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Australian Evidence of Baby Boomers Financial Security: A Review

Abstract
Purpose: In light of the recent global economic crisis, many policy makers and consumer groups are questioning the financial preparedness of Australian Baby Boomers. A review of the Australian evidence since 2000, including government reports and working papers, on financial security of baby boomers as they approach retirement was undertaken. Method: Online databases were systematically searched, resulting in 63 articles and reports that met inclusion criteria of being published between 2000 and 2009 and financial matters for older Australians. The following search terms were used: baby boom*, Australian baby boomers*, financial security*, financial satisfaction*, financial perceptions*, retirement financial security baby boomer*; economic security and retirement*, resulting in 2,153 articles. Results: This review revealed four key topic areas: 1. Income, 2. Wealth and Superannuation, 3. Gender perspectives, 4. Self rated measures. The majority of studies reviewed examined objective measures of wealth and income, with only limited coverage of self reported measures. From this critical review, there is a need to further investigate the relationships between objective measures (wealth, income and superannuation) with subjective based measures (expectations and perceptions).

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Introduction

The Global Financial Crisis (GFC) of 2008-2009 has affected the way that policy-makers and individuals view the three pillars of retirement income in Australia: the age pension, employer superannuation and private savings (Borowski, 2008). There has been a widespread reassessment of risk for individuals' decision-making in terms of their superannuation, savings, and other assets along with a broader reassessment of the adequacy of the current legislative and policy framework for ensuring financial security in retirement (OECD, 2009). These issues and changes are especially important for baby boomers approaching retirement and it is timely to review the key factors influencing their future financial security.

In the international literature, financial security in retirement has been viewed as having two key components: first an objective status, for example the amount of superannuation one has, and second, a subjective status including factors such as satisfaction with, and attitudes about finances and willingness to take risks (Joo, 2008). Similarly, George (1992) considered financial security for retirement in terms of economic resources (objective measure) combined with levels of confidence (subjective measure); she viewed these as the key influences on capacities to achieve a desirable lifestyle. Danigelis and McIntosh (2001) explored the effects of economic resources upon financial satisfaction (a subjective measure), finding men's financial satisfaction is based upon non-monetary factors, whilst women's is upon monetary balances. According to Joo's (2008) research, subjective components are just as important as objective components for financial wellness in the USA context.

This article reviews strengths and gaps in research findings on financial security in retirement in Australia. The literature has examined both objective and subjective components, both of which will be shown to be valuable, but there has been little investigation of the combined components particularly in relation to baby boomers' financial security and quality of life in retirement. Yet combining objective and subjective approaches is critical to appreciating the consequences of recent economic changes, both for financial decision-making and financial retirement and ageing of the Australian baby boom cohort. In addition to reviewing the existing evidence base, this article recommends some directions for improving the evidence base of boomers' financial security.

The article begins by setting the context in terms of the financial security issues faced by boomers and recent policy developments that will influence them. The article then turns to the methods adopted for identifying the relevant Australian literature. This literature is then reviewed in terms of emergent

topics and methods employed, including work on self-rated financial adequacy and qualitative studies. The article concludes by summarising the adequacy of existing knowledge on the objective and subjective financial security of Australian baby boomers and directions for further research and policy.

Baby Boomers: The Demographic and Economic Context

The phenomena of post WWII baby boom cohorts vary between countries and there is considerable debate both internationally and nationally in setting specific definitions of these cohorts (Ozanne, 2009). This paper adopts the Australian Bureau of Statistics (ABS) (2006) definition that establishes baby boomers as those born between 1946 and 1965. In 2008, there were approximately 5.5 million boomers (ABS, 2008). As they grow older the number of people aged 65-84 years is projected to grow from 2.4 million in 2007 to 6.4 million in 2056; the number of people aged 85 years and over is projected to grow five-fold from 334,000 to 1.7 million over this period. This very large cohort, in comparison to the smaller cohorts preceding and following them, will become increasingly important in relation to the broader economy and many policy areas over the next three decades (Productivity Commission, 2005). The Australian Government and key consumer groups need to plan how to respond to this significant social change that will occur over the next two decades. Their emergence in later life is claimed by the Australian Government to be a major factor in a projected fiscal deficit of 3.9% of GDP by 2044-5 to fund expected age pension benefits (Australian Government, 2010). Whether or not such a deficit actually does emerge is of course subject to future policy decisions and economic developments, but this outlook suggests that there may not be much scope for boomers to expect major increases in public support of their financial security over the coming decades.

