

# What Next?

Workforce Transitions and  
Retirement Planning Among  
Australian Pre-Retirees

A report by

**National Seniors Australia  
and Insuranceline**

October 2012

**National Seniors**

Australia

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## Foreword

Over the previous 12 months, much work has been conducted on the workforce behaviour of mature age Australians. Both the Government's Consultative Forum on Mature Age Participation and the Panel on the Economic Potential of Senior Australians have been tasked with providing evidence on, amongst other things, the labour force behaviour of mature age people. Indeed, there is a strong recognition from Government that both maintaining labour force attachment and increasing financial literacy and planning in the later life-course are important for both individual and community wellbeing more generally.

In this study, researchers from National Seniors Australia use recently released data from the Australian Bureau of Statistics to examine the different types of pathways between full-time work, part-time work and retirement. They also investigate the retirement planning strategies of different population subgroups with respect to financial, lifestyle, and health planning. Amongst the many interesting findings from this study are:

- Amongst pre-retirees, about 62% report having plans in place for their finances, which is far more commonplace than planning for health (24% - 27%) or lifestyle priorities (17% - 26%) in retirement.
- High income and education are factors consistently found to be associated with planning across each of the financial, health and lifestyle priorities. Financial planning is most common amongst males while having plans for volunteering and socialising in retirement is more common amongst females.
- A group of close-to-retirement age Australians are forward looking, and planning across most domains. Not surprisingly, this group of people (accounting for about 14% of pre-retirees) are more likely to have higher levels of income and education – with a strong preference for a phased retirement. They are also more likely to have retirement transition plans in place.
- When asked about their intended retirement, about equal numbers of present full-time workers intend to change to part time work before retirement as those who intend to continue in full-time work. However, about one quarter of respondents do not have any plans in place for their transition to retirement.
- The most common reason given for when to retire is related to financial wellbeing (34% of pre-retirees), followed by health wellbeing (26%) and access to the Age Pension (11%). Only 3% consider retirement of a spouse/partner as a key reason to alter retirement timing.

The evidence provided herein point to the diversity in retirement planning strategies amongst mature age Australians. Importantly, policy interventions should be considered for the large proportion of respondents here (over one quarter) who have no retirement plans in place. A further report utilising newly collected data will be published in late 2012 – and will look at the types of detailed retired plans that mature age Australians have in place – with a view to uncovering the reasons why some people plan and others do not.

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October 2012

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## Introduction

The ageing of the Australian population is resulting in an increasing proportion of the workforce being comprised of mature age people. In the coming years, many of these older workers will cease employment and enter retirement – either fully or partially. The nature of how these older workers transition out of the workforce and plan for their retirement has significant economic and social implications for Australia. Importantly, the Australian Government has stated that strengthening the labour force participation of older persons – through either full-time or part-time work – is a key strategy to better manage the implications of population ageing.

Moreover, it is important to investigate the plans of this large cohort of “baby boomers” as their workforce transitions and retirement plans will likely differ from previous generations. This cohort is expected to have a significantly longer post-employment life due to rising life expectancies, which poses a substantial challenge for financial planning to ensure the adequacy of retirement incomes. Further, the health and lifestyle of this cohort in retirement will have an influence on their wellbeing and on the demand for a range of services.

This study seeks to closely examine the extent and variation of the intended workforce transitions and retirement planning of people aged 50 years and over approaching retirement in Australia, also known as “pre-retirees”. The considerable diversity of this cohort economically, socially and in their health status, also means there will be much heterogeneity in how they intend to transition to retirement and plan for their retirement. The demographic and socio-economic characteristics driving this decision-making are examined in detail in this report. Workforce transitions are specifically assessed in terms of intended age at retirement, reasons for deciding on when to retire, and plans to change to work part-time prior to retirement or to continue in full-time work. Planning for retirement is also analysed: in terms of whether pre-retirees have made financial, health and lifestyle plans for their retirement. Those who have made plans across the majority of these domains are identified, and their planned pathways to retirement considered in detail.

### Previous Studies on Transition to Retirement and Retirement Planning

#### Transition to retirement

Australian studies show that many baby boomers plan to postpone retirement until older age, move into less stressful and less demanding work, or set up a small business after ceasing full-time work<sup>1</sup>. Such intentions are particularly common amongst younger cohorts. A reason given by many mature age people for deferring retirement is the realisation that their assets will not support a comfortable retirement, requiring some form of paid work to maintain living standards<sup>2,3</sup>. In Australia, the UK and US, economic uncertainty, declining superannuation and pension scheme balances, and increasing life expectancies

have all contributed significantly to delays in retirement; albeit disproportionately<sup>4,5</sup>.

Transition into part-time and more flexible forms of work prior to ceasing work has been found most common amongst higher income and more highly educated groups<sup>6,7</sup>. Research also shows that most high income earners do not regard retirement as a complete exit from the workforce, rather they view it as a move from their current career to more flexible work. Also, the likelihood of a person continuing in some form of employment increases with improved health<sup>8</sup>.

Apart from economic resources, social resources have also been found important in mature age people’s retirement strategies. For example, marital status has been found to be associated with the transition to retirement. One study revealed that unmarried men are more likely to withdraw from the labour force than married men, and unmarried women are less likely to retire than married women<sup>9</sup>. Retirement decisions amongst spouses tend to be interdependent because each spouse considers the other’s decision; those with partners who have fully retired are also more likely to be fully retired; those with partners who are partly retired are more likely to be partially retired, and those who have no partner are more likely to not have retired<sup>10</sup>. A major reason behind the interdependence of retirement decisions is the value placed on spending leisure time together<sup>11</sup>.

In general, policy and research assumes that future retirees will remain highly employable, and most will continue to work, often in self-employment beyond traditional retirement age<sup>12,13</sup>. Older people have been found to seek flexibility and satisfaction in their role to attract them to remain working<sup>14</sup>. However, while working in retirement may improve financial wellbeing, many older workers express concerns about difficulties finding suitable paid work, which oftentimes is due to stereotypes about older workers in the workplace<sup>15</sup>.

