

# SUBMISSION 43

House of representatives Standing Committee on  
Economics, Finance and Public Administration

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**Australian Government**

**Department of Health and Ageing**

Ms Bev Forbes  
Committee Secretary  
House of Representatives Standing Committee  
on Economics, Finance and Public Administration  
Parliament House  
CANBERRA ACT 2600

Dear Ms Forbes

Thank you for your invitation of 7 June 2005 to the Secretary to make a submission to the House of Representatives Standing Committee on Economics, Finance and Public Administration Inquiry into improving the superannuation savings of people under the age of 40. I apologise for the delay in replying.

The Department of Health and Ageing welcomes the opportunity to provide a submission to the Standing Committee Inquiry. The Department strongly supports improving community awareness of the importance of saving for, and preparing early for, retirement and is committed to enabling older Australians to enjoy active, healthy and independent lives by encouraging positive attitudes to ageing and by removing barriers to economic and social participation. The Department is also committed to a strategic and comprehensive approach to respond to the challenges that demographic change and an ageing Australia present.

Thank you again for the opportunity to provide comment to this Inquiry.

Yours sincerely

Fiona Lynch  
Assistant Secretary  
Office for an Ageing Australia  
31 August 2005

## **Departmental Submission to the House of Representatives Standing Committee on Economics, Finance and Public Administration – Inquiry into improving the superannuation savings of people under age 40**

### ***Overview***

The Department of Health and Ageing welcomes the opportunity to provide a submission to the Standing Committee on Economics, Finance and Public Administration into improving the superannuation savings of people under age 40.

The ageing of the Australian population presents opportunities and challenges for governments at all levels, for business, for the community and for individuals. Increasing age has often been linked to decline in physical function and limited abilities. Older age has a number of positive attributes which can be overlooked, including 'wisdom' gained, life experiences, the opportunity to participate in community activities and in many cases better health. As people themselves age there appears to be a more balanced perspective about ageing of their lives. In their younger years, however, many individuals have little concept of their likely future needs and aspirations, including a healthy, active and socially engaged life following retirement from full-time work.

It is important that people consider new ways of thinking about ageing and retirement. The literature shows that the Australian community is currently not aware of, nor consequently adequately prepared for, issues that they may need to face in their older years. The transition from work life to retirement is an event of profound importance for the life of many individuals, yet one that has received surprisingly little attention from society generally. People who enter the workforce in early adulthood and leave it in their early 60s are likely to spend at least one-third as many years in retirement as they did at work.

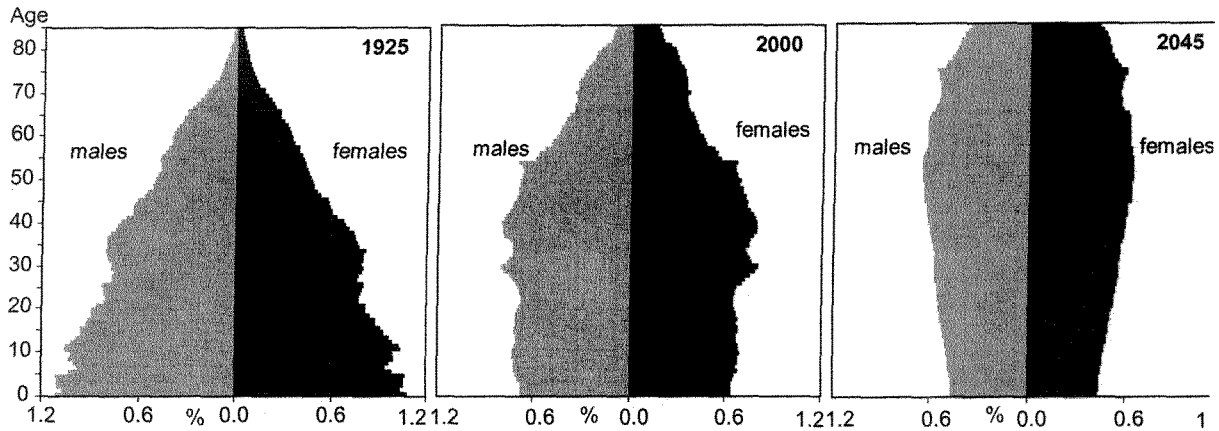
Like other developed countries, a key challenge facing government, in particular, but also non-government agencies, is how best to support individuals to maximise their capacity in later years to participate in society, not just through improving their health outcomes, but with ensuring adequate retirement incomes, and providing flexible working and caring arrangements for those who choose to stay in the workforce. Younger people need to be encouraged to think about their retirement income before they retire. The length of the retirement period for the next generation is likely to be longer and individuals are likely to be healthier. It will also require a sustainable income base drawn in part from previous savings or supplemented by part-time work to meet a changing expectation of quality of life and standard of living in retirement.

