	\$261
Health & medication	11%	11%	8%	\$82
<b>Non-essentials</b>				
Holidays	30%	33%	26%	\$87
Eating out	30%	35%	29%	\$48
Entertainment	31%	28%	26%	\$39
<b>Not making cutbacks at all</b>	23%	27%	37%	-

\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

# Behind the belt tightening

With 63% of retirees reducing their spending it's worth taking a look at the why belt tightening is necessary. Clearly, financial constraints including the lack of money (31%), the need to live within the pension (8%), or the bite of rising inflation (19%) are important factors, but along with these is the changing nature of our needs as we get older (20%).

## Reasons for reduced spending\*



## Making the most of what we have

One of the challenges of retirement is making every available resource work hard for us. Whether it is a return to part-time work, or rearranging investments, there is a range of actions the over-55s can, and do, take to supplement their income. However some of the measures taken - from a return to work through to increased gambling - are probably not what most of us have in mind for our own retirement.

It's worth noting that in our most recent survey the over-55s have become more pro-active in managing their investments, with 41% rearranging their savings and investment compared with 35% six months ago. Hopefully this has allowed many to tap into healthy market returns. However as only 38% of our respondents have - or intend to - use a professional financial planner, many may be under-utilising their financial resources.

On the downside, 40% of our over-55s continue to do nothing at all to improve their situation, leaving many living a more frugal existence than they probably have to. Whether this is a result

of apathy, lack of capital or education is unclear, but it will be interesting to see in future Retirement Indexes the extent to which our new super regime prompts seniors to re-think their investments, or whether government efforts to encourage older workers to remain in the workforce will bear fruit.

## Changes made to supplement retirement income\*

	Nov 2005	May 2006	Nov 2006
Re-arranged savings or investments	41%	35%	41%
None/don't know	36%	41%	40%
Sold own home or investment property	13%	13%	15%
Returned to work part-time	20%	19%	14%

\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

# If I had my time again...

Hindsight is a wonderful thing, and today's semi-retired and retired Australians can give younger Australians the benefit of theirs.

Headlining our respondents' list of regrets are issues of health and wealth.

- 44% wish they had started saving for retirement earlier. How much earlier?
  - More than 20 years earlier 37%
  - 11 to 20 years earlier 30%
  - 6 to 10 years earlier 20%
  - 1 to 5 years earlier 4%
- 34% wish they had exercised more
- 32% regret not doing more financial planning or seeking expert financial advice
- 30% wish they had retired later
- 28% would have taken better care of their health
- 10% wish they had moved closer to family
- Only 4% regret not retiring sooner.

It's interesting to see how our baby boomers' regrets compare to their older counterparts - the veterans. Despite the public image of the boomers as financially savvy, over half (52%) wish they had started saving for retirement earlier compared to just 38% of the over-65s. And, sadly, 38% wish they postponed retirement, compared to 24% of the veterans.

## Skiers? Not us!

It seems the recently coined acronym - SKIERS - being those who plan to 'spend the kids' inheritance' - is not always accurate. At least 90% of our seniors are parents or grandparents, and the desire to leave an estate is a powerful one, with 81% planning an inheritance.

Similar to our previous findings, our respondents remain committed to leaving behind an inheritance, with an expectation of passing on assets worth around \$428,030 - a slight increase on the May 2006 value, estimated at around \$427,040. On the basis that the majority of retirees rely on a full or part age pension, it's reasonable to assume the family home forms the lion's share of the intended legacy.

## The bottom line

Life appears to be on the up for our over-55s. Overall the Citibank Retirement Index has experienced a positive trend since its inception in November 2005. This time around it has gone from 100 to 115, a rise of 15% since May 2006 indicating an improvement in lifestyle and money matters for older Australians.

Whether this new confidence results from a strong economy, buoyant investment markets or the timing of our survey to coincide with the warmer months is something that only time will tell.

# Changes to super? What changes?

Throughout this fourth edition of the Citibank Retirement Index, we have referred to the changes to our super regime, some of which took effect from Budget night (May 2006), the bulk of which will come into place on 1 July 2007.

These new laws, outlined on page 15, will have a major impact on all Australians, but the effect will be most immediately felt by those contemplating, or in retirement.

But despite the best efforts of the Federal Government it seems the majority of Australian retirees and semi-retirees don't have a clear understanding of the superannuation changes. Even less well understood is the effect of these changes, and the concern is that many may miss out on vital opportunities and benefits.

“Not suprisingly, many people are confused about superannuation. The majority of people seem to be unaware of the latest wave of liberalisation, announced in the Budget speech of May 2006.”