A further type of retirement transition is the return to work of people who have already retired. Research from the US has revealed that returning to work is often caused by poor planning or financial shocks, as well as non-pecuniary motives (eg. boredom)<sup>16</sup>. Data from Australia has revealed that financial reasons are the most common reason for people coming out of retirement (around 46%), followed by the need to do something to alleviate boredom<sup>17</sup>.

#### Planning for retirement

This study aims to assess how pre-retirees are making plans for their retirement in the domains of finances, health and lifestyle. From a range of literature reviewed, there are differences in pre-retirees’ propensity to plan for retirement. Previous studies have primarily focused on financial planning, with less research having addressed planning for health and lifestyle in retirement.

## Financial planning

Past research has revealed that financial planning for retirement in Australia is low amongst pre-retirees. One study found that the majority of Australian future retirees have no retirement financial plans; a proportion consistent with earlier findings of an ABS survey in 1998<sup>18</sup>. Other research has found that financial planning is more common closer to retirement<sup>19</sup>. The majority of Australian pre-retirees state they will largely depend on their superannuation rather than the government pension to meet their retirement needs<sup>20 21</sup>. Poor planning behaviour may be driven by a belief that superannuation will provide them with adequate income in their retirement years, but can also be due to a dependency by some pre-retirees, on government pensions and allowances<sup>22</sup>. Some recent reports on retirement preparedness show that there are increasing concerns about pre-retirees' ability to cover living costs including the cost of health and aged care services<sup>23</sup>.

People found to be most likely to plan for retirement are also the most financially secure, in terms of their level of income, savings and assets<sup>24 25</sup>. For example, the majority of middle-aged Australian employees who do not know when they expect to retire are those who are not certain and confident about their retirement income, and who intend to continue working in retirement<sup>26</sup>. A similar study in Canada (covering those aged 45 years and above) revealed that the likelihood of not intending to retire is strongly associated with financial characteristics<sup>27</sup>. Older pre-retirees are also more likely to have greater knowledge of investments and clarity about their retirement goals<sup>28</sup>.

Education also explains retirement planning behaviour in both Australian and international contexts<sup>29 30 31</sup>. Studies have found that that accumulation of financial skills obtained through education is an important determinant of financial planning<sup>32</sup>. Those pre-retirees who are financially literate and educated are more likely to have made retirement plans, such as how their money would be spent out during retirement<sup>33 34</sup>. In Australia, pre-retirees seeking retirement advice are most likely to be those with higher education, who are professionals, and those employed with defined retirement income and pension benefits<sup>35</sup>. There is also evidence of peer groups influencing the financial preparedness of people for retirement<sup>36</sup>.

Women have been found to be less financially prepared in retirement than men, particularly if they have had family responsibilities that have prevented working and accumulating superannuation to the same extent as men<sup>37</sup>. Women, however, have been revealed to be best prepared if married to a husband earning income, while men are best prepared if unmarried, or married to a working wife<sup>38</sup>. Men are more likely to expect early retirement if they are financially prepared, and women's expectation of early retirement is predicted by partner's income<sup>39</sup>.

## Health planning

A smaller body of research has explored the extent of planning for a healthy retirement in Australia. The present cohort of pre-retirees have been characterised as being active in seeking to prevent serious illness and disability likely to be caused by ageing<sup>40</sup>. Many future retirees will seek to remain independent, sufficiently fit and healthy to continue their current lifestyle and delay moving into aged-care facilities<sup>41</sup>. Such behaviour includes exercising and dieting to prevent any significant health problems they may acquire as they age<sup>42 43</sup>.

Across the studies, there are inconsistent findings about whether health influences the decision to retire. Recent studies have found that health is a main reason for workers to exit the labour market, especially for those who have had employment with demanding physical requirements<sup>44 45 46</sup>. Contrary to this, research using labour force participation and health retirement panel data has argued that health problems account for a small proportion of individual's retirement decision<sup>47 48</sup>.

Although there is a lack of research that has explored how planning for health in retirement varies across socio-economic status, health planning is nonetheless important for pre-retirees in the context of potential large and uncertain medical expenditure they face without the guarantee of government insurance coverage provided by Medicare. The ability of poorer pre-retirees to remain healthy in retirement could be improved by adequately planning to be healthy in retirement<sup>49</sup>.

## Lifestyle planning

A number of surveys have examined how Australian pre-retirees plan for their lifestyle in retirement<sup>50 51 52</sup>. The surveys found that Australians will seek to continue with their current lifestyle into retirement years, with commonly planned activities including socialising with friends, travelling, hobbies, gardening, home improvement as well as time with family. Retirees from a high socio-economic background expect to continue to socialise by going to shops and eating out at restaurants<sup>53</sup>. Older cohorts have been found to expect to be more involved in activities such as some forms of unpaid work, caring for family and helping out friends<sup>54</sup>.

Income is also a key factor influencing whether pre-retirees will seek to retain their lifestyle in retirement<sup>55</sup>. Those who are currently employed and earning a higher income place a greater emphasis on retaining their social lifestyle in retirement, while those with lower income have greater consideration for their financial security<sup>56</sup>. Fears amongst Australians that their income in retirement will fall short of their needs means that many are considering how to fund their retirement lifestyle to meet their hobbies and lifestyle<sup>57</sup>.

Comparing across gender, women are more likely than men to plan voluntary work or charitable activities, educational programs, and community or political activities, while findings

for socialising with friends, social club membership and participation in hobbies were mixed<sup>58 59 60</sup>. In contrast, men are more likely to express a desire to remain engaged in some kind of employment.

In this study, we update our current knowledge with respect to not only retirement transitions, but also to planning across financial, health and lifestyle domains in the later life-course. As noted above, very few studies have considered planning across all these domains – with the majority of studies focused on financial planning.

