Attitudes towards and experiences of retirement and social security income during the COVID-recession and initial recovery

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Abstract

In January 2021, the Social Research Centre on behalf of the ANU Centre for Social Research and Methods undertook a survey of 3,459 Australians through the Life in Australia™ panel. The aim of this paper is to explore the attitudes towards, and experiences of, retirement income at the start of 2021 and provide comparisons with a 2015 survey. Our analysis suggests that the general public would prefer a higher age pension than is currently legislated. There is support for an even greater increase in the JobSeeker payment that is received by those of non-retirement age who are actively seeking work. There is less support for changes to the income test for the age pension and most Australians appear to be supportive of the currently legislated increase in the superannuation guarantee. We find that there are three groups within the population who have higher than average perceived longevity risk – females, those with low levels of education, and those who live outside of a capital city.

Executive summary

Payment rates

- The current JobSeeker payment, for a single person with no children is $ $620.80 per fortnight, a decline from $715.70 per fortnight that had been in place up until March 31st 2021. The current Age Pension, (including supplements), for a single person with no children is $944.30 per fortnight. Both are too low according to our respondents, with the average JobSeeker payment supported by the community being $711, and the average Age Pension being $1,115. Our findings also suggest that respondents think there should be less of a gap between JobSeeker and the Age Pension than the current gap.

Asset tests

- The level of the Age Pension is not the only policy setting that impacts people's retirement incomes. It would appear that the Australian population is split roughly evenly between those who think a person's primary residence should be included in the asset test, and those who don't, with the latter being the current policy setting.

Longevity risks

- The majority of Australians (55.7 per cent) who weren't currently retired think that they will not have enough money when they do. This was a very large increase from 2015, the last time these questions were asked.
- Longevity risk perceptions were lower, however, for those who were currently retired.
- In a regression model, females; those who had not completed Year 12; and those who lived outside of a capital city had a higher self-reported probability of running out of savings. Young Australians (aged 18 to 24) and older Australians (aged 55 years and over) had a lower self-reported probability of running out of money (compared to those aged 35 to 44 years), as did those who spoke a language other than English, those who had a bachelor degree or higher, and those who lived in the most advantaged suburbs.

Superannuation policy

- Most Australians accept that income in retirement need not be as high as income when working. The Australian public, without any prompting, gave a very similar response to the assumption in the literature, as well as the Retirement Income Review. When respondents were asked what the replacement rate should be, the median response was 70 per cent and the mean response was 70.8 per cent.
- There is strong support for the legislated change to the Superannuation Guarantee. Only 3.8 per cent of respondents said that 'The rate should be decreased to below 9.5% or abolished entirely'. A larger proportion of the population, but still a minority (20.4 per cent), said that 'The rate should stay as it currently is (9.5%).' The modal response, however, and a clear majority of Australians (55.0 per cent) said 'The rate should increase as legislated (to 12% by July 2025)' with a further minority (20.8 per cent) saying that 'The rate should be increased beyond 12%'.
- When asked 'If you were able to access your superannuation early, and could direct some of your superannuation to other uses', 52.4 per cent of respondents said they would leave all the savings in their superannuation. Of the remaining respondents who would draw down on their superannuation, 26.9 per cent said they would use some or all of their savings to purchase a home or reduce their current mortgage(s); 10.2 per cent said they would use some or all of their savings to meet current living expenses; and 10.5 per cent said they would use some or all of their savings to make other investments.

1 Introduction

Australia has a unique system for maintaining the income and general standard of living for those who have retired or who are still working but beyond the typical retirement age. The Australian retirement income system is a three-pillar system that comprises (1) a means-tested age pension provided by the government; (2) compulsory Superannuation Guarantee (SG) contributions by employers; and (3) voluntary savings, including home ownership.

Each pillar serves a distinctive purpose in the retirement income system. The Age Pension aims to mitigate poverty and minimize income inequality in retirement. The second pillar, compulsory SG, aims to smooth lifecycle consumption of retirees and minimise the cost to the government of supporting those of retirement age. Lastly, the third pillar, voluntary savings, supplements retirees with additional resources for retirement and allows individuals to make their own choices about their retirement. A summary of each pillar is given below.

The Australian government recently undertook a substantial review of the retirement income system. In November 2020 the final report from the *Retirement Income Review* (RIR)—see Treasury (2020) was released. The authors state that the report 'provides a fact base of the current retirement income system in the context of an ageing society. Its objective is to improve understanding of the system's operations and the outcomes it is delivering for Australians.' The authors concluded that 'the Australian retirement income system is effective, sound and broadly sustainable. But it can be improved.'

A significant amount of administrative and survey data was used to support the conclusions of the review. However, the report did not present much information on attitudes of the Australian public towards the retirement income system. This information can provide an additional set of evidence to the measures of sustainability, poverty, standard of living, and inequality presented in the review. Attitudes towards the system can reflect people's preferences as well as their understanding of the system and any misconceptions they may have. In this paper, we therefore, provide this complementary view of the Australian retirement income system.

2 Background and data

In this section, we briefly discuss the three main pillars of Australia's retirement income, provide some international comparison for context and present the data which we use in our analysis.

2.1 Age Pension

The age pension is a means-tested payment that was introduced in 1909 to provide a 'safety net' for retirees who do not have the financial means to support a minimum standard of living. Eligibility for the Age Pension is based on age, residency status and a means test. The age pension is the main source of retirement income for a majority of retired Australians. In 2019, approximately 65% of people over the eligibility age received the age pension.[1] It is more likely to be the main source of retirement income for individuals who were in low to middle-income groups over their working lives.[2] This suggests that the age pension not only provides a safety net for low-income earners, but it supplements the retirement income of individuals who were

[1] Treasury 2020, p.71
[2] Productivity Commission 2015, p.44

middle-income earners. As of the 1st of May 2020, the maximum Age Pension rate an individual will be eligible to receive is $944.30 per fortnight (or $711.80 for each member of a couple).

Age pensioners can also supplement their retirement income through other payments from the income support system. These include Commonwealth Rent Assistance, Disability support, Carer Payment and Pensioner Education Supplement. In addition to these payments, Age Pensioners are also eligible for Government concessions, such as subsidised aged care and health services, as well as various tax offsets (seniors and pensioners tax offsets). In conjunction with the concessions and tax offsets, the age pension plays a vital role in alleviating poverty and diminishing income inequality amongst retirees (Productivity Commission 2015). The Age Pension also provides a degree of protection against longevity and/or systematic market risks (Harmer 2009;Coates et al. 2020).

Currently, individuals need to be 66 years old to be eligible for the age pension. This will rise to 67 years for those born on or after 1 January 1957.

2.2 Compulsory Superannuation Guarantee

In 1992, the Compulsory Superannuation Guarantee (SG) was introduced, requiring all employers to contribute to their employees' superannuation. The SG requires Australian workers to save a portion of their wages over their working lives, in exchange for a better standard of living during their retirement. The current contribution rate is 9.5% of gross salary and is legislated to rise to 12% by July 2025[3]. Individuals can access their superannuation at the 'preservation age'. The preservation age is 55 for individuals born before 1 July 1960 and 60 for those born after 1 July 1964. Importantly, the preservation age for accessing superannuation and the eligibility age for the Age Pension are different.

2.3 Voluntary savings

Voluntary savings give individuals the opportunity to allocate more of their working life income to retirement consumption or to save for contingencies or bequests. Voluntary savings are particularly important for those individuals not covered by the SG.[4] Voluntary savings can be made into the superannuation system (with associated tax benefits), through the accumulation of wealth through owning one's primary residence, and through other forms of wealth accumulation (the stock market or other assets).

