

Retirement reality: Advice and the Age Pension



Retirement is an exciting time for many, a time to enjoy your family, friends and newfound freedoms, but it also coincides with some of the most important life decisions every person will have to make.

There are many factors that need to be considered: social, family, financial and health.

For most, it is a time for celebration, but it can be hard deciding what to do when you don't have the right information. As a result, some people avoid or delay making retirement decisions because they don't have access to suitable or easily accessible guidance.

Link Advice, a part of Link Group, has worked closely with our super fund clients for almost 20 years, and we believe the advice landscape needs to change. Intrafund advice is useful but needs to evolve to support more diverse needs into retirement. Comprehensive advice, on the other hand, has become inaccessible and overly expensive for the everyday Australian. In fact, we have seen over one third of people decline a comprehensive advice offer thereby falling out of the advice experience and being left to find their own path to retirement. We can do better!

We know there is a better way forward through scaled advice. In partnership with Retirement Essentials, we recently conducted research to better understand the key challenges for individuals either in or approaching retirement, especially when it comes to common milestones such as seeking financial advice and applying for the Age Pension.

As you will see from the results, there are numerous opportunities for funds to help retirees make better decisions through more accessible and affordable advice and guidance options. By considering the entire journey and more complete needs of members today, we can create a better tomorrow for everyone.



Jonathan Shaw,
Chief Product Officer, MUFG RS

Background

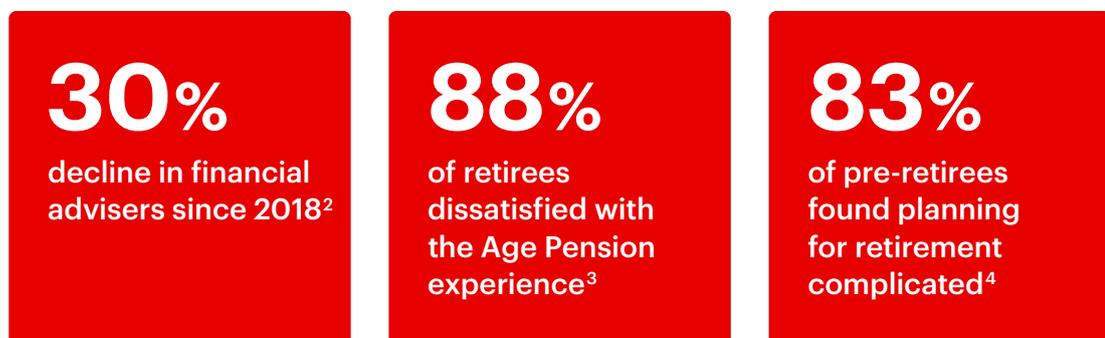
Earlier this year, the Retirement Income Covenant (RIC) was passed by Federal Parliament, extending trustee obligations to provide and execute on a cohesive retirement strategy that better supports members through decumulation. Trustees must now have a strategy that focuses on improving financial outcomes by helping retirees balance their incomes over longer life expectancies while managing potential risks.

The RIC is welcomed but creates some new challenges for funds. For example, it is not explicit on how these strategies should navigate the precarious area of affordable and accessible financial guidance. Advice has been a long-contested and heavily regulated arena, and thus difficult to provision against the costs of compliance and uptake.

Following the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, we saw a mass exodus of advisers due to extensive regulatory changes. Not only have fewer new advisers joined the industry since, but the price of personal financial advice has risen substantially over the past two years. As noted in ASIC Report 627,¹ it is no surprise that consumers consider advice to be too expensive.

The RIC is now in place requiring funds to articulate their approach as well as the provision of guidance and advice on retirement. Many funds may be overwhelmed with competing priorities, notwithstanding other demands of the RIC. However, now there is a driving compulsion to offer some level of guidance and advice as it can act as a competitive advantage in attracting new members and retaining existing ones with better service propositions.

