

## Generation stressed: Retirement concerns and how to alleviate them



# The 2020 Financial Wellness report shows Australian's retirement dreams are in danger of turning sour.

Here's how advisers can help their clients get back on track.



## About this research

Every two years AMP surveys the working population to see how they think and feel when it comes to money – to understand their financial wellness. This year's research was conducted in June 2022 and covered over 2000 Australians with an additional 296 retirees added to the sample to give us a deeper understanding of the retiree and pre-retiree experience.

We are publishing these results to provide a fresh insight into the needs and concerns of retirees today.

## Key insights

- Financial stress is now higher than ever and has almost **doubled** over the past two years. People are increasingly concerned about living costs and their ability to save as a result of volatile investment markets, rising inflation and higher interest rates.
- These pressures are reflected in worries about retirement. Many now feel they will have to retire with less or **work longer** before retiring.
- While Australians are much more negative about their retirement prospects, they are now thinking **more actively** about retirement. This increased engagement is an opportunity for advisers.

# Retirement – a new emotional landscape

## Not feeling well

Between 2016 and 2020 overall financial wellness improved, with the number of working Australians suffering severe financial stress halving to 3%.

Unfortunately, since 2020 the level of financial stress has increased significantly. People are unhappy about their financial situation – they're struggling to pay the monthly bills and feel guilty because they're not where they feel they should be financially. Just as importantly, they're worried about the effect of higher interest rates, inflation and more volatile markets.

This general increase in financial stress has bled into workers' feelings about retirement, feelings that have changed for the worse since 2020.

- Employees have pushed their expected retirement date back by **six months** (compared to 2020).
- They expect to retire with **\$100,000** less in retirement savings.
- The number who believe they'll enjoy a comfortable retirement has dropped by nearly **10%**.
- The percentage of working Australians who are worried they just won't have enough to retire on has increased from 44% to **63%**.

- In just two years, the number of people who think they'll have to work longer than they expected has risen by **11%**.

It's clear that the financial insecurity driven by Covid – and its after-effects such as inflation and rising interest rates – have darkened the mood of most Australians when it comes to their retirement. But some are feeling the pinch more than others.

## Who's hurting the most?

On all the key measures of retirement concerns: not having enough, working longer, not being able to maintain the desired retirement lifestyle – women are significantly more concerned than men. This reflects a number of factors – women are likely to live longer but hold smaller super balances. They're also more likely to be managing care for older relatives and so have seen first hand the negative consequences of under-saving for retirement.

This is an important ongoing issue for policymakers. It's also an important dynamic for advisers to be aware of when they're having retirement conversations with couples. The two people on the opposite side of the table may not see retirement in the same way.



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## The inflation impact

AMP research suggests that over a third of workers changed their retirement goals due to the pandemic and associated lockdowns and restrictions. Yet it's more recent economic trends – higher mortgage costs and rising inflation – that dominate people's thinking about retirement.

As discussed above, 45% of women expressed concern about how higher costs will affect their retirement lifestyle. Single parents also feel particularly vulnerable in the face of the recent inflation breakout.

On an industry basis it's workers in areas like hospitality, retail and the care sector that are most worried about retirement. These are fields where women are over-represented and part-time work is common.

Strikingly, nearly half of the surveyed cohort of pre-retirees – those aged 50–59 – are **extremely** concerned about the rising cost of living.

The recent inflation surge – and the strengthening sense that damaging inflation is becoming entrenched – is seen as a real threat by Australians who have less ability to add to their nest egg and who built their retirement plans around more benign economic conditions.

Financial advisers need to have these fears front of mind when they sit in front of their clients – but not all their clients. We know that some sectors of the population fared better during the pandemic.

Around 60% of mining and manufacturing workers actually lifted their retirement savings during Covid.

The bottom line is that advisers need to be even more focused on helping clients through these uncertainties, by offering a wider and more flexible range of solutions to their clients.



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# A more engaged population

## The silver lining

Since the start of compulsory superannuation, advisers, super funds and policymakers have been concerned about low levels of engagement with super. Lack of engagement doesn't just lead to lower super savings. It leads to sub-optimal decision-making in investment strategy, tax planning and insurance.

