

Rethinking Retirement



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Rethinking Retirement

Welcome to our latest Rethinking Retirement report. This is the second year Colonial First State (CFS) has been measuring the expectations and realities of Australians on this important topic.

Rather than simply presenting a set of findings, this year's report offers guidance on addressing common retirement challenges. We also have commentary from CFS experts who provide actionable insights on important areas such as retirement planning, asset allocation and financial advice.

It's particularly pleasing to see more Australians engaging with their super and seeking advice over the last 12 months. We are confident this trend will continue and look forward to being there to support CFS members on their journey towards financial freedom.

A handwritten signature in black ink, appearing to read 'Kelly Power'.

Kelly Power,
CEO of CFS Superannuation

Unpacking the report

Looking back at what we've learned

The purpose of this report is to encourage Australians to rethink their approach to retirement by engaging with their super, planning early and considering financial advice.

This is the second consecutive year that CFS has released its Rethinking Retirement Report, with some notable changes over the past 12 months.

Australians have been living in an inflationary environment for over two years, characterised by higher interest rates, increased living costs and weak economic growth.

The cost of living remains a chief concern for Australians. Those most impacted are Australians in their 30s (82%) and 40s (80%). As a result, Australians have adjusted their retirement expectations over the last 12 months.

These concerns have also driven more Australians to engage with and seek help from their super fund: 41% have actively reviewed the performance of their super, up from 36% a year ago. Meanwhile, 28% have sought advice from their super fund, up from 23% last year.

Concerningly, most Australians over 50 cannot see themselves living a comfortable retirement. We also know that despite their desire to retire debt free, close to one in four (22%) Australians are still using their pension payments to service debt while in retirement.

In last year's report we identified financial advice as one of the key differentiators in the lives of retirees. We found that those who receive advice are twice as likely to retire at a time of their choosing. Building on this finding, we now know how valuable advice is for establishing retirement goals and preparing Australians for their golden years.

The results are clear: 85% of non-retired Australians who receive advice say they are on track to reach their retirement goals. Less than half of those without advice can say the same.

Key findings

We surveyed 2,250 Australians, here's what they told us:

Most Australians over 50 can't see themselves **achieving a comfortable retirement**

Most Australians want to **maintain their current lifestyle** in retirement

Close to one in four retirees are using their pension to **pay down debt**

However, 85% of advised Australians say they are **on track to reach their retirement goals**

Younger Australians are the most **willing to seek professional financial advice**



What people expect at retirement

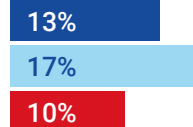
Affording basic needs is the number one retirement goal for Australians

Many also express a desire to retire debt free

Most Australians over 50 don't believe they will achieve a comfortable retirement

In last year's report we asked respondents to estimate how much money they believe they need to save for a comfortable retirement. The average amount suggested was \$1.6 million.

Below modest (Amount required: N/A)



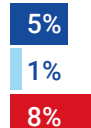
Modest (Amount required: \$397,000)



Comfortable (Amount required: \$823,000)



Luxurious (Amount required: \$2,900,000)



- Australians who believe they can achieve this
- Australians 50+ who believe they can achieve this
- CFS members who believe they can achieve this

This year we asked how much people believe they need to save for a modest, comfortable and luxurious retirement. CFS members are more likely than the average Australian to believe they can achieve a comfortable retirement.

Over half of Australians (54%) cannot see themselves achieving a comfortable retirement. Worryingly, this increases to 57% for those over 50. It is worth noting that, on average, Australians believe they need to save \$823,000 for a comfortable retirement, more than the ASFA standard for both couples (\$690,000) and singles (\$595,000).

These findings are confirmed in the comments provided by those over 50 when asked what they believe is possible in retirement.

“Being able to afford the basic needs such as utilities and food but also be able to go on a holiday,” said one respondent. “Not engaging in extravagant spending but be able to be comfortable.”

Another said they wanted to be “free of debt, with no concerns about maintaining our existing standard of living and affording a few luxuries every now and then.”

Less than half (41%) of Australians over 50 expect to live a comfortable retirement, with those that do seeing leisure activities and travel as key possibilities.

