

## **Submission to the “Superannuation in retirement” discussion paper**

Professor Joanne Earl is an organisational psychologist and professor of psychology at Macquarie University. Earl has been researching the area of retirement planning for over 15 years and is associated with the Centre for Excellence in Population Aging Research. She has served on the NSW Ministerial Advisory Council on Ageing and the Australian Securities and Investments Commission Research Steering Committee. Ms Beatrice Huang, a provisional psychologist, and current Masters of Organisational Psychology student at Macquarie University, was instrumental in preparing this submission.

### **What are we responding to?**

As referenced in the discussion paper (p8), *“planning for retirement income requires retirees to solve a “risky, long-horizon, multi-dimensional problem”....retirees are required to decide how they will best draw down their superannuation over the course of their retirement, while managing health and aged care costs, leisure, and other living expenses, as well as being prepared for the unexpected.”*. This submission addresses issues relating to supporting members through better tools, information, and guidance to optimise decision making during, and in transition into, retirement. This submission outlines an evidence-based and nationally evaluated solution led by Earl and her team combining expertise in organisational psychology, medicine, and finance to address this multi-dimensional problem. The innovative holistic model trialled combines careers, health and finance. Approaches compared included on-line training modules, on-line training modules plus advice and financial advice only.

### **What actions have we taken to address the issues identified?**

As part of a research collaboration between the Australian Research Council (ARC), Allianz Retire+ and Macquarie University, Earl and her colleagues have designed, delivered, and evaluated innovative models of holistic retirement planning. The three-year ARC Linkage study tracked 829 people preparing for retirement and assessed the value of a new planning model integrating financial advice with career and health planning to optimise psychological and financial outcomes. The results were published in December 2023 in a scientifically peer-reviewed journal<sup>1</sup>. See Appendix A for more details of the study.

The intervention developed by Earl and her team consisted of three online modules (career, health, and finance) combined with individual consultations. The modules are evidence-based with information obtained from independent sources (e.g., academic literature, government sites) and include interactive psychoeducational material and exercises (see Appendices B and C for topic screenshots and example slides respectively). The modules are user-friendly and are designed to engage and stimulate thinking with easy-to-follow content. Modules have been rated at least 4 out of 5 stars by users.

The finance module, in particular, addresses some of the issues identified in the discussion paper:

| <b>Issue identified in discussion paper</b>                             | <b>How the finance module addresses this</b>   |
|---|--|
| Challenge in navigating different parts of the retirement income system | Users learn about the following income streams through simple, factual explanations and examples: <ul style="list-style-type: none"><li>- Account Based Pension</li><li>- Annuity</li><li>- Reverse Mortgage</li></ul> |

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<sup>1</sup> Mooney, A., Earl, J., Gerrans, P., Wijeratne, C., & Mooney, C. (2023). Integrating career, health, and finance in a holistic retirement planning intervention for Australian older workers. *Work, Aging and Retirement*. <https://doi.org/10.1093/workar/waad029>

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|--|--|
| <p>Challenge in simplifying the retirement income system</p> <p>Challenge to combine multiple income sources</p> | <ul style="list-style-type: none"> <li>- Age Pension</li> <li>- Pensioner Concession Card, Seniors, Health Card, Rent Assistance</li> <li>- Subsidies for home care and residential aged care</li> </ul> <p>Relevant external resources are also provided for easy access e.g., CentreLink – Pensions Loan Scheme</p> <p>The “How can you provide income?” submodule provides an analogy of an “income cocktail” to help simplify how one can use their different sources of income to make their cocktail e.g., somebody else may fill up glass (with Age Pension) or you might be less thirsty because spending is covered (Health Care card)</p> <p>The module also discusses other financial considerations including contributions, salary sacrificing and where to go for free, almost free and paid financial advice.</p> |
| Issue of working out how to spread their life savings over an uncertain timeframe                                | Users are introduced to three approaches to determine how much they will need in retirement (rule of thumb, standards based and budget). Users are then prompted to crunch the numbers which helps to build their confidence in whether they have enough for retirement. They are provided with relevant external resources to assist them in their calculations e.g., MoneySmart calculator, Services Australia, Super Guru retirement tracker, ASFA retirement standards, and more.  |
| ‘Nest egg’ framing of superannuation   | Superannuation is framed as income evident in the title of the submodule it is presented in: “How can you provide income”. Superannuation is the starting point from which users learn about different sources of income in their retirement (mentioned above).  |
| Default to account-based pensions  | Users learn about the basic facts associated with account based pension including paying no tax on earnings and withdrawing a minimum amount each financial year. The module cautions users that there is no guarantee how long balances will last as many factors determine what happens to the balances, not the withdrawal rate alone. Scenarios are provided so that users learn about how different investment risks can affect balances over time.   |
|  | Other income streams are covered in the module including annuity and age pension so that users are made aware of the options available besides account based pensions.   |

The module equips users with basic, useful financial knowledge from which they can build upon. The information is presented in a way that is easily digestible and invites the user to consider their own personal circumstances. It does this through prompts e.g., super health checks and using and comparing different calculators on the market (MoneySmart, Australian Super, Cbus, BT etc) to estimate retirement savings. Essentially, the module curates a variety of resources into one location, reducing friction points of the retirement income system and supporting retirees to deal with complexity, thereby maximising understanding and self-efficacy.