The individuals at the front of the cohort (those born in 1946) will soon be turning 65 years of age (the traditional retirement age). There are strong indications that the recent (and continuing) economic difficulties are influencing retirement decision-making. A 2009 national survey found that a high proportion of boomers were planning to delay retirement as a result of declining superannuation balances (O'Loughlin et al, 2010). Recent figures published by the ABS (2009) found that the most common reason for individuals to come out of retirement was financial (36% of men, 42% of women). These findings highlight the need to examine the financial security of boomers for achieving their anticipated standard of living in retirement.

The recent economic downturn and anticipated demographic ageing has led to

changes in personal and public reassessment of key factors in baby boomers' financial security. Walters et al (2009) comment that many boomers are faced with the prospect of having to work longer to support themselves financially. Changing expectations about retirement age and concerns for the financial security of boomers are important for future retirement income policy, especially given the recent economic downturn (Carson and Kerr, 2009). With a movement away from state responsibility towards self-provision (Borowski, 2008; Warren, 2008), how boomers feel about their financial situation (subjective components) both now and in the retirement years ahead will have a major influence on social security expenditure over the next twenty years.

Financial security for baby boomers has received considerable international attention. Compared with boomers in the United States, Australia had similar expectations for retirement income with 64% of those aged between 30 and 65 in 2005 being confident or very confident of having enough money for retirement (AARP, 2005). Although many Australian boomers may express confidence about their retirement finances, this confidence may be misplaced. Australia has the fourth highest old age poverty rate in the OECD, with more than one in four older Australians living below the poverty threshold on the basis of this measure (OECD, 2009). Further, of the 30 OECD countries, only Ireland's superannuation funds had a worse performance than Australia's in 2008 due to the economic downturn (OECD, 2009).

Recent Policy Developments in Australia

A number of policy changes since 2000 have had a substantial influence on the financial security of baby boomers in their future retirement. Most important was the introduction of 'A Better Superannuation' in 2002 which saw the required employer contribution raised to 9 percent of employees' salaries (Carson and Kerr, 2009; Warren, 2006). With these increases in mandatory employer-provided superannuation, the government was requiring and encouraging more self-provision of superannuation (Borowski, 2005). Another key policy incentive put forward in the 2002 changes was the introduction of transition to retirement measures. These measures were designed to allow older workers to reduce their working hours by allowing them to 'top up' their income through partial access to superannuation prior to the traditional preservation age (Walter et al., 2008). This move provided more flexibility in accessing superannuation, but it arguably had an adverse impact on the financial security preparations for retirement (Borowski, 2008).

Changes to superannuation in 2006 provided major benefits to those with more superannuation. The elimination of the 15 percent tax on superannuation draw downs for those who retire after age 60 provided an incentive for boomers to increase their retirement incomes whilst still working. The increase in the allowed thresholds for pre tax contributions to superannuation at a tax rate of 15 percent, up to a maximum of then $100,000 for those aged 50 years and over, provided major tax benefits for those on higher incomes (Warren, 2006). While the net effect of this policy is debatable, the government aimed to provide a policy incentive for older workers to remain in the workforce longer and save more for retirement (Walter et al., 2008). A secondary stated policy aim was to provide an incentive to have a higher level of financial security prior to retirement. However, this strategy was disrupted because the GFC created an unprecedented scenario in which some older workers faced job losses, while others felt they had to work longer given declining superannuation resources.

The Economic Stimulus Strategy announced in 2008 by the Rudd Government was designed to offset the GFC. It is not yet known whether the stimulus package had a significant change on the spending patterns of older Australians (The Senate Economics References Committee, 2009), or the impact that it has had upon the financial security of baby boomers. A submission by Leigh (2009) to the Senate Economics Reference Committee investigated the likely effects of the economic stimulus plan upon household spending patterns. His survey did not report age-specific findings, but found that most households (60%) were not spending the stimulus payment; rather they were saving it or reducing debt for future financial security. The GFC and recent policy changes arguably could have a significant impact on the financial security of the baby boom cohort approaching retirement. One such policy change announced in the May 2009 Budget was the increase in the eligibility age for the age pension from 65 to 67 years progressively from 2017 (Swan, 2009). This increase in the eligibility age may prompt boomers to delay their retirement, or to review their financial security.