The data highlights significant differences between genders and age groups in terms of how much Australians believe they will need annually to fund a comfortable retirement. Males expect to need over \$20k more per year than females, and younger Australians expect to need almost double the amount per year for a comfortable retirement compared to older age groups.

How much money Australians think they will need per year for a comfortable retirement

Male

\$ 165,000

Female

\$ 144,000

Australians over 50 years

\$ 100,000

Australians aged 40-49 years

\$ 150,000

Australians under 40 years

\$ 180,000



Expert insight

Marissa Powe

Executive Director of Retirement and Growth, CFS

Retirement represents a big and complicated life change for many Australians. While just over half don't expect to achieve a comfortable retirement, it doesn't mean that they can't. It all comes down to the actions you take now. It's never too late.

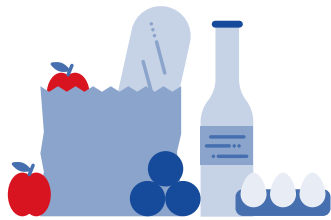
People can begin their retirement planning journey by considering what sort of lifestyle they want when they stop working. Many Australians want to maintain their existing lifestyle with enough money to cover their essential living costs. Others have plans to travel domestically or overseas.

Once you have your goals in mind, you can start taking the right steps to achieve them. Speaking to your super fund or financial advisor is a great place to start. CFS members benefit from comprehensive retirement information and guidance, assistance in determining eligibility for the age pension, and enjoy access to a range of retirement income products designed to help achieve their retirement goals.

To get started with planning your retirement, [visit the CFS Retirement Hub](#).

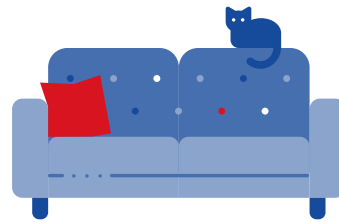
What retirement is possible for you?

Over 1700 respondents provided detailed responses when asked what they believe is possible in retirement. Three themes were consistently raised in their responses:



Ability to Afford Basic Needs

The ability to afford basic necessities such as food, housing, utilities, and healthcare were priorities. Respondents want to ensure they can meet their daily living expenses without struggling.



Comfortable Lifestyle

Many respondents mentioned the desire to maintain a comfortable lifestyle, which includes being able to afford occasional luxuries, travel, and leisure activities. This also involves having a good standard of living and not having to worry about money. A notable number of responses highlight the importance of being able to travel and enjoy leisure activities during retirement. This includes having enough money to go on holidays, dine out, and pursue hobbies without financial constraints.



Debt-Free Living

Being debt-free is a significant concern for many respondents. They want to ensure they can live without the burden of debt, which contributes to their overall financial security and peace of mind.

Retirement realities

Fewer retirees say they are currently able to enjoy a comfortable retirement compared to last year

Three quarters of retirees are using pension payments to cover essential living expenses

Close to one in four retirees are still paying down debt

Almost 8 in 10 retirees plan to remain in their current home

This year 64% of retirees said they are currently able to enjoy a comfortable retirement, down from 71% a year ago. Regardless of whether they own a home or not, living essentials such as groceries and utilities are the most common expense pensioners use their pension payments on (76%)

We also found that close to one in four (22%) retirees are paying off outstanding debt. This jumps to 30% for those who do not own a home. It is worth noting that only 15% of Australians over 50 plan to use their super to pay down debt compared to 24% of those under 50.

When it comes to their plans for the family home, 66% of retirees wish to remain in their current residence. Only 13% plan to downsize to a smaller home and 18% haven't thought about it yet.