## Data and Method

This study utilises data from the recently released Multi-Purpose Household Survey (MPHS). The MPHS was conducted between July 2008 and June 2009 by the Australian Bureau of Statistics (ABS) as a supplement to the ABS Labour Force Survey<sup>61</sup>. The ABS Labour Force Survey uses a multi-stage stratified sample of dwellings. The 2008–09 MPHS collected data on a range of topics, including retirement and retirement intentions, barriers and incentives to labour force participation, crime victimisation, use of information technology, and a range of socio-economic and demographic information. The MPHS Confidentialised Unit Record File (CURF) was accessed via the ABS Remote Access Data Laboratory (RADL).

We restrict our analysis to 1,820 people aged 50 years and over presently in the labour force who express an intention to retire from the labour force some time in the future.

### Outcome variables

A significant strength of the MPHS data is the multidimensional approach used to measure both workforce transitions and retirement planning. Amongst the factors we focus on are:

- Intended age at retirement
- Main reason influencing when they intend to retire, categorised as eligibility for the age pension, financial security, health and other (including access to superannuation and retirement of partner)
- Retirement transition plans: Those currently working full-time were asked about their intentions to change the way they work before retiring. The responses were categorised as continue with full-time work and change to part-time work.
- Main expected source of income in retirement
- Plans for retirement for:
  - being financially secure
  - being physically active
  - being mentally active
  - doing unpaid voluntary work
  - being socially active

We categorised each retirement plan variable by whether the respondent has not thought about the plan at all, had thought

about the plan only or will just continue with current behaviours, and had made plans. Respondents were asked: “Have you thought about [being financially secure] after you permanently give up work? Have you made any plans to [be financially secure] after you permanently give up work?”

### Retirement planning across all domains

We also sought to identify the extent to which older Australians have made plans across all of these domains and the differences amongst population sub groups. A variable was created which aggregated how many of the five domains for which a respondent had made plans. This resulted in a scale of 0 to 5.

We analysed these transition and planning variables by a number of demographic and socio-economic characteristics, including:

- Age in five-year groups.
- Place of residence: Capital city or remainder of state.
- Equivalised weekly household income: Four categories of Deciles (1-4, 5-6, 7-8, and 9-10).
- Quintile of the index of the relative socio-economic disadvantage of a Census collection district. It is constructed from Census variables such as income, educational attainment, and unemployment<sup>62</sup>. This index is one of the Socio-economic Indexes for Areas (SEIFA).
- Education: Completed Year 12 (or equivalent) or not.
- Self-rated health: Excellent, very good, good or fair/poor.
- Employment status: Employed full-time, employed part-time or unemployed.
- Marital status: Married or not married.
- Marital status and partner’s labour force status: Married with partner employed, married with partner unemployed or not in the labour force, and not married.

### Method

To analyse the retirement planning and workforce transitions of Australian pre-retirees, we present both descriptive results as well as results of a set of regression analyses. To ensure that the data presented are representative of the Australian population, person level weights were applied to each of the descriptive tables presented herein. In interpreting these data, it is also important to note that these survey data exclude mature age people living in very remote areas and non-private dwellings.

Multivariate analysis was undertaken on each of the outcome variables, except intended age of retirement. A multinomial logistic regression was conducted of the main reason influencing when intend to retire and the main expected source of income in retirement. A logistic regression was used to analyse the transition to retirement. An ordinal logistic



regression was conducted of each of the retirement planning variables because there is an ordering of these variables from having not thought about making plans through to having made plans. An ordinal logistic regression was also used for the analysis of retirement planning across all domains. Findings from the regressions are presented as odds ratios - which are available in the appendix (Appendix materials can be accessed from [www.nationalseniors.com.au](http://www.nationalseniors.com.au)). For clarity, predicted probabilities of the number of plans made across all domains are presented in the main body of the text. The appendix also provides detailed summary tables.

## Results

### Age intend to retire

The average age that Australians in their 50s intend to retire is below the present eligibility age for the Age Pension of 65 years (Figure 1). For those aged 50-54, the average age they intend to retire is 62.8 years for males and 61.1 years for females. Those at age 60-64 years intend to retire shortly after age 65.

### Main reason influencing when intend to retire

The most common reason influencing when mature age Australians intend to retire is financial security (34%), followed by health (26%) and eligibility for the Age Pension (11%) (Figure 2). Multivariate analysis reveals that, when compared with financial security, those in the highest two household income quintiles, who have finished high school, who live in a higher socio-economic area, and are age 60-64 years are least likely to state eligibility for the Age Pension the main reason influencing when they intend to retire (Appendix Table A.2). Those least likely to state health as the main reason, compared with financial security, are those in the highest household income quintiles, while those stating 'most likely' are age 60 years and above, and those with good, fair or poor health (compared with excellent health). Older respondents are more likely to state that any of the other options are reasons for when they intend to retire.

### Retirement transition plans

Of current full-time workers, 37% state they intend to change to part-time work before they retire (Figure 3). A further 30% report they intend to stay in full-time work without changing conditions of work (such as working from home) while 6% would like to continue to work full-time with changed conditions. The remaining 26% do not know their intention regarding changing work before retirement. The multivariate analysis, which excludes those who state they don't know what their transition plan would be, finds that those in the highest household income quintile are more likely than those in the lowest two quintiles to intend to change to part-time work before retirement (Appendix Table A.4). Those least likely to intend to move to part-time work are in the oldest age group and who live in an area in the second-lowest socio-economic quintile. Education status is weakly related with intention to continue in PT work ( $p < 0.10$ ).