**Professor Sol Encel**

Our Retirement Index found only 24% of retirees claim to fully understand the revised superannuation laws and their implications, with a further 27% aware of the changes but admitting to having little knowledge of their impact.

Amazingly, 47% of retirees are either unaware of any changes to the super system or report having minimal knowledge of them.

Delving deeper into the findings, of those 51% who know about the changes and understand - either fully or a little - how the changes will affect them, 47% could not say whether they would be better or worse off, with 10% believing they would be worse off - a virtual impossibility under the new regime.

## Understanding of new super rules\*

	Overall	Baby boomers (55-64yrs)	Veterans (65 yrs+)
Not aware any changes to laws had been announced	14%	7%	19%
Heard of changes but don't really know much about them	33%	38%	29%
Know about them and understand a little about how they will affect you	27%	33%	23%
Fully understand the changes and how they will affect you	24%	21%	25%
None/ don't know	2%	1%	3%

While one of the government's key goals for simplifying the super system was to reduce the need for obtaining financial advice, it is likely that the failure of our older citizens to discuss these important changes with a financial advisor has contributed to the high levels of misunderstanding. It may also explain why 86% of retirees aware of these changes have either made no effort or have no intention to make changes to their personal financial plans in response to the amendments.

The objectives of the initiatives are to simplify super and make it easier; improve incentives to work and save and introduce greater flexibility in how super savings can be drawn upon in retirement. But the likelihood is that those who do not understand the changes will fail to benefit from them.

\*Please note that not all tables add to 100% as they only include significant results or include instances where respondents can choose more than one response.

## Key aspects of the new 'simplified' super regime

### Effective May 2006

- Removal of compulsory cashing of super from age 65
- Window of opportunity (until 30 June 2006) to make un-deducted (after tax) contributions of up to \$1 million.

### From 1 July 2007

- Removal of reasonable benefit limits (RBLs) for over-60s
- Payouts from super tax free for the over-60s
- Removal of age-based limits on deductible contributions
- Deductible (before-tax) contributions capped at \$50,000 annually
- Un-deducted (after tax) contributions limited to \$150,000 annually or a single contribution of \$450,000 in a 3-year period
- Contributions above these limits to be taxed at the top marginal tax rate plus Medicare
- Self-employed to be entitled to a full deduction on all contributions up to \$50,000 annually
- The self-employed to be eligible for the government co-contribution scheme
- A new type of private pension with lower minimums and no maximums will be available from 1 July 2007. Investors currently holding an allocated pension will be able to transfer to the new style pension.
- 'Lost' super to be administered by the Tax Office rather than individual states
- Fund members need to provide their tax file number to their fund to make contributions.

### From 20 September 2007

- Removal of Centrelink's assets test exemption for complying pensions purchased after 20 September 2007
- Halving of age pension taper rate from \$3.00 to \$1.50

## Steps for better managing your money in retirement

- Visit the government's Simpler Super website to start your research ([www.simplersuper.treasury.gov.au](http://www.simplersuper.treasury.gov.au))
- Attend retirement planning seminars to understand the changes in more detail and how they may affect you
- Visit your financial advisor to review your situation and discuss whether and how you may be affected OR
- Review your own situation to see whether the rules will affect you and how you might benefit from them. Areas to consider include:
  - Superannuation pension income levels
  - Death benefit options
  - Entitlements to age pension and social security benefits
  - SMSF pensions
  - Transition to retirement strategies
  - Contribution strategies.

<b>NSW</b>	
Ground Floor, Citigroup Centre, 2 Park St, Sydney (Entrance on George St)	(02) 8225 1860
695 George St, Chinatown (Entrance on Ultimo Rd)	(02) 8225 3600
55-57 Pitt St, Sydney	(02) 8225 3663
451 Victoria Ave, Chatswood	(02) 8225 3700
Shop 214 Castle Hill Shopping Centre 6-14 Castle Street, Castle Hill	(02) 8225 3678
SkyBranch, Sydney	1300 552 070
<b>VIC</b>	
350 Collins St, Melbourne	(03) 8643 9110
235 Little Bourke St, Melbourne	(03) 8643 9113
<b>QLD</b>	
Rowes Arcade, 215 Adelaide St, Brisbane	1300 305 721
<b>WA</b>	
37 St. George's Terrace, Perth	(08) 9426 6590
Shop 112-113, Garden City Shopping Centre, Booragoon	(08) 9426 6510
<b>or call 1300 725 341</b>	