Many funds agree it is integral to meet the requirements of the RIC and deliver to members a successful retirement strategy. Better education and increased literacy around retirement and products is essential to help members understand their retirement options and what ultimately will be best for them. This can be supplied via a number of channels like websites or contact centres. These channels are versatile in providing different types of advice such as general, intrafund, personal or scaled advice. The latter is rapidly becoming more popular given its lower cost and appeal to those with less complex financial circumstances.



1. <https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-627-financial-advice-what-consumers-really-think/>

2. <https://www.rainmaker.com.au/media-release/financial-adviser-numbers-at-five-year-low>

3. <https://retirementessentials.com.au/study-confirms-age-pension-a-nightmare-for-older-australians/#:~:text=The%20study%20found%20conclusively%20that,how%20widespread%20this%20problem%20is>

4. <https://www.choice.com.au/money/financial-planning-and-investing/superannuation/articles/super-consumers-australia-choice-retirement-planning-survey>



Right now, few funds are providing retirement guidance and advice well, nor are they seeing it as a burning platform of differentiation. Many have captured elements of a solution but not as a cohesive retirement strategy that includes the Age Pension and assistance with the application process. In many cases, funds are not truly supporting a member's end-to-end journey from accumulation through to decumulation.

To strengthen retirement advice offerings, there is a huge opportunity to complement the provision of advice with support when applying for the Age Pension. The 2020 Retirement Income Review found that 71% of people aged 65+ receive Age Pension payments⁵ but a study by Retirement Essentials found that 88% of retirees are dissatisfied with the Age Pension experience and processes.²

That's why we've partnered with Retirement Essentials – to find out more about people's needs when entering retirement so that funds can better tailor retirement advice and support, more specifically with the Age Pension. When designing the survey, we wanted to examine the pre and post retiree experience and so we approached:

- **Existing Age Pensioners:** who have or have applied for the Age Pension;
- **Future Age Pensioners:** who are not yet eligible or are eligible but have not yet applied for the Age Pension.

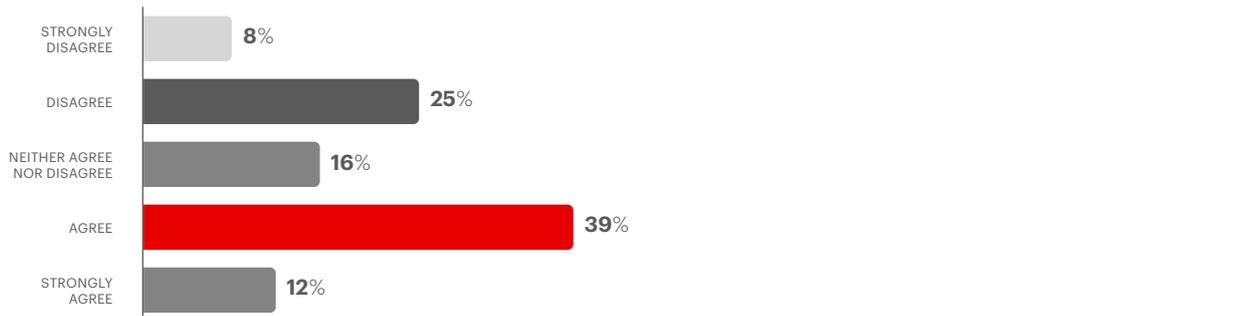
This gave us a unique perspective on retirement and provided findings that identify what we can do better now and in the future.

5. <https://treasury.gov.au/sites/default/files/2021-02/p2020-100554-udcomplete-report.pdf>

