

'Not aligned to reality': Tomorrow's retirees want \$99K per year in today's terms

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Working Australians aren't getting real when it comes to plausible retirement ages and income levels, according to data from Vanguard, with a new report suggesting expectations get closer to reality as retirement draws near.

The retirement income expectations of today's working age Australians is so high that it's setting a new standard, according to research research from Vanguard.

Working age Australians who have not retired said they want an average income of \$99,000 per year in today's dollar terms, according to the Vanguard's latest *How Australians retire* report. In contrast, those who have already retired only desire an average income of \$68,000 per annum in today's terms.

Vanguard gives several theoretical reasons for the sky-high expectations of working age Australians, including the possibility that they're just not being *real*.

"With more time to work towards their retirement goals, working age Australians may be setting themselves higher post-retirement income targets and setting a new retirement standard," Vanguard states in the report. "There may also be an element of working-age Australians' expectations of retirement not aligning to reality."

Part of the reason tomorrow's retirees may not be able to effectively predict their retirement needs is they don't understand how much less retirees generally spend, the report explains.

"Working-age Australians may not be able to effectively predict what their financial wants and needs will be during retirement, especially due to retirement not being in their near or immediate future," the report states. "Working-age Australians may not be able to envision their retirement lifestyle, therefore not being able to effectively foresee how their current incomes and expenses will translate to their retirement income and expenses, which may be leading to an overestimation of their retirement spending needs."

Topical issues also might be coming into play, Vanguard postulates, with record rental increases factoring into the minds of younger working Australians who don't own their own home.

The final reason behind the disparity could be differing expectations of retirement lifestyles and the activities they would like to indulge in, Vanguard says. "For example, when asked about the lifestyle they would like to lead in retirement, working age Australians prioritised travel (should financial considerations allow). Current retirees, however, prioritise spending time on hobbies."

Getting real about retirement

Younger people are also less realistic about ideal retirement ages, Vanguard suggests.

Participants in the survey between the age of 18 and 34 hope to retire, on average, by age 59.5, while those aged between 35 and 54 hope to retire by age 61.5.

Those at pre-retirement age – defined as 55 – and upwards, however, wanted to retire by 64.9 years old.

"This suggests that as working-age Australians edge closer to their retirement phase, their expectation of the 'ideal age' at which to retire increases," Vanguard states.

"This might be a result of Australians becoming more realistic about their retirement age as they near this phase of life, as opposed to younger Australians who might be more idealistic about earlier retirement or haven't yet given retirement planning appropriate thought"

Comfort in planning

The retirement study came up with several findings that support the value of financial advice, including that having a financial plan is an effective way to improve the odds of having a successful retirement and alleviate the "emotional burdens and anxieties" Australians feel about retirement.

This is especially the case for younger Australians, who (difficulties in gaining access to affordable advice notwithstanding) are redefining the traditional path to retirement by taking more career breaks, parental leave and travel 'gap year's, which hinders their ability to accumulate a sufficient retirement nest egg.

Despite this, financial advisers are not the leading source of professional guidance for working age Australians, according to the report. Superannuation

funds are where most people go for financial advice assistance, Vanguard says, while working Australians are “much more likely” to seek information from podcasts, blogs and social influencers.

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