How Australia Retires

June 2024

Foreword

Vanguard has been a major financial services provider in the Australian retirement industry for over 27 years, managing low-cost investments on behalf of Australians saving for their retirement.

In 2022, we became a direct provider of superannuation services to Australians with the launch of Vanguard Super.

Over the past few decades, we have seen the retirement income system undergo several evolutions to meet the changing needs of working and retired Australians. These needs are diverse and can be complex, and we commend the ongoing efforts of the Government, industry and the community to identify and address the challenges Australians face in trying to live their best retirement lives.

Among the challenges we are working through together is supporting a wave of wealth transferring to younger generations, improving the experience of Australians entering their retirement years beyond delivering lump sums at preservation age, and tackling an urgent advice gap.

That's why we're pleased to share Vanguard's second annual *How Australia Retires* study.

This study builds on our inaugural report published in 2023 and joins our industry-leading research into practical and topical retirement matters in Australia and around the world – from how sociodemographic and policy trends affect retirement landscapes, to researching optimal retirement-planning strategies for individuals.

In this edition, we continue to examine Australians' retirement needs and attitudes in the lead-up to and through their retirement years.

We explore how gaps in financial and retirement system literacy, engagement and financial planning can impact retirement confidence levels. We take a deep dive into spending needs in retirement and how cost of living pressures may be eroding confidence.

We also review what people expect from their superannuation providers and how they interact with them, and we look at the important role housing plays in retirement years and the inheritance expectations of younger and older Australians.

We are very grateful to those who took the time to participate in this research. We hope this study adds to the understanding of how people experience retirement in the context of Australia's retirement income system and offers actionable insights to help our industry better support Australians in this important phase of life.

Daniel Shrimski
Managing Director,
Vanguard Investments Australia

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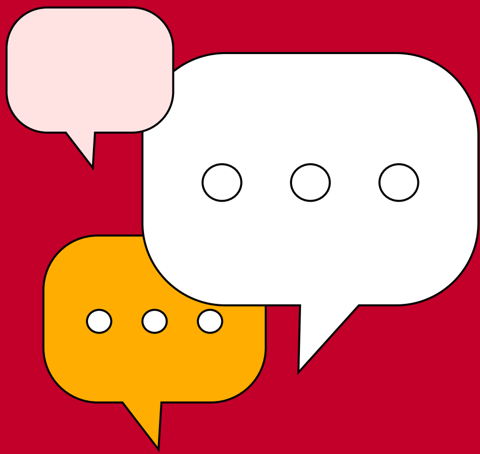


Definitions

Traditionally, 'retirement' has been understood as a reference to the phase of life when one ceases full-time paid work or ceases paid work altogether. Participants in the study were not provided with a specific definition of 'retirement', so the results effectively reflect individuals' subjective interpretations of 'retirement' which may vary.

While there is no one universally applicable prescribed 'retirement age' in Australia, subjective understandings of 'retirement' may be influenced by the fact that an individual qualifies for the Age Pension from age 67 years old (provided they satisfy all other relevant criteria), and (assuming no grounds for early access apply) gains access to their superannuation savings once they reach their 'preservation age' and either retire or elect to receive a 'transition to retirement' income stream, or when they turn 65 years old (Sources: Services Australia and the Australian Taxation Office).

For the purposes of this study:

- 'Retired Australians' or 'retirees' refers to respondents who identify with any of the above concepts of retirement.
- 'Working-age Australians' are defined as those within the study who did not self-identify as retired.
- 'Australians' refers to residents of Australia surveyed and is inclusive of both working-age and retired Australians (as self-identified).

Financial and retirement system literacy

Many Australians don't understand retirement; notable gaps in the retirement system and financial literacy exist.

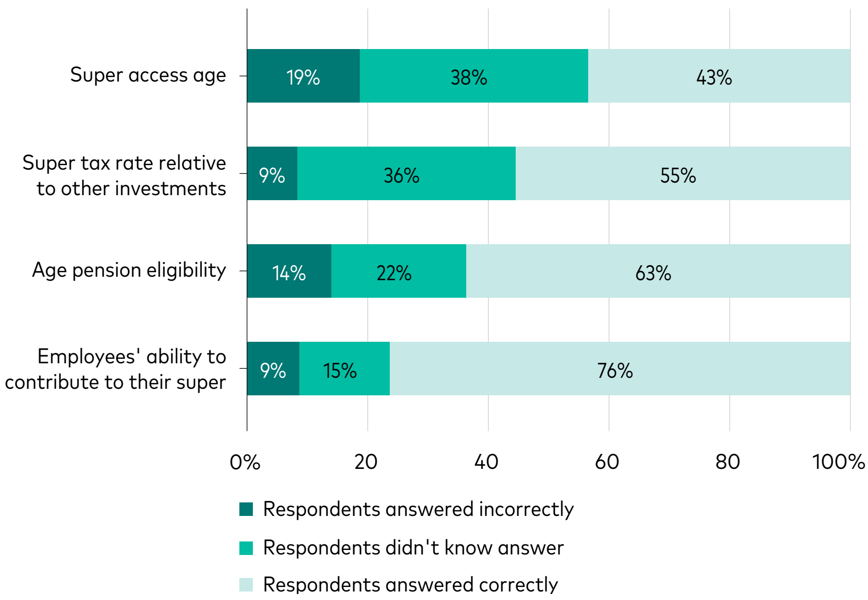
Retirement can be a complex phase of life, likely made more difficult for Australians who lack the financial skills and knowledge required to manage their money effectively.

This year's research findings suggest more needs to be done to support working-age and retired Australians to better understand and more effectively navigate Australia's retirement income system.

Australia operates a 'three pillar' retirement income system broadly comprising a means-tested, publicly funded Age Pension; compulsory, concessionally taxed superannuation savings; and voluntary, sometimes tax-advantaged private savings and other assets held both inside and outside the superannuation system. Findings suggest Australians have a patchy understanding of the retirement system:

- Almost 2 in 3 Australians lacked confidence or accuracy about the age at which they can access their superannuation.
- Almost 1 in 2 Australians do not know or are unsure if superannuation is taxed at a lower rate than other investments.
- 1 in 3 Australians do not know or are unsure of the Age Pension eligibility rules.
- Around 1 in 4 Australians do not know or are unsure if they are allowed to make additional contributions to their superannuation.

FIGURE 1:
Australians' understanding of the retirement income system



Respondents were presented with the following questions related to Australia's retirement income system and asked to select "True", "False", "Don't know" or "Prefer not to say". Figure 1 shows the percentage of Australians who answered each question correctly, incorrectly, or didn't know.

1. Super fund members can access their superannuation after reaching the age of 50.
2. Superannuation is taxed at a lower rate than other investments (except for owner-occupied housing)
3. Everyone in Australia over the age 67 is eligible to get Age Pension if they pass the resident rules, income test, and assets test.
4. Employees cannot contribute into their own superannuation funds – only an employer can make contributions.

When it comes to managing finances in general, only one-third of Australians are very confident or extremely confident in making financial decisions. When asked about their confidence in their understanding of various financial products and services[1], Australians perceive that they have the best understanding of savings and deposit accounts (56% are very or extremely confident) but are much less confident in their understanding of investment products such as shares (20% are very or extremely confident), managed funds (16%), exchange traded funds (that is, ETFs) (13%) and bonds (10%). Less than one third are very or extremely confident in their understanding of superannuation products which, given the central role of superannuation in retirement planning, is a concern.

Financial literacy[2] was also notably lower in females than males but increased with age for both genders, while retirement system literacy was generally lower than financial literacy amongst all Australians.

FIGURE 2:
Financial literacy by age and gender

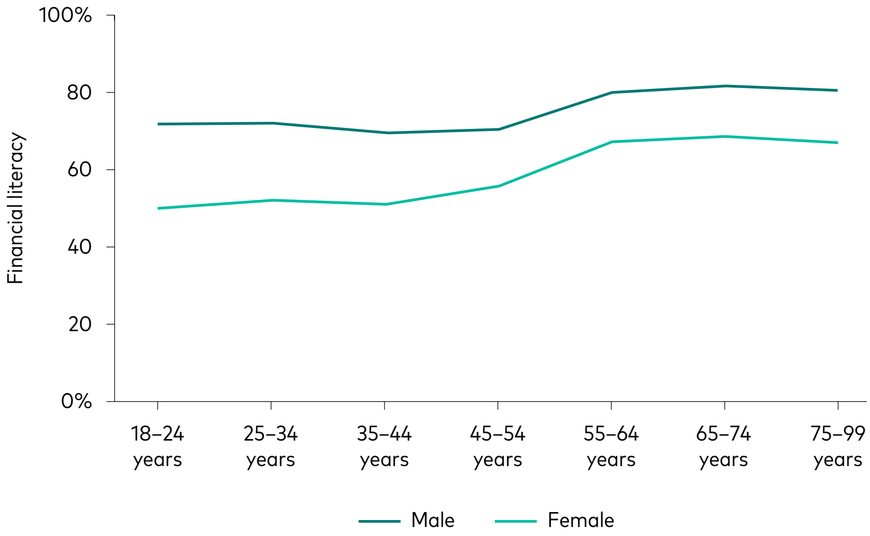
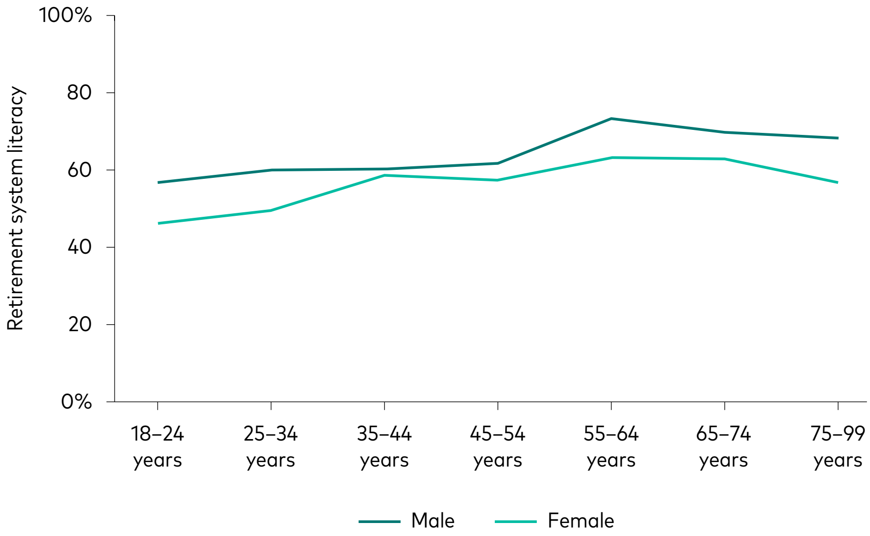


FIGURE 3:
Retirement system literacy by age and gender



1 Financial products and services include shares / equities / stock, bonds, exchange traded funds, managed funds, savings / deposit account, superannuation, mortgage / personal loans, age pension, investment property, annuities, cryptocurrency, and insurance products.

2 Financial literacy was measured by the percentage of questions answered correctly among 3 questions about inflation, compound interest and diversification. Retirement system literacy was measured by the percentage of questions answered correctly among the 4 questions on Age pension eligibility, superannuation access age, additional superannuation contribution by members and relative tax treatment of superannuation contributions.

