



How households save for retirement

**Grattan Institute Background Paper
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This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views based on these data should not be attributed to either DSS or the Melbourne Institute.

How households save for retirement

Superannuation is likely to remain the smallest retirement income pillar

- Many commentators confuse super savings with retirement savings
- But super is currently the least important part of Australia's retirement income system, and is likely to remain so for some time

Non-super savings are as large as super savings for most households

- Superannuation accounts for only 15 per cent of household wealth
- The average Australian saves as much outside as inside the super system, even without counting the family home
- Super's modest contribution to savings is consistent by wealth and income

Non-super savings will remain large going forward

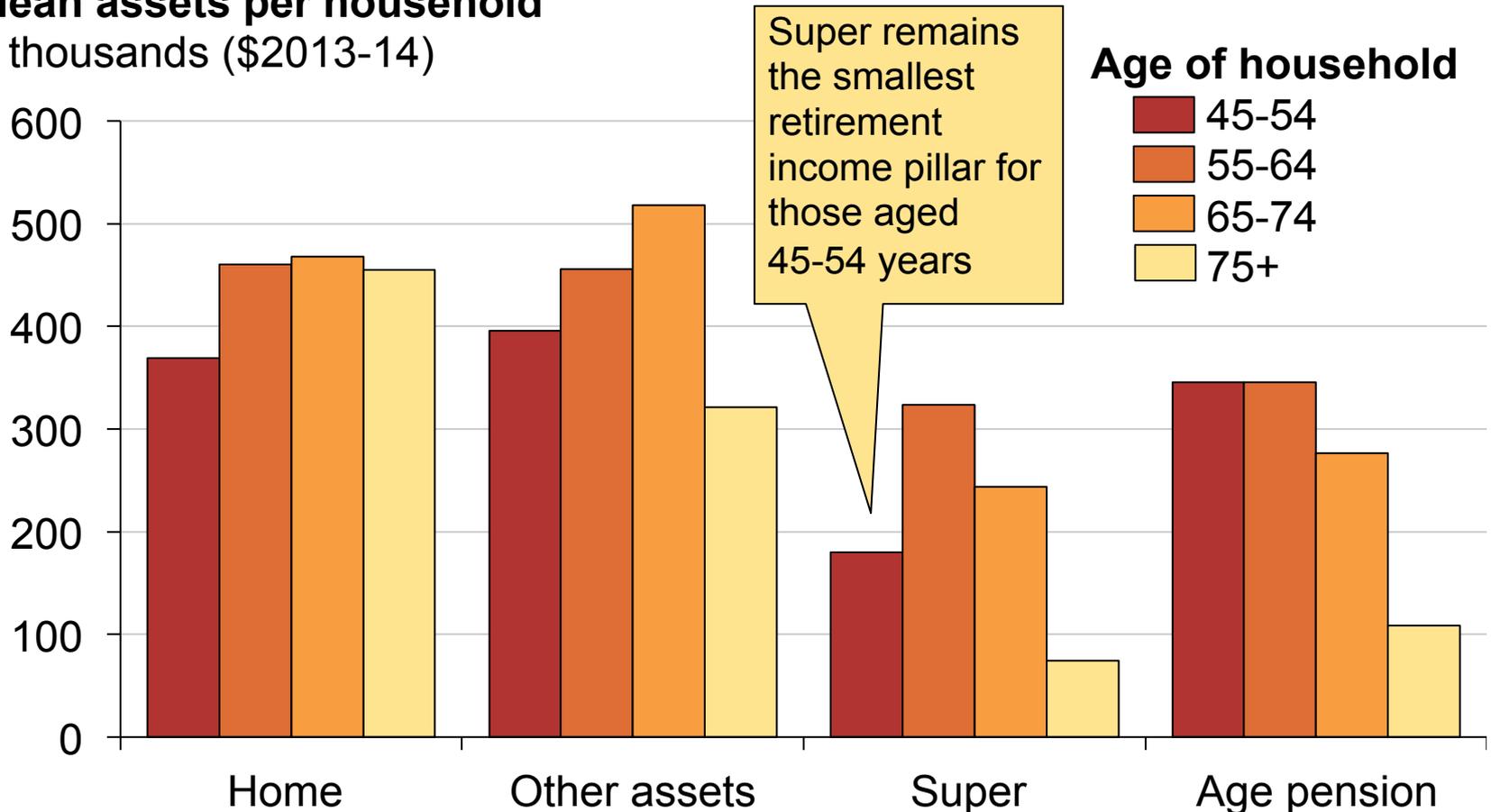
- Even younger households continue to save a lot outside of superannuation
- The compulsory Super Guarantee has seen little fall in non-super savings