Expert insight

Craig Day
Head of Technical Services at CFS

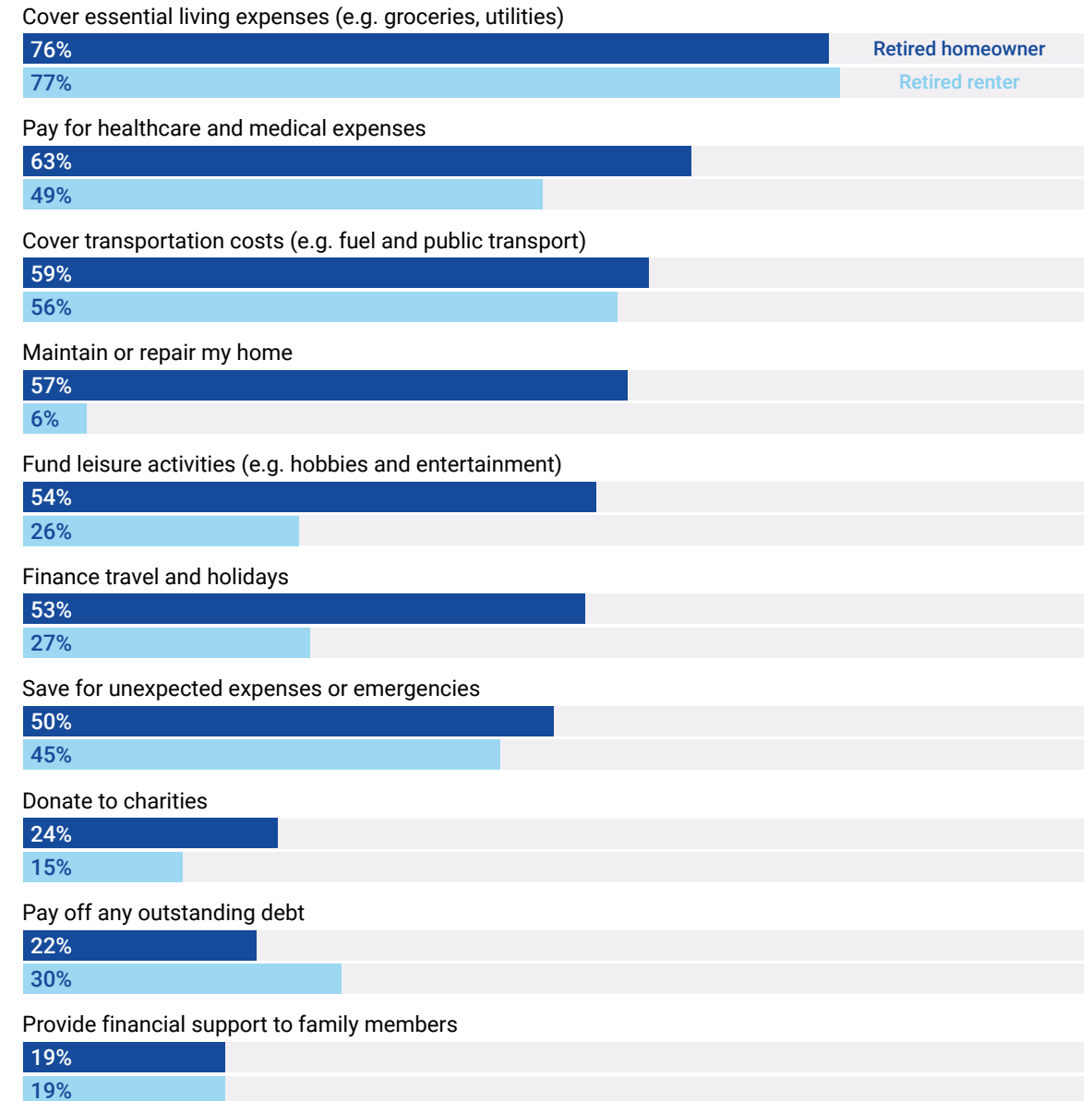
There are a few realities that Australians need to be aware of as they transition into retirement. One of the biggest challenges is knowing how someone's hard-earned retirement savings should be invested to provide them with income in retirement.

Getting their asset allocation right is critical. While taking on more risk to get higher returns could provide someone with more income throughout retirement, it could also expose them to a run of negative returns early in retirement – when they would have their biggest impact. Alternatively, dialling down risk to protect someone's retirement nest egg may not be the best strategy either, as it would generally result in lower long-term returns and therefore less income throughout retirement.

This is where financial advice becomes incredibly beneficial. It can help set up a client's retirement strategy, including both their asset allocation and drawdown rates to give them the confidence they can afford the type of retirement lifestyle they want, but without the fear they will run out of money.