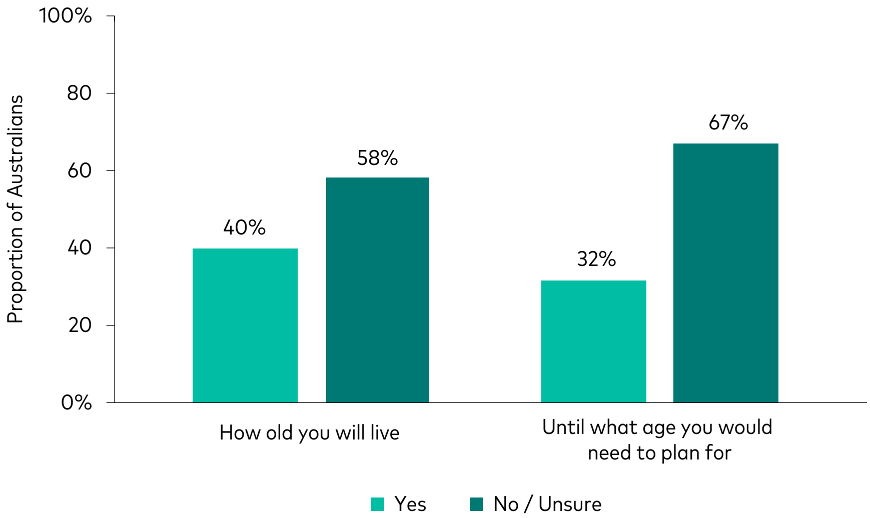
58% of Australians haven't thought about how old they'll live, and 67% do not know how long of a retirement to plan for.

Awareness of life expectancy and the possible length of retirement, although challenging to grasp for many, plays a crucial role in retirement planning as it can directly affect the risk of a person outliving their savings, also known as longevity risk. With Australians projected to live longer over the next 40 years[3], it is increasingly difficult to estimate how much money will be needed in retirement. This could lead to retirees spending too much or too little in their retirement years and subsequently experiencing adverse retirement outcomes.

67% of all Australians have not thought about or don't know what age they will need to financially plan for in terms of their retirement.

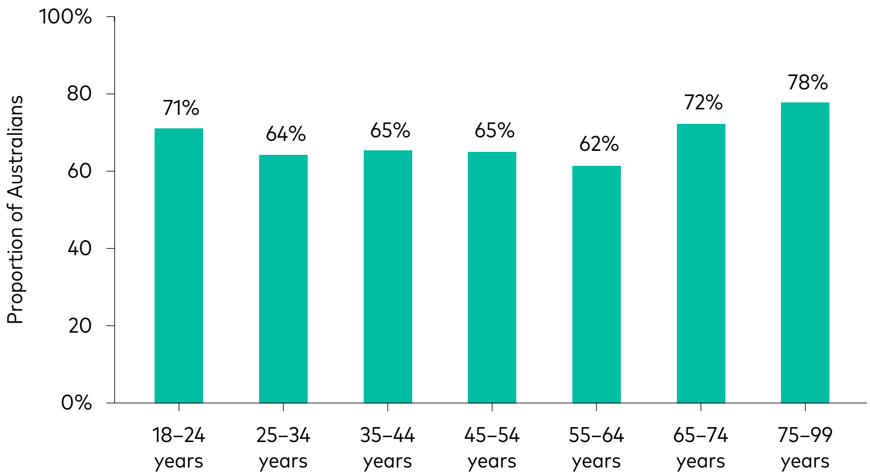
Concerningly, this percentage is highest for those aged 65 to 74 years old (72%) and 75 to 99 years old (78%), cohorts generally considered to be of retirement age.

FIGURE 4:
Responses to the questions: "Have you thought about how old you will live" and "Have you thought about how long you would need to plan for in order for your money to last"



Note: The percentages sum up to less than 100% as the remainder of respondents selected "prefer not to say".

FIGURE 5:
Percentage of respondents who have not thought about or do not know what age they will need to plan for in retirement, by age



3 2023 Intergenerational Report published by the Federal Government Treasury, page 6.

Expected retirement age differs from the reality: Nearly 50% of retirees retired earlier than they thought they would.

Almost half of all retirees we surveyed said they retired earlier than they expected. The average retirement age reported by retirees was 61 years old, while working-age Australians reported an average ideal retirement age of 62.6 but an average realistic retirement age of 67.9. These ages have increased relative to the responses given in last year's *How Australia Retires* report which may reflect the sample surveyed or other factors such as the rising cost of living.

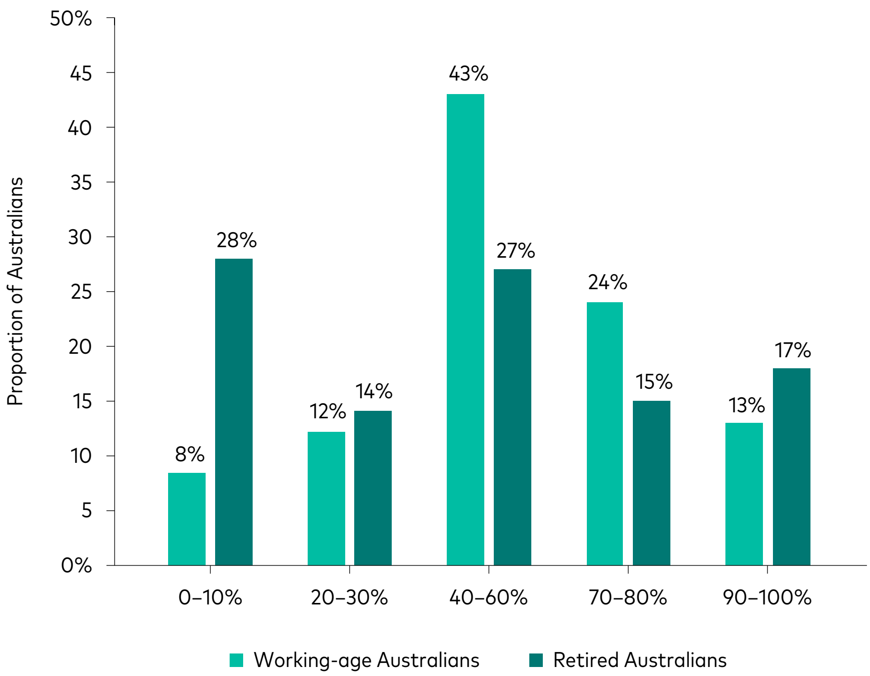
Retirees who had been less confident in their retirement plans were more likely to retire earlier than expected (62%) compared to highly confident retirees (40%). This could be due to several factors such as health issues or care obligations. Retiring earlier than expected can have financial implications as it impacts one of the most common yet complex questions to answer in retirement: Will my money last?

Almost 1 in 2 Australians do not know whether their money will last in retirement.

As people get older, they may start to think more about their retirement and how much money they will need. However many working-age Australians and retirees are still uncertain whether their retirement savings will last, with those concerned about running out of money perhaps more at risk of underspending in their retirement years:

- 4 in 5 working-age Australians believe they have a 40% or greater likelihood of outliving their savings in retirement. At best, this means that Australians are generally uncertain whether they will have enough money for retirement and at worst, it could mean they feel that they are highly unlikely to maintain an acceptable lifestyle, even with the Age Pension and any other Government support for which they are eligible.
- Almost 3 in 5 retirees believe they have a 40% or greater likelihood of outliving their retirement savings. Additionally, almost 1 in 5 retirees believe they are at significant risk, with a perceived 90% or greater likelihood of running out.

FIGURE 6:
Self-assessed likelihood of outliving savings in retirement, working-age versus retired Australians



Perhaps more concerningly, 1 in 2 retirees do not know how much they can spend each year in order to not outlive their savings.

1 in 5 retirees also believe they have a higher chance of outliving their savings now than when they first retired.

There are also differences in self-assessments of projected adequacy of retirement savings among different genders. 77% of females believe they have a higher likelihood (40% or greater) of outliving their retirement savings compared to 71% of males. For retirees the likelihood decreases, however a gender gap remains, with 63% of female retirees believing they are more at risk of running out of money compared to 54% of male retirees.

Homeowners without a mortgage were less concerned about outliving their retirement savings. Only 58% of respondents who own their home outright believe they had a higher likelihood (40% or greater) of outliving their savings in retirement, compared to 83% of renters who believed the same. For homeowners currently with a mortgage, 79% believe they have a higher likelihood of running out.

Engagement with superannuation remains low

Almost 1 in 2 Australians still don't know what they pay in super fees.

Last year's report found almost 1 in 2 Australians were unsure of what they pay in superannuation fees, with 1 in 4 Australians unsure if their superannuation fund was low fee[4]. Findings this year shows this information gap persists, with 45% of Australians still not clear on what exactly they pay in fees in 2024, and 39% unsure if their super fund is low fee.

Findings this year also suggest that people who are unsure of their superannuation fund fees are more likely to have lower retirement confidence and be poorly prepared for retirement. Conversely, Australians who said they knew what they pay in superannuation fees and if their fund is low cost tend to have sought financial advice (59%) and possess higher retirement confidence (40%).

A gender gap also exists when it comes to knowledge of super fees with half of all females surveyed unsure of what they pay, compared to 40% of males. 43% of females are also not sure if their super fund is low fee, compared to 35% of males.

4 Note: respondents effectively made subjective determinations of what 'low-fee' means in this context, and so interpretations of 'low-fee' may have differed.

More than 1 in 4 working-age Australians do not plan to make additional contributions to their superannuation as part of their retirement plan.

Almost half of working-age Australians report that they have not made additional contributions to their super (that is, voluntary contributions additional to the Superannuation Guarantee contributions made for them), with 27% also not planning to do so in the future as part of their retirement plan.

Positively, however, more than half of working-age Australians are open to making additional contributions in the future, with 37% willing to make regular contributions and 24% willing to make irregular or one-off contributions.