Both ABS and HILDA data confirm that most households have large non-super savings

- Super assets are larger in the Melbourne Institute's HILDA survey, but non-super savings are larger in the ABS Survey of Income and Housing

Super is likely to remain the smallest retirement income pillar for some time

Mean assets per household \$ thousands (\$2013-14)



Notes: Home is net of related mortgage liabilities; other assets are net of other liabilities; superannuation excludes at least some defined benefit schemes. Net present value of Age Pension based on average annual pension payments received by households in each age group in 2011-12, inflated forward to \$2013-14. The annual average Age Pension payment is converted into a capital value using a discount rate equal to the Age Pension indexation rate of 4 per cent and an average life expectancy for those aged 65 now of 89 years for women and 86 years for men. The net present value of lifetime Age Pension payment assumes that the average real pension currently received by households in each age group continues to life expectancy. Does not account for future expected increases in private retirement saving before retirement, especially for households aged 45 to 54 years and 55 to 64 years where the bulk of households are not yet retired.

Source: *Super tax targeting*, p.12

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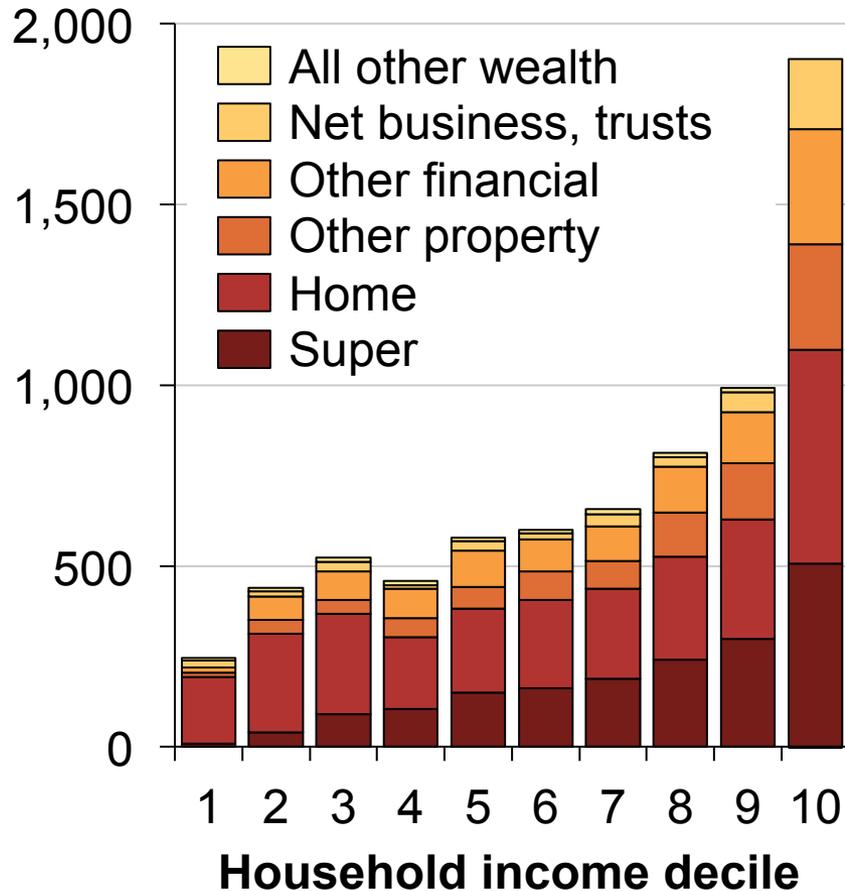
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Households save as much outside super as inside across most income levels...