The government's downsizer scheme is also a potential strategy. Again, this is something that can be discussed with a financial adviser. [CFS's Find An Adviser tool](#), available on our website is a great place to take your first step to finding an adviser who can help you. For example, this could include debt advice, which could be useful to the one in four Australian retirees currently using their pension payments to service debt.

How are you currently using the money that you receive from your pension payments in your day-to-day life?



Home ownership plans – retired Australians

Stay in my current home with no changes

66%

Downsizing to a smaller property

13%

Sell my home and rent / buy somewhere else

6%

Sub-letting a part of my home for additional income

5%

Using my home equity to help my children with their finances

4%

Consider a reverse mortgage

3%

Move to a larger property

2%

Explore equity release options

2%

Something else

2%

I haven't thought about it yet

18%





How prepared are Australians for retirement?



Expert insight

Kelly Power,
CEO of CFS Superannuation

It is really encouraging to see an increase in engagement and a greater willingness to get support when it comes to superannuation and retirement planning. The value of advice is clear, and more Australians are starting to seek out new accessible solutions.

There is a significant generational opportunity for new digital advice models and tools to demonstrate the value of financial advice to a larger number of Australians. Helping more people access advice earlier will have the added benefit that they will be more likely to access professional advice later in life as their needs become more complex over time.

More Australians are engaging with and seeking advice from their super fund

Over the last 12 months we have seen an increase in the number of Australians engaging with their super. This includes a rise in people seeking guidance from their super fund, although there is variation among age groups.

Those who receive advice are twice as likely to feel financially prepared for retirement

Australians under 50 years of age are more interested in getting help with goal setting from their super fund (73%) than those over 50 years (61%). Younger Australians are also more likely (75%) to share their financial goals with their super fund than those over 50 (63%).

Men are significantly more likely to say they are prepared for retirement and on track to meet their retirement goals than women

The positive impact of financial advice on retirement preparedness is undeniable. An overwhelming majority (85%) of advised Australians feel they are on track to reach their retirement goals compared to 47% who have never received advice.

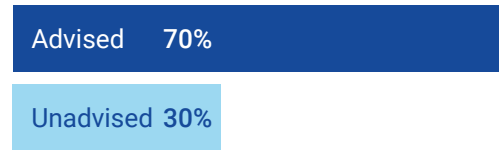
CFS members (65%) are much more likely to feel financially prepared for retirement compared to the general population (43%)

The data also highlights differences in attitudes between genders, with males generally more optimistic on their level of retirement preparedness than females.

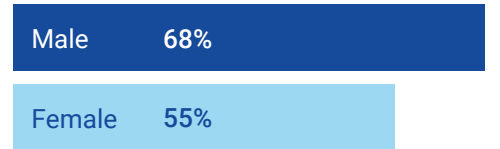
I am on track to reach my retirement goals



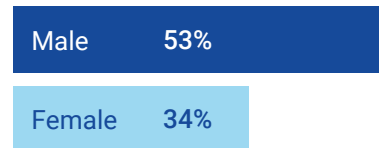
I feel financially prepared for retirement



I am on track to reach my retirement goals



I feel financially prepared for retirement





The link between financial advice and retirement readiness

Seven in ten Australians are interested in help from their super fund around setting retirement goals

The majority of Australians are open to receiving suggestions from their super fund on how to improve their financial situation

Younger Australians are the most open to seeking financial advice to stay on track to meet their retirement goals

Australians who have received financial advice are significantly more likely to have a more positive outlook on their financial situation, once again highlighting the importance of advice in preparing for retirement.

Given the positive correlation between receiving advice and retirement confidence, it is encouraging to see that a majority (70%) of Australians are interested in receiving information from their super fund on goal setting. A similar number of respondents (72%) said they would be happy to share their financial goals with their super fund, reflecting a willingness to engage and seek guidance.



Retirement planning checklist

Evaluate your current situation

[Use a retirement calculator](#) to learn how much money you might have access to when you retire.

Consider all your retirement income streams, including your super, employment, and other investments.

Also consider whether you have any outstanding debts, or multiple super accounts. Multiple super accounts will cost you more in fees and affect your retirement savings, so you should consider consolidating your super.

Decide what kind of retirement you want

Do you want a modest retirement, a comfortable retirement, or do you want to enjoy even more freedom?