### **What other approaches, if any, should the Government consider?**

To achieve the retirement income strategy objectives referenced on page 5 of the discussion paper, it is recommended that a holistic approach to retirement planning is employed, one that includes aspects of career and health and professional consultations. In order for members to maximise retirement income and manage the sustainability and

stability of that income, members first need to know (1) how they want to use the income. and (2) for what purpose. What are their expected and potential needs? What kind of lifestyle do they want to have in their retirement? To answer these questions, members need to consider:

- **Career:** when and how people exit the workforce can have significant emotional and financial consequences. Considering career factors also mean contemplating what to do with the extra hours in the day when members no longer have to work and are in the retirement stage. In the online career module, users are asked to allocate 63 hours a week across different activities (finances, health, social, cognitive, emotional, and motivational) in a week (see Appendix C for a screenshot). In completing this exercise, users have a better picture of what their retirement life looks like which informs the income and spending required in that stage of life.
- **Health:** this can influence retirement timing and also unexpected costs that may arise during retirement. Preventative measures may be necessary to extend working life and optimise choice. The online health module provides users with basic health knowledge relating to aging: monitoring across the lifespan, chronic disease, dementia, drinking, mental health, common health illnesses including stroke and heart attack.

Whilst some people may find the idea of examining their finances and retirement confronting, by starting with careers people are able to explore why and when they want to leave work, whether their health will go the distance and then how much money they will need to fund the lifestyle they elect.

The online modules can be administered alone but results are optimised when these are used together with professional consultations (career consultants, financial advisers, and health check-ups) to help consolidate the acquired knowledge from the modules. The modules can be a source of holistic information to be provided as pre-work to help formulate questions and open discussions with planning professionals. By themselves, the modules can help individuals glean ideas and prompt consideration across the three domains (career, health, finance).

Research has proven that a holistic approach to planning is more effective than financial planning alone in promoting positive retirement perceptions and engagement with advice<sup>2</sup>. See Appendix A for more details.

## What next?

The online modules are fully evaluated nationally and available to use now. We are receptive to partnerships with the Australian government to host these online modules on relevant government websites in exchange for funding ongoing maintenance and future development of the modules i.e., updating for the latest information and economic data and language translations. The research team would value the opportunity to assist Treasury in meeting retirement objectives by extending our research to include a scaled-up multidisciplinary solution delivered nationwide, maximising reach and distribution.

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<sup>2</sup> Mooney, A., Earl, J., Gerrans, P., Wijeratne, C., & Mooney, C. (2023). Integrating career, health, and finance in a holistic retirement planning intervention for Australian older workers. *Work, Aging and Retirement*. <https://doi.org/10.1093/workar/waad029>

## Appendix A

The study<sup>3</sup> was a randomised control study using four groups: modules only, modules-plus-consultations in all three domains (holistic), finance only module-plus-consultation, and a control. The image below highlights the outcomes measured:



Results showed:

- The holistic group demonstrated a larger number of positive outcomes compared to the modules and finance-only groups. Compared with completing information modules only, speaking with consultants in careers, receiving feedback on health status and financial advisers may help in consolidating acquired knowledge from the modules, improve financial self-efficacy, reinforce existing plans, or generate new ones, and set goals.
- Compared to the control group, the modules-only, holistic, and finance-only groups exhibited numerous positive changes at post-intervention. The holistic group showed positive changes in workplace exit perceptions, financial decision-making, and goal striving.
- The holistic group also showed increases across all 5 financial decision-making variables compared to 3 seen in the modules group, and 2 in the finance group. This outcome may be influenced by the discussion with a career consultant as career plans may be aligned with financial planning.
- Within the modules-only, holistic, and finance-only groups, significant pre-post improvements were demonstrated across all the categories.

This study demonstrated that, by themselves, the three modules were effective in promoting positive retirement perceptions and behaviours. The modules paired with consultations, however, were the most effective in helping older workers make more considered decisions about retirement.

<sup>3</sup> Mooney, A., Earl, J., Gerrans, P., Wijeratne, C., & Mooney, C. (2023). Integrating career, health, and finance in a holistic retirement planning intervention for Australian older workers. *Work, Aging and Retirement*. <https://doi.org/10.1093/workar/waad029>

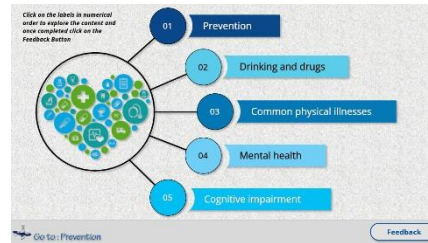
## Appendix B

### Screenshots of the topic slide for each module

## Career Module



## Health Module



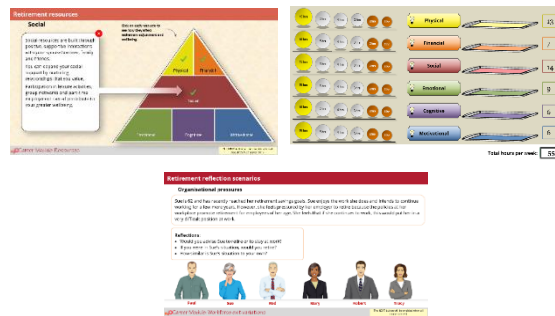
## Finance Module



## Appendix C

## Examples of Module Slides

## Career Module



## Health Module



## Finance Module