Review Scope and Methods

This review builds on other recent reviews of the Australian literature on retirement intentions of older workers by Jackson et al. (2006) and Ozanne (2009). Jackson et al. (2006) found that individuals often do not give financial matters the priority that is required to ensure a sustainable retirement lifestyle. They also found that labour market policies need to be addressed to ensure that involuntary retirement occurs on a less frequent basis. A number of studies (for

example Headey et al., 2008b, Jefferson, 2003, Ong, 2009, Webber and Smith, 2005)[1] report that there is still substantial ambiguity concerning financial incentives or disincentives to retire and more research is needed. Jackson et al. (2006) claim that the importance of financial security for boomers as they approach retirement is not highlighted enough. Saunders et al (2007) report on the recent decline in superannuation levels and the expanding research focus upon women. This literature suggests that many boomers will be re-evaluating their financial security for retirement, including questioning their ability to pay for care as well as have adequate income as they age.

The further review conducted for this article summarises government reports, scholarly articles, other research reports and papers on Australian boomers and their financial security for retirement. Previous reviews have highlighted the limited empirical research available (see Ozanne, 2009). The literature was examined to identify key topics, themes and methodologies employed in relation to two components of financial security: subjective measures such as individuals' perceptions or feelings and objective measures such as income or wealth levels.

For this review, a number of online journal databases were searched including Springerlink, Scopus, JSTOR and Science Direct. Reference lists from identified peer-reviewed articles were also used to source relevant literature. A date search criterion was imposed of being published between 2000 and 2009 to capture literature published during the development and implementation of the new superannuation arrangements. The following search terms were used: baby boom*, Australian baby boomers*, financial security*, financial satisfaction*, financial perceptions*, objective measures*, subjective measures*, retirement financial security baby boomer*; economic security and retirement*.

This search resulted in 2153 articles of which 129 relevant articles were found. Of these, 66 were excluded because they were international or multi-country studies. Articles were included if they considered factors that contribute to the financial security or economic well-being of ageing individuals in Australia. While the focus was on boomers, older age groups also were included.

Taking into account the exclusions, 63 Australian-based studies and reports published since 2000 were included. Full text copies of these articles were

[1] For further studies that examine the financial incentives or disincentives to retire, please refer to Kelly & Harding 2006; Kelly et al. 2002; McAllister et al. 2005; Quine et al. 2006; Quine et al. 2007; Walter et al. 2008; Warren & Oguzoglu 2007; Worthington 2008

obtained and their reference lists examined to ensure that any important material based on the search terms that might have been missed was covered. These 63 articles were included in this review of the financial security of ageing Australian baby boomers..

Results

The results section outlines four key topics found in the review – income, wealth, superannuation and subjective measures of financial security – as well as the main methodological approaches used. Table 1 shows the number of reviewed articles that were classified into each of the topic areas.

Table 1: Number of studies that addressed each of the topic areas*

	Topic Area	**Number of Articles**
Objective	Income	28
	Wealth	14
	Superannuation	25
Subjective	Subjective measures of financial security	9

*A number of studies covered a range of these topics and the main focus of the study was taken for classification purposes. Publication that covered two or more central topics was counted in both areas.

Most of the reviewed literature focused on objective measures of financial security. The majority examined the superannuation levels and retirement income potential of boomers using quantitative methods. Only a small number of articles examined subjective areas of financial security.

Methodological Approaches

Table 2 shows that a large number of articles reviewed (n=36) used a quantitative approach and these were mostly related to the income and superannuation topic areas. A number of literature reviews and opinion papers

were also found, reinforcing the view by Quine et al. (2006) that there needs to be further empirical research on boomers.

Table 2: Different methodological approaches of studies reviewed

Method Used	Number of Articles
Quantitative Analysis	36
Qualitative	3
Mixed Methods	7
Literature Review/Theoretical	17
Total	63

Topic Areas

Each of the four key topics (Table 1) will be discussed in detail with areas for further research and potential policy implications highlighted. A number of studies reviewed also identified the need for further empirical investigation of the financial security of Australian baby boomers as they approach retirement. The topics that emerged were often not examined separately, but rather in combination. Additionally, many worked with an assumed knowledge of the definitions and conceptual relationships between the topics. The broader topic of retirement income was the most common topic found, with a number of articles also examining superannuation. Working definitions of the identified topics are set out below and then each topic is discussed relevant to the literature under review.