Different types of savings are treated very differently in the tax and social security systems. Superannuation and owner-occupied housing are particularly tax effective savings vehicles and receive the majority of Australians' voluntary savings—see Varela, Breunig and Sobeck (2020). In 2017-18, voluntary superannuation contributions accounted for 40% of total superannuation contributions[5]. Employees can make additional voluntary contributions from their pre-tax income via salary sacrifice or from post-tax income. Contributions from pre-tax income are taxed concessionally at 15%. In addition to this, the Government also provides other contributions and offsets to low- and middle-income earners. These include *low-income superannuation tax offset* and *Government co-contribution*—see Sobeck and Breunig (2020). In addition to savings through voluntary superannuation contributions, other voluntary savings

[3] Contribution rates are based on an employee's ordinary time earnings and do not include overtime payments or parental leave

[4] Self-employed; employees earning less than $450 per month; under 18 and work less than 30 hours per week; individuals who engage in private or domestic nature for less than 30 hours per week

[5] Treasury 2020, p.77

include business assets, real estate and other financial assets. The tax treatment of different savings vehicles in Australia varies widely with some savings vehicles essentially paying no tax (or even negative tax) and others paying very high marginal rates (see Varela et al. (2020)).

2.4 International comparisons

There are several ageing and retirement indices that provide an indication of the quality of life of older people and evaluate the strengths and weaknesses of retirement systems across countries. According to an analysis by Chomik and Rodgers (2018), Australia ranks in the top third of countries in most such indices. They consider a meta-index which shows Nordic countries taking the top three places, followed by Australia and the US.

Australia's retirement income system is relatively sustainable compared to other countries. The ageing of the Australian population is slower than in other OECD countries (in large part due to international migration). Public spending on pensions in Australia is the third lowest among the developed countries and is expected to continue to remain relatively low. These two factors result in lower public finance pressure than in many OECD countries. Australia's first pillar is more prominent than in other countries, with 78% of retirees covered by Age Pension compared to the OECD average coverage of 30%. However, almost 38% of all recipients in Australia receive only a partial age pension—their Age Pension benefit is reduced by the means test. The benefit itself is modest, with a maximum worth below 30% of average earnings – close to the average percentage across the OECD (OECD 2017). Australia's age pension scheme covers more people but with more modest payments than other OECD countries.

Australia has one of the lowest mandatory contribution rates for pensions in comparison to other OECD countries. In terms of private pension assets as a proportion of GDP, Australian superannuation assets have grown to be one of the largest in the world – approximately 150% of GDP in 2018. This reflects strong investment earnings (ASFA 2019) and therefore may be impacted by future market shocks. There are no credits for either unemployment or childcare absence within the Superannuation system, unlike most other OECD countries.

For a full-time career Australian with average earnings, net replacement rates are low (around 40%) when compared to other OECD countries. For low-income workers, replacement rates are higher (at around 90%) which places Australia in the top third of OECD countries. Relative incomes of those aged over 65 to the total population are low at 72% compared to the average of 87%. The old-age relative income poverty rate is high at 23% compared to 14% across the OECD in 2016, but these figures might be skewed since superannuation funds can be taken as lump-sum.

2.5 Data in this paper

In January 2021, the Social Research Centre on behalf of the ANU Centre for Social Research and Methods undertook a survey of 3,459 Australians through the Life in Australia™ panel. This survey collected a range of outcome and attitudinal data related to COVID-19 and the COVID-recession. In addition, a number of questions were asked regarding the retirement income system.

Data were collected from the 18th of January through to the 1st of February 2021. Across the full sample, 57.4 per cent of respondents were enumerated during the first three full days of data collection (between the 19th and 21st of January). Of the entire sample, 95.1 per cent were collected online and 4.9 per cent were collected over the telephone.

One of the benefits of collecting data through the Life in Australia™ panel is that individuals and their responses can be linked across time. For the January 2021 sample, 85.9 per cent had been interviewed in an ANUpoll from 2020. The relatively low backwards linkage rate is due to a sample refresh between November 2020 and January 2021, with forward linkage rates significantly higher. Specifically, 92.4 per cent of those who completed the November 2020 survey (3,029 respondents in total) also completed the January 2021 survey. Going back even further, 83.8 per cent of those who completed the January 2020 survey also completed the January 2021 survey, with a corresponding rate of 90.4 per cent for those who completed the August 2020 survey. More detail on the data collection for the survey is available in the Appendix to this paper.

With this data and policy context in mind, the aim of this paper is to explore the attitudes towards, and experiences of, retirement income at the start of 2021, with comparisons to a previous survey in 2015. Limited comparisons are made with social security income, with a subsequent wave of data collection (in April 2021) exploring aged care in more detail.

3 Attitudes towards the level and operation of the Age Pension

Although the Age Pension is one of the three pillars of the retirement income system, and one that has very broad bi-partisan support, there are still divergent views on aspects of the system. We asked participants about three aspects of the Age Pension, namely the level of payment (for single recipients), income tests, and asset tests.

3.1 Views on the level of the Age Pension and JobSeeker

Until 1997, payments received as part of the age pension were growing at reasonably similar rates to payments for those who were unemployed and actively seeking work. Since that time however, the age pension has been indexed to earnings (to reflect changes in the general standard of living of workers) whereas the unemployment benefit has been indexed to the Consumer Price Index (to reflect changes in prices only). Over time, this has led to a divergence in the levels of the two payments, to the extent that there have been a number of groups who have advocated for an increase in the latter.

In the January 2021 survey, respondents were asked the following two questions about the JobSeeker and Age Pension rates:

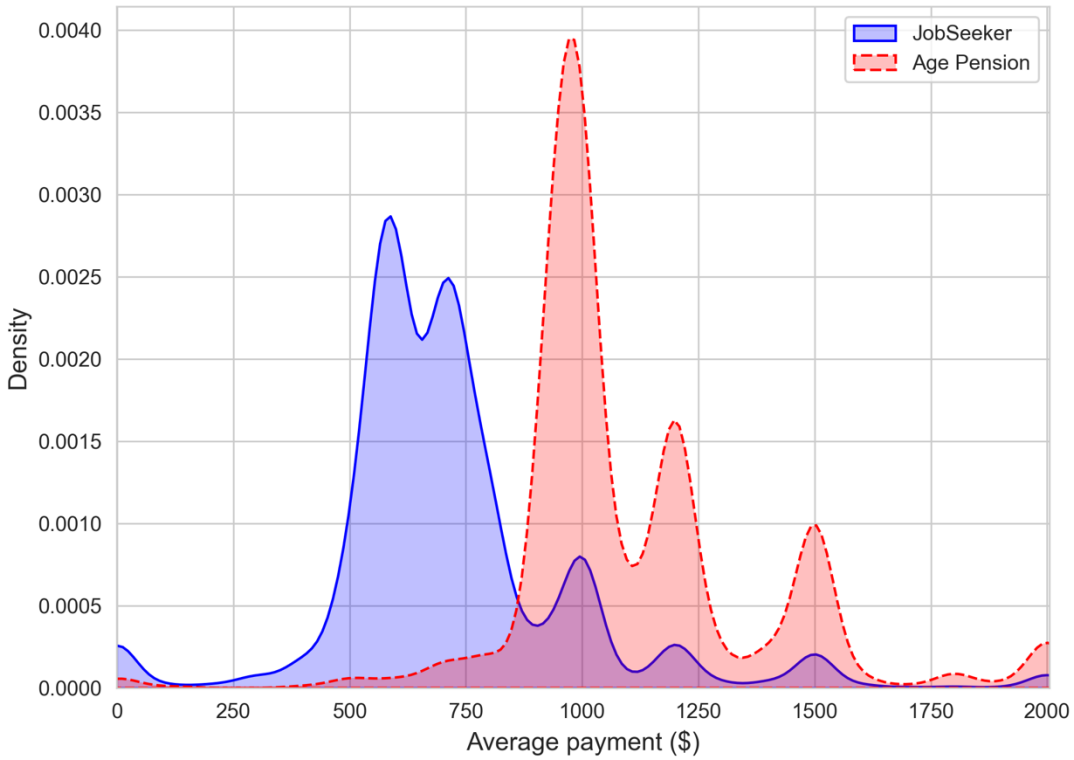
- The current JobSeeker payment, (including the Coronavirus supplement), for a single person with no children is $715.70 per fortnight. From the 1st of April 2021 it will return to $565.70 per fortnight. In your opinion, what do you think the JobSeeker payment should be per fortnight?[6]
- The current Age Pension, (including supplements), for a single person with no children is $944.30 per fortnight. In your opinion, what do you think the Age Pension rate for an individual should be per fortnight?