People under 40 today and in the immediate future will also be exposed to superannuation savings issues through their parents, who on average will have saved very little of their own superannuation and will have either to defer retirement or to rely upon the Age Pension as their primary source of income. The retiring population of the future, from the 2040's onwards, will have had a lifetime of accumulating super under the superannuation guarantee scheme and will thus be confronting different issues from those of more recent times. The Department of the Treasury is best placed to comment on the likely future effects of current policy initiatives for improving the superannuation savings of individuals.

### ***The Changing Demographic Landscape***

The importance of the need for people under 40 to save through superannuation is emphasised by the predicted change in population structure for Australia from now until 2045, as described in a table from the recent report of the Productivity Commission *Economic Implications of an Ageing Australia – Research Report*.

**Figure 1 Changing age structure of the Australian population, 1925-2045**



Productivity Commission 2005, *Economic Implications of an Ageing Australia*, Research Report, Canberra Pg XIV.

Within 50 years the number of people aged over 65 will almost triple from 2.4 million today to around 7.1 million; or from around 1 in 8 of the population today to 1 in 4 in 2051. As a result of advances in medicine, disease control and improved health care, older people are living longer and leading potentially more healthy, satisfying and productive lives than ever before.

### ***Attitudes of Australians to Retirement***

In our society, there is the tendency for retirement to emphasise the separation from work, rather than the transition to a new role. Retirement should be seen by those about to experience it as a desirable transition, but it is a source of disappointment to many in hindsight.

Since 1998, the Department of Health and Ageing has commissioned four market research studies (through market research firm Worthington Di Marzio) into the community's attitudes to ageing, older people and retirement planning issues. The studies have been used to provide community input to the development and implementation of the Australian Government's National Strategy for an Ageing Australia budget measure. The most recent survey was undertaken in late 2003 and focussed on attitudes towards retirement, particularly early retirement.

In its report on the 2003 survey, Worthington Di Marzio highlighted a gap between people's expectations of retirement and its reality. For example for those already retired, in hindsight:

- 21% wished they had kept working full time;
- 26% reported that they would have preferred to continue working on a part time basis; and
- only 44% were happy that they stopped working altogether.

A perception that their financial resources were not sufficient for their needs would probably explain why many of the 47% of respondents wished that they had continued to be engaged in paid employment, although attitudes to ageing also play a part in people's desire to be seen as "worthwhile". For example, the 2003 survey showed that:

- community perceptions of older people in Australia are generally negative;
- older people lack value and potential among the Australian community;
- the generation gap is widening and younger people have less contact with older adults; and
- older people's contributions to society through activities such as volunteering or as carers, are not being acknowledged and fully appreciated within the community.

### ***Conclusion***

Early preparation for retirement could help people to evaluate the best time and mode by which they can make the transition from work to retirement. Clearly, improving their financial position is an important part of retirement planning (and this can be achieved more effectively by commencing saving early), but people also need to consider what it is they wish to do in retirement, how they wish to make the transition to retirement and how they can prepare themselves physically and mentally for life after work.

The focus of the Department of Health and Ageing, particularly through the National Strategy for an Ageing Australia, has been to improve attitudes to ageing and older people so that retirement from full time work is regarded as a time of active and fulfilling participation in society. This focus will hopefully mean that younger people will think through their needs and expectations for retirement and will be prepared to take measures to do so. This could include greater enthusiasm to increase their superannuation savings.