The largest number of publications was found on income. The ABS (2009, p. 3) defines income as "all receipts, whether monetary or in kind, that are received by the household or individual members of that household, and which are available for, and intended to support current consumption." In retirement, these receipts may come from a range of sources. Dolan et al. (2005) define retirement income as income received during traditional retirement ages sourced from superannuation, private savings, vehicles and government pensions.

Retirement income policy defines three pillars - the age pension, superannuation, and private savings (Borowski 2005; 2008). Retirement income includes superannuation funds that are in pension phase once an individual has reached the pension age.. Superannuation also was prominent as it was second in the number

of publications identified. It can be defined as the compulsory savings made to a superannuation account through employer and employee contributions throughout one's working life (Borowski, 2005).

Superannuation can be an important asset for boomers, as it may either be used to pay off debts, or to provide an income stream through a private pension. There is no clear standard for what is the required amount of superannuation to ensure a certain standard of living in retirement. Rather, a general consensus within the financial planning and superannuation funds industry is that 60 percent of annual pre-retirement income multiplied by the expected number of years in retirement should provide a standard of living to which the individual is accustomed (Dunsford and Rice, 2004).

The third topic area that emerged was wealth for retirement. The Australian Bureau of Statistics (ABS, 2007) defines wealth as the net worth of households. This is the sum of net household assets (such as furniture, motor vehicles and bank accounts) that are in excess of net household liabilities (such as credit card debt and mortgages). This definition also includes other financial assets such as superannuation, investment accounts and housing wealth including equity in owner-occupied housing and investment housing (for the latter see Yates and Whelan, 2009). Housing wealth comprises a large proportion of available assets that potentially can be converted into income in retirement (Ranzijn et al., 2004).

The final topic that emerged was that of subjective measures. These included a range of self-rated measures, such as retirement preparedness (how well are you prepared financially for your retirement?), prosperity (how prosperous do you feel?), and overall financial security (how financially secure do you feel?). Within this topic, few conceptual definitions were clear. Subjective measures often provided an indicator of how an individual feels, or perceives their financial security, and differ from their objective, or actual financial security. None of the studies reviewed considered both objective and subjective measures together. The mixed methods (N=7) and qualitative studies (N=3) focused upon income and subjective attitudes to financial needs in retirement.

Income

According to the ABS (2009), the main sources of retirement income for those currently in retirement are government pensions and allowances. It also is possible to have negative income, in which case an individual is accessing a partner's income, accessing debt products (such as a reverse mortgage), savings

or selling assets (ABS, 2009). Retirement income can be drawn from savings from past employment, liquidating assets or relying upon a partner or a third party for support (e.g., working children).

The Association of Superannuation Funds of Australia Limited (ASFA) in their 2008 policy principles stated that $25,000 per year in retirement is the minimum level of retirement income for an adequate standard of living for a single person, with $35,000 for a couple (ASFA, 2008). These levels of income are based upon 30 years of working life, which may not be the case for the majority of boomers, especially women, who may have broken careers due to care taking duties. Schulz et al. (2006) examine income from the perspective of pensions and social support, highlighting the move to privatisation of retirement pensions through superannuation. Similarly, Clare (2009) examines the adequacy of provision of the age pension as compared to the Henderson poverty line, noting that most individuals retiring in the near future will have a partial reliance upon the age pension as a retirement income source.

Based upon the three pillars policy of superannuation, household savings and the age pension, there are dramatic differences in the achievable lifestyle in retirement for boomers (ASFA, 2008). Clare (2009), Schulz et al. (2006) and Warren (2008) discuss the role of age pensions in providing a basic standard of living, or as a potential supplement to the other two pillars of retirement income. In contrast to Warren (2008), Clare (2009) calls for a dual response from government to ensure an adequate age pension and also increase incentives for savings through superannuation. Schulz et al. (2009) discuss the ambiguity concerning responsibility for retirement income, both from an individual as well as government perspective. They examine a number of government reports and find mixed results on retirement income adequacy. For boomers, these mixed messages can make it difficult to feel financially secure and this may add to a sense of uncertainty.