The order of the two questions was randomised, with half being asked about Age Pensions first and the other half asked about JobSeeker. Across the combined samples, the average[7] JobSeeker payment as supported by the community is $711 per fortnight, whereas the average Age Pension is $1,115 per fortnight (Figure 1).

[6] It should be noted that as of April 1st, 2021, the current JobSeeker rate is $620.80.

[7] The 20 responses of $2,000 or more to the age pension question are capped at $2,000, as were the 9 responses to the JobSeeker question of $2,000 or more

Figure 1 Distribution of responses to preferred JobSeeker and age pension rate



Source: ANUpoll, January 2021.
Note: Data is unweighted

The ordering of the survey questions did matter. When respondents were asked about the JobSeeker supplement before being asked about the Age Pension (that is, they were primed for the current JobSeeker rates but not the current Age Pension rates), they give a lower preferred value for JobSeeker ($677 per fortnight compared to $744 per fortnight). When respondents are asked about the Age Pension before being asked about the JobSeeker supplement (that is, they were primed for the current Age Pension rates but not the current JobSeeker rates), they give a higher preferred value for the Age Pension ($1,194 per fortnight compared to $1,034 per fortnight). Combined, and keeping in mind that, while possible, it is very rare for respondents to move backwards in the survey to change their answers to previously answered questions, these findings suggest that respondents think there should be less of a gap between JobSeeker and the Age Pension than the current gap, not to mention what the gap will be when the JobSeeker payment ends.

A minority of respondents (20.9 per cent) think that the Age Pension should be roughly equal to its current rate (between $940 and $950) with only 8.6 per cent of respondents thinking it should be lower. The vast majority of respondents (70.5 per cent) think the age pension should be higher than it currently is.

Around 13.8 per cent of respondents think JobSeeker should revert to roughly its pre-COVID levels ($560 to $570) with a further 14.0 per cent thinking it should be even lower than its pre-COVID levels. Only 9.1 per cent of respondents think that JobSeeker should stay at the level it was at during the survey ($710 to $720), with 29.9 per cent of respondents thinking JobSeeker should be somewhere between its pre-COVID levels and the level it was at the time of the survey. The remaining roughly one-third of the sample (33.2 per cent) think JobSeeker should be increased from its level at the time of the survey. On balance, it would appear that there is very little support for JobSeeker to return to its pre-COVID level, with a little under three-quarters of the population thinking it should be higher. Of course, respondents might give a different response if they were explicitly reminded that the additional payments would need to be paid out of taxation and if they were provided with information on the total cost of any policy change. Nonetheless, in the abstract, it would appear that the general public is supportive of higher rates.

There is a strong correlation between a person's preferred JobSeeker rate and their preferred Age Pension rate (correlation coefficient = 0.4366). This suggests that part of the variation in how people view the adequacy of the age pension is a general view on transfer payments.

A person's own experience with income support as well as their expected future requirements are both likely to influence their views on the appropriate payment rates. In Table 1, we present coefficient estimates from a model of the factors associated with the preferred JobSeeker/Age Pension rates (as the relevant dependent variables). In addition to controlling for the order in which the JobSeeker and Age Pension questions were asked, we also include a set of demographic, socioeconomic and geographic variables as independent variables.

Those who are currently employed have a lower preferred JobSeeker rate, but no difference in their preferred Age Pension rate. The first of these findings is not surprising as those who are not currently employed are more likely to have relied on JobSeeker or an equivalent payment in the past, currently rely on the payment, or expect to do so in the near future.

Demographically, there were no differences by sex in either of the rates. However, young Australians (aged 18 to 24 years) have a slightly higher, but non-significant, preferred JobSeeker rate (p-value = 0.153) and a lower, but non-significant, preferred Age Pension (p-value = 0.154) with the next oldest age group (aged 25 to 34 years) having a significantly lower preferred Age Pension. While it is perhaps not surprising that older Australians (those aged 65 years and over) have a lower preferred JobSeeker rate given they are unlikely to have to rely on JobKeeper now they are eligible for the Aged Pension, it is perhaps a little more surprising that older Australians (starting from those aged 55 years and over) have a lower preferred Age Pension rate. This may indicate that their personal experiences on receiving the Age Pension, or closer interactions with others on the Age Pension, resulting in them feeling that the payment is overly generous.

Those born overseas in a non-English speaking country had a lower preferred JobSeeker rate, whereas those born overseas in an English speaking country had a higher preferred Age Pension rate. Those with a Bachelor Degree or above have a higher preferred JobSeeker amount, but no difference in preferred Age Pension, whereas those with a Certificate III/IV have a higher preferred Age Pension. Finally, those who live outside of Capital Cities have a lower preferred JobSeeker rate, but no difference in preferred Age Pension. This may reflect the different costs of living outside of Capital Cities and the amount of goods and services that can be purchased with a given income.

Table 1 Demographic, socioeconomic, and geographic factors associated with preferred JobKeeper and Age Pension rate

	JobKeeper		Age Pension	
	Coeff.	Signif.	Coeff.	Signif.
Currently employed	-44.8	***	7.8	
Female	-1.2		7.8	
Aged 18 to 24 years	50.7		-49.9	
Aged 25 to 34 years	16.8		-40.4	*
Aged 45 to 54 years	-7.8		-16.8	
Aged 55 to 64 years	-13.5		-46.2	**
Aged 65 to 74 years	-56.2	**	-69.1	***
Aged 75 years plus	-74.8	***	-91.5	***
Indigenous	7.5		35.6	
Born overseas in a main English speaking country	5.4		34.3	*
Born overseas in a non-English speaking country	-56.3	**	23.6	
Speaks a language other than English at home	-14.7		-40.9	
Has not completed Year 12 or post-school qualification	-35.5		-15.8	
Has a post graduate degree	49.2	*	15.6	
Has an undergraduate degree	46.1	**	33.7	
Has a Certificate III/IV, Diploma or Associate Degree	-2.3		52.2	**
Lives in the most disadvantaged areas (1st quintile)	-30.6		-4.4	
Lives in next most disadvantaged areas (2nd quintile)	-34.3		1.6	
Lives in next most advantaged areas (4th quintile)	-32.3		8.7	
Lives in the most advantaged areas (5th quintile)	-23.8		23.8	
Lives in a non-capital city	-30.7	**	-16.7	
Asked about JobSeeker first in survey	-67.0	***	-158.6	***
Constant	815.7	***	1193.3	***
Adjusted R-Squared	0.042		0.1051	
Sample size	2,912		2,932	

Source: ANUpoll, January 2021.

Notes: Linear Regression Model. The base case individual is not employed; male; aged 35 to 44 years; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); lives in a capital city; and was asked about the age pension first. Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

3.2 Operation of the Age Pension

The level of the Age Pension is not the only policy setting that impacts people's retirement incomes, nor is it the only policy setting that can and occasionally does vary. Financial outlays, as well as equity within the system, is also impacted by eligibility requirements and how other assets are factored into the eligibility and full or part-payment.

In order to measure the views of Australians on income tests and the age pension, respondents were asked: 'Which of the following statements best describes your views about getting the Federal Government's Age Pension?'. Across the four options that related to income tests, 26.7 per cent of respondents thought that 'Everyone should receive the full amount of the age pension as a right'; 49.2 per cent of respondents thought that 'Everyone should receive at least some of the age pension even when they have other income'; 22.5 per cent of respondents thought that 'Only people with no other income should receive an age pension'; and 1.5 per cent of respondents thought that 'Nobody should receive an age pension – people should make their own financial arrangements for retirement.'

There has been some change in these percentages since the question was last asked as part of an ANUpoll (November 2015). Then, fewer Australians thought that everyone should receive the full amount (16.0 per cent) whereas more Australians thought that only people with no income should receive the Age Pension (30.0 per cent). The other two categories received broadly similar results (51.5 per cent and 2.9 per cent respectively).

