

## Few big spenders in retirement – study finds most households have modest spending habits, regardless of level of income

New research on Australian retirees has revealed that the expenditure of most retirees is modest, regardless of the level of income they have access to.

The research found that 80 per cent of retired households reported expenditure levels considered to be the most basic standard living for retirees (\$23,797 for singles, \$43,226 for couples).

The research, which was commissioned by **AIST and conducted by Monash Business School's Australian Centre of Financial Studies (ACFS)**, is based on 12 years of data from the Household, Income and Labour Dynamics (HILDA) survey of about 8000 households.

The research also showed that contrary to conventional wisdom, expenditure did not appear to decline throughout the period of retirement – ie it is relatively constant. However today's retirees are spending more than earlier cohorts and future retiree expenditure could be higher again.

There were also significant regional variations in expenditure levels for retirees across Australia, with those in Sydney recording the highest average household expenditure of around \$44,000, compared to around \$34,000 for those living in Melbourne and \$25,000 for those in Tasmania.

**AIST CEO Tom Garcia** said the research challenged perceptions of retiree expenditure and was timely given the current discussion around the fairness of the super tax concessions, super's objective and what is considered to be an 'adequate' income in retirement.

"Learning more about what retirees actually spend compared to their income will help us make evidence-based decisions about adequacy and super policy," Mr Garcia said. "There are a lot of myths and fear about what retirees need to live on. This study suggests that most older households, including wealthy ones, have relatively modest expenditure and – on average – have the highest financial satisfaction."

However Mr Garcia noted that low income retired households appeared to be struggling. "On the one hand we have low income households that appear to be taking on debt or selling down assets to meet their living expenses, while at the other end of the spectrum, the very wealthy households appear to have high rates of disposable income."

**ACFS Executive Director, Professor Rodney Maddock**, said the report's findings provided important evidence in the discussion about superannuation and retirement income.

"The finding that retirement spending is largely driven by cost-of living pressures such as geographical location and household structure rather than wealth has important implications for the design of retirement income products, and for superannuation policy," said Professor Maddock. "The report also exposes the need for greater data around retirees' expenditure on aged-care and leisure to provide a complete picture of retirees' behaviors."

**Key findings of the research include:**

- The highest earning households save a significant proportion of their income; for most other households expenditure and income levels are similar, the exception being very low income households which appear to be spending more than their income.
- 15% of all retirees are renters; 8% have mortgages.
- Housing costs are significant for the minority of retirees who do not own their homes.
- Self-funded retirees enjoy a significantly higher standard of living than those relying on the Age Pension.
- Overall, this is the wealthiest retired generation ever in Australian history, with household wealth and income continuing to increase with each successive HILDA survey. Further, today's retirees are spending more than earlier cohorts at a similar age.
- Contrary to findings commonly cited in research, HILDA households do not show a decline in expenditure through the course of retirement.
- While there is significant income disparity within the HILDA population, the level of household expenditure varies more according to geographic location than it does by level of income. Retirees in NSW spend the most, with retirees in SA and Tasmania spending the least.
- Superannuation has been the fastest growing source of retiree household wealth.
- Wages and super contribute significant income in the early stages of retirement.
- The key expense for retirees over 65 is groceries and meals eaten out.
- The report recommends that going forward, the HILDA survey includes more data on household goods and services, leisure activities and aged care costs.

**You can access the full research [here](#).**

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