Figure 1: Average intended age at retirement by age, people in the labour force age 50 years and over, MPHS 2008-09

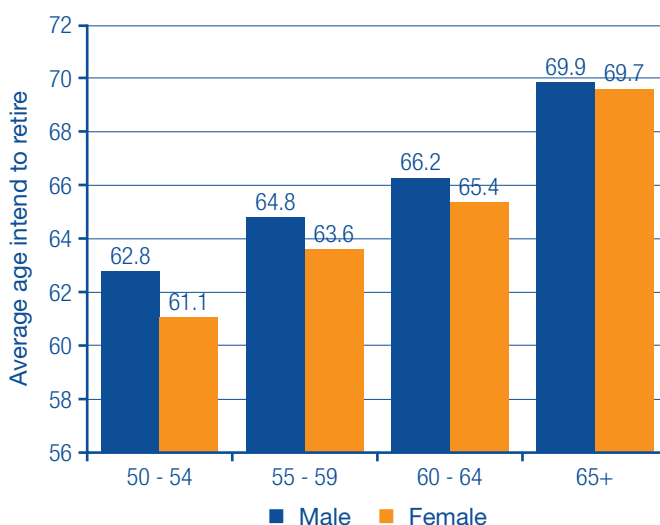
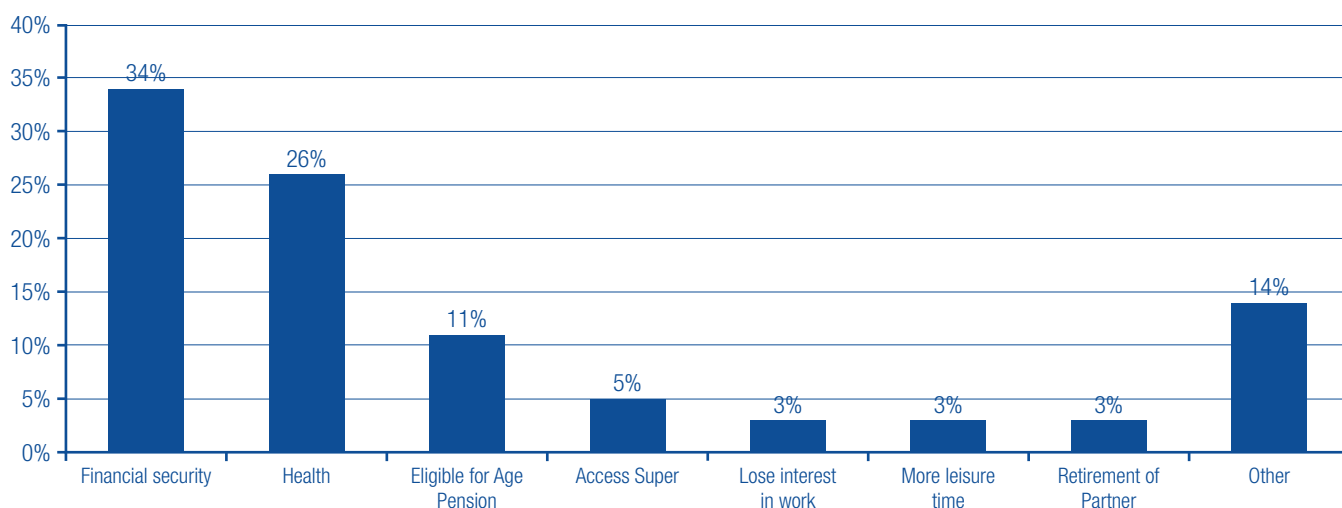


Figure 2: Main reason for deciding when to retire (%), people in the labour force age 50 years and over, MPHS 2008-09



with those who have not finished high school less likely to intend to change to part-time work compared to those who have finished high school. Interestingly, gender, health, marital status and partner’s employment status, and place of residence are not significantly associated with the stated transition plan.

**Main expected source of income in retirement**

The main expected source of income at retirement amongst Australians over age 50 years is superannuation (53%) followed by the pension (30%) (Figure 4). Other sources of income, including business income, rental property income and dividends/interest comprise the remaining 17%. Results from the multivariate analysis reveal that, when compared with superannuation, females are significantly more likely than males to state the pension as their main expected source of income at retirement (Appendix Table A.6). As expected, those in the highest household income quintile are significantly less likely as someone in the bottom two quintiles to report they expect to receive the pension as their main income source compared with superannuation. Living in a high socio-economic area also decreases the likelihood of receiving the pension, even after controlling for household income. Those who have not finished high school are twice as likely to expect to receive the pension compared with those who did finish.

The results reveal that expecting other sources as the main sources of income in retirement is negatively associated with household income quintile. ‘Other’ sources of income, which include business income, rental property income and dividends/interest, are also negatively related to the partner not working. The range of income sources in the ‘other’ category makes clear identification of trends from the findings somewhat difficult.

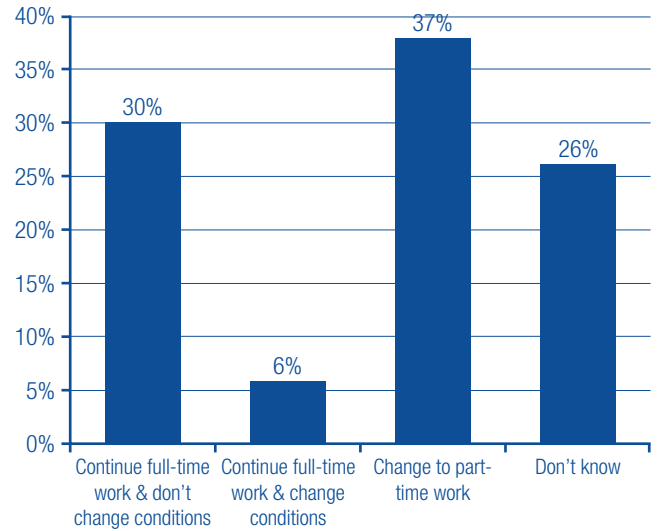
**Current source of income in retirement**

Examining the current source of income of those who are retired shows that the pension is a far more common income source amongst current retirees, with over half of all males citing this as their main source of income in retirement (Figure 5). In contrast, superannuation is only the main source of income for 26% of males and 10% of females. This reliance on the pension reflects that many retirees would not have had the time to accumulate superannuation balances sufficient to be their major income source.

