

Tuesday, 25 March 2014

The high cost of involuntary retirement - a major economic and social issue that can't be ignored

A more flexible approach to retirement may be needed to account for the significant minority of older Australians who are forced to leave the workforce early, the Australian Institute of Superannuation Trustees said today.

According to a research report commissioned by AIST and prepared by the Australian Centre for Financial Studies (ACFS), up to 40% of older Australians could be classified as involuntary retirees.

The research analysing retirement trends of Australians and released today at **AIST's Conference of Major Superannuation Funds at the Gold Coast**, highlights that age discrimination, ill health, job type, low levels of education, poor English proficiency and caring demands are key determinants of involuntary retirement.

Those working in community and personal services, lower-level administration, sales and as labourers are up to 50% more likely to retire before the age of 60 than professional workers.

"This research highlights the fact that there are many in our superannuation system who do not have 40 or so years of uninterrupted working life in which they can accumulate retirement savings. We need to recognise that many individuals will have a different work pattern, and may not necessarily be in a position to choose their own retirement age, requiring a more flexible approach to policy" said Professor Deborah Ralston Executive Director ACFS.

AIST CEO Tom Garcia said those advocating to lift the retirement age - and the age at which taxpayers can access their super savings - needed to consider that a substantial number of older Australians do not get to choose the timing of their retirement.

"Despite all the talk about the need to raise the retirement age, we can't ignore the fact that a disturbing number of older Australians are forced out of work early," he said "Timing retirement is a lottery for many Australians and the winners aren't those that have involuntarily retired."

Mr Garcia said more needed to be done to help older workers stay in the workforce longer so that they had a better chance of building their retirement savings before they reached old age. Equally, there needed to be recognition that those who retired early due to ill-health were often hit with additional health-related expenses that put pressure on their savings.

Mr Garcia said maintaining the preservation age at 60 for individuals who retired involuntarily could play an important role in funding the period between when involuntary retirement occurs and the age pension is available.

Media Enquiries:

Prof Deborah Ralston, Executive Director, ACFS +61 419 650318 | deborah.ralston@australiancentre.com.au

Janent de Silva, Executive Media Manager, AIST +61 448 000 499 | jdesilva@aist.asn.au

MEDIA RELEASE



“If the preservation age is lifted in line with a higher retirement age, there may be a need to consider the merit of early release provisions for those in genuine need who meet specific criteria to determine involuntary retirement,” he said.

Mr Garcia said the policies that aimed at improving English proficiency, improving workplace environments, and retraining older workers who had been made redundant would lower the level of forced retirements and increase economic efficiency.

-----END-----

Media enquiries:

Professor Deborah Ralston

Executive Director, Australian Centre for Financial Studies

M: +61 419 650318 | D: +61 3 9666 1010

deborah.ralston@australiancentre.com.au

Janet de Silva

Executive Manager, Corporate Communications and Media, AIST

M: 0448 000 499 | T: 03 8677 3806

jdesilva@aist.asn.au

About ACFS

The Australian Centre for Financial Studies (ACFS) facilitates industry-relevant, rigorous research and independent commentary. Drawing on expertise from academia, industry and government, ACFS promotes thought leadership in the financial sector.

As specialists in leading edge finance and investment research, ACFS aims to boost the global credentials of Australia’s finance industry, bridging the gap between research and industry, and supporting Australia as an international centre for finance practice, research and education.

About AIST

The Australian Institute of Superannuation Trustees (AIST) is the peak industry body for the \$600 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.

As the principal advocate and peak representative body for the not-for-profit super sector, AIST plays a key role in policy development and is a leading provider of research.

Media Enquiries:

Prof Deborah Ralston, Executive Director, ACFS +61 419 650318 | deborah.ralston@australiancentre.com.au

Janet de Silva, Executive Media Manager, AIST +61 448 000 499 | jdesilva@aist.asn.au