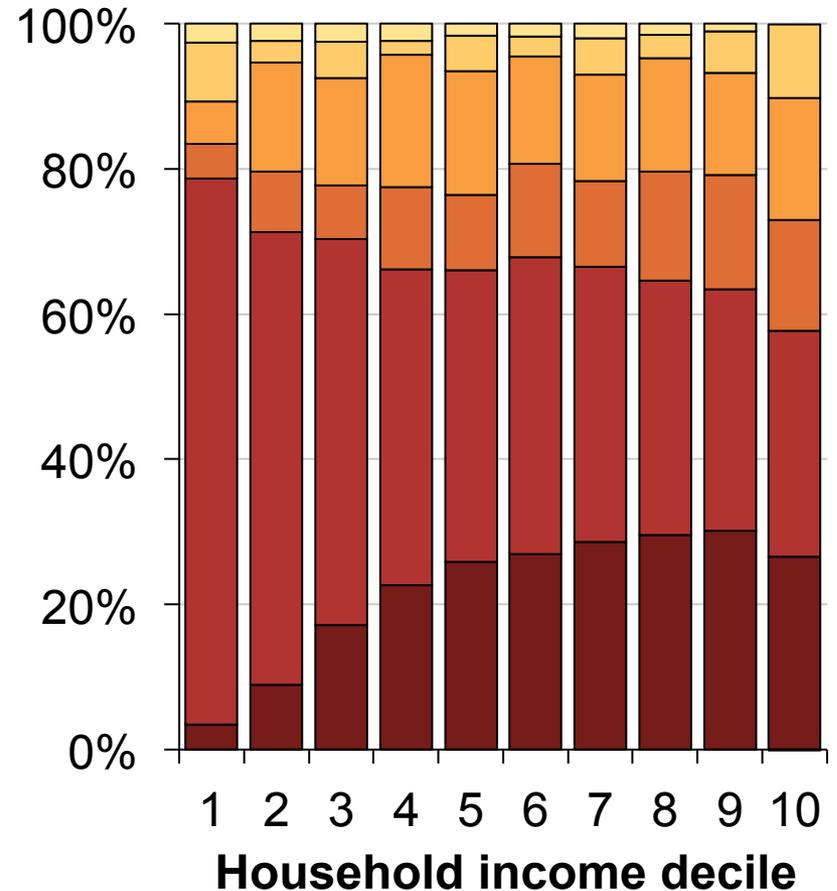
Mean wealth by asset class

\$ thousands (\$2013-14)



Share of mean wealth by asset class

Per cent, 2013-14



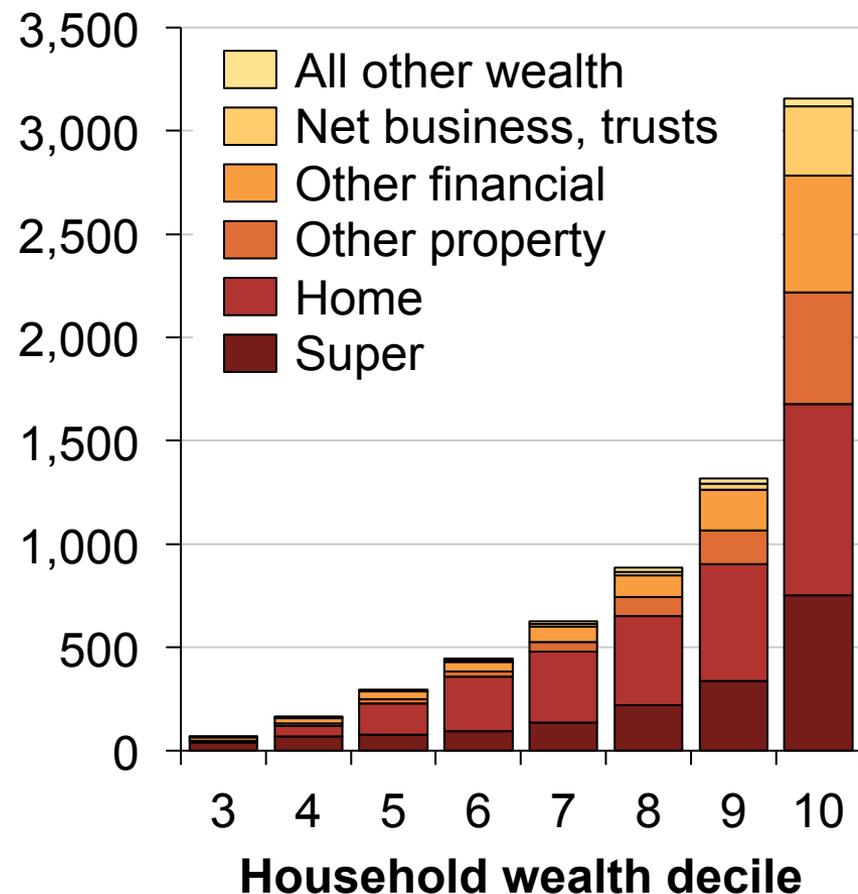
Notes: Home is net of related mortgage liabilities; Other property is net of other property loans; business assets and trusts are net of related liabilities; all other wealth is net of all other liabilities; superannuation assets excludes some defined benefit schemes.