FIGURE 7:
Additional super contributions made, working-age Australians

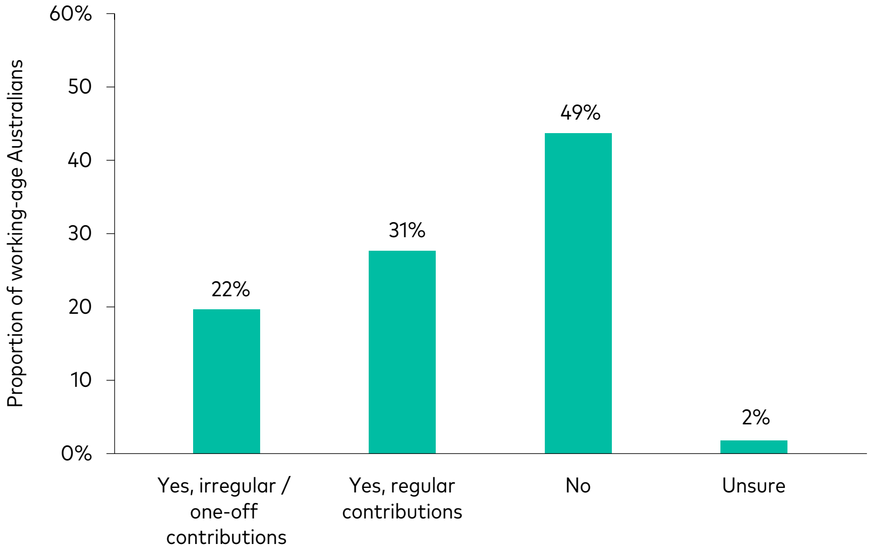
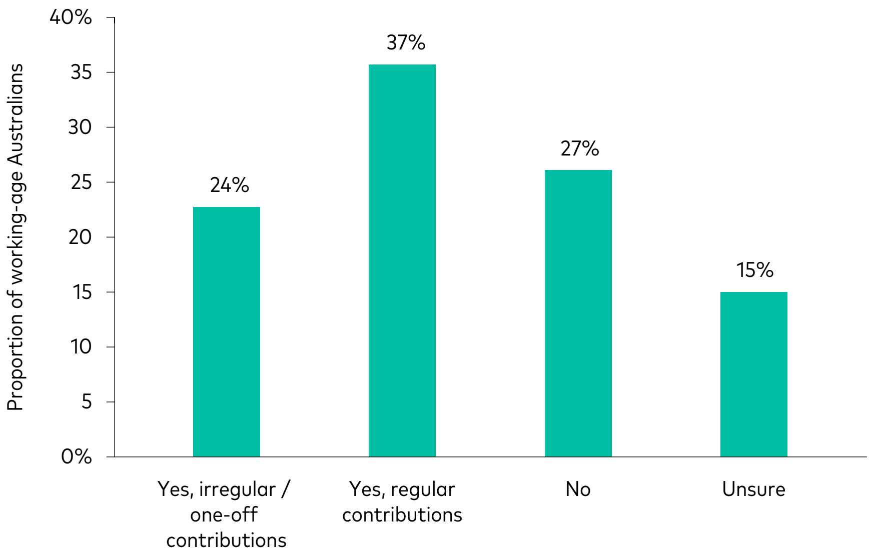


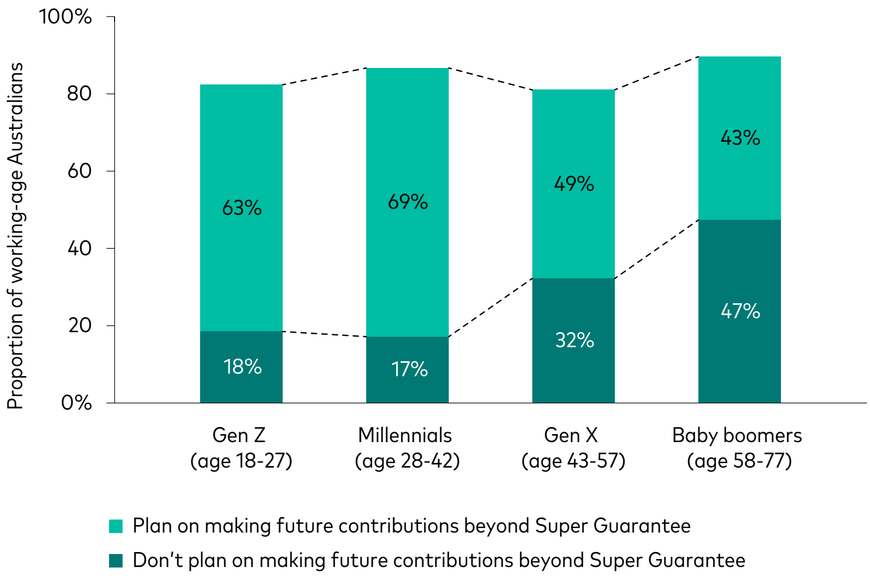
FIGURE 8:
Plans for making future contributions, working-age Australians



Note: respondents can report plans to make both regular and one-off contributions.

Encouragingly, Gen Z and Millennial working-age Australians are the most open to the possibility of contributing additional super in the future (63% and 69% respectively), while Baby Boomers were the least open (43%)[5]. Almost half of Gen X working-age Australians (49%) would consider future additional contributions.

FIGURE 9:
Intentions to make additional super contributions in future amongst working-age Australians, by generation



5 For the purposes of this study, the 'Gen Z' generation includes respondents born between year 1996 and 2010. 'Millennials' include those born between year 1981 and 1995. 'Gen X' includes those born between year 1966 and 1980. 'Baby Boomers' include those born between year 1946 and 1965. 'Interwar' includes those born in 1945 or earlier.

Engagement with super is a key part of retirement planning but less than half of Australians contact their superannuation fund each year.

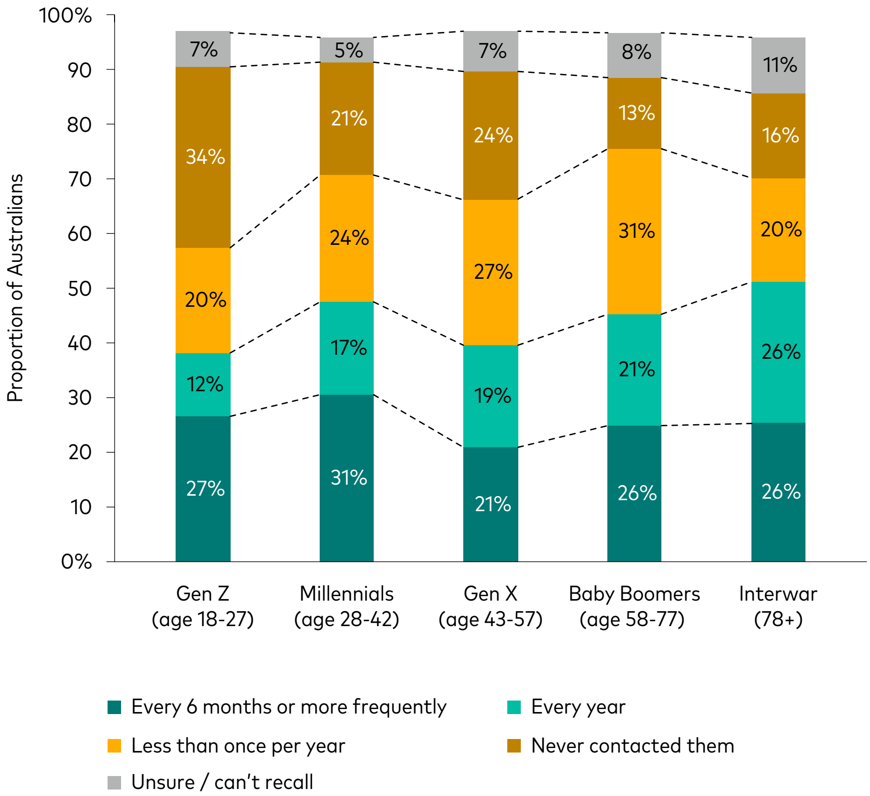
Engagement with superannuation funds remains low across generations, as measured by the frequency in which respondents contact their fund by any means, including face to face, over the phone, through online messaging platforms or via social media.

Despite the older cohort of Gen X now approaching retirement, almost a quarter of Gen X respondents have never contacted their super fund, with a similar number of respondents (27%) contacting their fund less than once a year.

Lack of engagement was even higher in Gen Z respondents, with 1 in 3 having never contacted their super fund.

In comparison, Millennials report higher engagement with their super, with 31% of respondents contacting their super fund every 6 months or less, and 17% every year.

FIGURE 10:
Frequency of contact with super fund, by generation



Findings show those with an ongoing relationship with a financial adviser are significantly more likely to contact their super fund annually or more frequently, which may suggest that advice has a positive impact on Australians' engagement with super as it likely forms a part of their financial plan.

Similarly, those who cite having a moderate or well-formed plan for retirement are also more likely to frequently engage with their super fund.

Retirement planning and income

Planning for retirement, be that formal or informal, can play a pivotal role in boosting retirement confidence.

Planning brings clarity not only to one's current financial position, but importantly to the future considerations of when it might be viable to retire and how much money will be needed to fund retirement. This can then inform what actions should be taken now and in retirement to achieve a desired lifestyle.

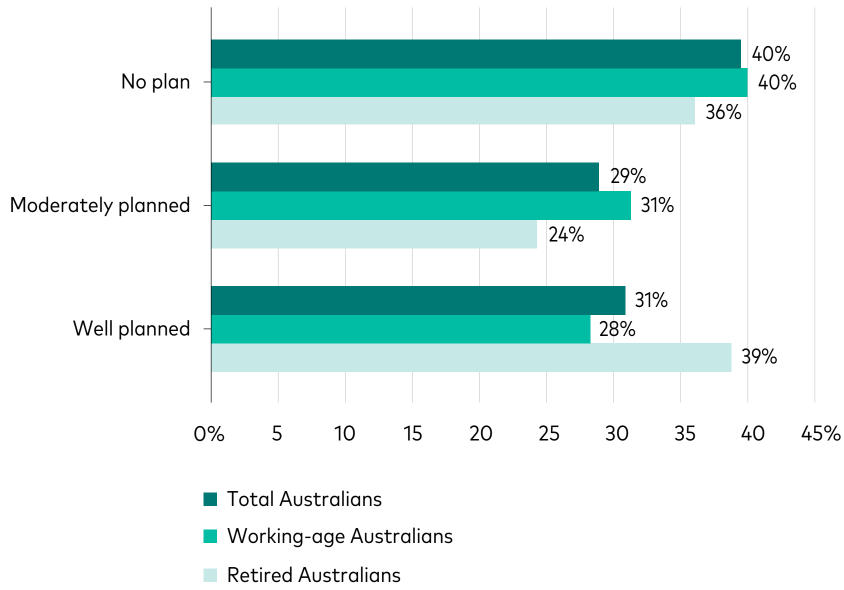
Equally importantly, planning can offer peace of mind and can greatly reduce financial stress and uncertainty in retirement.

40% of Australians have no clear plan for retirement.

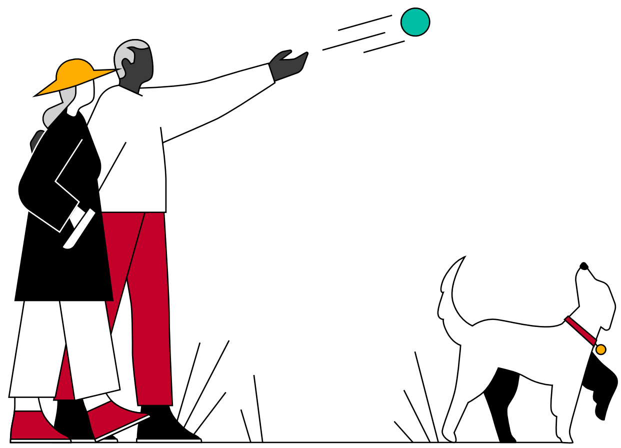
When asked about planning for retirement, 40% of Australians reported that they did not have a clear plan (formal or informal) on how they would financially prepare for their desired lifestyle. 29% of respondents had a plan, but only with some details planned out.

Positively, some 31% of Australians felt they had a good idea or knew exactly what was needed for retirement and felt they had a good or exact plan on how to achieve their desired lifestyle. This cohort are also the most confident when it comes to retirement and are more likely to have a clear budget, make additional contributions to their superannuation and make regular savings outside of super compared to those without a clear plan.