To understand the factors associated with views on the income test, we use the same independent variables from the model presented in Table 1 (with the exception of whether or not the person was employed and the question-order dummy), and estimate the factors associated with supporting a different option than the part age pension (at least some of the age pension even when they have other income). The factors are estimated using a multinomial probit model, and exclude those who think nobody should receive the age pension (due to small sample sizes)[8].

In the first part of Table 2, we can see that support for the view that everyone should receive the full age pension compared to a part age pension was lower for older Australians and those with a degree (compared to those aged 35 to 44 years and those who did not have a degree respectively) and higher for those who were born overseas. Support for the view that only those with no other income should receive the age pension rather than a part age pension was lower for young Australians (aged 18 to 34) and older Australians (aged 55 years and over), and those with a Certificate III/IV.

In Table 2, we estimate the same base model, but also include the person's response to the question on the desired rate of the age pension as an additional explanatory variable. There are conflicting potential drivers of this relationship. On the one hand, it may be that people who support a higher age pension do so because they feel it should be fully or partially restricted to those without other forms of income. On the other hand, it may be that there is an underlying latent support for income to pensioners that positively impacts both views. While there are some in the data who support a high pension but restrictions on who receives it, on balance it would appear from the data that those who prefer a higher age pension are also more supportive of the view that everyone should receive the full age pension.

Another key aspect of the retirement income system is the interaction between the Age Pension pillar and the voluntary savings pillar. Specifically, while those with a range of assets receive a lower age pension if those assets are above a certain value, one key asset is excluded. Specifically, according to Services Australia[9] 'We include most real estate assets you own in your assets test. But not your principal home and up to the first 2 hectares of land it's on…We include real estate you: rent out; leave vacant for any amount of time (i.e. a holiday home); let someone else live in for free.'

To test support for this key aspect of retirement income in Australia, respondents were asked 'Do you think home ownership should affect whether a person receives the Federal Government's Age Pension and, if so, should this affect all home owners or only those above a certain threshold?' with the following response options and percentages. Across the (weighted) sample, 7.9 per cent said yes, all those who own their own home should receive a lower age pension; 42.0 per cent said yes, but only those with a home valued above a certain

[8] We had considered an Ordered rather than a Multinomial probit model. However, because there were some characteristics that predicted a higher/lower probability of being in both category 1 and category 3 relative to the base case of category 2, we focus on results from the multinomial model.

[9] https://www.servicesaustralia.gov.au/individuals/topics/asset-types/30621#a4

threshold should receive a lower age pension; whereas 50.1 per cent said no. It would appear that the Australian population is split roughly evenly between those who think a person's primary residence should be included in the asset test, and those who don't.

Using a multinomial probit model again (Table 3), there were very few demographic or socioeconomic characteristics that predicted whether or not someone thought all those who own their own home should receive a lower age pension, as opposed to only those with a home valued above a certain threshold. However, support for the view that home ownership should not affect the age pension was lower for young Australians (aged 18 to 24 years), but higher for those with a Certificate III/IV and those who lived outside of the middle quintile of suburbs based on socioeconomic characteristics. Finally, in Table 2, we can see that those who support a higher age pension are more likely to support the current policy approach of the value of a person's current home not impacting on their age pension.

Table 2 Demographic, socioeconomic, and geographic factors associated with whether or not respondent thought people with another source of income should receive the full-pension, or no pension (compared to a part-pension)

	Model 1				Model 2			
	All homes		No homes		All homes		No homes	
	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.
Preferred pension rate					0.000		0.001	***
Female	-0.023		0.129		0.000		0.107	
Aged 18 to 24 years	-0.268		-0.535	***	-0.229		-0.466	**
Aged 25 to 34 years	-0.042		-0.139		0.023		-0.078	
Aged 45 to 54 years	-0.031		0.193		0.111		0.257	*
Aged 55 to 64 years	-0.079		0.284	**	0.038		0.373	***
Aged 65 to 74 years	-0.341	*	0.171		-0.372	*	0.284	**
Aged 75 years plus	-0.127		0.142		0.058		0.240	
Indigenous	-0.330		0.072		-0.364		-0.060	
Born overseas in a main English speaking country	-0.255		-0.096		-0.186		-0.096	
Born overseas in a non-English speaking country	0.038		-0.168		0.020		-0.183	
Speaks a language other than English at home	-0.041		-0.219		0.040		-0.180	
Has not completed Year 12 or post-school qualification	0.173		0.067		0.282		0.049	
Has a post graduate degree	-0.122		-0.065		-0.015		-0.007	
Has an undergraduate degree	-0.086		-0.110		0.003		-0.118	
Has a Certificate III/IV, Diploma or Associate Degree	0.021		0.270	**	0.116		0.263	**
Lives in the most disadvantaged areas (1st quintile)	0.147		0.287	**	0.069		0.297	**
Lives in next most disadvantaged areas (2nd quintile)	0.318	*	0.261	**	0.296		0.256	**
Lives in next most advantaged areas (4th quintile)	0.280		0.209	*	0.197		0.186	
Lives in the most advantaged areas (5th quintile)	0.174		0.232	*	0.078		0.169	
Lives in a non-capital city	-0.130		-0.027		-0.160		-0.058	
Constant	-1.193	***	-0.148		-1.139	***	-0.901	***
Sample size	3,264				2,927			

Source: ANUpoll, January 2021.

Notes: Multinomial Probit Model. The base category is that homes above a certain threshold should be used. The base case individual is not employed; male; aged 35 to 44 years; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); lives in a capital city; and was asked about the age pension first. Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

Table 3 Demographic, socioeconomic, and geographic factors associated with whether or not respondent thought home ownership should or should not affect the aged pension (compared to asset values above a certain threshold)

	Model 1				Model 2			
	Full-pension		Zero pension		Full-pension		Zero pension	
	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.
Preferred pension rate					0.001	***	0.000	
Female	-0.045		-0.107		-0.010		-0.130	
Aged 18 to 24 years	-0.043		-0.351		0.104		-0.166	
Aged 25 to 34 years	0.060		-0.305	**	0.072		-0.250	
Aged 45 to 54 years	-0.168		-0.163		-0.136		-0.132	
Aged 55 to 64 years	-0.508	***	-0.277	**	-0.531	***	-0.328	**
Aged 65 to 74 years	-0.660	***	-0.514	***	-0.610	***	-0.566	***
Aged 75 years plus	-0.847	***	-0.587	***	-0.784	***	-0.698	***
Indigenous	0.232		-0.403		0.377		-0.251	
Born overseas in a main English speaking country	0.448	***	-0.123		0.494	***	-0.044	
Born overseas in a non-English speaking country	0.521	***	-0.053		0.569	***	0.026	
Speaks a language other than English at home	0.059		0.156		0.075		0.138	
Has not completed Year 12 or post-school qualification	-0.099		0.072		-0.078		-0.016	
Has a post graduate degree	-0.410	***	-0.178		-0.461	***	-0.160	
Has an undergraduate degree	-0.300	**	-0.006		-0.372	***	-0.014	
Has a Certificate III/IV, Diploma or Associate Degree	-0.080		-0.274	**	-0.155		-0.286	*
Lives in the most disadvantaged areas (1st quintile)	0.223		0.030		0.161		-0.008	
Lives in next most disadvantaged areas (2nd quintile)	0.033		-0.170		-0.048		-0.198	
Lives in next most advantaged areas (4th quintile)	-0.143		-0.002		-0.243	*	-0.058	
Lives in the most advantaged areas (5th quintile)	-0.015		0.093		-0.055		0.079	
Lives in a non-capital city	-0.084		0.101		-0.041		0.171	
Constant	-0.313	*	-0.200		-1.144	***	0.022	
Sample size	3,211				2,877			

Source: ANUpoll, January 2021.