The 2006 Australian Survey of Retirement Attitudes and Motivations (ASRAM) study of 2501 workers aged 40-59 years found that many boomers are hearing the messages about the need to work longer to prepare financially for retirement, but they are not responding to the new policies being implemented (Walter et al., 2008). The financial security of boomers needs to be re-examined in light of the more recent economic downturn, as well as how policy measures influence demand for the age pension and abilities to achieve desirable standards of living. Many boomers will not have sufficient income in retirement to be financially secure or to have the lifestyle that they desire. Harding et al. (2002) and Headey et al. (2008b) highlight that even

before the GFC many boomers would not have enough income currently to ensure a financially secure retirement, due to the introduction of compulsory superannuation late in their working lives. Harding et al. (2002) found that even though the average net wealth of boomers has been increasing many, especially women, will have limited assets to create a sustainable income in retirement. Kelly and Harding (2004) found that boomers aged 50-64 have the majority of their net wealth tied up in the family home, which may be difficult to convert to income in retirement.

Saunders et al. (2004; 2007) report that boomers approaching retirement desire a comfortable, affluent and sustainable lifestyle; but many will not have the economic resources to achieve it. Further, Cobb-Clark and Stillman (2006) found that many who say they expect to work forever do so out of concern for the inadequacy of their retirement income. A limitation of these studies is that income is often assumed to be the only indicator of the financial security of boomers. Other factors, such as home ownership, wealth or health are not considered as important determinants of retirement financial security.

Warren (2006), using the Household Income and Labour Dynamics in Australia (HILDA) survey data, found that achieving adequacy of income is often not the main reason for retiring. Rather, health status (59.2% of men, 63.9% of women) was reported as more important than having sufficient income. Similarly, Delpachitra and Beal (2002) in a survey of 717 retired and non-retired Queenslanders found that planned retirement age is not just as a result of income, but also of health status at the time. Drew and Drew (2005) found that income alone is not a significant factor in the retirement decision, but rather needs to be considered along with other measures of preparedness such as wealth and expectations.

Based on HILDA data, Ong (2009) found gender, education and stable levels of wealth were important predictors of retirement income and well-being[2]. These studies highlight that the convention of examining income needs as the key indicator of objective financial security in retirement is not sufficient and that measures incorporating other indicators are required.

[2] A number of other studies have also explored these areas within the Australian context. Please see work by Hamilton & Hamilton, 2006a; Hamilton & Hamilton, 2006b; Headey et al. 2008; Jefferson 2003; Kelly & Harding 2006; Kelly, Harding & Percival 2002; McAllister et al. 2005; Ong 2009; ; Quine et al. 2006; Quine & Carter 2006; Quine et al. 2007; Walter et al. 2008; Warren & Oguzoglu 2007; Webber & Smith 2005; Worthington 2008.

Wealth

Wealth is clearly an important influence on retirement decisions. Of the fourteen articles reviewed that focused solely on wealth, only two provided a conceptual definition. Ong (2009) defines wealth as the sum of superannuation, housing wealth and other net assets. This definition aligned with the ABS definition above. Harding et al. (2002) define wealth as the stock of net household assets, but note that there are many types of wealth such as housing, superannuation, investment property and business wealth. The sources of wealth examined in the articles reviewed varied widely.

There is considerable ambiguity among researchers, policy-makers and boomers themselves in interpreting evidence on the impact of wealth upon retirement financial security. Although a number of studies investigated the role of superannuation (Felmingham et al., 2006, Kelly et al., 2001, Kelly et al., 2002b, Kelly and Harding, 2006), as well as housing ownership (Drew and Drew, 2005), it is often not clear how overall wealth, or simply these components, is likely to influence the subjective financial security of baby boomers.

A number of studies have investigated wealth as a core objective component of financial security of baby boomers. Studies by Felmingham et al. (2006), Headey et al. (2008b) and more recently Ong (2009) used the HILDA dataset to explore how different levels of wealth and income impact on decisions about if and when to retire. Felmingham et al. (2006) found that there are tax incentives that encourage early retirement particularly among those with higher levels of wealth. Headey et al. (2008a) found that wealth was just as important as income as an influence on higher levels of subjective well-being. They conclude that having a higher level of wealth is more likely to lead to an early retirement. Most baby boomers in Australia, however, do not have the high levels of wealth required to retire early (Headey et al., 2008b) and, as such, would be more likely to have lower levels of financial security.