Insights

1. One third of Existing Age Pensioners report low confidence when applying for the Age Pension

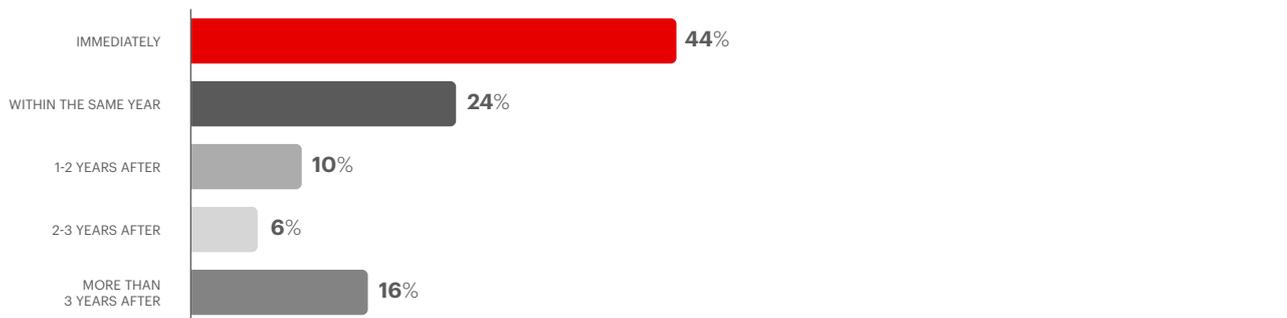
Do you agree or disagree with the following statement? ... 'I feel confident to handle all aspects of the Age Pension application process on my own?'



Over 30% of retirees who have applied or are applying for the Age Pension reported a lack of confidence in navigating the process. Retirees are already less confident when dealing with retirement in general, and according to a Choice 2020 survey, 83% of people surveyed found planning for retirement to be moderately to extremely complicated. Providing greater support, whether that is advice or education could go a long way to addressing the complexity of the system.

2. 32% of Existing Age Pensioners delayed their Age Pension applications by over a year

How soon after you became eligible did you apply for the Age Pension?



44% of existing Age Pensioners applied almost immediately but almost one third waited over a year to apply after they became eligible citing low confidence and increasing system complexity. This can have severe impacts on existing Age Pensioner's long-term retirement savings. The opportunity is on funds to help retirees build confidence so they can make better choices in retirement. Support with the Age Pension can be a quick win and provide a great starting point to bridge the gap.

3. 79% of Future Age Pensioners want support when they are eligible

Would you like to have help if you apply for the Age Pension in the future?



Consistent with the 2018 National Seniors research, the majority of future retirees want more support with the Age Pension. In our survey, almost half (48%) of Future Age Pensioners found the application process difficult or extremely difficult. In contrast, over half of Existing Age Pensioners surveyed sought help during the process, while those who did not seek help reflected that they would have liked help (61%) through the process but did not know where to turn.

4. 70% of all Age Pensioners desire Age Pension and retirement support from their funds

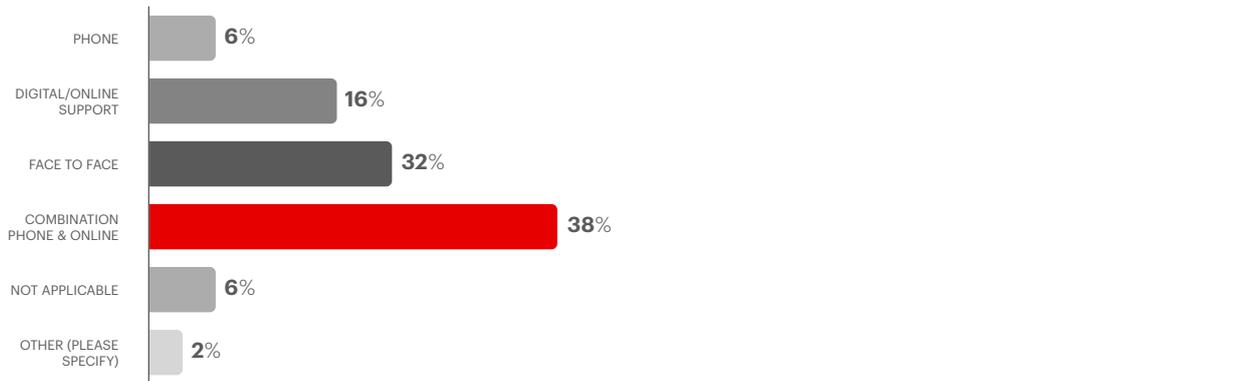
If your super fund offered support with the Age Pension and what to do with your super in retirement would you be interested?