Notes: Multinomial Probit Model. The base category is that someone should receive a part-pension. The base case individual is not employed; male; aged 35 to 44 years; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); lives in a capital city; and was asked about the age pension first. Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

4 Savings for own retirement and longevity risk

A key aspect of the retirement income review was a discussion of what is known as 'longevity risk', or someone running out of savings (voluntary and compulsory) prior to death. There is a significant amount of literature from an actuarial perspective on the actual risk individuals are exposed to (Antolin 2007; Barrieu et al 2012), with the RIR concluding that, when the age pension is factored in, the risk to individuals is quite low and many people end up reaching the end of their life with more savings than when they retire, partly because of appreciation in assets. As noted in the RIR, however, perceptions don't necessarily align with actual risk. Furthermore, there is very little understanding of how the perceived risk varies across individuals and across countries, with the literature tending to focus on perceptions of mortality or perceptions of the adequacy of savings, rather than the combination of the two (McGarry 2020)

In the January 2021 ANUpoll, those who weren't currently retired were asked: 'When you retire, do you think you will have enough money to live comfortably?' This captures the second aspect of longevity risk, which is the adequacy of financial savings. Leaving aside those who did not know the answer to the question or who said they did not plan on retiring: 6.1 per cent of respondents said yes, definitely; 38.3 per cent said yes, probably; 36.4 per cent said no, probably not; and 19.3 per cent said no, definitely not.

In early 2021, as Australia was continuing to emerge from the COVID-recession, the majority of Australians who weren't currently retired thought that they will not have enough money (55.7 per cent) when they do. This was a very large increase from 2015, the last time these questions were asked in an ANUpoll, when only 39.6 per cent of Australians thought they would have enough money to live comfortably (13.4 per cent definitely not, 24.2 per cent probably not). There were similar numbers in 2015 who said they probably would have enough money to live comfortably in retirement (39.2 per cent) as in 2021, but a very large decline in the per cent of people who said they definitely would have enough money (21.3 per cent in 2015, 6.1 per cent in 2021).

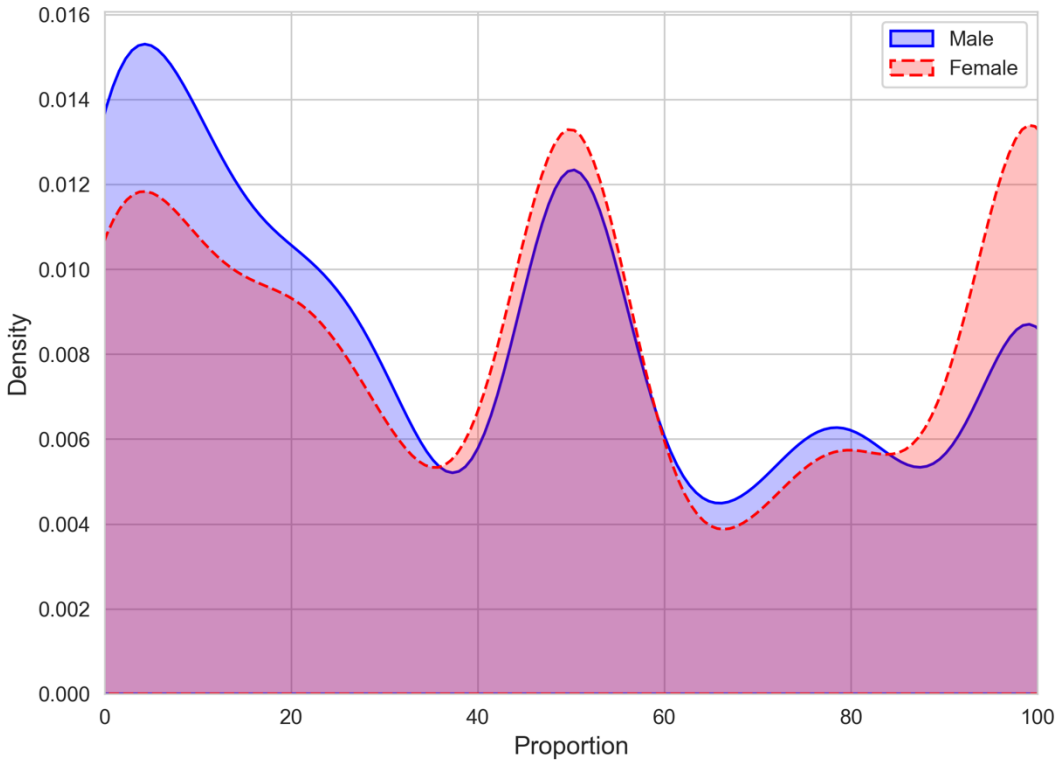
Longevity risk perceptions were lower for those who were currently retired, who were asked a slightly different question: 'Do you think you will have enough money to live comfortably for the rest of your retirement?' Leaving aside those who did not know: 16.8 per cent of respondents said yes, definitely; 55.3 per cent said yes, probably; 21.5 per cent said no, probably not; and 6.5 per cent said no, definitely not.[10]

The change in perceived longevity risk was much lower for those who were currently retired. In 2015, around three quarters of retirees thought they had enough money to live comfortably for the rest of their retirement (34.1 per cent said definitely and 40.8 per cent said probably). This declined only slightly to 72.1 per cent by 2021, though it should be noted that there was a bigger decline in the definitely group (to 16.8 per cent) and a large increase in the possibly group (to 55.3 per cent).

[10] We do not specify explicitly whether people should consider all three pillars of the retirement income system or just their own savings (i.e. excluding the age pension). Future surveys could ask for the extent to which Australians expect to rely on the age pension once their own savings have been exhausted. This survey and others have shown that Australians, particularly young Australians, are sceptical about the sustainability of the Age Pension despite the program being judged by experts to be financially sound and very sustainable. This view may come from media reports of unsustainable pension systems in Western Europe and the U.S. and Australians may automatically assume that the same holds true here.

To try and obtain a more precise estimate of perceived longevity risk, respondents (including those who were currently retired and those who were not) were told 'I would like you to think about your longevity risk, which is the risk of outliving your savings.' They were then asked 'What do you think is the per cent chance that you will run out of savings before you die?' The median response was 50 per cent, with a mean of 49.7 per cent. This was very similar to the 49.2 per cent of the combined retiree/non-retiree sample who said that they definitely or probably would not have enough money to live comfortably during their retirement. There is a tri-modal distribution (Figure 2) around the extremes and the median, with 10.9 per cent of respondents saying exactly 0 per cent, 19.7 per cent saying exactly 50 per cent, and 17.6 per cent saying exactly 100 per cent.

Figure 2 Distribution of longevity risk, by sex



Source: ANUpoll, January 2021.

Note: Data is unweighted

The benefit of the specific longevity risk question is that it is possible to make use of the much greater variability in responses (compared to the categorical questions). In a regression model using demographic, geographic and socioeconomic characteristics only (Model 1, Table 4), females; those who had not completed Year 12; and those who lived outside of a capital city had a higher self-reported probability of running out of savings. Young Australians (aged 18 to 24) and older Australians (aged 55 years and over) had a lower self-reported probability of running out of money (compared to those aged 35 to 44 years), as did those who spoke a language other than English, those who had a bachelor degree or higher, and those who lived in the most advantaged suburbs. Controlling for these characteristics, those who were retired

had a lower self-reported probability. In the final regression model, those who owned an investment property, a self-managed superannuation fund or shares in an ASX listed company had lower self-reported probability.