Baby boomers control a large proportion of household wealth in Australia (ABS, 2009). Using HILDA data, Headey and Wooden (2004) found that those aged 45 to 54 in 2002 had a mean net worth of $521,000, while those aged 55 to 64 had a mean net worth of $671,000. Those aged 65 to 74 years at the time had a comparable level of net worth to those aged 45 to 54 years[3]. These summary

[3] Their mean net worth was $530,000, slightly higher than the 45 to 54 years age cohort. It should be noted that Headey and Wooden (2004) attribute this large net worth to intensive accumulation of assets prior to retirement.It is expected that in retirement, the level of net worth declines.

findings do not reflect the disparate levels of wealth and how much those with less wealth may not be financially secure enough to ensure self-funding continues throughout retirement.

Similarly, work by McAllister (2005) used the HILDA 2003 wave and found that 62 percent of people across all ages are expecting to be primarily self-funded in retirement, but did not examine the wealth levels required to achieve this goal. Only 29 percent of men and 38 percent of women expect to rely primarily on government welfare payments (e.g. age pension). While these expectations may not be realistic, they are broadly in line with those of the projections from the three Intergenerational Reports (Australian Government, 2002; 2007; 2010).

Housing Wealth

Baby boomers control a large component of the housing wealth in Australia, which could have a significant influence on perceived views of their financial security. Ranzijn et al. (2004) found that financial security is more likely to be reported by those who are home owners as compared to renters. It is assumed that home ownership provides a stable asset that may be sold later in retirement to fund a certain lifestyle. Many boomers have had significant increases in their housing wealth over the past decade (Yates and Whelan, 2009).

This increase is important as many boomers could be relying upon their home to fund their future income needs in retirement. As noted by Kelly (2009) there is ambiguity as to how boomers are going to convert their housing wealth into income in retirement. The use of reverse mortgages as a vehicle to do this is a potential policy problem, with little regulation governing their use (Kelly, 2009; Bridge et al., 2010). Bridge et al (2010) examined the reverse mortgage market in Australia, noting the importance of consumer views. They discuss the need for further investigation of the use of housing wealth in retirement, especially the interactions between other wealth and retirement income. Yates and Whelan (2009) also note that housing wealth is an important component of retirement consumption, especially for baby boomers who were the most likely cohort to alter their consumption patterns as a result of changes in housing wealth. For example, outright owners can consume considerable housing while still having low outlays, and they also can borrow against the home to finance consumer goods or investments.

Yates and Whelan (2009) concluded that any real increases in housing wealth

are likely to increase household consumption[4]. It is interesting to note that they do not discuss the impacts of possible declines in housing wealth as has been seen by many in the US who have negative equity in their homes. If housing wealth levels were to decline on average, then the consumption and lifestyle choices of boomers would be likely to change. Levels of financial security could also change if maintaining current consumption takes a higher priority over retirement consumption.

Superannuation

Superannuation is recognised as an important component for future financial security as indicated by the number of reviewed articles that had it as their primary focus (Table 1). Borowski (2005) and Olsberg (2004), in discussing sources of retirement income, note that compulsory savings (through superannuation) of boomers will have significant influence upon retirement well-being. Ozanne's (2009) literature review also highlights the importance of superannuation for baby boomers. She finds that many boomers could be at risk in later life because compulsory superannuation policy was implemented too late for them to contribute enough for their retirement. These articles highlight the importance of superannuation for boomers and government, but do not consider the impact that limited coverage will have upon boomers' financial security in retirement..

One of the key reasons for boomers' concern over having small superannuation balances is the relatively low level of the age pension and uncertainty over its future (Ong 2009; Borowski 2008; Carson and Kerr 2009). The main driver of this view is changing superannuation policy; for example, Warren (2008) discusses recent policy changes that encourage self-provision in retirement. These changes highlight the uncertainty about the longevity of government social support through the age pension[5]. Part of this uncertainty comes from the fact that individuals are unsure whether superannuation is a tax or a savings vehicle (Warren, 2008). Changes in the 2010 budget attempt to address this uncertainty by implementing two policies: first, an increase in the compulsory superannuation contribution rate from 9 percent to 12 percent; and econdly, providing a tax discount of 50 percent on the first $1000 of interest on savings accounts (Swan, 2010). This uncertainty makes it difficult for

[4] Yates and Whelan (2009) report a marginal propensity to consume between 0.01 to 0.015

[5] For further information and review of recent superannuation changes in Australia, please see Swan, W. 2009. Budget Speech 2009-10. Canberra.

individuals to increase their financial security as they are unsure whether superannuation should be the vehicle for their retirement savings, or if they should assume that the government will continue with pension provisions.