Source: Grattan analysis of ABS Survey of Income and Housing 2013-14.

... and across the wealth distribution

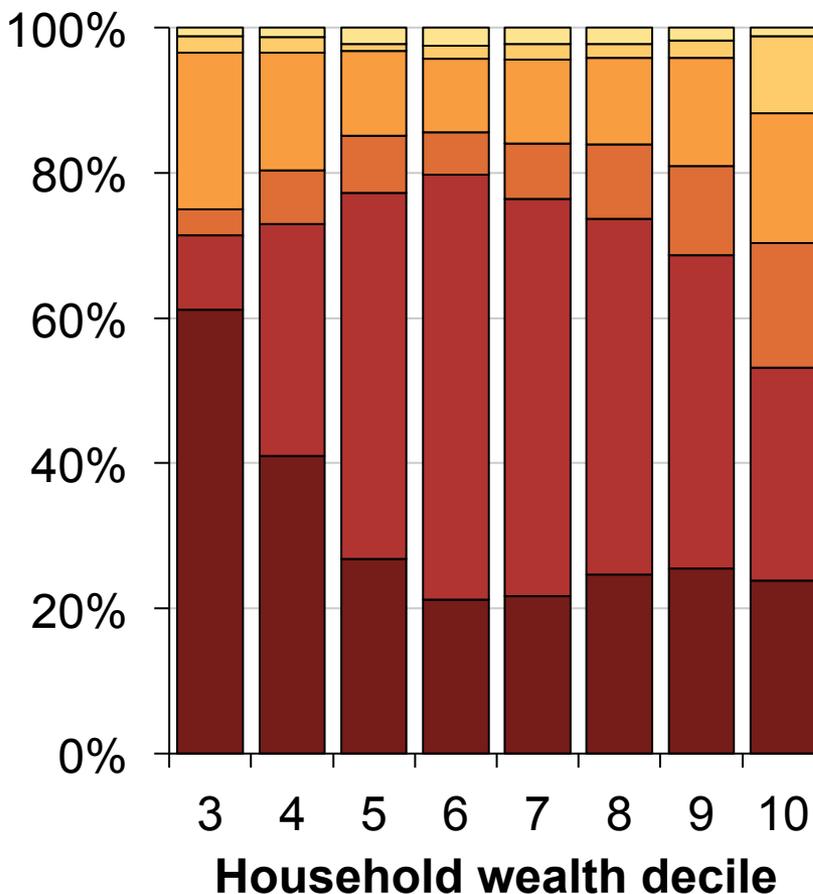
Mean wealth by asset class

\$ thousands (\$2013-14)



Share of mean wealth by asset class

Per cent, 2013-14



Notes: Bottom two net wealth deciles are not reported due to negative values for several wealth components. Home is net of related mortgage liabilities; Other property is net of other property loans; business assets and trusts are net of related liabilities; all other wealth is net of all other liabilities; superannuation assets excludes some defined benefit schemes.

Source: Grattan analysis of HILDA 2013-14.

