

Financial Education for effective Pension Management: Challenges and Solutions

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Promoting Better Lifetime Planning through Financial Education
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Session 2



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AGENDA

- **Role of ASIC**
- **Australians are living longer**
- **Retirement and pension system**
- **The role of financial education**
- **Examples of financial education resources, tools and programs**



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ROLE OF ASIC

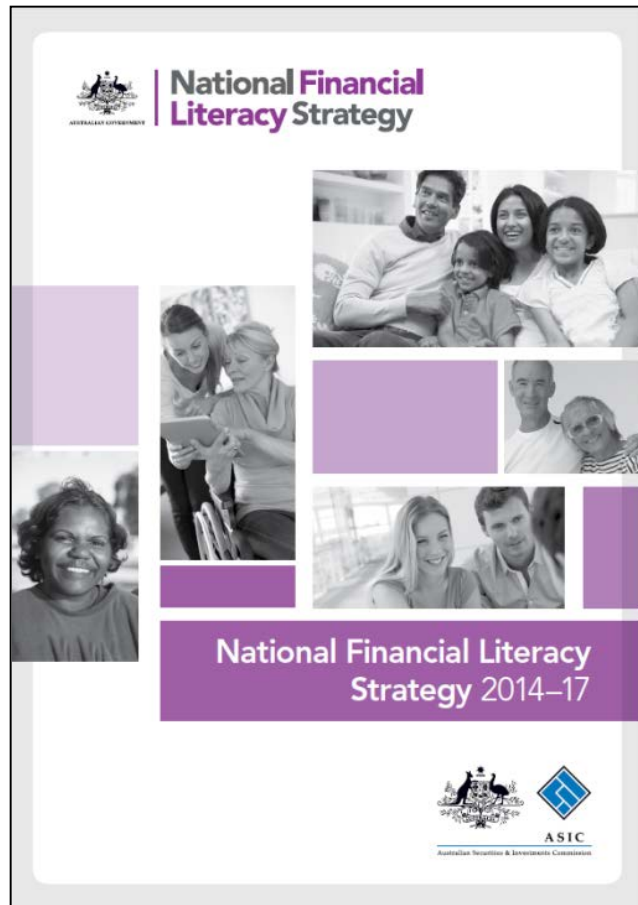
- Australian Securities and Investments Commission (ASIC) is Australia's financial conduct regulator.
- Government agency responsible for Financial Literacy.
- ASIC's MoneySmart financial literacy program.



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AUSTRALIA'S NATIONAL FINANCIAL LITERACY STRATEGY 2014-17



Individuals, families and communities

1. Educate the next generation, particularly through the formal education system
2. Increase the use of free, impartial information, tools and resources
3. Provide quality targeted guidance and support

Policy and program development

4. Strengthen co-ordination and effective partnerships
5. Improve research, measurement and evaluation



AUSTRALIANS ARE LIVING LONGER

- ◆ The Australian population is ageing and life expectancy is increasing.
- ◆ By 2040:
 - the proportion of the population over 65 years old is expected to be 25% (up from 13% in 2000)
 - estimated life expectancy for males will be 86.1 years (up 6 years from 2010) and females 89.2 years (up 5 years from 2010)
- ◆ Living longer means that retirement savings need to last longer



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RETIREMENT PLANNING AND THE PENSION: THE AUSTRALIAN CONTEXT

- ◆ The retirement income framework in Australia is based on 3 pillars:
 - Age Pension
 - Compulsory superannuation
 - Voluntary savings (superannuation + non-superannuation)



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RETIREMENT INCOME FRAMEWORK

- ◆ The **Age Pension** is a safety net through Australia's social security system which is means-tested based on income and assets.

- ◆ **Compulsory Superannuation**
 - Superannuation Guarantee currently 9.5% of salary
 - paid by employer
 - concessional tax
 - contributions capped

- ◆ **Voluntary savings** can be done:
 - within the superannuation environment by making voluntary superannuation contributions
 - outside the superannuation environment by investing in assets such as property or managed investments



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SUPERANNUATION FACTS & FIGURES

- ◆ As at 30 June 2013, A\$1.62 trillion in superannuation assets (APRA), held in the following types of superannuation fund:
 - Retail funds
 - Industry funds
 - Public Sector funds
 - Corporate funds
 - Self-managed superannuation funds (SMSF) – 509,362 funds at June 2013
- ◆ Superannuation contributions to June 2013 totalled A\$115.3 billion (APRA)
- ◆ Average superannuation balance at time of retirement in 2011/12, A\$197,000 for men and A\$105,000 for women (ASFA)
- ◆ Men held around 64% of total account balances in 2011/12, compared to 36% for women (ASFA)



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THE ROLE OF FINANCIAL EDUCATION IN PREPARING AUSTRALIANS FOR RETIREMENT

Financial education aims to provide Australians with the right financial knowledge, skills and behaviours to make informed financial decisions.

Having the skills to confidently navigate the financial system will allow Australians to adequately prepare for retirement. For example:

- Managing a budget with potentially reduced retirement income
- Reducing debts before retirement age
- Setting retirement goals
- Understanding what investment options are available and suitable
- Making the most of superannuation savings.



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Managing
your money

Borrowing
& credit

Insurance

Superannuation
& retirement

Investing

Scams

Life events
& you

Teaching

Tools
& resources



Make 2015 your best year yet

[Find out how](#)

Hot topics

Your net worth calculator

Weigh up your assets and debts

SMSFs and property

The rules and costs explained

Buying a home

How much can you afford?