With superannuation being highlighted as crucial to financial security in retirement (Access Economics, 2007), government policy needs to consider ways to ensure that higher levels are actually achieved. Research by Harding et al. (2002), Wills and Ross (2002) and Kelly et al. (2002a; 2002b) recommend that the legislated superannuation contribution rate be increased from 9 percent to 15 percent. This increase is important in determining the ability to self-fund in retirement. By increasing the contribution rate, Kelly et al. (2002a) project that a baby boomer retiring in 2020 would have a superannuation balance of between $120,000 (females) to $250,000 (males) compared to current values of $100,000 (females) and $200,000 (males) without the increase. To increase these values, Access Economics (2007) recommend increasing the contribution rate to above 15 percent of income for the third of the workforce that is at risk of under-saving through superannuation for their retirement. Although the superannuation balances would increase, it has not been shown within the literature how this would impact upon financial security of boomers in retirement. The overall balances of boomers' superannuation would still be insufficient for them to achieve, by the time that they would retire, a level of savings and financial security that would lead to a sustainable standard of living in retirement (Harding et al., 2002).

Superannuation is also an important factor to consider from a policy-maker's point of view. The ANZ Banking Group (2009) survey of financial literacy found that the majority of individuals did not expect the government to fund the gap between their desired lifestyle and their sustainable lifestyle in retirement. The Third Intergenerational Report (Australian Government, 2010) highlights this point by showing that superannuation will have a longer term role in relieving government fiscal pressure due to population ageing. In the short term, for boomers who will retire in the next decade or two, self-provision, in conjunction with superannuation, is the only option. It is therefore important to understand the ways in which boomers can increase both their objective and subjective financial security for retirement.

By better understanding the determinants and ways of increasing objective measures of financial security, higher standards of living may be achieved. Increased understanding of subjective financial security could assist in reducing unrealistic expectations for a desirable lifestyle. Many boomers are expecting to maintain their current lifestyle based upon their current self-perceived financial security but, based upon the objective figures of

superannuation balances, this will not be achievable without government assistance. This result is particularly highlighted by the disparity between men's and women's superannuation.

Women and Superannuation

As discussed in Ozanne (2009), baby boomer women are an at-risk group, especially in terms of controlling their future financial security. In retirement, boomer women are expected to have a greater reliance than men upon the age pension (Warren 2006). Rather than serving as an alternative to the pension, superannuation for many boomer women is likely to serve as either a supplement to the age pension or as a means of delaying the time to access it.

Women's relative inequitable superannuation balances compared to men have been highlighted and well explored within the literature. Spratlin and Holden (2000) explain the gender differences in retirement wealth and incomes in terms of different family roles and longer life expectancies. On average, women work full-time 18 years less than men and have approximately half the superannuation balance of the same aged man (Spratlin and Holden, 2000). Despite the numerous calls for policy reform to address this inequity (Clare, 2001, Clare 2004, Kelly et al., 2001), little policy change has been achieved (Olsberg, 2001; 2004).

Worthington (2008), using regression analysis of the ANZ survey of adult financial literacy in Australia, highlighted how knowledge of superannuation is lower (by approximately 30%) for women, single parents and those paying off their home. For those that are between the age of 30 and 69, knowledge of superannuation fees and legislation was much higher than other age groups. He continues by noting that the relationship between knowledge of superannuation and financial security in retirement has not been explored. With many boomers, especially women, approaching retirement with lower than expected superannuation balances; there is a need to examine how boomers can increase their financial security through other means.

Overall, many baby boomers will approach retirement with lower than expected retirement savings, especially superannuation balances (Harding et al., 2002). The mean superannuation balance of those aged 55-64 in 2007 was $164,679. As a result of this low balance, Borowski (2008) calls for a number of policy reforms, such as increasing the compulsory superannuation rate, and reducing the tax burden on contributions. To date, these reforms have not

been implemented, although debates about them continue..

Further research is required to examine how possible superannuation reforms could influence retirement financial security. Overall, wealth holdings, including superannuation, are an important but incomplete component of financial security. How individuals perceive the adequacy of their wealth and income was not explored within any of the studies reviewed.