FIGURE 11:
Current level of retirement planning to achieve the desired retirement lifestyle



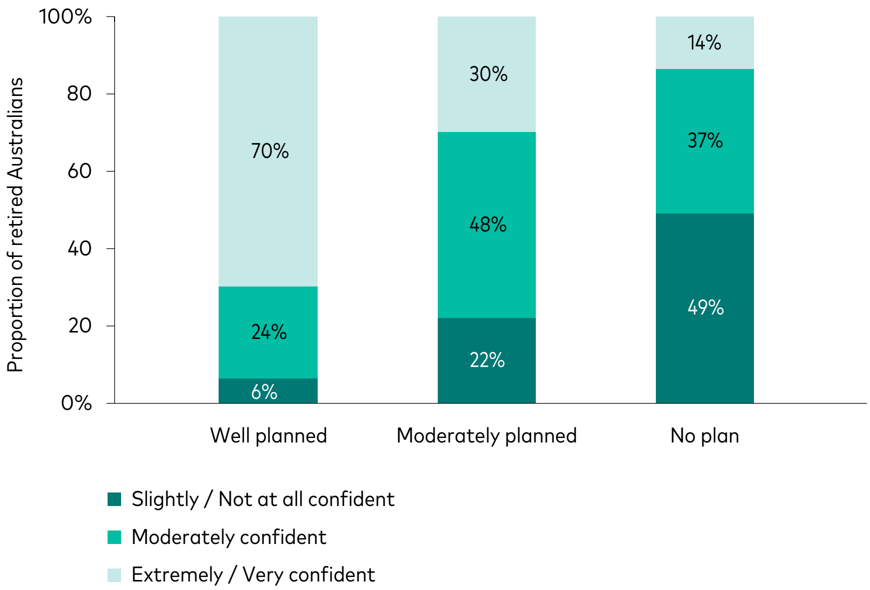
Note: The percentages sum up to less than 100% as the remainder of respondents answered "prefer not to say". 'Well planned' includes responses "I know/knew exactly what I needed and exactly how to get there" and "I have/had a good idea of what I'll need, with most of the plans for how to get there"; 'Moderately planned' refers to the response "I have/had a general idea of what I'll need, with some details planned out"; and 'No plan' includes "I have/had a general idea of what I need, but no plan on how to get there", "I don't/didn't know what I need or how to get there", and "unsure".



When it comes to retirees, 1 in 3 retired Australians did not have a plan when they retired. Instead, only 39% cited being well planned and having an exact or good idea of what they needed financially to achieve the lifestyle they envisioned in retirement.

The cohort of retirees who were well planned and knew exactly or had a good idea of what actions they need to take to prepare for retirement are 4 times more likely to be highly confident about retirement than those who did not have a plan upon retiring. This finding is consistent with last year's report on the positive impact retirement planning can have on retirement confidence.

FIGURE 12:
Relationship between retirees' confidence about retirement and levels of retirement planning



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Australians are open to help with retirement planning but ultimately want to decide for themselves what's best.

When it comes to making decisions for retirement, almost 3 in 4 Australians consulted or would consult someone else. The most common approach to retirement planning for both working-age and retired Australians was planning in conjunction with their partner (72%). Nearly a third (29%) of Australians sought or would seek retirement planning help from a financial adviser, and 14% consulted or would consult their super fund. While help was preferred, 1 in 4 Australians planned or would plan for retirement all on their own.

Australians who said they were very or extremely confident about retirement were the most likely to have sought retirement planning support from a financial adviser (33%, compared to 29% of Australians moderately confident about retirement, and 23% of Australians slightly or not at all confident about retirement). This suggests seeking professional financial advice may have a positive impact on the confidence one gains from the retirement planning process.

FIGURE 13:
How respondents created/would create their retirement plan

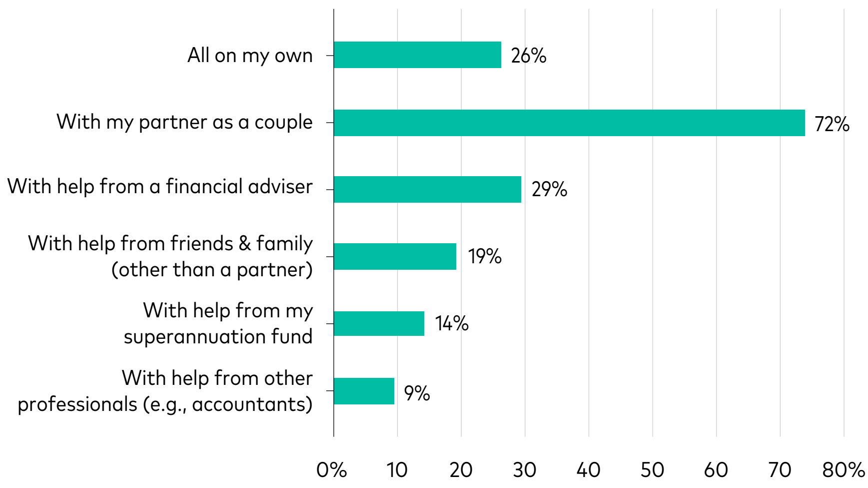
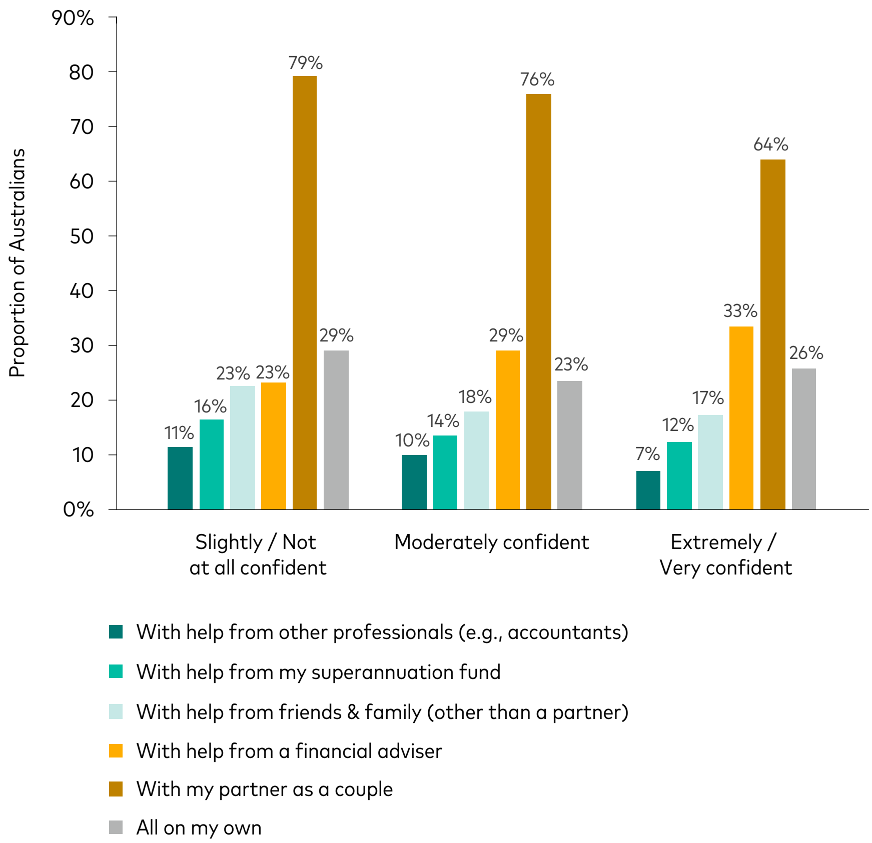


FIGURE 14:
Relationship between sources of retirement plan input/assistance amongst all respondents and retirement confidence levels

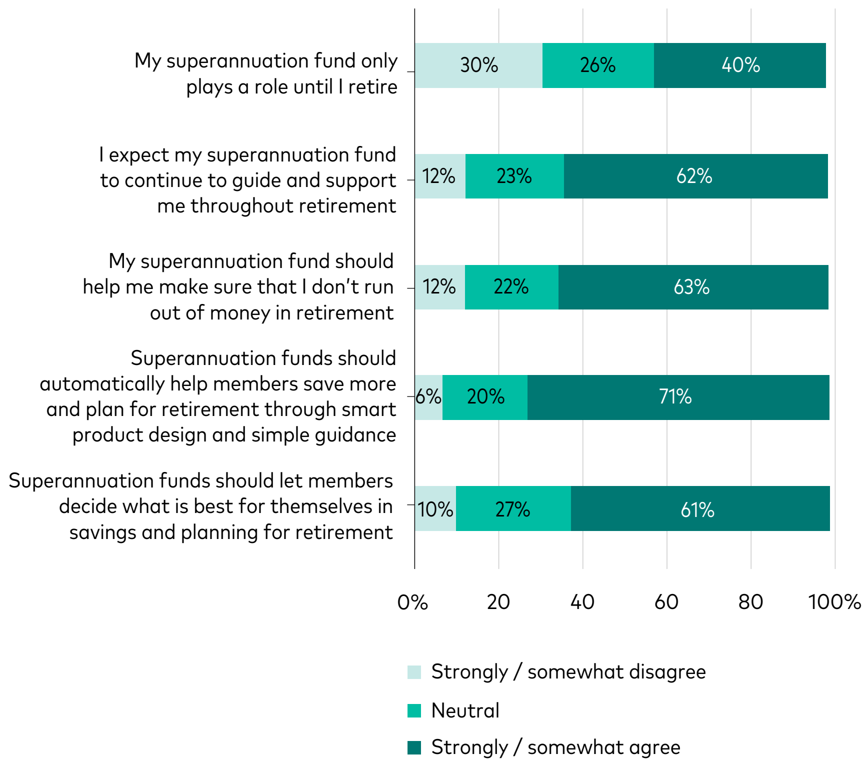


The most popular source of retirement information and guidance for all Australians was free online sources such as Google (42%) or from a partner (40%), followed by family and friends (32%). For Gen Z and Millennial respondents, online communities such as Facebook groups or Reddit were a more popular source compared to Gen X and older generations.

Despite only 14% of Australians consulting their super fund when planning, and 61% of respondents believing super funds should let their members decide what's best for themselves when saving and planning for retirement, almost 2 in 3 of Australians also somewhat or strongly agree that their super fund should help them make sure they don't run out of money in retirement.

Almost 3 in 4 Australians also believe their super fund should automatically help them save more and plan for retirement through smart product design and simple guidance. Those who have consulted or are open to consulting a super fund in making decisions for retirement often also said they were open to nudges that encourage them to take an action to improve their retirement outcomes[6].

FIGURE 15:
Expected role of super funds amongst all respondents



Note: The percentages sum up to less than 100% as the remainder of respondents answered "prefer not to say".

Yet, while many Australians expect their super fund to inherently maximise their retirement outcomes, 40% of respondents also believe their super fund only plays a role until they retire, a testament to the competing demands many super funds currently face.

6 Vanguard considers nudges to be communications which encourage members to take an action to improve their retirement outcomes. While nudges are often driven by personal information, they do not provide specific guidance or advice and do not include specific product recommendations.

Minimum income needs in retirement increased in the last 12 months, likely due to rising living costs.