While other channels and organisations (Centrelink, Retirement Essentials) exist to provide Age Pension and retirement support, the majority of all Age Pensioners desire direct support from their funds. More women than men wanted support from their fund, 74% compared to 67%, likely due to the widening gender gap pervading superannuation outcomes. Funds that are better able to support their members through the transition into retirement and the myriad of decisions and processes that accompany this period, will significantly uplift experience and improve their outcomes - thereby strengthening member retention.

5. 1st choice for Age Pension support channel for Future Age Pensioners was multi-channel: telephone and online

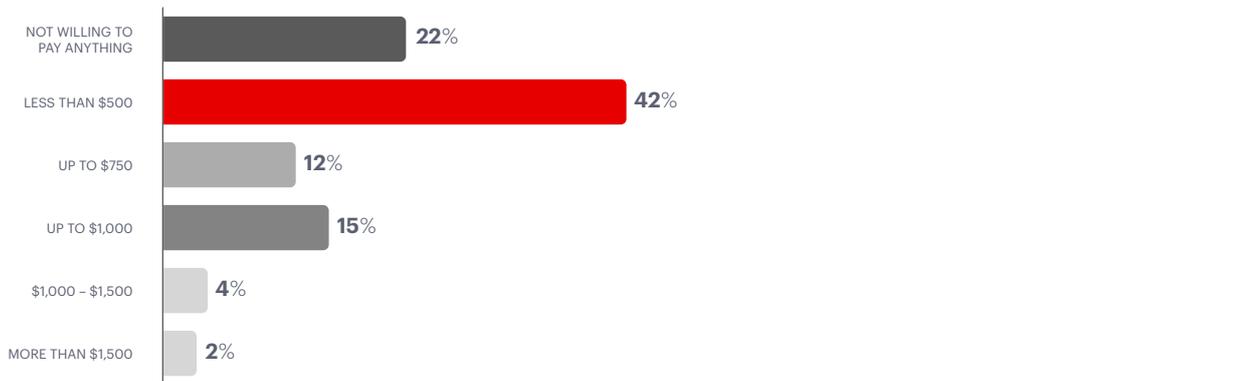
If you did need support with your Age Pension application how would you prefer to get support?



Future Age Pensioners ranked a combination of telephone and online as their top choice for accessing Age Pension support. Members are trending towards wanting self-paced, omni-channel options when deciding upon the best support journey. If you are considering providing Age Pension support, these channels are essential if they are not already available through your fund.

6. 7 out of 10 Future Age Pensioners will pay up to \$1000 for personalised advice

How much would you be willing to pay for personalised advice?

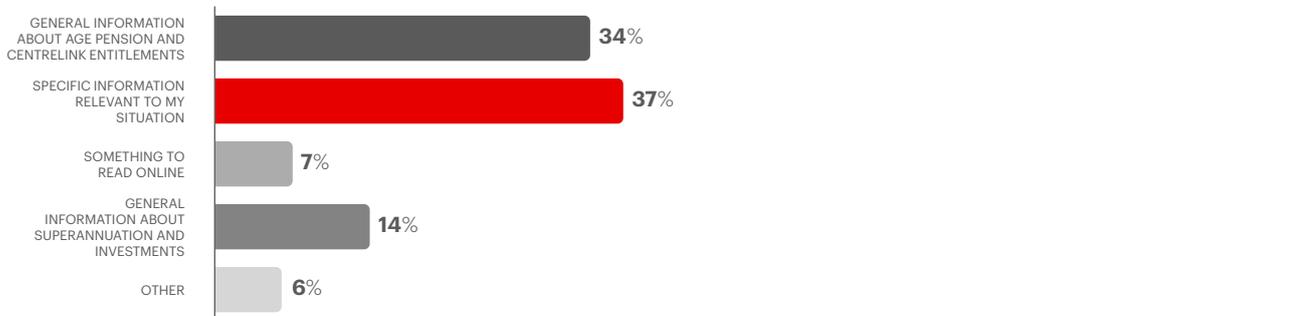


Our survey found that 77% of Future Age Pensioners are willing to pay up to \$1,000 for personalised advice, including support applying for the Age Pension. Taking a closer look at the statistics, almost half of these respondents were willing to pay up to \$500, which is consistent with ASIC's previous findings.¹ Men were also more willing to pay for advice (83%) than women (71%). Women may not seek advice due to having lower balances thus making affordability an issue. Overall, most future retirees are clearly willing to pay, signalling an opportunity for funds to provide piece-by-piece retirement advice that sit within this range of affordability and accessibility.