Table 4 Demographic, socioeconomic, and geographic factors associated with self-reported longevity risk

	Model 1		Model 2		Model 3	
	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.
Currently retired			-15.9	***	-14.9	***
Has an investment property					-10.5	***
Has a self-managed superannuation account					-4.7	**
Has shares in an ASX listed company					-11.4	***
Female	4.7	***	4.8	***	3.9	***
Aged 18 to 24 years	-12.3	***	-12.4	***	-14.4	***
Aged 25 to 34 years	-3.0		-3.3		-5.0	**
Aged 45 to 54 years	-0.4		0.2		1.4	
Aged 55 to 64 years	-8.4	***	-4.5	*	-3.0	
Aged 65 to 74 years	-22.9	***	-9.7	***	-8.0	**
Aged 75 years plus	-31.4	***	-16.5	***	-15.2	***
Indigenous	5.4		7.0		5.1	
Born overseas in a main English speaking country	0.3		-0.3		-1.6	
Born overseas in a non-English speaking country	-0.9		-1.0		-1.5	
Speaks a language other than English at home	-7.1	***	-7.1	***	-7.6	***
Has not completed Year 12 or post-school qualification	5.6	**	5.4	**	4.7	*
Has a post graduate degree	-9.3	***	-9.3	***	-7.0	***
Has an undergraduate degree	-11.6	***	-11.7	***	-9.6	***
Has a Certificate III/IV, Diploma or Associate Degree	0.1		0.1		0.4	
Lives in the most disadvantaged areas (1st quintile)	1.7		1.3		0.7	
Lives in next most disadvantaged areas (2nd quintile)	2.0		1.8		1.4	
Lives in next most advantaged areas (4th quintile)	-2.6		-3.1		-2.6	
Lives in the most advantaged areas (5th quintile)	-4.4	**	-5.0	**	-3.6	*
Lives in a non-capital city	4.1	**	4.2	**	3.6	**
Constant	57.8	***	58.4	***	63.7	***
Adjusted R-Squared	0.1157		0.1290		0.1687	
Sample size	3,183		3,176		3,157	

Source: ANUpoll, January 2021.

Notes: Linear Regression Model. The base case individual is not employed; male; aged 35 to 44 years; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); lives in a capital city; and was asked about the age pension first. Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

5 Superannuation replacement rate

Another key aspect of the retirement income system in Australia is the replacement rate. That is, the level of income that retirees receive post-retirement, expressed as a proportion or per cent of their pre-retirement income. It is assumed, including in the RIR, that this ratio need not be close to 100 as costs are less once retired. One reason for this is that the earning of an income in the workforce can entail significant expenses to the individual (transport costs, materials, additional housing costs of living close to the types of jobs that people take up to maximise their income). A second reason is more life course related, as retirees are less likely to have dependents and other consumption tastes may have changed. Finally, and perhaps

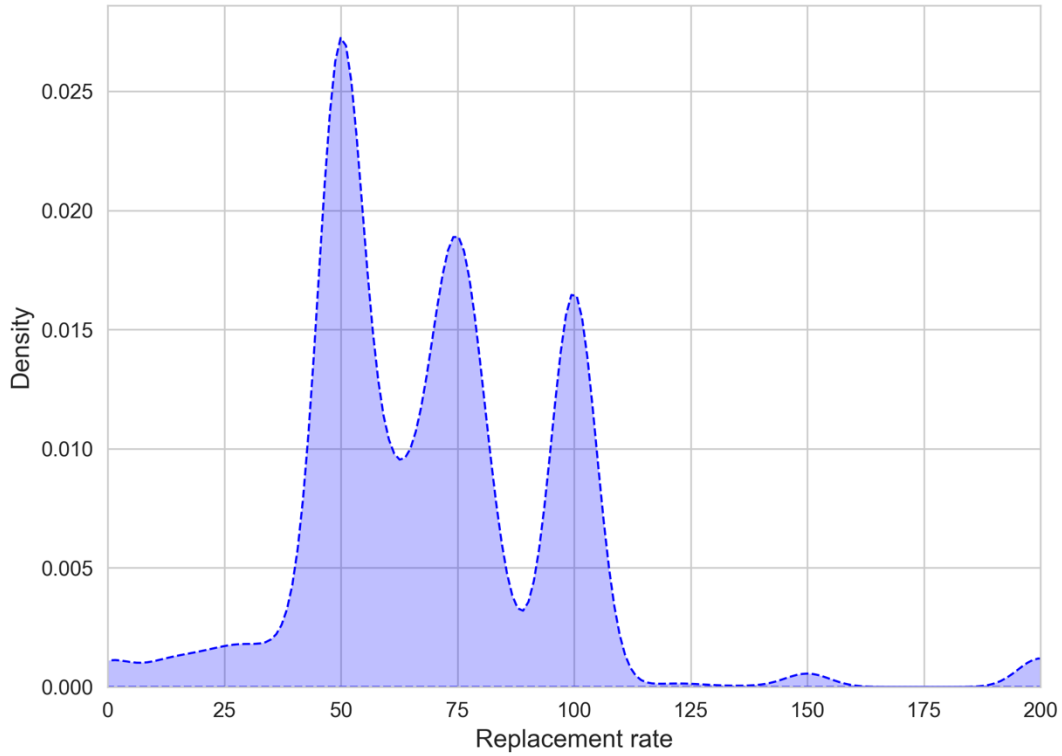
most importantly, those who are post-retirement age do not need to be saving for retirement and in many cases have already paid all or the majority of the purchase price of their home.

According to the RIR, 'The suggested benchmark replacement rate is 65-75 per cent'. This aligns with the existing literature, with Munnell and Soto (2005) suggesting, for example, that 'middle-class people need between 70 and 75 per cent of their pre-retirement earnings to maintain their lifestyle once they stop working.' There is, however, very little information in Australia as far as the authors have been able to identify on what the general public thinks an adequate replacement rate should be.

To identify the views of the general public in Australia, respondents to the January 2021 ANUpoll were therefore given the following information about the replacement rate: 'When an Australian worker retires, the term replacement rate is used to compare their retirement income to their working income… The replacement rate is expressed as a per cent: 0% = no income in retirement; 50% = half their income whilst working, 100% = the same income in retirement as when working, and 200% = twice their income whilst working.' They were then asked 'What is the replacement rate that you think the retirement income system should aim to achieve for the average Australian retiree?' with a minimum of 0 and a maximum of 200.

The Australian public, without any prompting, gave a very similar response to the assumption in the literature, as well as the RIR, with the median response being 70 per cent and the mean response 70.8 per cent. This could be a reflection of the financial literacy of Australians, many of whom use financial planners who advise them of their requirements in retirement, as well as reports like the RIR following (implicitly if not explicitly) community standards. While the mean and median are close to the assumed value, there is significant divergence across the population (Figure 3). There are three spikes in the distribution at 50 per cent (29.7 per cent of respondents); 100 per cent (21.7 per cent of the distribution) and 75 per cent (14.4 per cent of the distribution).

Figure 3 Distribution of assumed replacement rate



Source: ANUpoll, January 2021.

Note: Data is unweighted

In order to explore this distribution in desired replacement rate, we estimated a regression model controlling first for demographic, geographic, and socioeconomic characteristics (Table 5). In this model, females reported a higher preferred replacement rate, whereas older Australians (aged 65 years and over) and those who were born overseas in an English speaking country reported a lower replacement rate.

Controlling for the above characteristics (in Model 2), those with higher current household income reported a lower preferred replacement rate, suggesting in part that Australians focus on absolute income rather than relative income.

6 Superannuation policy

There are currently two important policy debates related to the Superannuation Guarantee (SG) pillar of the retirement income system – what the rate of compulsory savings should be and whether savings should be available pre-retirement for other forms of expenditure.

With regards to the first policy debate, respondents were told 'The current Superannuation Guarantee requires employers to pay the equivalent of 9.5% of wages and salaries, not including overtime. It is currently legislated for the rate to increase to 10% from July 2021 and then gradually to 12% by July 2025.' They were then asked 'Which of the following statements best describes your views about the Superannuation Guarantee?'

In answer to this question, only 3.8 per cent of respondents said that 'The rate should be decreased to below 9.5% or abolished entirely'. A larger proportion of the population, but still a minority (20.4 per cent) said that 'The rate should stay as it currently is (9.5%).' The modal response, however, and a clear majority of Australians (55.0 per cent) said 'The rate should increase as legislated (to 12% by July 2025)' with a further minority (20.8 per cent) saying that 'The rate should be increased beyond 12%'. This does not, of course, necessarily mean that the rate should be increased as legislated. Public opinion is only one aspect of the decision, and respondents might give a different answer if they were given more, or different information. However, the findings from the January 2021 ANUpoll suggest that there is broad support for the current legislated change.

With regards to the second policy debate, use of superannuation for other financial needs before retirement, respondents were asked about their own hypothetical behaviour, rather than their support for any policy change. Specifically, respondents were asked 'If you were able to access your superannuation early, and could direct some of your superannuation to other uses, which of the following would you be most likely to do?'.

