



Australians need a retirement confidence boost

Giving Australians better access to high-quality and more affordable financial advice is imperative.

One of the fundamental principles for achieving long-term investment success is planning.

In fact, the importance of having a clear financial plan, whether it's formal or informal, can't be overstated. As is the importance of sticking to it.

Without a well-documented, detailed plan that incorporates specific goals, there's a fair chance investors will miss out on key opportunities over time, potentially lose their long-term focus and not attain the financial heights they had hoped to reach.

The consequences of this can range from feeling demoralised to experiencing devastating financial impacts, and it's evident there's a strong link between having a plan and individual confidence levels, especially in relation to retirement.

The importance of planning

To this point, Vanguard's recently released *How Australia Retires* study found that Australians with the highest confidence about their future retirement were following a financial plan.

After surveying more than 1,800 working and retired Australians aged 18 years and older, we found that people who have a financial plan are six times more confident about their retirement outcomes than those without one.

Australians with the highest retirement confidence have taken the most purposeful actions to prepare for their retirement. Many have accessed professional financial advice, they're relatively likely to use budgets and prioritise their savings, and they make regular extra contributions into their super.

Broadly speaking, they know what they need to do to achieve the retirement outcome they desire and are optimistic about entering this phase of their life.

By contrast, we found that Australians with a low confidence about their retirement tend to be the least actively prepared.

Often they've never accessed financial advice and they have little understanding of how they can achieve their retirement goals. They also expect to be more reliant on the Age Pension after they retire than those with higher retirement confidence.

In addition, they don't tend to make regular additional super contributions and are generally less optimistic and more likely to

feel disinterested, anxious or worried about this later phase of life.

This is typically the case for older Australians who've taken less action to prepare over time.

The role of super

Interestingly, only half of working-age Australians consider super an important component of their retirement plan and they expect to rely on it less than existing retirees.

As part of this, more than half of working-age Australians (54%) estimate their super balance constitutes half or less of their total investment balance.

Indeed, one in four working age Australians highlighted investment property as being a big part of their retirement plan. That compares with only one in 10 retired Australians having investment property as an asset.

But of concern is the fact that while super is an important component of total retirement assets, relatively few people actively engage with their super.

In many cases, super is the second-largest asset people have outside of their home. Yet, one in four Australians don't know what their current super balance is, and one in two are unaware of what they're paying in super fees.

And most Australians haven't had any contact with their super fund, often because they rely solely on their employer's compulsory contributions.

Increasing engagement

This is an area that really needs attention, and there's a great opportunity for the super industry as a whole to step up their engagement with fund members.

For example, most Australians don't really understand all of their available options when it comes to making personal contributions into their super account each year. Even making small additional contributions on top of employer contributions can have a big positive financial impact over time.

So can reducing fees, because higher fees equate to lower returns. Understanding what you're paying in investment fees allows you to do a comparison with other providers and to potentially switch to lower-cost alternatives.

This is where financial advice can play a crucial role. There's a strong correlation between the use of professional advisers and retirement confidence.

Our survey found that of the Australians who have received professional advice, 44% indicated they were extremely or very confident in funding their retirement. Of those who have never sought any professional advice, only a quarter indicated they were confident.

Which is why giving Australians better access to high-quality and more affordable financial advice, that's relevant to their specific needs, is imperative.

Financial advisers have an important role to play in terms of recommending the most appropriate investment options to individuals based on their needs, but also in terms of behavioural coaching. Having peace of mind is invaluable.

And it's never too early to engage a financial adviser to map out a financial plan that has the best chance of investment success over the long term.

Source:

<https://www.vanguard.com.au/personal/learn/smart-investing/retirement/retirement-confidence-boost>

In this article we have not taken into account any particular person's objectives, financial situation or needs. You should, before acting on this information, consider the appropriateness of this information having regard to your personal objectives, financial situation or needs. We recommend you obtain financial advice specific to your situation before making any financial investment or insurance decision.

nixon financial services pty ltd
corporate authorised representative

Gisborne Ph: (03) 5428 0123 Sunbury Ph: (03) 9744 2400

Email: info@nixonfs.com.au Web: www.nixonfinancialservices.com.au

Bob Nixon (AR 264149), Joel Plowman (AR 1256299) and Michelle Abela (AR 1267997)

Nixon Financial Services Pty Ltd is a Corporate Authorised Representative of Sentry Advice Pty Ltd AFSL: 227 748