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SAVINGS SHORTFALL

HALF OF ALL RETIREES WON'T HAVE ENOUGH SUPER

ANTHONY KEANE, SOPHIE ELSWORTH

BARELY half of all Australians will be able to self-fund their retirement by 2070, new modelling shows.

Projections by actuaries Rice Warner show the latest generation of workers – just starting out in their chosen profession – has only a 50-50 chance of not having to rely on any age pension.

The alarming outlook is compounded by the more than $33bn that has been withdrawn from super funds in the COVID early-release scheme and expected negative fund returns.

Rice Warner forecasts only 53 per cent of retirees will be fully self-funded in 2070 – despite half a century of compulsory super savings.

That's more than the 31 per cent of self-funded retirees in Australia today but it means millions of young adults starting their working lives will still need age pension safety nets.

Rice Warner tips the proportion of people on full age pensions to drop from 49.1 per cent in 2020 to 27.4 per cent by 2070, and retirees on a part pension to remain near 20 per cent.

It comes as debate rages about whether the Federal Government should lift compulsory super from its current level of 9.5 per cent.

It also follows a News Corp investigation that found Australians are paying more in super fees every year than they collectively spend "on power bills" – a gouge that is lining the coffers of well-paid fund bosses.

Financial strategist Theo Marinis said super was meant to supplement age-pension payments and produced wealthier retirees who boosted the economy with their spending.

"It was never meant to get rid of Centrelink," he said. "It was meant to reduce your reliance on Centrelink.

"If you're on a low income, you will never build up enough to be totally self-reliant but you will be better off than just on the pension.

"Thirty or forty years ago, you were only on an age pension and relied on the government for everything," he said.

Younger and low-income workers have withdrawn the most super through the early-release scheme, with many wiping out entire balances that were built up from employers' compulsory superannuation guarantee payments.

"If you've taken money out, think of it as a loan from yourself, and repay it back when you can," Mr Marinis said. "It's not somebody else's money – it's yours."

Rice Warner executive director Michael Rice said there might be tax incentives to help workers reinject super they had withdrawn but not everybody would use them.

"There will always be a group of people who can't save enough for retirement, through periods of illness, unemployment or bad luck," he said.

"The super guarantee would need to be between 15 per cent and 20 per cent to give everyone a comfortable retirement with no age pension."

That looks impossible, as industry and the government arm wrestle over whether to lift compulsory super to 10 per cent next July and then up to 12 per cent by 2025.

Opposition treasury spokesman Jim Chalmers said the rate should increase to 12 per cent. “It’s clear that Scott Morrison is laying the groundwork to break his election promise to safeguard the retirement of Australians,” he said. “The Liberals have opposed every increase in the superannuation guarantee since its inception, and after months of denials and delays they are at it again.

“The last time the Liberals and Nationals froze the guarantee, wages growth didn’t pick up – instead we got record low wages growth.”

Assistant Minister for Superannuation Jane Hume said the Prime Minister and the Treasurer were “carefully considering the economic environment and the balance of all measures undertaken”.

“I am aware of broad commentary of everybody from the Reserve Bank, who said that continuing the super guarantee increase would be bad for employment, to Cassandra Goldie from ACOSS, who said that for people on lower incomes who struggle to meet the basics of life, the benefits of the rise in super guarantee are ‘not so clear’,” she said.

“People’s jobs and livelihoods are at risk (but) as the legislation doesn’t come into effect until next year, there is no haste to make any decisions – and we hope that by then we will be looking at a very different economic environment.”

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