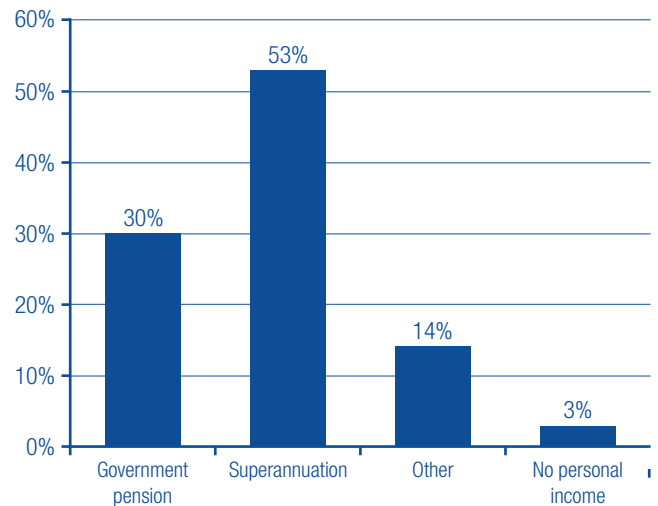
**Retirement plans**

Over one half (62%) of Australians aged 50 years and over have made financial plans for their retirement (Figure 6). A further 28% have either thought about making financial plans or will just continue with current behaviour, while only 10% have not even thought about making any plans. The ordinal logistic regression reveals that the likelihood of having made financial plans increases with household income (Appendix Table A.8). Those in the highest quintile are substantially more likely to have

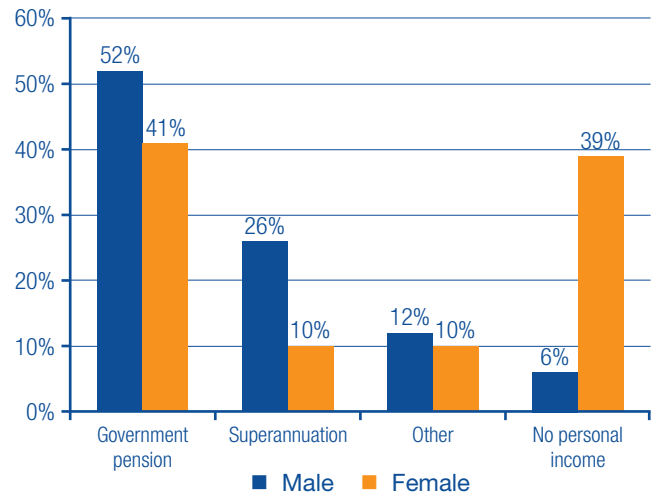
**Figure 3: Working intentions prior to retirement (%), people employed full-time age 50 years and over, MPHS 2008-09**



**Figure 4: Main expected source of income at retirement (%), people in the labour force age 50 years and over, MPHS 2008-09**



**Figure 5: Current source of income at retirement (%), people retired from the labour force age 50 years and over, MPHS 2008-09**



Note: The data used in this figure are from outside the sub-sample of pre-retirees in the MPHS used for the remainder of the study.

made financial plans compared with those in the lowest two quintiles. Those aged over 55 years, those living outside capital cities, and in areas in the middle socio-economic quintile, are also more likely to have made financial plans. Those least likely to have made financial plans are females, those with fair or poor health and those who have not finished high school.

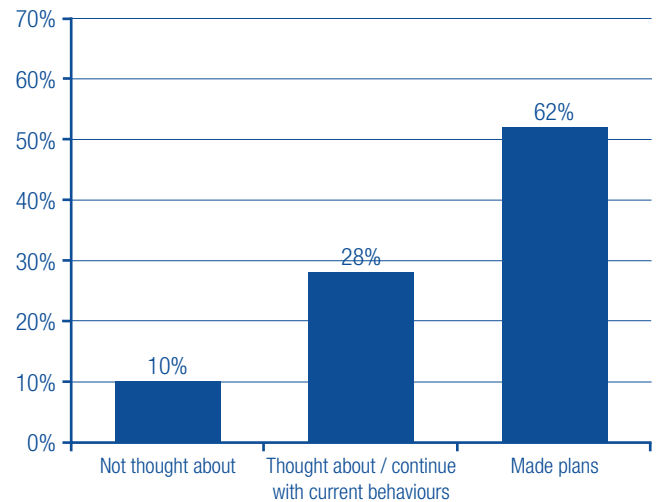
The proportion of Australians over 50 who have made plans to be physically active (27%) and mentally active (24%) in their retirement is much lower than those who have made financial plans (Figure 7). However, only a small proportion (10%) has not thought about making any plans to be physically or mentally active. Those who are most likely to have made plans for being physically active in retirement are most likely to have high household income and to have finished high school (Appendix Table A.9). Those in high income households and who have finished school are also most likely to have made plans to be mentally active in retirement. Females and those aged 55 years and over also have a higher likelihood of having made plans to be mentally active.

Australians over 50 years are less likely to have made plans for volunteering in retirement compared with the other domains. Only 17% have made plans for volunteering, while 34% have not thought about it (Figure 8). The proportion of over 50s having made plans for being socially active (26%) is similar to that having made plans for being physically and mentally active. Multivariate results for plans for volunteering and being socially active are similar (Appendix Table A.10). Females, people aged 60 years and over, those in the highest household income quintile and who had finished high school were most likely to have made plans for volunteering or being socially active. The unemployed are more likely to have made plans for volunteering in retirement compared with those in full-time work.