Cost of living was front of mind for many retirees this year, with median minimum income needs in retirement increasing from $30,000-40,000[7] per year to $40,000-50,000 per year in March 2024.

42% of retirees reported a worse household financial position compared to 12 months ago. Of this cohort, 96% believe rising living costs had a negative impact (large or slight) on their household's financial position.

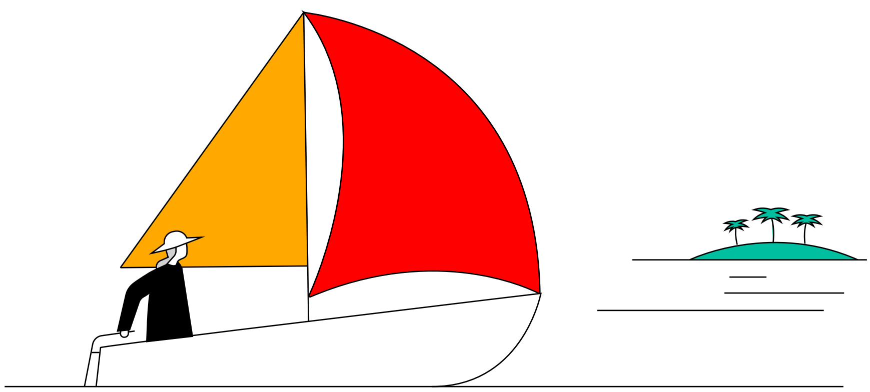
Retirees who did not cite rising living costs as having a negative impact on their household's financial position were also over twice as likely as to have high confidence about retirement than those who cited a negative impact (67% vs 29%), and more likely to be well planned for retirement (56% vs 33%).

For working-age Australians, the median expected minimum income needs in retirement also increased from $40,000 - $50,000 in 2023 to $50,000-$75,000 in 2024[8]. This however is higher than the median minimum income needs cited by retirees, who, although reporting higher income needs this past year ($40,000-$50,000), still believed they would need less than what working-age Australians expect.

While 14% of all respondents think their minimum income needs will be the same every year in retirement, the majority (70%) of all respondents believe their retirement income needs will vary, including 19% believing their income needs will increase as they age, 23% believing they will decrease, and 28% believing they will either rise or fall from one year to the next.

Predicting spending needs in retirement (and then planning accordingly) can be difficult as it involves a series of decisions, including when to transition to retirement, how to manage different sources of passive income, and then ultimately, how much to draw down in retirement income each year to accommodate desired lifestyles without running out of money.

For the 34% of retirees who have an account-based pension with a superannuation fund, the majority (59%) only withdrew the minimum amount required by the Government. When asked why, 70% believed the minimum is enough, 20% cited not wanting to run out of money in the future and 6% did so thinking of the minimum amount requirement as Government advice.



7 Vanguard's *How Australia Retires 2023* report.
8 Vanguard's *How Australia Retires 2023* report.

Financial advice can improve Australians' chance of a successful retirement but costs are a barrier.

Government reviews and industry research have highlighted that an advice gap exists in Australia where many do not have access to quality and affordable financial advice.

With over 5 million Australians at or approaching retirement, and only 16,000 advisers practising as at December 2023[9], unmet advice needs will continue to grow if the barriers to seeking advice are not effectively addressed.

For many Australians, a key hurdle in seeking advice is affordability. The cost of delivering advice for many advisers has increased over recent years, in part due to increased compliance obligations which has in turn reduced accessibility.

While Vanguard considers that quality financial advice is critical at retirement, we also see value in its ability to positively guide actions and behaviours in the years, and even decades, leading up to retirement[10]. Building wealth is a long-term initiative – the earlier Australians access advice, the more opportunity there will be for any benefit of that advice to positively impact financial and retirement outcomes.

Good financial advice can also improve more than just returns and go beyond portfolio and financial value. Importantly, it can improve financial peace of mind and preparation, with 37% of advised-Australians feeling highly confident about retirement and 43% having a clear retirement plan. In contrast, only 24% of non-advised Australians feel highly confident about retirement and just 19% have a clear retirement plan.

However, more than half of all Australians surveyed did not include financial advisers as a source for information and guidance when making plans for retirement, citing barriers such as costs (51%), not thinking they need advice (27%), lack of trust in advisers (20%) and not knowing how to find a good adviser (15%)[11].

Positively, while 1 in 5 Australians said that they did not need a financial adviser right now, they would however consider consulting one later. 24% of Australians said they would be open to consulting a financial adviser in an ongoing relationship and 25% in a one-off setting (with 5% of respondents open to both).

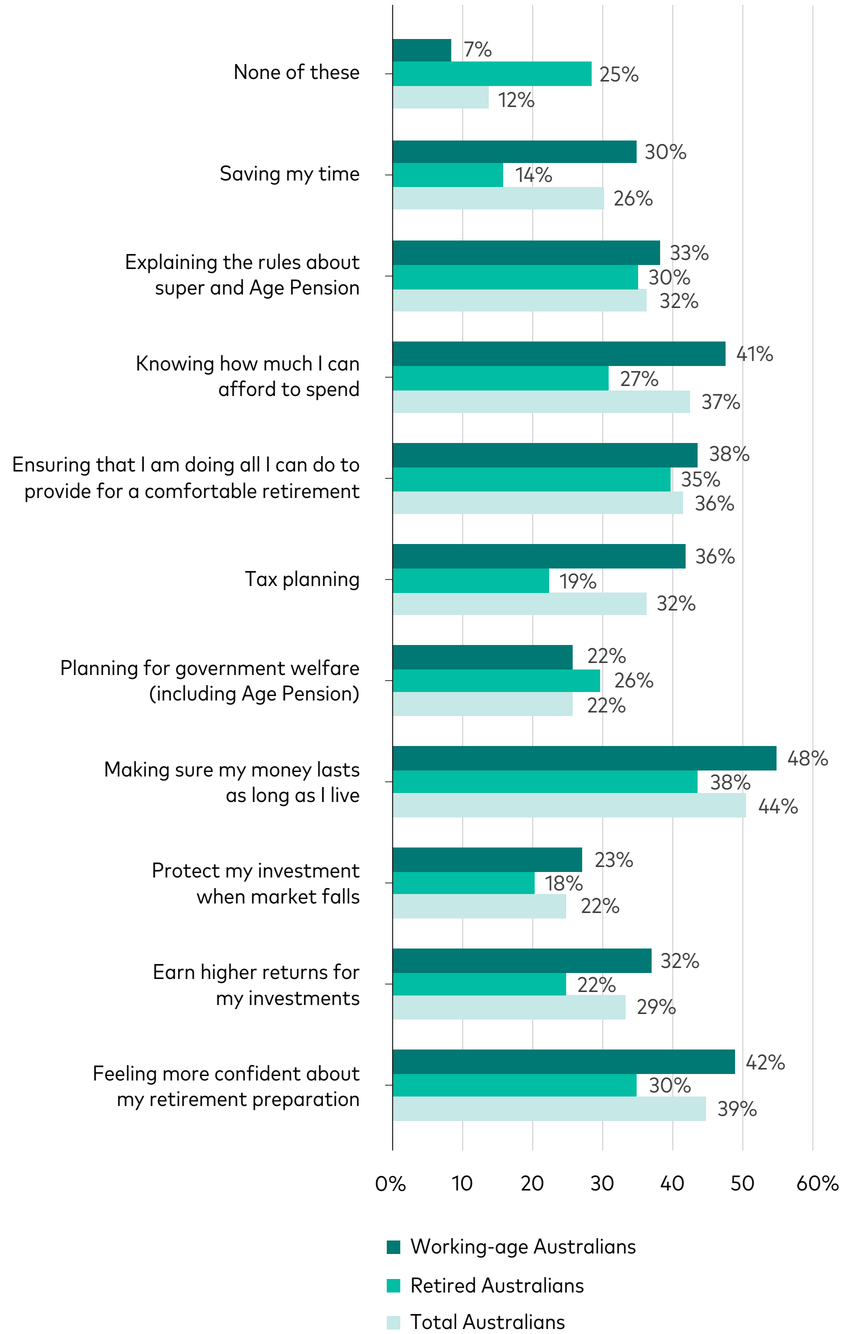
9 The Hon Stephen Jones MP (Assistant Treasurer and Minister for Financial Services) (7 December 2023), 'Government unveils comprehensive financial advice reform package' [media release].
10 Vanguard's global research on the value of advice has included: *The Value of Personalized Advice 2022* research paper and *Quantifying Advisor's Alpha 2022* research paper
11 The total percentages sum to over 100% because respondents could select multiple barriers in this survey question.

When asked about what a financial adviser can help with most when planning for retirement, the top four responses amongst all Australians were related to the emotional aspects of advice – providing peace of mind and confidence that they are on track to fund and live the retirement lifestyle they envision:

1. "Making sure my money lasts as long as I live" (44% respondents cited this)
2. "Feeling more confident about my retirement preparation" (39%)
3. "Knowing how much I can afford to spend" (37%)
4. "Ensuring that I am doing all I can do to provide for a comfortable retirement" (36%)

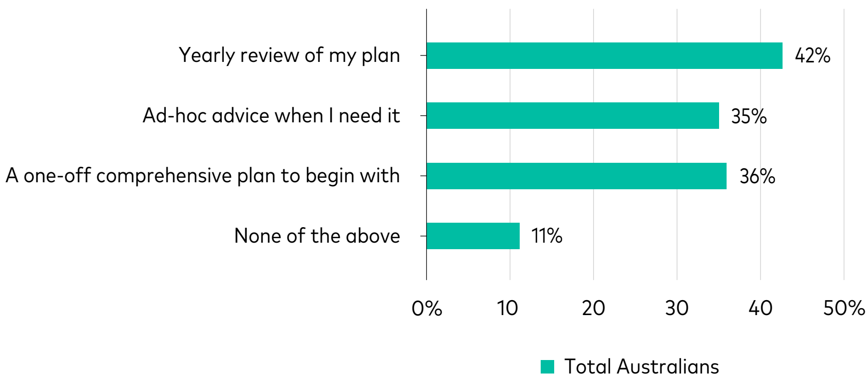
Interestingly, the investment aspects of advice ranked lower than the emotional, with only 22% of respondents citing "protecting my investments when the market falls" as an expected benefit, and 29% citing "earning higher returns on my investments".

FIGURE 16:
Expected benefits of engaging a financial adviser



When asked about the desired frequency of financial advice, a yearly review of their financial plan was the preferred frequency of service for over 40% of Australians. 35% are willing to pay for ad-hoc advice when they need it, and 36% for a one-off comprehensive plan to kickstart their retirement planning.

FIGURE 17:
Frequency of financial advice respondents are willing to pay for



Note: The total percentages sum to over 100% as respondents could select multiple frequencies of advice in this survey question.