In a surprising twist, the dislocation caused by Covid has **increased** people's engagement with their money.

- Today 34% of workers are thinking about their financial/retirement plans. That's double the number from two years ago.
- The number of people who say they have no specific retirement goal has dropped dramatically – down from nearly 60% to just 42%.

This represents a once-in-a-generation opportunity for advisers. Their potential clients are more ready than ever to engage with income planning for retirement and thinking about their total financial situation. And they're ready to engage at a time when other factors are driving them towards advice.

- **A more volatile investment environment.** It's not just geopolitical and economic factors like Ukraine, a global energy transition, a pandemic hangover and China/USA rivalry that are complicating

super and investment decisions. The shift to an environment of higher inflation and higher rates could change how Australian pre-retirees – and the advisers who serve them – think about the risk and return assumptions baked into retirement expectations.

- **More ways to generate retirement income.** As a result of policy work like the Retirement Income Review, the Intergenerational Report and the Retirement Income Covenant, Australian retirees will soon have a wider range of retirement income products to consider – including more sophisticated market-linked annuities. Advice will play a vital role in helping retirees understand these new products.

## Always be closing the loop

As advisers know better than anyone, getting Australians to think about their retirement is one thing. Getting them to act is another. The intention/action gap for retirees is a yawning one – nearly 50% of the workers we surveyed said they are likely to seek professional financial advice. But less than 20% will actually do it. Let's look at what our research says about how advisers can shrink that gap.



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# Taking the pressure off

Financial advice can take the weight off the shoulders of Australian retirees. To make that happen more often – and to take advantage of higher engagement among the target market – advisers might consider the following factors.

## See where people get their advice from

Google, at 26%, is the number one destination cited by Australians when asked where they seek financial information. But while that's a high usage number, respondents placed a relatively low level of trust in Google. Super funds and friends and family were much more trusted sources of advice. This is one reason more advisers are using digital marketing techniques like SEO to get noticed and get their message across. Google may not drive key decision-making – but it's a crucial door-opener<sup>1</sup>.

## Be where they want to go

AMP's research asked workers What are the main reasons you seek financial advice? The highest response (38%) was help with a savings plan, followed by planning for retirement (36%). To achieve those goals respondents sought advice, respectively, from their family and friends and from their super fund. It's only when it got to their third-placed motivation – to help me manage my investments – that they turned to a financial adviser.

The opportunity here is for advisers to use digital, SEO and thought leadership content to reposition

themselves in the top two demand categories – savings and retirement planning.

## Make cost a trigger not a barrier

The research illustrates the importance of the Quality of Advice Review, which will hopefully lead to reform that helps lower the cost of providing advice. This is because for the employees AMP surveyed, cost – at 41% – was the single biggest barrier to using financial advice. However, what's interesting is that the top three triggers for seeking advice were also about concepts of cost. Advice was seen as a way to save time, money and tax. As advisers have long known, when it comes to their value proposition, advisers can benefit from highlighting the cost savings – as well as the returns – they deliver.

## Help protect people's dreams

One of the most telling insights to emerge from this Financial Wellness research was the extent to which Australians will fight to keep their retirement dreams alive. Most Australians are not prepared to compromise the lifestyle they've dreamed of in retirement – only one in three would trim their lifestyle expectations. To keep their dream alive many have reduced their current spending and more than 60% say they'd work for longer rather than accept a lifestyle downgrade on retirement. Advisers who position themselves as the experts who can help to protect those dreams will find this a rich territory.



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<sup>1</sup> Interestingly, the ATO website is sparsely used (16%). Yet those who have used it found it almost as valuable as advice from accountants.

# Generating an income that lasts the distance

This Financial Wellness research is **conclusive**. The stresses of the past two years means many Australians fear their non-work lives will be cramped and constrained by financial concerns.