1. <https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-627-financial-advice-what-consumers-really-think>

7. 1st choice for guidance was personalised information and advice, followed closely by more general information

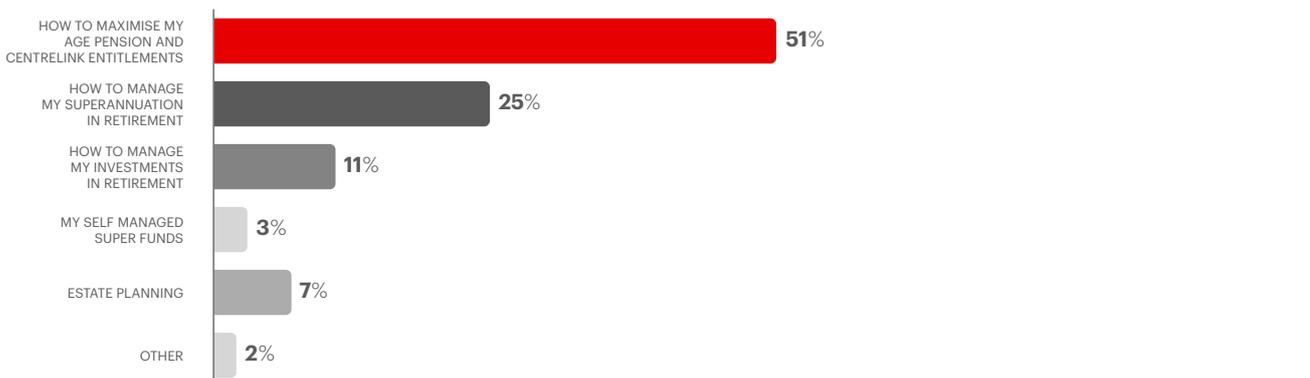
If your super fund sent you information concerning retirement what sort of information would you want? Check all that apply:



For all Age Pensioners, personalised support ranked as the top priority, closely followed by general support and advice. Even though personalised advice is addressed within the RIC, due importance should be given to general guidance because members sometimes just want to know about their options. It is essential to consider the whole range of help, guidance and advice journey for members, from seeking general support to making an informed choice about whether personalised guidance (scaled or comprehensive) is appropriate for them.

8. 1st reason all Age Pensioners sought guidance and advice was to maximise entitlements and retirement income

What type of support would you want? Check all that apply:



Over half of all Future Age Pensioners and Existing Age Pensioners ranked maximising their Centrelink entitlements and retirement income as their highest concern. Second highest was how retirees can best manage their superannuation in retirement, supporting ASIC's findings that over one third of consumers want advice on retirement income planning. Retirees are clearly concerned about missing out and fear not being able to sustain themselves into old age. Solutions should focus on ensuring specific assistance around entitlements, further strengthening our insights around funds providing Age Pension support.

Conclusion

Everyday Australians are calling out for timely support to simplify the complexity of moving into retirement. Our research confirms what many in the industry already knew, navigating the retirement system is complex. Through a combination of low confidence and not knowing who to turn to, everyday Australians are delaying the establishment of their retirement income and not applying for the Age Pension when they become entitled. This is eroding their retirement savings and making it harder for them to realise their ambitions in retirement.

Whether it's right or it's wrong, many Australians don't see comprehensive advice as relevant to their needs or circumstances. Although, the majority want guidance and advice and are prepared to pay for it as long as it's relevant to them. Ranging from simply understanding their options in retirement to more personalised information and advice, Australians want help but we haven't made it easy or clear who to turn to.