Leaving aside those who do not have any superannuation savings or who already have access to superannuation, 52.4 per cent of respondents said they would leave all the savings in their superannuation. Of the remaining sample who would draw down on their superannuation, 26.9 per cent said they would use some or all of your savings to purchase a home or reduce their current mortgage(s); 10.2 per cent said they would use some or all of their savings to meet current living expenses; and 10.5 per cent said they would use some or all of their savings to make other investments.[11]

Using a binary probit model and controlling for demographic, geographic and socioeconomic characteristics only (Table 6), older Australians (aged 55 years and over) were less likely to say they would access their superannuation early, whereas Indigenous Australians and those born overseas in a non-English speaking country said they were more likely to.

Using a more complicated multinomial probit model, but still comparing against those who said they would leave all their savings in superannuation:

- Young Australians (aged 18 to 24 years) and older Australians (aged 55 years and over) said they would be less likely to use their superannuation for a home purchase, whereas those born overseas in a non-English speaking country said they would be more likely to;
- Indigenous Australians, those born overseas in a non-English speaking country, and those who lived in the most disadvantaged quintile of suburbs said they would be more likely to use their superannuation to meet current living expenses, whereas those with a Bachelor degree or those who lived in the most advantaged of suburbs said they would be less likely to; and
- Younger Australians, those born overseas in a non-English speaking country, those who speak a language other than English at home and those with a Certificate III/IV said they

[11] There is not a strong correlation between views on the superannuation guarantee and views on superannuation access. Using a simple multinomial probit model, answers to the question on the superannuation guarantee were not significantly associated with answers about the early use of super (leave savings in superannuation).

would be more likely to use their savings to make other investments, whereas older Australians (aged 55 years and over) said they would be less likely to.

While this is a hypothetical question, we also have information on actual behaviour during the COVID-19 period, when restrictions on access to early superannuation were relaxed. As part of a set of ten questions on financial related activities in the previous 12 months, 17.9 per cent of respondents said that they had drawn on savings for retirement and 13.3 per cent of respondents said that they had accessed superannuation early.

Using separate binary probit models and controlling for demographic, geographic and socioeconomic variables only (Model 1, Table 7), young Australians (aged 18 to 24) were less likely to say they drew on retirement savings, as were those with a Bachelor Degree. Older Australians, those who speak a language other than English and those in the two most disadvantaged suburbs were more likely to say they had drawn on retirement savings. Young Australians (aged 18 to 24 years) and older Australians (Aged 55 years and over) were less likely to say they had accessed their superannuation early, as were those with a Bachelor Degree or higher. Those who speak a language other than English were more likely to say they accessed their superannuation early.

Controlling for these variables and including other financial stress measures (Model 2), the probability of drawing down on savings was higher for those who: Postponed major purchases; Received government assistance; Fallen behind paying bills; Spent less on groceries and essential items; Re-negotiated mortgage or rental payments to pay less; and Cut back on non-essential services (e.g. children's extra-curricular activities; gym; haircuts). The probability of accessing superannuation early was higher for those who: Received government assistance; Fallen behind paying bills; Spent less on groceries and essential items; and Re-negotiated mortgage or rental payments to pay less.

There is a strong correlation between the hypothetical question on superannuation behaviour and people's actual behaviour during the COVID-19 pandemic. This is true when we extend the modelling presented in Table 6 (not presented), or when we look at the bivariate relationship. More specifically, of those who drew upon their superannuation during 2020, 87.8 said they would make use of early access to superannuation if they were able to, compared to only 41.0 per cent of those who did not access superannuation during 2020. Although the sample sizes are quite small, of those who did say they accessed superannuation in 2020, 42.3 per cent said they would use it for a home purchase, 32.9 per cent said they would use it for living expenses, and 12.6 per cent said they would use it for other investments.

Table 6 Demographic, socioeconomic, and geographic factors associated with hypothetical use of early access to superannuation

	Binary		Multinomial					
	Any use		Home purchase		Living expenses		Investment	
	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.
Female	-0.022		-0.045		0.010		-0.043	
Aged 18 to 24 years	-0.005		-0.392	*	-0.020		0.671	***
Aged 25 to 34 years	-0.065		-0.100		-0.243		0.120	
Aged 45 to 54 years	-0.086		-0.147		-0.172		0.049	
Aged 55 to 64 years	-0.338	***	-0.516	***	-0.152		-0.554	***
Aged 65 to 74 years	-0.546	***	-1.568	***	0.045		-0.342	
Aged 75 years plus	-0.925	***	-2.328	***	-0.314		-1.053	***
Indigenous	0.420	*	0.521		0.682	*	0.284	
Born overseas in a main English speaking country	-0.088		-0.098		-0.251		0.033	
Born overseas in a non-English speaking country	0.327	***	0.300	*	0.704	***	0.364	*
Speaks a language other than English at home	0.152		0.130		0.087		0.400	**
Has not completed Year 12 or post-school qualification	0.206		0.159		0.307		0.342	
Has a post graduate degree	-0.055		-0.138		-0.133		0.212	
Has an undergraduate degree	-0.091		-0.128		-0.546	***	0.274	
Has a Certificate III/IV, Diploma or Associate Degree	0.134		0.178		-0.009		0.361	*
Lives in the most disadvantaged areas (1st quintile)	0.142		0.243		0.338	*	-0.185	
Lives in next most disadvantaged areas (2nd quintile)	0.094		0.133		0.178		0.044	
Lives in next most advantaged areas (4th quintile)	-0.065		-0.029		-0.225		-0.035	
Lives in the most advantaged areas (5th quintile)	-0.111		-0.055		-0.332	*	-0.133	
Lives in a non-capital city	-0.125		-0.161		-0.074		-0.229	
Constant	-0.028		-0.374	*	-1.161	***	-1.529	***
Sample size	2,285				2,285			

Source: ANUpoll, January 2021.

Notes: Binary and Multinomial Probit Model. The base category is not access superannuation early. The base case individual is not employed; male; aged 35 to 44 years; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); lives in a capital city; and was asked about the age pension first. Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

Table 7 Demographic, socioeconomic, and geographic factors associated with use of savings and superannuation in last 12 months

	Model 1				Model 2			
	Retirement		Superannuation		Retirement		Superannuation	
	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.	Coeff.	Signif.
Postponed major purchases					0.200	**	0.085	
Borrowed money from friends or relatives					0.046		0.159	
Received government assistance					0.255	***	0.433	***
Fallen behind paying bills					0.322	***	0.224	*
Spent less on groceries and essential items					0.519	***	0.303	***
Re-negotiated mortgage or rental payments to pay less					0.276	**	0.275	**
Re-negotiated other bills					0.064		0.015	
Cut back on non-essential services					0.478	***	0.127	
Female	-0.030		-0.029		-0.122	*	-0.094	
Aged 18 to 24 years	-0.474	**	-0.730	***	-0.566	***	-0.797	***
Aged 25 to 34 years	-0.117		-0.077		-0.152		-0.096	
Aged 45 to 54 years	-0.045		-0.150		0.040		-0.102	
Aged 55 to 64 years	0.374	***	-0.219	**	0.787	***	-0.035	
Aged 65 to 74 years	0.563	***	-0.611	***	1.179	***	-0.409	***
Aged 75 years plus	0.240	*	-0.859	***	0.945	***	-0.598	***
Indigenous	0.110		-0.107		-0.111		-0.373	
Born overseas in a main English speaking country	-0.133		-0.171		-0.146		-0.216	*
Born overseas in a non-English speaking country	-0.086		0.050		-0.115		0.061	
Speaks a language other than English at home	0.233	**	0.291	**	0.255	**	0.304	***
Has not completed Year 12 or post-school qualification	-0.006		0.125		0.024		0.173	
Has a post graduate degree	-0.051		-0.477	***	0.071		-0.406	***
Has an undergraduate degree	-0.274	***	-0.301	***	-0.161		-0.175	
Has a Certificate III/IV, Diploma or Associate Degree	0.082		0.125		0.042		0.125	
Lives in the most disadvantaged areas (1st quintile)	0.302	***	0.147		0.267	**	0.066	
Lives in next most disadvantaged areas (2nd quintile)	0.213	**	0.076		0.203	*	0.054	
Lives in next most advantaged areas (4th quintile)	0.069		0.060		0.137		0.107	
Lives in the most advantaged areas (5th quintile)	0.045		-0.142		0.148		-0.066	
Lives in a non-capital city	-0.066		-0.091		-0.011		-0.078	
Constant	-1.132	***	-0.900	***	-2.201	***	-1.549	***
Sample size	3,297		3,297		3,292		3,292	

Source: ANUpoll, January 2021.