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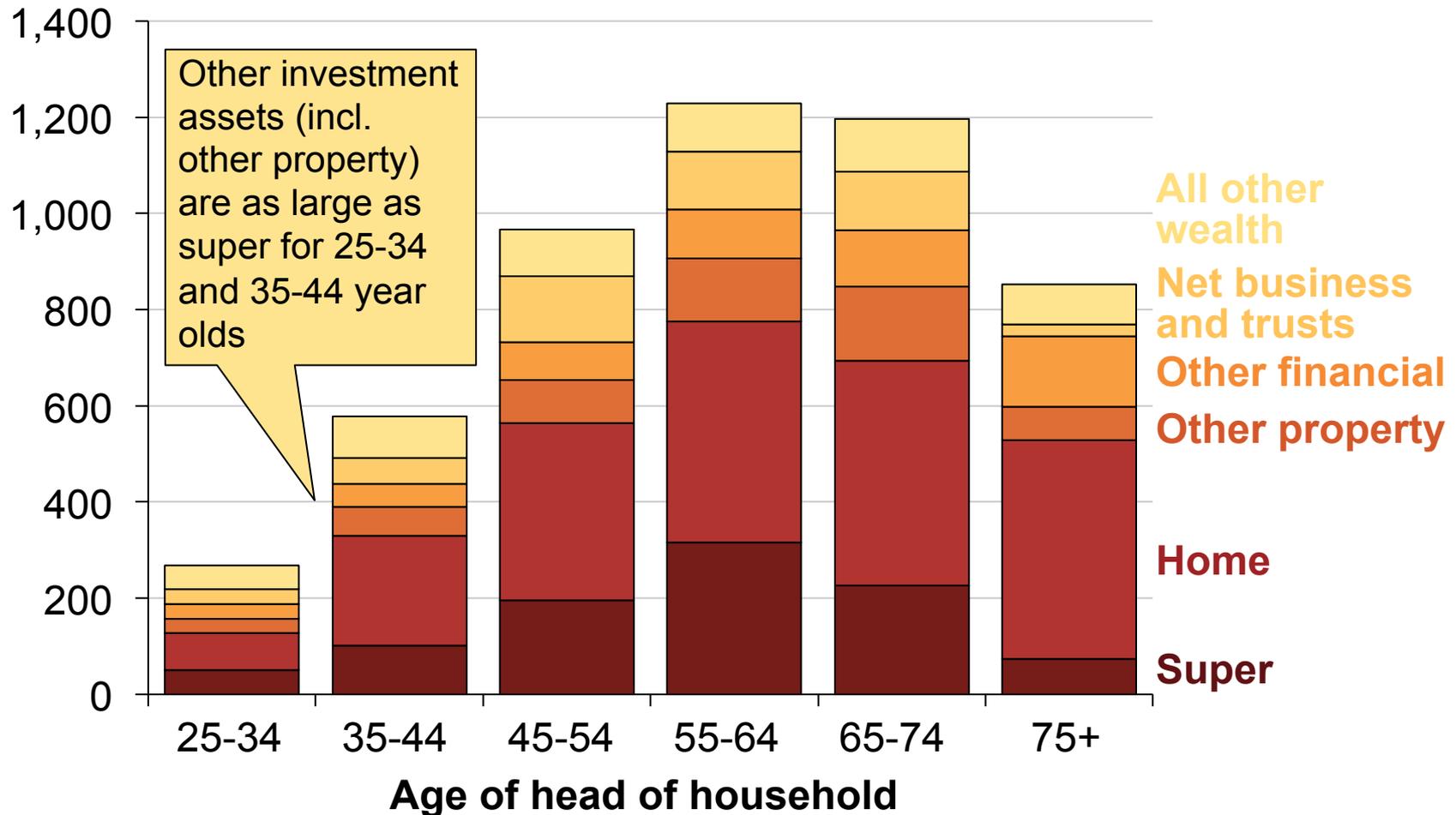
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Mean wealth by age of head of household \$ thousands (\$2013-14)