The RIC has put a public face on the importance of retirement but the next step is for us to deliver solutions together that are relevant to the needs of everyday Australians at the time when they need it most. Superannuation funds can play a pivotal role in helping set people up in retirement because members expect their fund to provide more support when they are ready to retire.

More and more Australians are connecting with their superannuation fund every day, online and over the phone, seeking answers to questions that will aid them through the next stage of their life. By adding better guidance and advice services to a fund's existing range of services, we can improve the retirement outcomes of thousands, taking away the unnecessary complexity and enable them to focus on the things that really matter to them – family, friends and their newfound freedom.



Retirement Ready: Our Solution

Link Advice has developed Retirement Ready – a scaled advice solution that meets today and tomorrow’s member simple retirement needs – to help superannuation funds improve the advice experience and facilitate RIC’s requirements. Working in collaboration with the fund, Retirement Ready is designed specifically for everyday Australians who have less complicated financial and retirement needs. They might be people who simply want to talk to someone who can give them advice about how to set up an income in retirement including the aged pension.

Link Advice’s Retirement Ready service is:



Retirement Ready can help your member make the transition into retirement seamless as well as assist the fund in meeting the following requirements and challenges:

- RIC retirement strategy
- Members best financial interest
- Bridging the advice gap
- Scaled advice

Talk to Link Advice to understand more about Retirement Ready and how we can support you in helping your members to make the most out of their retirement savings.

BUSSQ Case Study

“Scaled advice was the perfect solution. Link Advice really listened to what I wanted and were flexible about how we could achieve that.”

Camille Magee, Executive Manager for Relationships, Growth and Advice, BUSSQ

For almost 20 years, Link Group’s Retirement and Superannuation Solutions (RSS) division has been working with BUSSQ, one of the top superannuation funds serving workers in the building, construction and civil space. BUSSQ Executive Manager of Relationships, Growth and Advice, Camille Magee, believes advice plays an important role in the support and education of members into retirement. However, BUSSQ’s comprehensive face-to-face, advice offering was proving too expensive for many members, casting doubt on the future of this service. Instead, 80% of BUSSQ members were more interested in limited personal advice over the phone.

The solution: Scaled advice

For smaller funds, partnered scaled advice solutions are beneficial against the high costs that can accumulate from compliance and governance when insourcing. Choosing the right provider to deliver is essential, according to Magee, to ensure minimal service disruption. A general advice pilot was first implemented with a triage phone service driven by Link Advice, that connected members to the right BUSSQ team member. From there, a scaled advice pilot via phone went ahead after Link Advice proposed the concept to resolve the challenges BUSSQ were facing.

Key to the solution’s success was the strong collaboration and partnership between the teams with Magee finding working with Link Advice ‘fantastic.’ Our goal, according to RSS Client Portfolio Manager for BUSSQ Ann Maree Deakin was to always ‘meet and exceed their expectations with service delivery.’ An important aspect that BUSSQ wanted to get right was the human element. Link Advice was ‘very open to ensuring it was an agile process and took many steps to achieve that,’ said Magee.

The results

3x

advice
requests
increase

30%

reduced
costs

1 month

service
implementation

Implementation of the service has been seamless with the pilot up and running in ‘record time.’ Advice requests, both general and personal, have more than doubled since changing models. Delivered by experienced, trained Link Advice staff, costs have been driven down by a third - a great outcome relative to the size of the fund.

The Link Advice model allows BUSSQ to easily meet growing scale by ‘increasing or decreasing the support from the Link Advice team, if necessary,’ said Magee. The service also received ‘good feedback’ directly from members.

Link Advice

Since 2004, Link Advice, part of Link Group's Retirement and Superannuation Solutions division, has been providing intrafund advice to a range of funds, small and large, as well as advice support services to help make advice more affordable and accessible to their membership. This applies equally to the advice we provide and through our support in helping funds become more efficient in the delivery of their support services. Our range of services includes phone-based intrafund advice, integrated digital fact find for fund's financial advisers, digital advice covering investments, AFS licensing services, Xplan Consulting, Digital Fact Find and General Advice for Contact Centres.



Talk to us now!

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