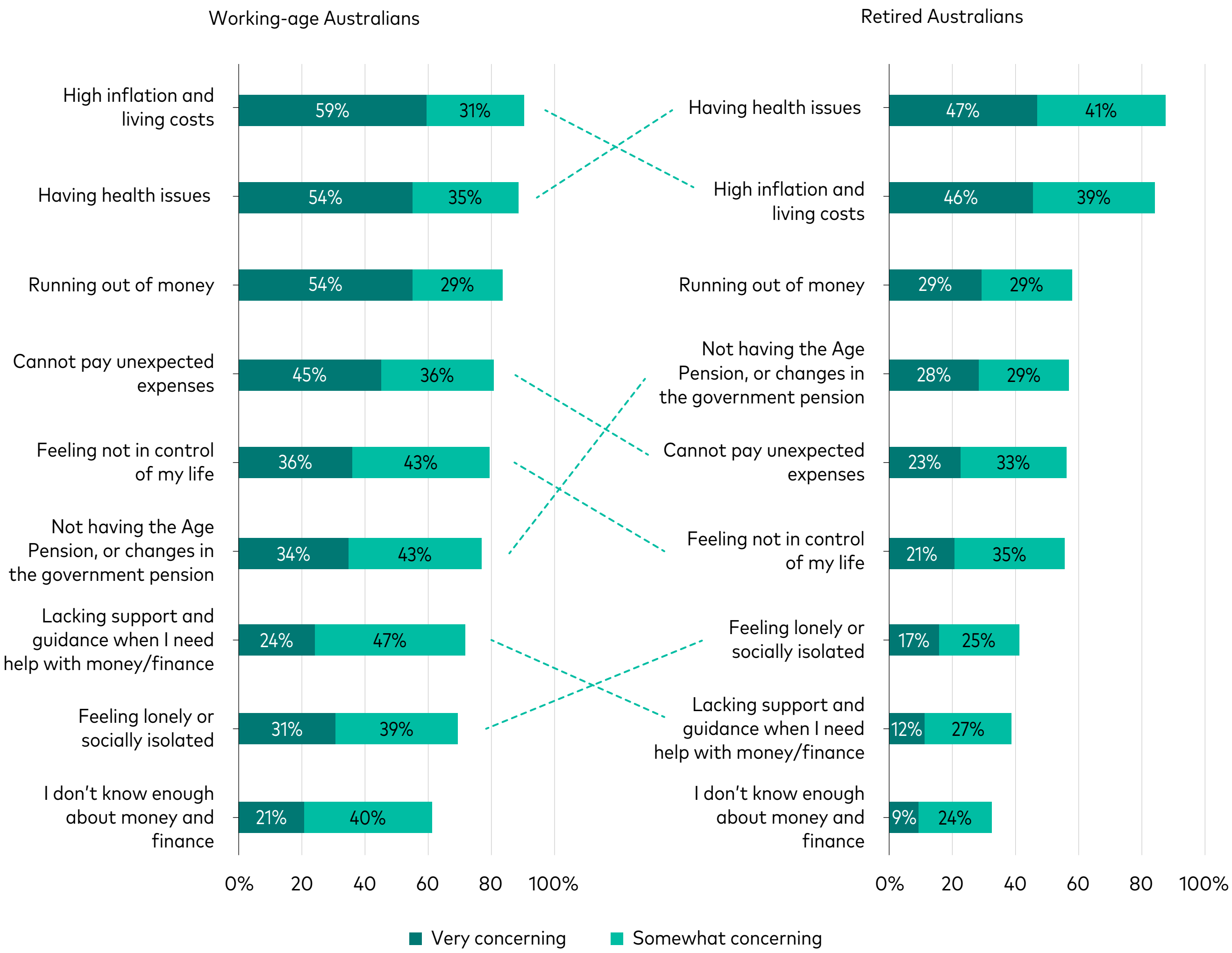
Retirement confidence

Retirement confidence is higher among retirees than working-age Australians, but cost of living is a significant concern.

A multitude of financial and emotional factors can affect how confident someone feels about retirement. Generally, the stronger an individual's belief is in their ability to effectively manage, fund and adapt to different scenarios in retirement, the more confident they tend to be. In this Report, this is summed up by the term 'retirement confidence'.

When asked how confident they are in funding their desired lifestyle in retirement, 39% of retirees said they were extremely or very confident. This contrasts with working-age Australians, of whom only 27% said they felt the same. This could be due to younger Australians not having properly considered or planned for retirement as it could still be decades away, or perhaps retired Australians gained clarity when they entered this phase of life.

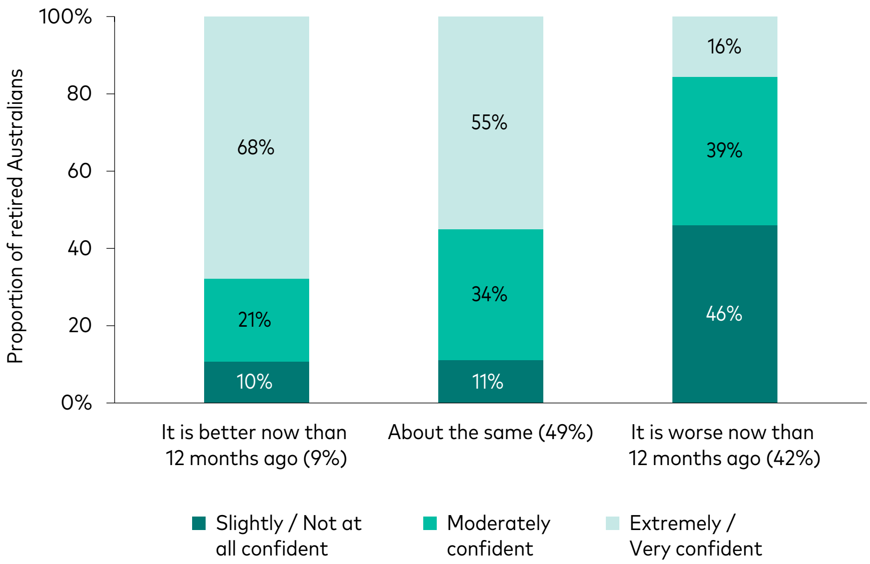
FIGURE 18:
Retirement fears and concerns experienced by working-age versus retired Australians

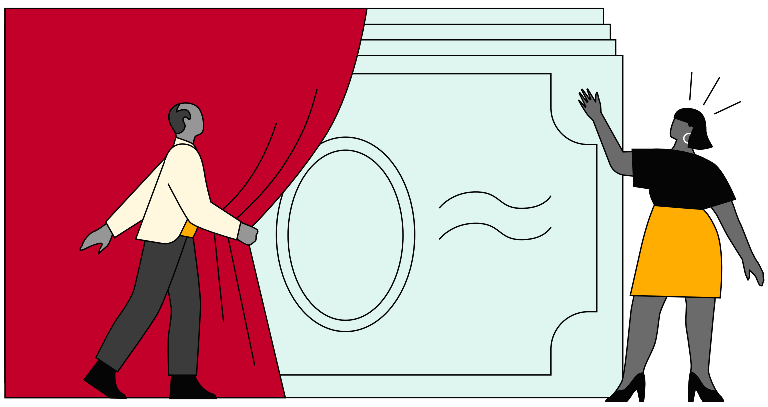


The biggest fear or concern working-age Australians had for retirement was high inflation and living costs (90% found this very or somewhat concerning), followed closely by "having health issues" (89%). For retired Australians, having health issues was the dominant concern, with 88% of retirees finding this very or somewhat concerning. High inflation and living costs were also worrying, with 85% of retirees citing this as very or somewhat concerning. "Knowing enough about money and finance" was of least concern to both working-age and retired Australians.

For retirees in particular, 42% of respondents said their financial position is worse than it was 12 months ago. Of this cohort who cited a worsening in their financial position, 46% are slightly or not at all confident about funding their retirement lifestyle. Confidence was higher in retirees who said their financial position is about the same as it was 12 months ago, with only 11% saying they are slightly or not at all confident. This suggests when a retiree's short-term financial position changes in retirement, confidence can be significantly impacted.

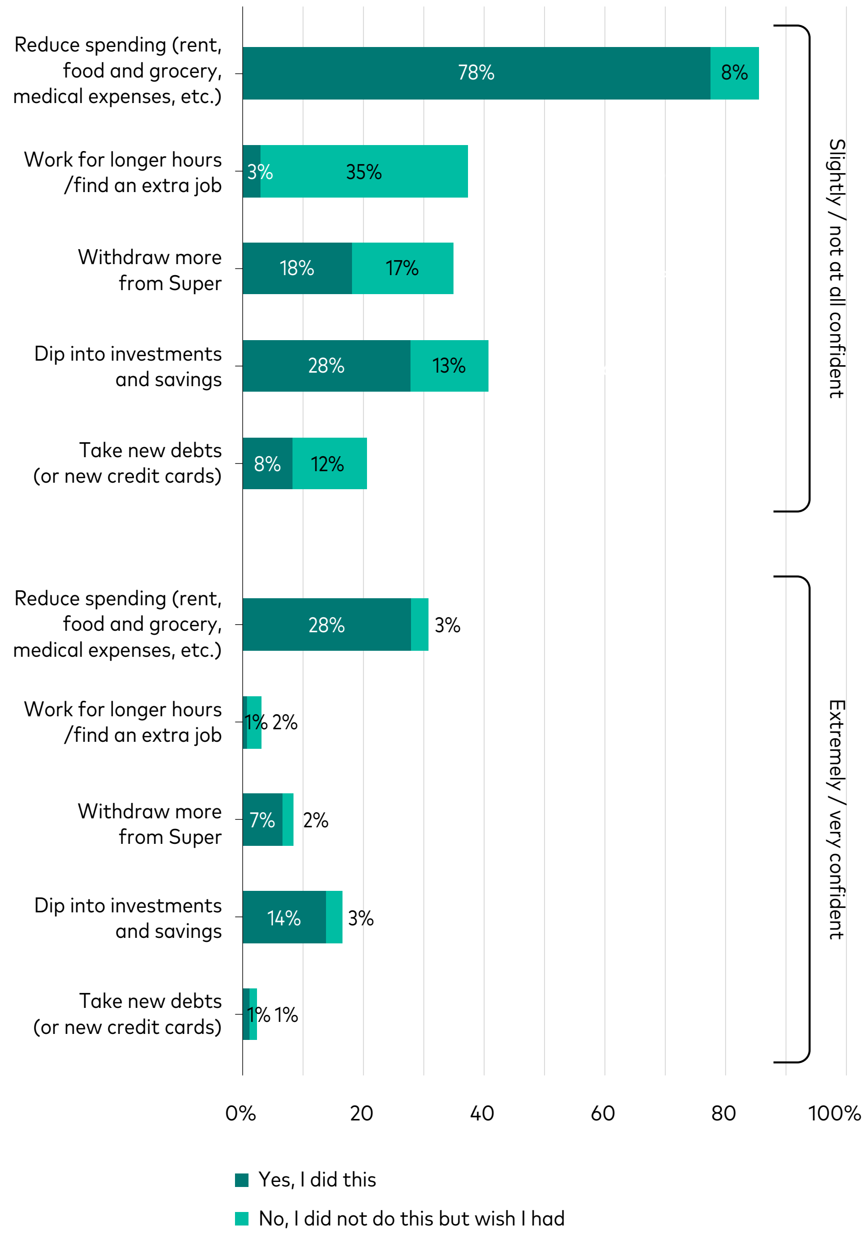
FIGURE 19:
Relationship between levels of retirement confidence amongst retirees and changes in their household financial position over the last 12 months





In response to rising living costs, almost all retirees who had low retirement confidence reduced or wish they had reduced their spending (on expenses such as rent, food and grocery, and medical costs). These retirees with relatively low retirement confidence were also more likely to dip into investments and savings to cover rising costs (41% versus 17% of highly confident retirees), and withdraw more from their super (35% vs 9% of highly confident retirees).

