

Media Release

2 September 2010

New research a wake up call for all politicians to consider super adequacy.

New research shows that increasing compulsory super contributions to 12% will provide huge benefit to working Australians

In the midst of the negotiations to form Government, Ian Silk, Chief Executive of AustralianSuper, is calling on politicians of all persuasions to urgently consider the adequacy of current superannuation arrangements.

Mr Silk, head of the 1.5 million member fund, urged all politicians, in particular the Independents, to think carefully about super policy and its impact on the average worker and their eventual quality of life in retirement. He has called for support to increase the super guarantee to 12% from 9% as a matter of utmost national importance.

Mr Silk's comments come after new research, commissioned by AustralianSuper and undertaken by Rice Warner Actuaries, shows that increasing the SG to 12% will have a huge effect on the financial futures of ordinary Australians.

The AustralianSuper Retirement Readiness Index (RRI) study is unique in that it looks at a person's current income, savings and super situation and projects it forward to their retirement. It then incorporates the Age Pension to give an accurate picture of how ready most workers are for retirement and what sort of lifestyle they might be able to afford when they get there.

The research examines the retirement readiness of a representative sample of working Australians before and after the implementation of an increase of the Super Guarantee Contribution from 9% to 12%.

Findings from the report show the average Australian's retirement readiness figure, if retiring at 65 years old, would be 60% - meaning that the retiree would have 60% of the income required to live a "comfortable" lifestyle for the length of their retirement. This equates to 13 years of "comfortable" income levels, with the rest of the person's retirement spent living off the Age Pension.

However, if the Super Guarantee increase is implemented the average Australian's retirement readiness index, if retiring at 65 years, would jump to nearly 66% giving them an extra 1.7 years of "comfortable" living.

The study also found that the 20 to 30 year age group has the highest RRI at 68% reflecting the length of time these workers will benefit from 9% super guarantee contributions. However, with a retirement age of 67 and an increase in SG to 12%, the RRI for this group would jump to 92%. This means that the average 20 to 30 year old worker will have 92% of the income required for a "comfortable" lifestyle when they eventually retire.

According to Ian Silk, the Super Guarantee increase from 9% to 12% should not only be supported, but enacted as a matter of priority.

"Ensuring an adequate financial future for ordinary Australians should be a priority for whoever forms the new government," said Mr Silk. "Increasing the SG to 12% would make

an important difference to working Australians' ability to support themselves in retirement, and also to the country's future economic health as a whole," said Mr Silk.

"This increase is vital and we call on the leaders of all parties and the Independents to commit to implementing the increased superannuation guarantee."

The report also finds that delaying the retirement age to 67 would further increase Australians' retirement readiness if combined with an increase in the SG to 12%. In that case, the average Australian would be 78% retirement ready meaning that their current superannuation savings are on track to provide 78% of the income required for them to live a 'comfortable' lifestyle in retirement.

"The Retirement Readiness Index report clearly shows that all politicians have a responsibility to focus on legislative change to ensure the financial futures of ordinary Australians," said Mr Silk.

AustralianSuper has also launched a simple Retirement Income Calculator that will allow people to look at their individual situation and see the effect of altering things like retirement age, voluntary contributions and their desired retirement income level.

"The index and calculator very simply answer the two big questions most people have when it comes to super; how much do I need and how much will I have," said Mr Silk.

Summary of results;

Retirement Age	Retirement Income Basis	Current SG arrangements		After proposed SG and tax changes	
		RRI	How long will the money last (yrs)?	RRI	How long will the money last (yrs)?
65	Comfortable	60.1%	13.0	65.7%	14.7
67	Comfortable	71.3%	14.9	78.3%	16.8

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ⁱ ASFA/ Westpac "Comfortable" retirement income for singles is currently \$39,159 per annum and \$53,565 for couples.

In May 2010 AustralianSuper surveyed over 2,700 people in a study representing the Australian working population ie currently employed (including self-employment) with regular self or employer superannuation contributions.

The data was analysed by Rice Warner Actuaries who produced a model that estimates what proportion of the level of income required for a 'comfortable' retirement, an individual is on track to have when they retire. As at March 2010 the ASFA/Westpac Retirement Standard for singles was \$39,159 per annum and \$53,565 for couples.

The RRI calculation gives people an indication of how ready they are to meet the amount of retirement savings they will need to bolster any age pension entitlement to have a level of income to have a 'comfortable' retirement lifestyle.

In calculating this amount, the model uses a process to determine the lump sum needed at retirement for a comfortable retirement each year until their life expectancy. It determined the age pension the member would be entitled to, based on the asset test and means test.

The asset test relates to the members account balance and the means test relates to their income (in this case via their super savings). The amount of pension that will be included in the calculation is the amount provided by the test that gives the smallest benefit to the member.