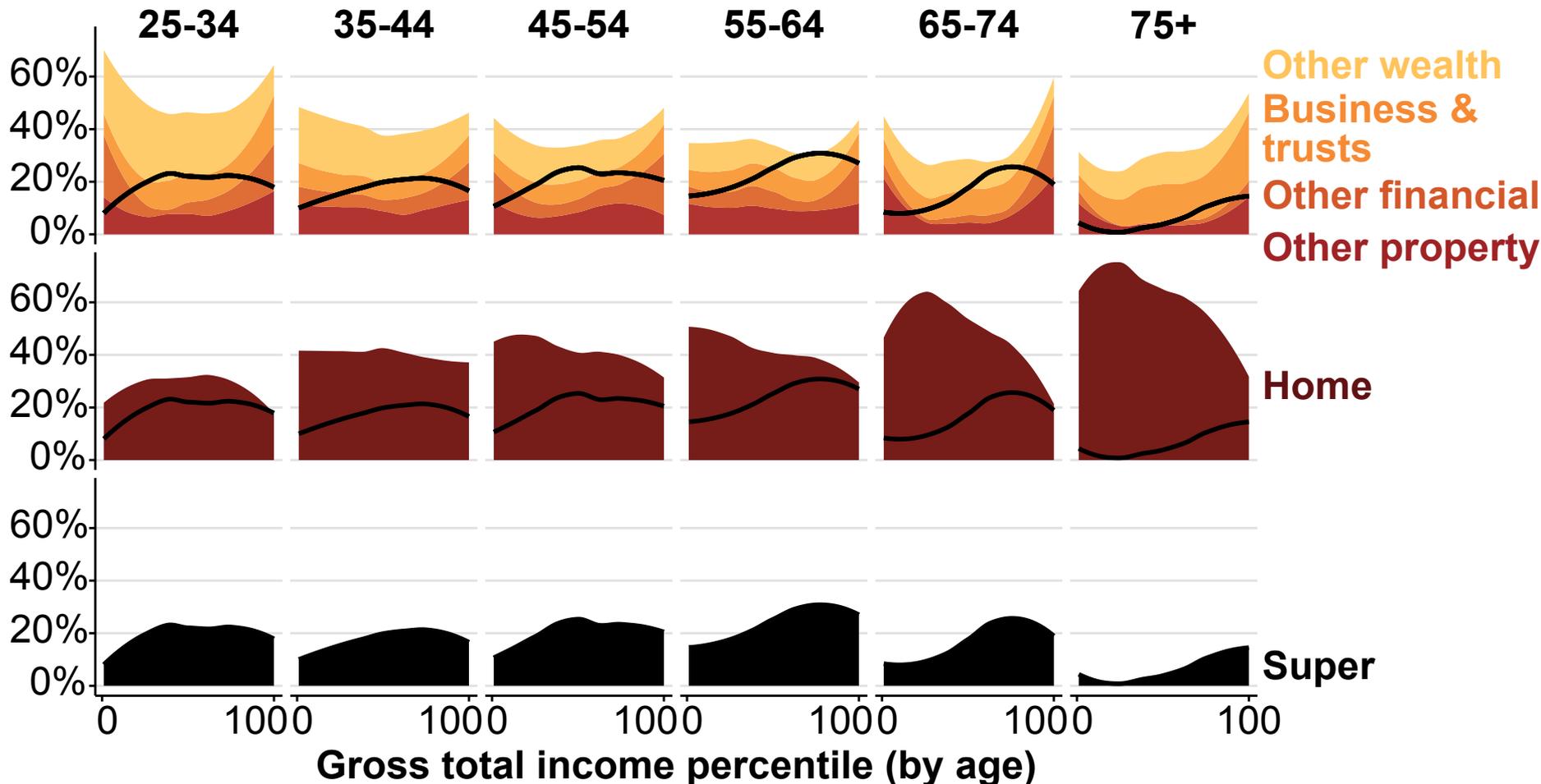
Notes: Home is net of related mortgage liabilities; Other property is net of other property loans; business assets and trusts are net of related liabilities; all other wealth is net of all other liabilities; superannuation assets excludes some defined benefit schemes.

Source: Grattan analysis of ABS Survey of Income and Housing 2013-14.