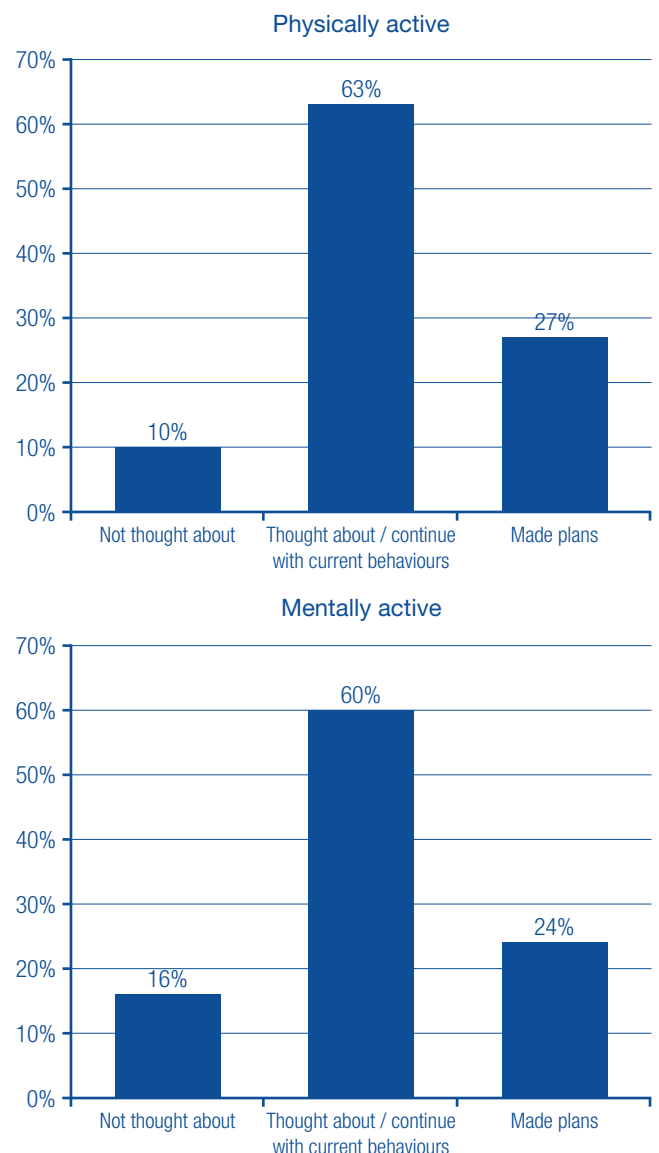
Planning across all five domains is uncommon; only 14% of Australians aged 50 years and over have made plans in four or five of the domains. Interestingly, just over one-quarter (26%) have not made plans for any of the domains, while 60% have made one plan or no plans (Figure 9). The results from the multivariate analysis reveal that age, household income quintile and having finished high school are all positively related to the number of plans that a person has made (Appendix Table A.12). Sex, socio-economic quintile of the area of residence, health, place of residence, and the respondent's and partner's employment status have no association with the number of plans made.

The predicted probabilities from the ordinal logistic regression clearly illustrate the impact of education, income and age on the number of plans made by a pre-retiree (Figure 9). A person who has completed high school, is in the highest household income quintile and is aged at least 65 years is only 8% likely to have made no plans, while 22% likely to have made four plans and 13% likely to have made all five plans. In contrast, a

**Figure 6:** Plans for being financially secure at retirement (%), people in the labour force age 50 years and over, MPHS 2008-09



**Figure 7:** Plans for being physically active and mentally active at retirement (%), people in the labour force age 50 years and over, MPHS 2008-09



person who has not completed high school, is in the lowest two household income quintiles and is aged 50-54 years is 42% likely to have made no plans, and only 6% likely to have made four or five plans.

**Intended retirement transition of planners**

The intended transition to retirement of workers who have made at least four plans is significantly different from those who have made less plans (Figure 10). Those who have made the most plans are far more likely to intend to work part-time before retiring (54% v 35%). In contrast, they are less likely to intend to continue working full-time with unchanged working conditions (22% v 32%).

**Discussion**

Previous Australian studies have focussed primarily upon financial plans for retirement in isolation of other plans for health and lifestyle priorities. Using unique data from the ABS Multipurpose Household Survey, this study shows there is considerable heterogeneity in the intended workforce transitions and retirement planning amongst Australian pre-retirees. Indeed, different groups of the population are shown to plan for different priorities – whether that be financial, health or lifestyle related.

More generally, the decision about when to retire is most commonly due to financial security - and this reason is most likely to be stated by those with higher incomes. Of people in their early 50s, the average intended age at retirement is in the early 60s. Given the importance of financial security in determining age at retirement, it could be expected that their eventual age at retirement may be somewhat higher once they face financial realities - particularly following the global financial crisis. Those whose main reason for deciding when to retire as eligibility for the Age Pension are most likely to be lower income earners, which is expected, as is that those stating health are most likely to be poorer and of worse health.

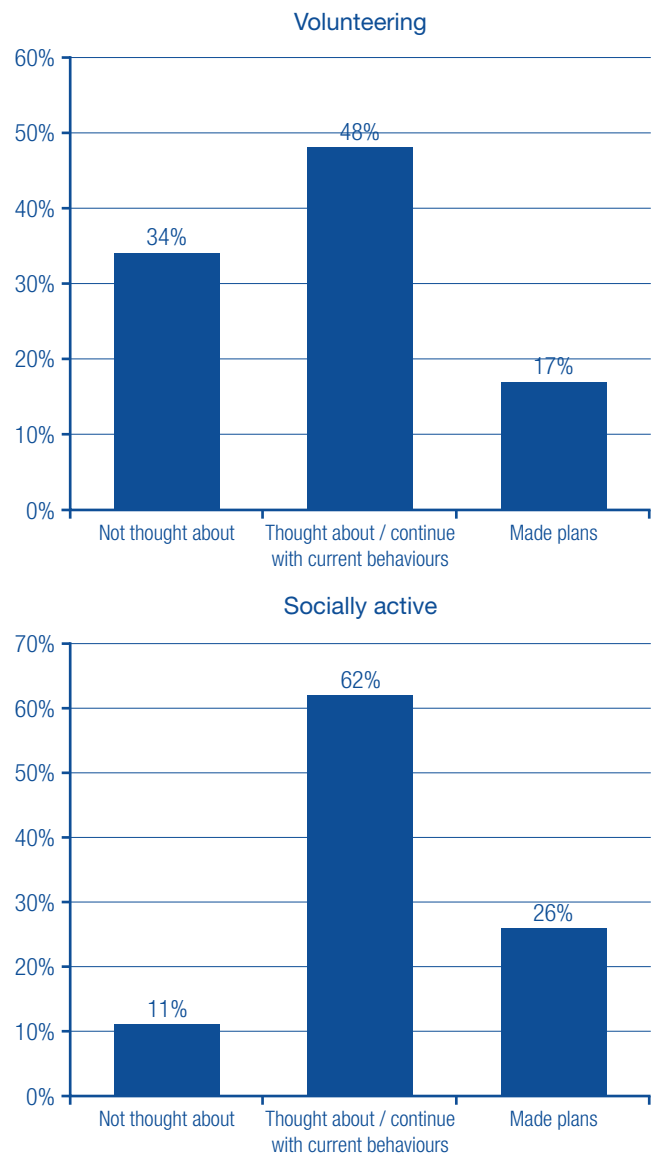
The transition plans for retirement show that as many full-time workers intend to change to part-time work before retirement as those who state they will continue in full-time work. This is consistent with recent evidence that pre-retirees will be looking to work less hours before retirement. There were no major differences in intended retirement transitions across demographic and socio-economic characteristics, although those with high incomes most clearly favoured a transition to part-time work.