FIGURE 20:
Actions retired Australians have taken or wish they took in response to rising living costs over the last 12 months, slightly/not at all retirement confident cohort vs extremely/very retirement confident cohort

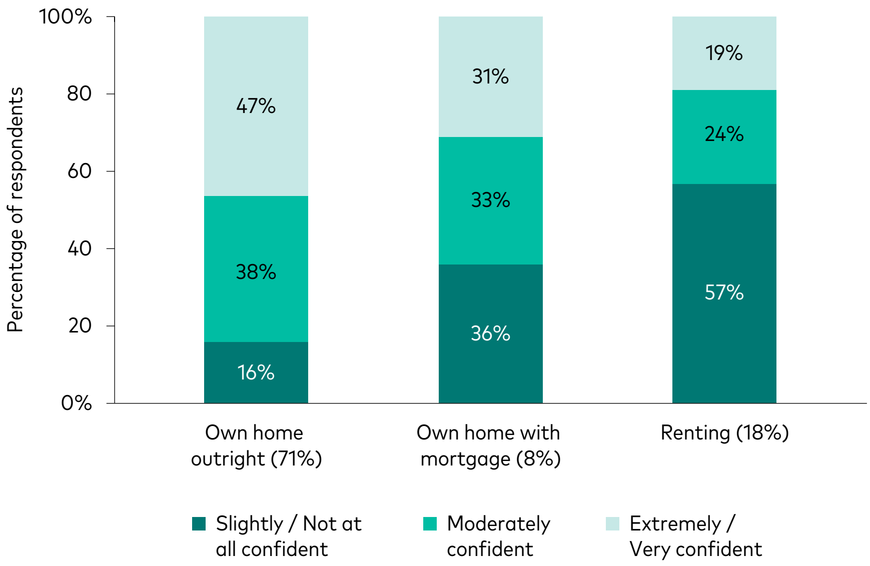


Owning a home outright is a significant predictor of higher retirement confidence.

Housing, and whether or not it is owned outright, was found to have a material impact on a retiree's retirement confidence level. Of the 18% of retired Australians who are renting their home, more than half (57%) said they were slightly or not at all confident in their ability to fund their retirement. This contrasts with the 71% of retired Australians who owned their home outright, of whom only 16% said they were slightly or not at all confident, suggesting renters are more than 3 times as likely to be of relatively low retirement confidence than those who own their home outright.

Only 8% of retired Australians owned a home but still had a mortgage to pay. Of these retirees, retirement confidence was lower than for those who owned a home outright, but higher than for those who rent.

FIGURE 21:
Relationship between retirement confidence amongst retired Australians and current housing arrangement



Note: The percentages of home ownership status sum up to less than 100% as the remainder of respondents selected "living rent free" or "other".

Role of housing in retirement

Australians have long harboured a strong affinity for property, with 72% of Australians believing that home ownership is a very important factor that contributes to retirement readiness. In 2019-20, the family home was the largest asset held by Australians households, making up 37% of net household wealth, ahead of superannuation at 22%[12].

Home ownership not only contributes to wellbeing in the form of shelter and security, but it is also a key factor in determining retirement outcomes as housing costs such as rent and mortgages impact retirement wealth. The rate of home ownership however is changing, with particular decline amongst Millennials aged 25 to 39 years old[13].

12 2023 Intergenerational Report published by the Federal Government Treasury, p169.
13 Australian Bureau of Statistics (20 October 2022), 'Owning a home has decreased over successive generations' [media release].

Australians have a strong emotional attachment to the family home; only 1 in 7 Australians see the home mainly as a source of retirement funding.

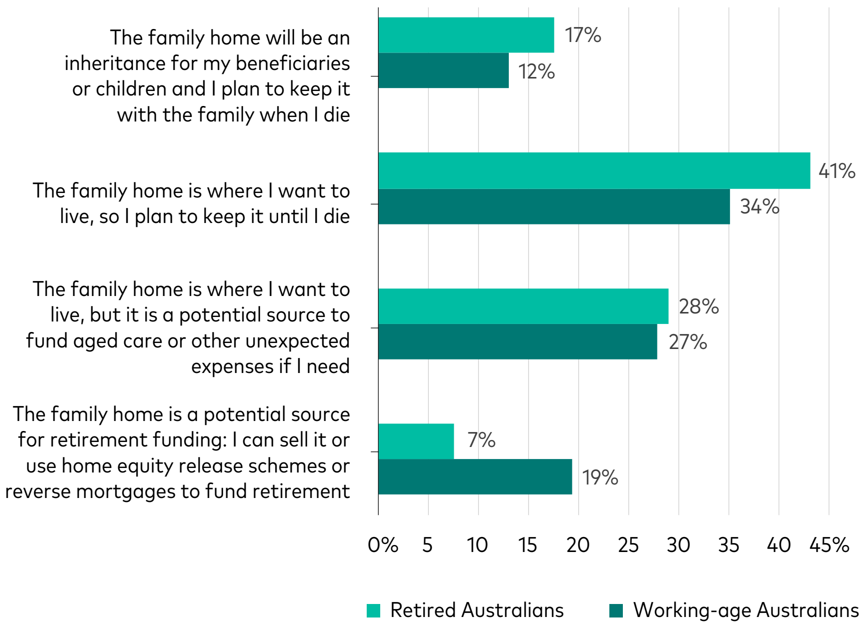
Most Australians believe the family home is where they will age. 34% of working-age Australians and 41% of retirees are most aligned with the statement that "the family home is where I want to live, so I plan to keep it until I die", showing significant emotional attachment to the family home, and highlighting the unique role of housing in retirement assets.

27% of working-age Australians view their family home as where they want to ultimately live, but also believe it can potentially fund aged care or unexpected expenses if needed. 28% of retired Australians believe the same.

19% of working-age Australians view their family home mainly as a source of funding, willing to sell it or use home equity release schemes or reverse mortgages to fund their retirement. In contrast, only 7% of retired Australians echoed this sentiment.

A lower percentage of working-age Australians (12%) than retired Australians (17%) considered their family home as an inheritance for their beneficiaries or children.

FIGURE 22:
How working-age and retired Australians perceive the role of the home in retirement



Note: The percentages sum up to less than 100% as the remainder of respondents selected "unsure" or "prefer not to say".

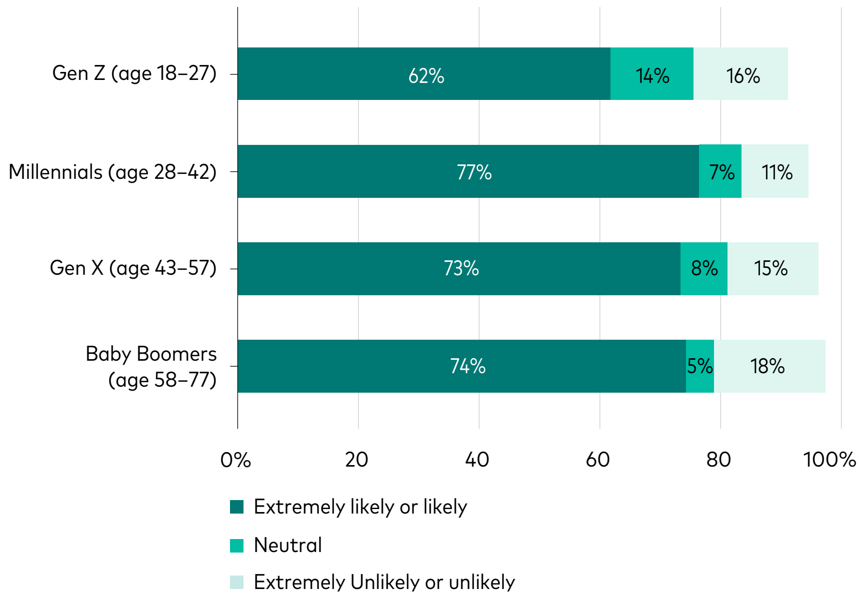
Most working-age Australians find home ownership likely but 30% still expect to pay a mortgage in retirement.

Positively, expectations amongst working-age Australians of home ownership in retirement are generally high amongst all generations. Compared to older generations, however, Gen Z are the least optimistic about their chances of home ownership in retirement (with 62% finding it extremely likely or likely that they will own a home, compared to 77% of Millennials, 74% of Baby Boomers and 73% of Gen X).

Gen Z is also the generation most likely to believe that they will be paying off a mortgage at retirement, with almost half (45%) of respondents in that generation who expect home ownership citing it is extremely likely or likely that they will still be paying off a loan.

When it comes to Millennials, 29% who either currently own a home or find it likely they will own a home in retirement also believe they will still be paying off their mortgage at retirement.

FIGURE 23:
Self-assessed likelihood to own a home when they retire by generation, working-age Australians

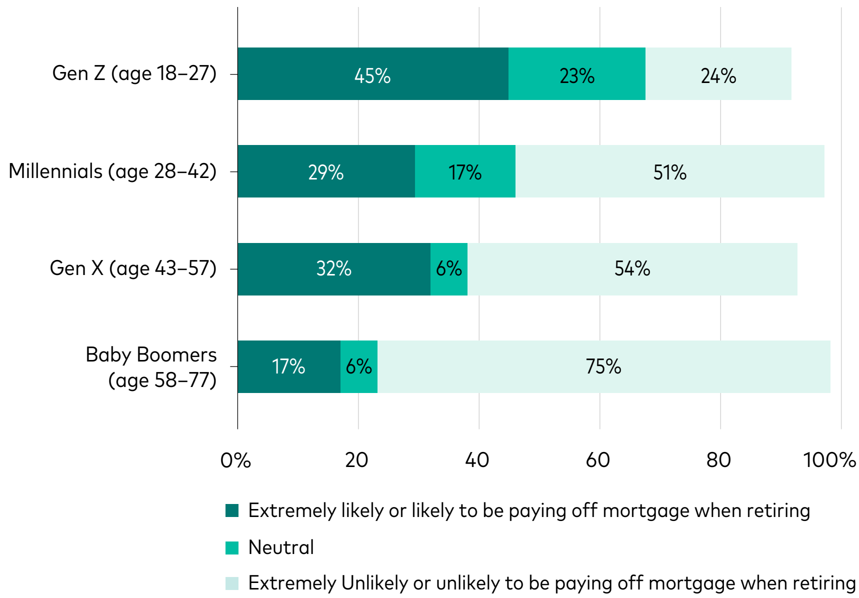


Note: The percentages of home ownership status sum up to less than 100% as the remainder of respondents selected "unsure" or "prefer not to say".