You can use the ASFA guidelines to give you an idea of what lifestyle different superannuation balances can equate to in retirement.

Make a plan

If you're not on track to meet your goals, there are several things you can do to boost your retirement wealth. For example, topping up your super savings. This can be an effective way to get you closer to your goals.

Making voluntary contributions to your super, or setting up salary sacrifice, are two ways to build up your super savings.

Working part-time is another option. But if you're eligible for the Age Pension, you'll need to consider how much you'd like to earn working part-time.

If you own property, or have other investments like shares, you need to consider whether to keep or sell them.

You'll also need to think about the tax impact of these decisions, and how it might affect your eligibility for other benefits.

Nominate beneficiaries

To ensure your money goes to your loved ones in the event of your death, you can nominate someone to receive your super.

However, there are various conditions which apply, so again, talking to a financial adviser can help in making an informed decision.

Set up income streams

Even if you've accumulated a large amount of super over the years, you need to think about the most cost-effective way to access it.

Setting up an income stream, for example through an account-based pension, can be more tax-effective than simply withdrawing lump sums and can provide a reliable, ongoing payment.

You'll also want to understand what government benefits you might be eligible to receive – for example the Age Pension, or other pensioner concessions.

Organise your insurance cover

When you originally opened your super account, insurance might've been added automatically. It could also have been arranged outside of your super.

Typically, this could be Death cover; or Death & Total and Permanent Disablement (TPD) cover. There's Income Protection, known as Salary Continuance Insurance (SCI) cover.

It's important to review your level of insurance as your circumstances change. For example, you might get married or divorced. Keeping your insurance updated could make a big difference to you and your loved ones.

Action your plan

Do you need to consolidate your super accounts? Set up an income stream for your super savings? Pay off existing debts? Update your insurance cover?

Once your goal is clear, and your plan is in place, you need to action it. Talking to a financial adviser can help with this.



Conclusion

Australians have changed their retirement expectations over the past 12 months. Higher living costs have created a pessimistic attitude among pre-retirees towards what they believe is achievable in retirement. This has also eroded comfortable living standards for retirees.

However, this environment means more Australians are engaging with their super, from checking their balance and changing investment options through to seeking financial advice. It is now clear that more Australians are taking positive actions amid challenging circumstances.

Those who receive advice are significantly better off

After two years of research, it is clear that advised Australians are:

Twice as likely to know how their super is invested compared to Australians who have never been advised

Over twice as likely to feel financially prepared for retirement

Significantly more likely to say they are on track to achieve their retirement goals

Almost twice as likely to retire at a time of their choosing compared to Australians who have never been advised

Looking to get your super on track?

From over the phone consultations with our Guidance Team to tools and resources, we're here to help.

Retirement Planning and Accessible Advice

CFS guidance consultants can provide general information and are here to help you every step of the way on your retirement journey.

They can also recommend more comprehensive financial advice options, if that's what you need.

[Book an over-the-phone consultation](#)

Superannuation and Pension Services

We offer various superannuation and pension products designed to meet your retirement needs. This includes account-based pensions, transition to retirement pensions, and more.

[Retirement Hub](#)

Investment Options

CFS provides a variety of investment options to help you grow your retirement savings. Our investment menu has a range of options designed to support the income needs of retirees as well as cash deposit offerings.

[Investment Options](#)

Government Benefits Assistance

We have partnered with Retirement Essentials to help you understand and maximise your eligibility for government benefits like the Age Pension.

[Retirement Essentials](#)

Aged Care Support

CFS members can access personalised aged care advice and support through Care & Living with Mercer. This unique service helps families across Australia make better, faster ageing care decisions.

Whether you are looking for home care, retirement living options, or residential aged care, Care & Living with Mercer can support a range of situations.

[Care & Living with Mercer](#)

Ready to take the first step?
Let's chat.

Book in a free consultation with one of our retirement experts. They'll guide you through the resources available and empower you to take control of your super.

[Schedule a free appointment with one of our retirement specialists](#)





Information in this report is provided by Avanteos Investments Limited ABN 20 096 259 979, AFSL 245531 and Colonial First State Investments Limited ABN 98 002 348 352, AFSL 232468 (Colonial First State or CFS).

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