One issue to consider is whether appropriate employment will be available to facilitate the desired pre-retirement transitions of those still in the workforce. Recent research has documented the significant barriers to labour force participation for many mature age Australians<sup>63</sup>. Indeed, with structural impediments to continued labour force participation such as discrimination

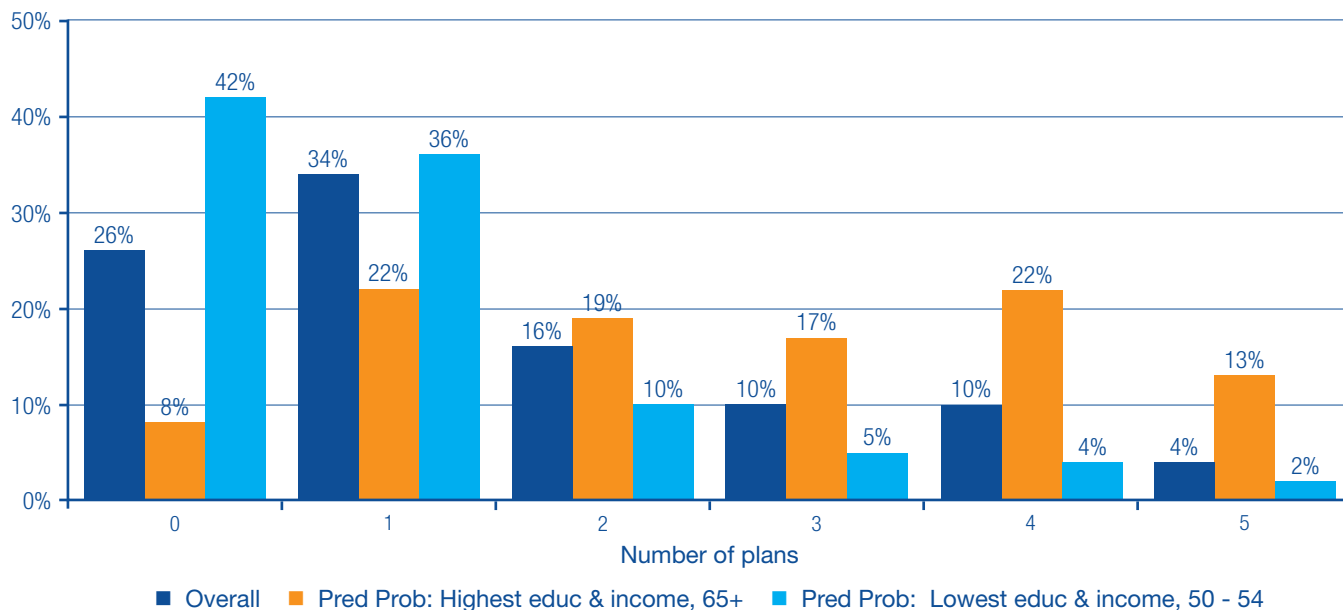
on the basis of age, lack of training opportunities and inflexible workplaces, some pre-retirees may have difficulty following their desired transitions to a phased retirement. Clearly, the removal of these impediments to the continued labour force participation of older Australians should be a priority, not only for federal and state governments, but also for employers, employer groups and unions.

Results from this study also offer insights into the expected income sources of pre-retirees. Superannuation is becoming an increasingly important source of income in retirement, as expected given the increasing number of years that younger cohorts have been working while under the superannuation guarantee. However, in addition to the poorest and lowest educated groups, females are more likely to expect the Age Pension as their main source of income at retirement. This may be due to many women having interrupted working lives due to

**Figure 8:** Plans for volunteering and being socially active at retirement (%), people in the labour force age 50 years and over, MPHS 2008-09



**Figure 9:** Number of plans made for retirement (%) and predicted probabilities from ordinal logistic regression, people in the labour force age 50 years and over, MPHS 2008-09



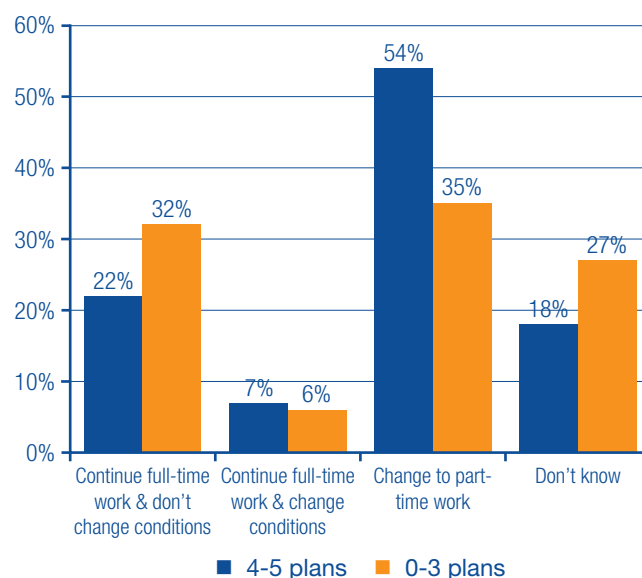
Overall - All respondents. Pred Prob: Highest educ & income, 65+ - predicted probability of respondents who finished high school, in the highest household income quintile and age 65+ years. Pred Prob: Lowest educ & income, 50-54 - predicted probability of respondents who did not finish high school, in the lowest two household income quintile and age 50-54 years.

family reasons, and they would not have had the opportunity to accumulate significant superannuation balances. Those on lower incomes are also more likely to rely on other sources of income, such as business, rental or investment income, when compared to superannuation.