Households of all ages and income levels save more outside super than inside

Household net wealth by income percentile, age and source

Per cent of household net wealth, 2013-14



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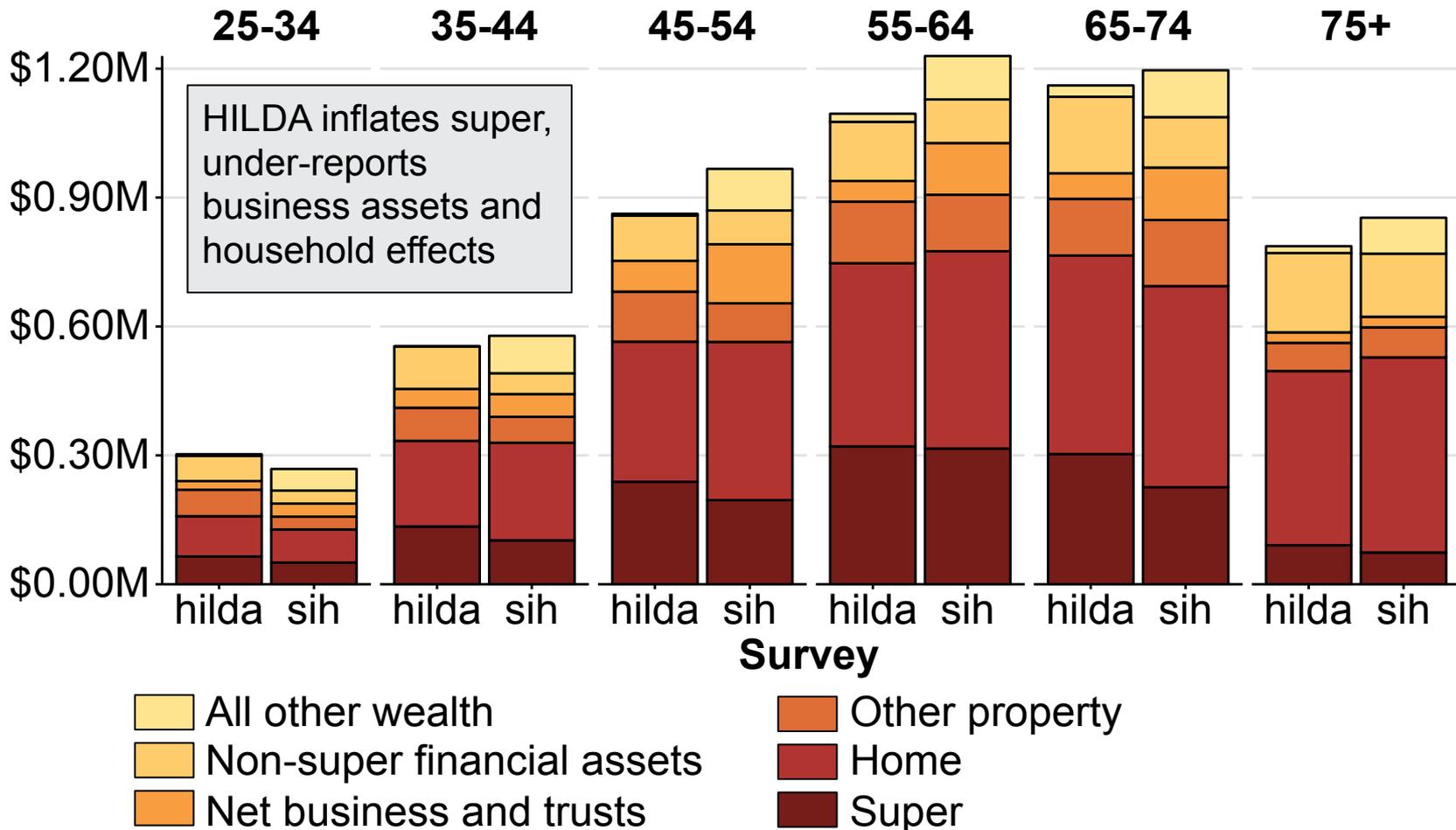
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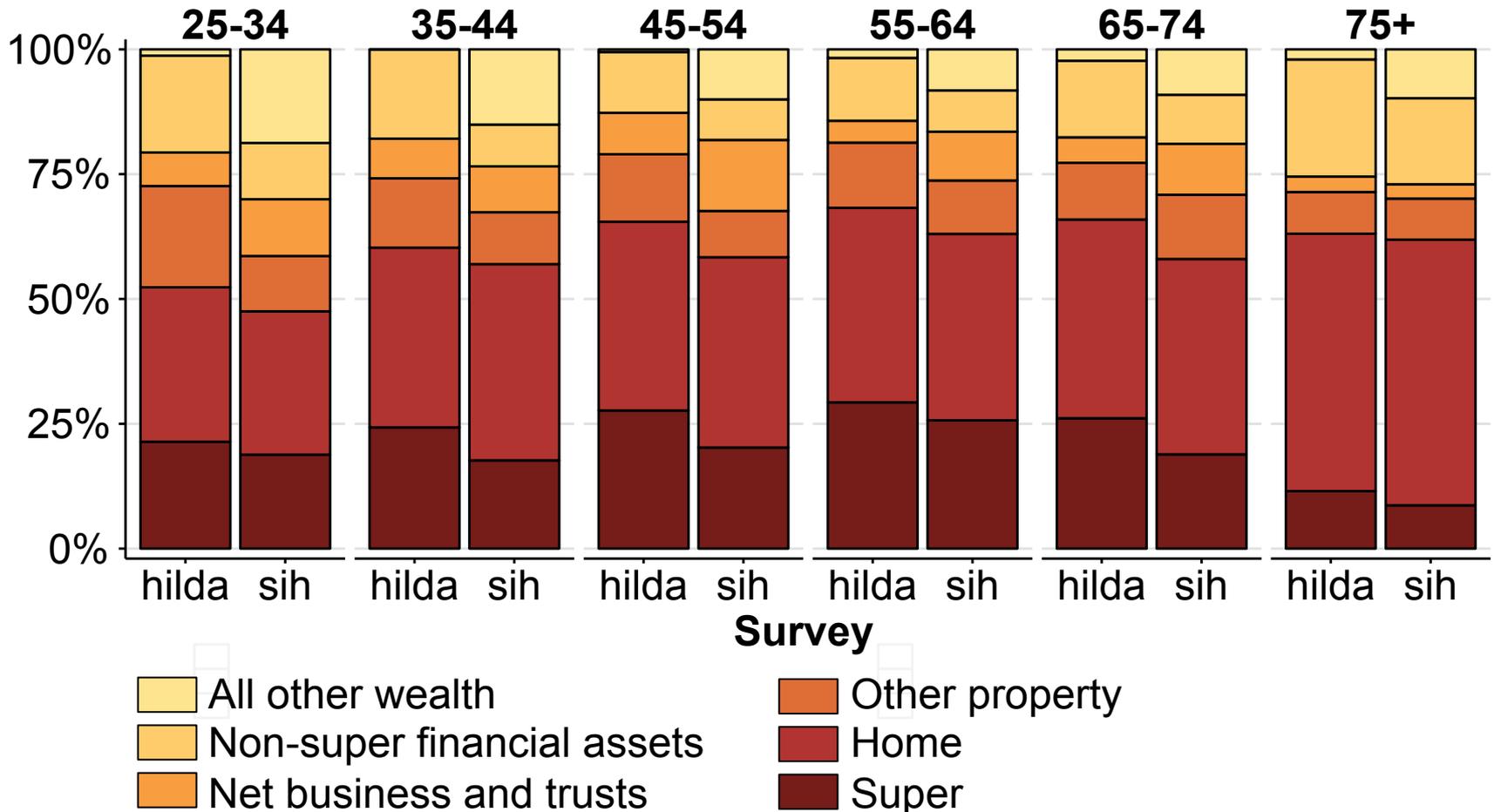
Household net wealth by age and source \$2013-14



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Source: Grattan analysis of ABS Survey of Income and Housing 2013-14; HILDA 2013-14.

Both ABS and HILDA data show that households have large non-super savings (2)

Proportion of household assets by age Per cent of total net wealth



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