Notes: Binary Probit Model. The base case individual is not employed; male; aged 35 to 44 years; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; lives in neither an advantaged or disadvantaged suburb (third quintile); lives in a capital city; and was asked about the age pension first. Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

Because there were far more people who did not draw down on their superannuation during 2020, we estimate that the total number of people who would draw down superannuation under a future scenario and who didn't do so in 2020 is greater than the total number of those who actually did. Specifically, of those Australians who said they would draw down their savings under a future scenario, roughly three quarters (73.9 per cent) had not done so in 2020.

7 Concluding comments

There are currently around 4.2 million Australians aged 65 years and over, making up about 16.3 per cent of the total 25.7 million estimated Australians as of September 2020. The number and proportion of Australians of that age are projected to increase into the future, with that relative increase likely to be even greater if fertility and net migration rates do not soon return to their pre-COVID levels. Retirement income is therefore a key determinant of the socioeconomic status and wellbeing of a large and growing proportion of Australians. Because of this, the cost of providing a retirement income is likely to increase into the future, either for individuals of retirement age, their family members who provide additional support, or ultimately those who are contributing to the tax base at the time.

According to the Retirement Income Review (RIR), the future of the retirement income system in Australia is sustainable. However, this is predicated on a number of assumptions and policy settings. The aim of this paper has been to summarise data that tests how well some of those assumptions resonate with the general public, as well as attitudes to some of the policy changes that have been proposed for the system.

Our analysis suggests that the general public would prefer a higher age pension than is currently legislated. However, there is support for an even greater increase in the JobSeeker payment, which is received by those of non-retirement age who are actively seeking work. Furthermore, those who are made aware of the current level of the age pension prior to being asked about their preferred JobSeeker rate support an even greater increase in the JobSeeker rate (albeit one that is still below the age pension). To put this another way, the Australian public supports an increase in both of these payments, but appears to prefer less of a gap than currently exists. Future data collection could test whether this holds when some of the potential costs of these increases are made explicit.

There is less support for changes to the income test for the age pension, with most Australians supporting the broad policy settings in place at the moment, which is for those with additional income to receive a part, but not full-pension. Most Australians also appear to be supportive of the currently legislated increase in the superannuation guarantee, and the average replacement ratio that the public view as favourable is similar to that indicated in the literature and most policy settings (although that hides significant variation within the population). This support for increasing the superannuation guarantee may be driven by pessimism about the Age Pension. This pessimism is generally not shared by expert opinion.

Another aspect of the application of the age pension appears to have less overwhelming support though. Specifically, it would appear that the Australian population is split roughly evenly between those who think a person's primary residence should be included in the asset test, and those who don't, with the latter being the current policy setting.

The RIR makes a very strong case that perceptions of longevity risk (running out of savings before death) are exaggerated in the general community, and the bigger risk in the system is that savings are not being utilised optimally to maximise well-being in retirement. There is

some support for this view in our data. There is a large and increasing majority of Australians who think they will run out of savings prior to death, with only a small (and declining) per cent of Australians thinking that they definitely will not. It may be the case that these perceptions may be overly pessimistic, and furthermore that even those who do run out of savings will still be able to live comfortably on the age pension. People may respond to this risk in various ways, including through changing their savings and consumption patterns. The RIR shows that a large proportion of Australians maintain a high level of savings even into their last few years of life (though they may also be motivated by a desire to leave savings as an inheritance, which is relatively lightly taxed in Australia). The findings do reinforce the potential benefit of providing additional information on actual levels of longevity risk and better information on the use of retirement savings to fund retirement consumption.

Furthermore, there are important patterns in the variation in retirement risk that mean that a generally sanguine view for Australia as a whole should not necessarily be applied to all population groups. Females estimate a higher probability of running out of savings, which is supported by the existing literature (for example, Jefferson and Preston 2005). That is, the perceptions recorded in ANUpoll are reflective of the superannuation and savings gap from a lifetime of lower earnings and more marginal attachment to the labour market. There are other groups that also have a greater perceived longevity risk though, including those with low levels of education and those who live outside of a capital city.

A final key finding from the report is that only a little under half of the sample said that, if they were able to, they would draw from their superannuation savings prior to retirement. While only a small proportion of our sample (13.3 per cent) drew from their superannuation savings during the COVID-19 period, there appear to be many more that would consider doing so in a more general setting. Indeed, while there is a correlation between stated and revealed behaviour, around three-quarters of those who said that they would draw down upon their savings in a future scenario had not done so in 2020.

A stated consideration for drawing down on superannuation does not necessarily mean those individuals would support a policy change that would allow them to do so. They may see the current restrictions as a brake on their own behaviour that they value. Alternatively, many of those who say they would not make use of the ability to access early may support the right of others to do so. Nonetheless, it is important to note that there are many people who would consider accessing their superannuation early of they were able to do so.

Ultimately, the results presented in this paper highlight that retirement income in Australia is a policy domain with many nuances and differing policy views, concerns, and behaviours across the population. In addition to the detailed actuarial style analysis undertaken in the RIR, it is hoped that the data presented in this paper helps create a more complete picture of the retirement income system as Australia emerges from the COVID-recession.

Appendix 1 About the survey

Between the 18th of January and the 1st of February 2021, the Social Research Centre on behalf of the ANU Centre for Social Research and Methods undertook an ANUpoll as part of the sixth wave of the ANU's COVID-19 Impact Monitoring Survey Program. The primary source of data for this paper is the January ANUpoll.

The Social Research Centre collected data online and through Computer Assisted Telephone Interviewing (CATI) in order to ensure representation from the offline Australian population. Around 4.9 per cent of interviews were collected via CATI. The contact methodology adopted for the online Life in Australia™ members is an initial survey invitation via email and SMS (where available), followed by multiple email reminders and a reminder SMS. Telephone non-response of panel members who have not yet completed the survey commenced in the second week of fieldwork and consisted of reminder calls encouraging completion of the online survey.

The contact methodology for offline Life in Australia™ members was an initial SMS (where available), followed by an extended call-cycle over a two-week period. A reminder SMS was also sent in the second week of fieldwork.

A total of 4,055 respondents were invited to take part in the survey, leading to a wave-specific completion rate of 85.3 per cent. Taking into account recruitment to the panel, the cumulative response rate for this survey is around 7.3 per cent.

Unless otherwise stated, data in the paper is weighted to population benchmarks. For Life in Australia™, the approach for deriving weights generally consists of the following steps:

1. Compute a base weight for each respondent as the product of two weights:
    a. Their enrolment weight, accounting for the initial chances of selection and subsequent post-stratification to key demographic benchmarks
    b. Their response propensity weight, estimated from enrolment information available for both respondents and non-respondents to the present wave.
2. Adjust the base weights so that they satisfy the latest population benchmarks for several demographic characteristics.

The ethical aspects of this research have been approved by the ANU Human Research Ethics Committee (2014/241).

The previous waves of data collection consisted of a 15-20 minute survey, with the October 2020 survey slightly less than five minutes in length. A full-length survey was conducted in November 2020 with a further survey scheduled for April 2021.

A high proportion of respondents to the January survey (85.9 per cent) had been interviewed at least once since January 2020, with a number of new participants added to replace those who dropped out of Life in Australia™ over time and thus to maintain its representativeness or the Australian population. A slightly lower proportion of the sample (80.9 per cent) were interviewed in the November 2020 sample specifically, meaning we have a very large sample of Australians for whom we can track outcomes over the COVID-19 period, as well as over the two months preceding the survey.

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