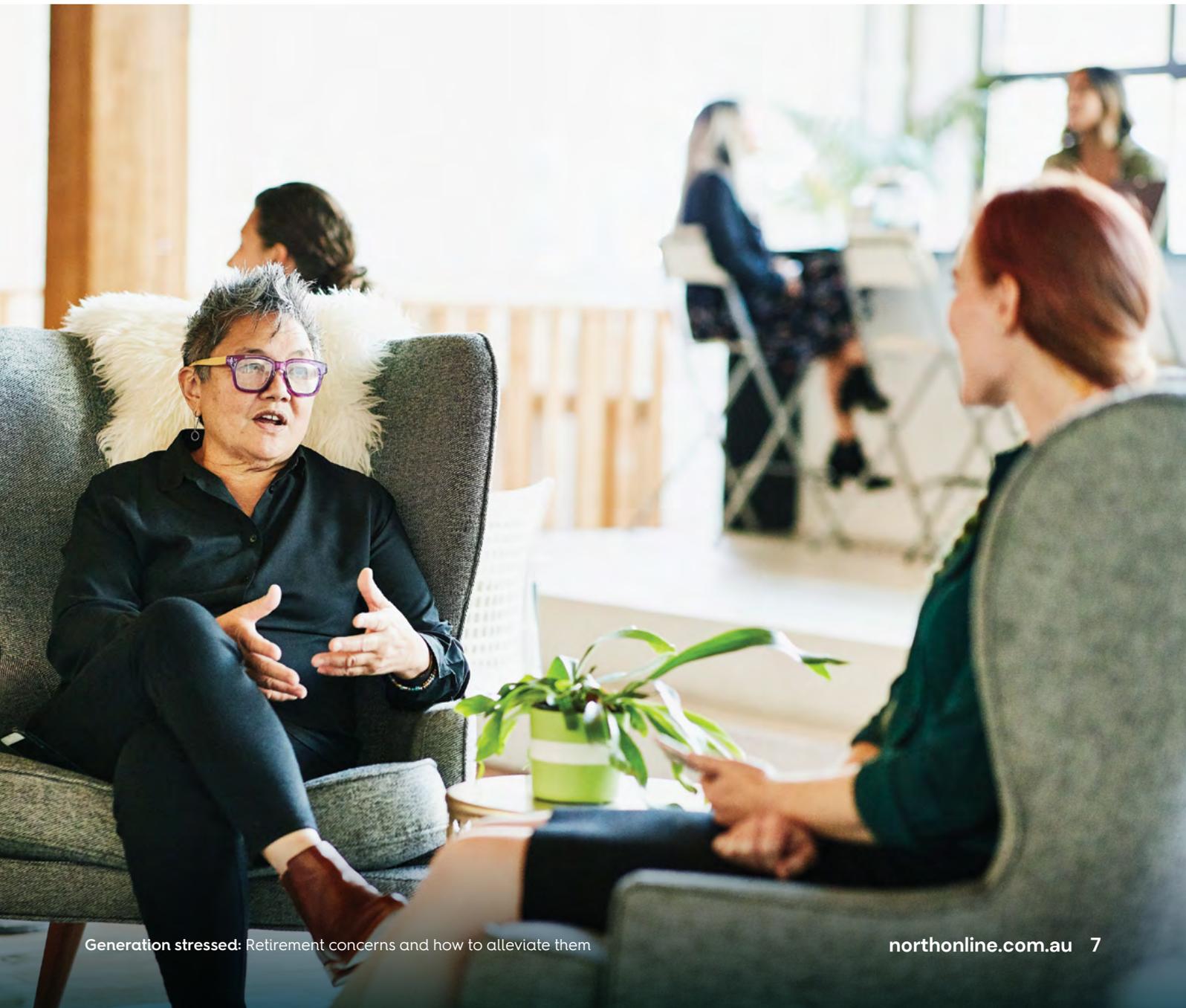
That fear does not have to be realised. With the help of good advice – and with new products better suited to today’s retirees – Australians can achieve the retirement lifestyle they treasure so much.

At North, we’re developing innovative retirement income solutions – like the new MyNorth Lifetime

Income account available exclusively on our platform – to provide that crucial mix of income and security.

**For help – or more insights – please reach out to your North Business Development Manager – or email us at [wmtechservices@amp.com.au](mailto:wmtechservices@amp.com.au)**

**[You can download a copy of AMP’s full 2022 Financial Wellness report here.](#)**



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