Cheap ways to get fit

Keep fit this year

“ASIC's MoneySmart website offers you tips & tools to help you make the most of your money.”

Greg Medcraft, Chairman, ASIC

What's new

Do you have a specific money goal for 2015?

- No
- Hopefully soon
- Yes (please specify)

[Vote](#)
[View Results](#)

Save money on your appliances

Download the [Energy Rating app](#) to find out the running costs of your household appliances.

Consumer credit insurance

It may sound like a good idea, but make sure you understand what you are agreeing to with [consumer credit insurance](#).

A big weekend adventure

Help your kids learn budgeting as they [plan a weekend adventure](#).

Investing in property

Before you enter the [property market](#), check if this type of long-term investment suits you.



Calculators

- [Budget planner](#)
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- [Mortgage calculator](#)
- [Super calculator](#)
- [Retirement planner](#)
- [calculators & apps...](#)

Quick links

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Life events:



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ASIC'S MONEYSMART SUPER CONTENT

- ◆ 5 million unique visitors to ASIC's MoneySmart in 2014
- ◆ 1.5 million people visited the superannuation content on ASIC's MoneySmart website in 2014
 - Keeping track and lost super
 - Self Managed Super Funds (SMSF)
 - Retirement income planning
 - How super works
 - Is your super on target?



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ASIC'S MONEYSMART ONLINE TOOLS

◆ Top 2 tools:

- Budget planner
- Mortgage Calculator

◆ Top 5 Super tools:





- Retirement planner
- Super calculator
- Super and age pension calculator
- Super vs mortgage calculator
- Super contributions optimiser



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RETIREMENT PLANNER


Retirement planner How it works Select saved plan    

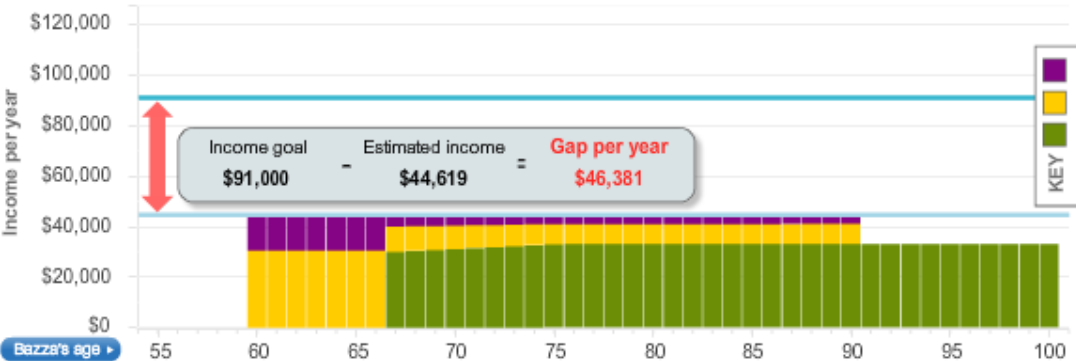
About you | Results | Improve your results | **Action checklist**

Change income goal
Contribute more
Pay less fees

Check investment options
Extra spending in year 1
Retire later



Important:
The projection is just an estimate, not a guarantee. You could get more or less.


For more details see:  [How it works](#)



Year	Income Goal	Estimated Income	Gap per year
55	\$91,000	\$0	\$91,000
60	\$91,000	\$44,619	\$46,381
65	\$91,000	\$44,619	\$46,381
70	\$91,000	\$44,619	\$46,381
75	\$91,000	\$44,619	\$46,381
80	\$91,000	\$44,619	\$46,381
85	\$91,000	\$44,619	\$46,381
90	\$91,000	\$44,619	\$46,381
95	\$91,000	\$44,619	\$46,381
100	\$91,000	\$44,619	\$46,381

Contribute more to super

You and Shazza currently spend \$0 of your take-home pay making extra contributions   More information

How much can you afford in total from your combined take-home pay?  per

We have calculated the smart mix of contributions to give your super the biggest boost.

The details are in your action checklist.

[Edit your mix of contributions](#) Back Next




SUPERANNUATION CALCULATOR

Superannuation calculator

This calculator helps you work out:

- How much super you'll have when you retire
- How fees affect your final payout

 Estimated time: 5 mins

[View all calculators](#)

Superannuation calculator

[How it works](#) Select saved calculator    

1. About you 2. About the fees **3. Results**

Estimated balance at age 60



Your fund balance: **\$263,437**

Fee impact

The fees you are paying in your current fund will cost you **\$28,444** at retirement.

What if:

What if my fund's fees appear too high?

Then consider whether another fund is available with lower fees. You can compare the impact of this other fund's fees by using this calculator.

Important:

The projection is just an estimate, not a guarantee. You could get more or less.

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SUPER DECISIONS



Key topics

- What is superannuation?
- Choosing a super fund
- Choosing the best investment option
- Putting extra money into super
- Changing funds
- Consolidating small super accounts
- Getting access to your super early

WHAT OTHER GOVERNMENT AGENCIES ARE DOING

◆ e.g. Centrelink's Financial Information Service

- Focus on helping people plan for retirement
- Free and independent financial information seminars
- Face to face or phone interviews



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WHAT INDUSTRY IS DOING

- ◆ Many super funds in Australia provide their members with the following financial education:
 - **Calculators** to project future retirement income (e.g. Australian Super's Retirement Income Calculator)
 - **Seminars and events** (e.g. Hesta and Members Equity Bank's Money Makeover seminars)
 - **Online content, fact sheets and videos** (e.g. AMP's web content on "Understanding Super" and videos on "Choosing your superannuation fund")



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THANK YOU

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