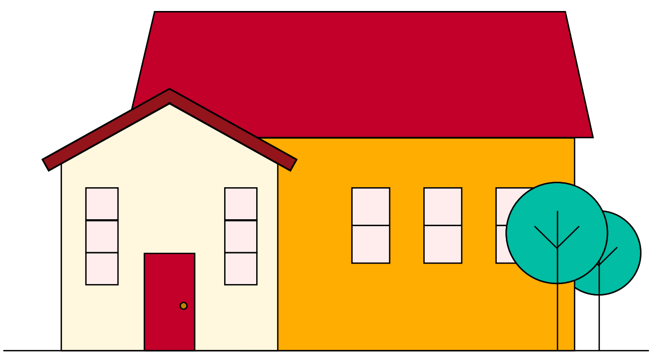
Perhaps of most concern is 32% of Gen X respondents who currently own a home with a mortgage or expect to own a home in retirement believe it is extremely likely or likely they will still have a mortgage in retirement, despite approaching the traditional age of retirement and therefore likely to have the least amount of time (when compared with other generations) to pay off debts before retiring. When asked about their plan to pay off their mortgage, 38% of these Gen X respondents intend to keep paying their mortgage through retirement and 18% would consider selling their home and using the proceeds to repay their mortgage. 25% of these Gen X respondents have plans to use their superannuation to pay off their mortgage in one transaction.

Working-age Australians who believe they are unlikely or extremely unlikely to own a home when they retire are also more likely to not have a clear plan for retirement (55% vs 33% who expect to own a home in retirement) and are also more likely to be of relatively low retirement confidence (55% vs 23%).

FIGURE 24:
Working-age Australians' self-assessed likelihood to be paying off a mortgage when retiring, by generation



Note: The percentages of home ownership status sum up to less than 100% as the remainder of respondents selected "unsure" or "prefer not to say". Data reflect responses from the working-age Australians who currently own a home with mortgage and those who think it is likely or extremely likely they will own a home when they retire.



Nearly 1 in 5 retired Australians are renting.

Given those who rent in retirement are more likely to exhibit lower retirement confidence than those who own their home outright, a lack of home ownership remains a key issue, considering its impact on retirement savings and financial security.

18% of retired Australians are renting in retirement, and 8% own their home but with a mortgage. The percentage of retirees renting or with a mortgage is significantly higher (31%) for those who are not in a relationship (separated, divorced, widowed or never married) than those with a partner (8%).

Wealth transfers

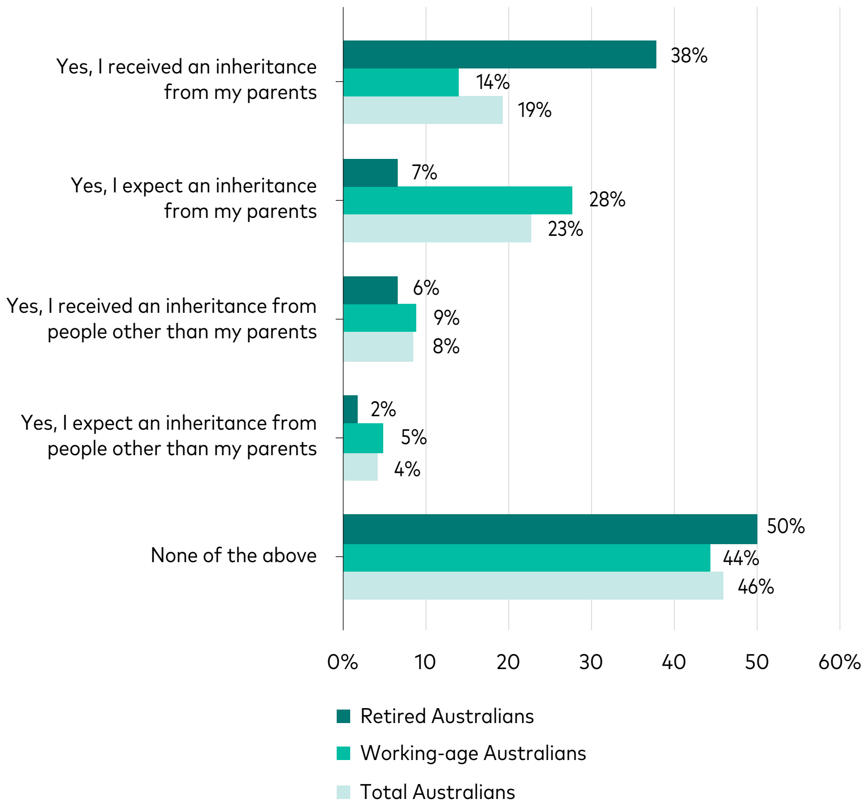
Australia is set to face the greatest wealth transfer period in its history, with approximately $4.9 trillion expected to be passed down from the current Baby Boomer custodians in the next 10 to 15 years[14].

This phenomenon will likely bring significant change to intergenerational household wealth and, by extension, may impact the retirement outcomes of both the younger generations set to inherit the wealth and the older generations set to bequeath it.

Half of all Australians have received or expect to receive an inheritance.

Nearly 1 in 2 Australians have received or expect to inherit money or property from someone after they have passed away, with 41% receiving or expecting an inheritance from their parents and 12% receiving or expecting from someone other than their parents.

FIGURE 25:
Inheritance expectations and experiences



Among working-age Australians, 48% have received or expect to receive an inheritance, with 28% expecting one from their parents in the future.

When breaking inheritance attitudes down by generation, it was found that Gen Z most expected an inheritance from their parents (34%) compared to other generations, followed by Millennials (29%) and Gen X (27%).

14 Source: CoreData modelling, as highlighted in Vanguard's *The Great Wealth Transfer 2024*, p3.

Spending vs inheritance; most Australians believe retirees should enjoy their hard-earned money before leaving an inheritance.

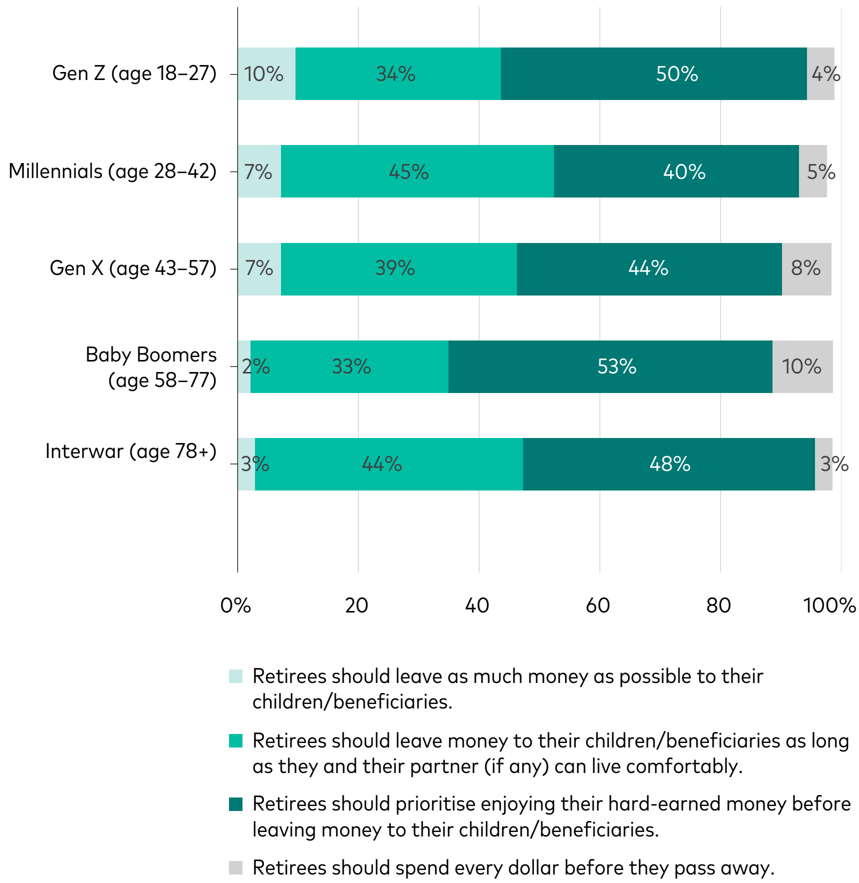
On the whole, almost half of all Australians believe retirees should prioritise their own spending before leaving money to their children or beneficiaries. 38% of Australians instead believe retirees should leave money to their children or beneficiaries as long as they can live comfortably. Only 6% believe that inheritance should be the primary goal for retirees and that they should leave behind as much money as possible. Conversely, 7% believe retirees should spend every dollar before they pass away.

Differences in attitudes towards spending in retirement versus leaving an inheritance exist, however, when results are broken down by generation.

10% of Baby Boomers in Australia believe retirees should spend all of their money in retirement, compared to the 3% to 8% of other age cohorts who believe the same.

At the other end of the spectrum, more Gen Z and Millennial Australians than older generations believed retirees should leave as much money as possible to their children and beneficiaries.

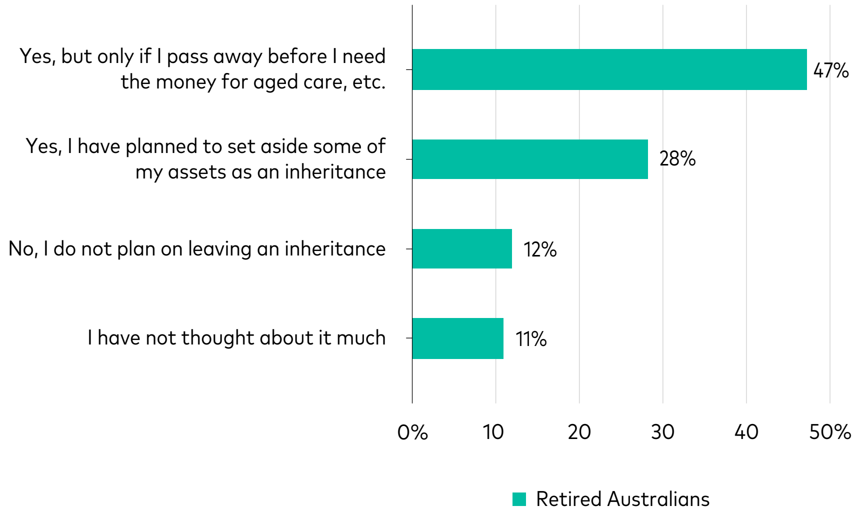
FIGURE 26:
Attitudes towards retirees spending in retirement vs leaving an inheritance, by generation



Most retirees willing to leave an inheritance if there's money "leftover".

When it comes to incorporating inheritances into retirement planning, 47% of retirees plan to do so but only if they pass away before they need the money for aged care and other expenses. 28% of retirees, on the other hand, have planned to set aside some of their assets as an inheritance, while 12% do not plan to leave an inheritance at all.

FIGURE 27:
The role of inheritance in retirement plans for retired Australians.



Question: Do you plan to leave an inheritance to your children/beneficiaries after you pass away?

Methodology

Vanguard's 2024 How Australia Retires report is based on a survey of a nationally representative sample of over 1,800 Australians aged 18 years and over in March 2024. The survey sample was evenly split between working-age and retired Australians and represented 48% male and 52% female respondents. The average respondent age is 44 for working-age and 71 for retired Australians. 38% of respondents have a bachelor's degree or higher educational status, and 59% are married or in a de facto relationship. 92% of working-age and 54% of retired survey respondents have a superannuation account. Throughout the report, sampling weights were applied to the analysis to match the gender, age, and geographic distributions of the sample against the general population as well as the working-age, and retired sub-populations.

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