The extent of financial planning revealed in the ABS MPHS is higher than that found in other sources, with almost two-thirds stating they had made financial plans. As found in past literature, those who are more educated have a greater likelihood of having made financial plans, which is likely reflective of their higher financial literacy. Financial planning is also most common amongst those with higher incomes, males and older cohorts, consistent with past research finding they spend more time preparing their financial affairs for retirement.

Interestingly, although males were more likely to have financial plans in place for retirement, females were more likely to have considered health planning strategies. Health planning, on average, was also less common than financial planning. A potential reason for this finding is that planning for a health retirement is less discussed in public debate, when compared to financial planning. As with financial planning, those with higher incomes and who have finished high school are most likely to have made plans for being healthy in retirement. The findings also suggest that females and older respondents place a greater emphasis on planning to be mentally active in retirement.

**Figure 10:** Number of plans made for retirement by working intentions prior to retirement (%), people in the labour force age 50 years and over, MPHS 2008-09



Lifestyle planning, that is for volunteering and socialising, is also most common amongst females and older age groups, as well as higher income and educated groups (as with financial and health planning). The finding that females and those with higher incomes are more likely to have made plans for lifestyle in retirement is consistent with past research that these groups place a greater emphasis on these matters in retirement.

Overall, 60% of respondents have made only one or no plans across the domains (that is, across financial, health and lifestyle priorities), while only 14% have made four or five plans. This suggests that retirement planning, outside of the financial domain, is limited amongst pre-retirees. Furthermore, those on low incomes, who have not finished high school and who are aged in their 50s are significantly less likely to have made plans across these domains. The smaller likelihood of planning of those on low incomes and who are lower educated has implications for the likely quality of life in retirement, even aside from financial considerations.

Those who have made plans across at least four of the five domains are much more likely to intend to transition from full-time work to part-time work before retirement than those who made less plans. This effect is likely due to the kinds of resources held by the better planners. That is, because of their higher incomes and levels of education, there is a greater opportunity for them to transition to fewer hours of employment.

### Concluding Comment

In summary, these findings provide a broad overview of intended workforce transitions and retirement planning of Australian pre-retirees. Amongst the key findings from this study are:

- Amongst pre-retirees, about 62% report having plans in place for their finances, which is far more commonplace than planning for health (24% - 27%) or lifestyle priorities (17% - 26%) in retirement.
- High income and education are factors consistently found to be associated with planning across each of the financial, health and lifestyle priorities. Financial planning is most common amongst males whilst having plans for volunteering and socialising in retirement is more common amongst females.
- A group of close-to-retirement age Australians are forward looking, and plan across most domains. Not surprisingly, this group of people (accounting for about 14% of pre-retirees) are more likely to have higher levels of income and education – with a strong preference for a phased retirement. They are also more likely to have retirement transition plans in place.

- When asked about their intended retirement, approximately equal numbers of present full-time workers intend to change to part-time work before retirement as those who intend to continue in full-time work. However, about one quarter of respondents do not have any plans in place for their transition to retirement.
- The most common reason given for when to retire is related to financial wellbeing (34% of pre-retirees), followed by health wellbeing (26%) and access to the Age Pension (11%). Only 3% consider retirement of a spouse/partner as a key reason to alter retirement timing.

A drawback of the retirement planning questions considered in this study is that they are quite general; providing very broad measures of planning for finances, being physically and mentally active, volunteering, and being socially active in retirement. These topics could be interpreted in different ways by different respondents, and so may affect the quality of data they produce.

To delve further into the retirement transitions and planning strategies in place amongst mature age Australians, the authors are conducting a survey of Australians aged 50 years and over. This survey asks respondents to provide information on how they intend to work before retirement, including if and when they will change to working part-time or full-time, how many hours per week they plan to work, and how many weeks per year they will work. Respondents are also asked the reasons for making any changes to their working patterns before retirement. The survey is exploring the specific types of financial and health preparations that pre-retirees have made or considered making, when they began making these preparations, and the reasons for making these preparations.

Such detailed evidence about the intended workforce transitions and retirement planning of Australians 50 years and over is important because of the large cohort of workers who will retire in coming years. The long post-employment life expectancy of this cohort means that their retirement will differ significantly from previous generations. Through this and future studies, we hope to furnish not only policy makers, but also mature age people themselves, with detailed information about the types of planning and transition strategies undertaken for retirement in Australia today.



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## Appendix

Appendix materials can be accessed from [www.nationalseniors.com.au](http://www.nationalseniors.com.au)

**Appendix Table A.1:** Univariate and bivariate results of main reason for deciding when to retire (%), people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.2:** Results from multinomial logistic regression of main reason for deciding when to retire, people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.3:** Bivariate results of working intentions prior to retirement, people age 50 years and over employed full-time, MPHS 2008-09

**Appendix Table A.4:** Results from logistic regression of working intentions prior to retirement, people age 50 years and over employed full-time, MPHS 2008-09

**Appendix Table A.5:** Bivariate results of main expected source of income in retirement (%), people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.6:** Results from multinomial logistic regression of main expected source of income at retirement, people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.7:** Bivariate results of plans for retirement (%), people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.8:** Results from ordinal logistic regression of plans to be financially secure at retirement, people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.9:** Results from ordinal logistic regression of plans to be physically active and mentally active at retirement, people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.10:** Results from ordinal logistic regression of plans to volunteering and being socially active at retirement, people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.11:** Bivariate results of number of plans made for retirement (%), people in the labour force age 50 years and over, MPHS 2008-09

**Appendix Table A.12:** Results from ordinal logistic regression of number of plans made for retirement, people in the labour force age 50 years and over, MPHS 2008-09

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## **ABOUT NATIONAL SENIORS AUSTRALIA**

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