Self-Rated Financial Security

Consideration of both objective and subjective measures of financial security is needed to provide a more complete view of boomers' financial security. Few Australian studies, however, have examined self-rated or subjective perceptions of financial security despite it being an important predictor of retirement expectations in the US (Joo, 2008). Recent work by Warren (2006) compares the retirement expectations and plans of women compared to men. She finds that self-rated financial security declines for both a large proportion of men (46.8%) and women (52.8%) once they retire. This finding shows that many men and women do not feel that they had high enough financial security to achieve their desired standard of living.

A survey conducted by ANOP (2004) used a range of subjective measures to indicate financial security. The study found that the expectations of those not retired were deteriorating over time, with many lowering their expectations of having a financially secure retirement. They were becoming more aware of the increasing amounts of retirement income that would be needed to achieve a moderate standard of living. Higher levels of financial literacy may help boomers achieve their desired standard of living in retirement.

Worthington (2006; 2008) reports that self-rated financial literacy is lowest for those who are unemployed, single and for women. Further research on these groups may assist in increasing their planning and actions to achieve higher levels of financial security..

The link between retirement income and a desired standard of living is important (Worthington, 2006; 2008) and it highlights the connection between the objective and subjective components of financial security. Hunter et al. (2007) investigated consumers' views on the perceived adequacy of financial plans for retirement. Other than contributing to superannuation, they

found that boomers undertook little planning. This finding highlights the need for boomers to have increased access to effective financial advice. A potential policy approach to address this need could be to subsidise financial planning for low income boomers. This could enable people to more effectively reconcile their subjective aspirations and their objective resources, and plan their pre and post retirement actions in ways that ensure financial security of boomers in retirement.

Qualitative Studies

Self-rated financial security has been explored in only a few qualitative studies. From Table 2, the three qualitative studies reviewed were Hunter et al. (2007), Quine et al. (2006) and Ranzijn et al. (2004). As stated above, Hunter et al (2007) found through 12 interviews and five focus groups that health and finances were the two issues most on baby boomers' minds for retirement. Quine et al. (2006), using focus groups in NSW, found that boomers' perceptions of having enough money for retirement was a matter of personality and individual attitudes as well as the their socio-demographic characteristics. Boomers who expected to have higher health care needs in retirement placed a greater emphasis on having a higher level of income in retirement. Other boomers who did not expect to have high health costs believed that they could live more frugally, and therefore need not worry as much about their financial security..

Ranzijn et al.'s (2004) study of pre-retirement boomers in South Australia found that approximately half of those interviewed felt financially secure, with being married and home ownership more likely to increase levels of self-perceived financial security. One third of participants expected to rely completely upon government support, with the remaining two-thirds expecting to partially rely, or not rely at all on such support. Women were found to be especially at risk, due to broken employment and lower paid jobs. Many had been preparing for their retirement financially through investing in shares or superannuation, but poor returns from these investments and unrealistic expectations at the time of investing led to an expected greater reliance upon government support.

A number of studies have undertaken mixed method approaches to investigate boomers' perceptions of retirement financial security (Drew and Drew, 2005, ANOP, 2004, Hamilton and Hamilton, 2006a, Hamilton and Hamilton, 2006b). These studies used focus groups and/or open-ended survey questions for their qualitative components. Lower income women are reported to have higher levels of concern over their ability to fund their retirement. In addition,

expectations about how boomers will spend their funds are the important issues in retirement planning. It is the expected use of economic resources that is important for boomers' financial security in retirement, not just the nominal values of wealth or income. It is these expectations that should be captured by subjective measures of financial security and used for understanding influences on, and preparations for financial security and lifestyles in retirement.

Conclusions and Directions

This article has reviewed a number of studies that have investigated Australian boomers' financial security as they approach retirement. Of the various factors examined, objective measures of wealth and retirement income predominated even though subjective measures are also crucial in realistically planning for and achieving retirement goals. One of the difficulties with the existing evidence base is that the retirement security of baby boomers cannot be fully assessed until more of them have retired: the experience of those already retired is not necessarily indicative of what will be the boomers' experience; pre-retirement views are not necessarily realistic; and both economic and policy circumstances can change quickly and unexpectedly as was found when the GFC hit in 2008. Another limitation is that findings do not fully distinguish the situations for men and for women and for those facing more difficult financial prospects.

Quantitative analysis was the method most often used in the reviewed literature, along with some theoretical pieces and literature reviews. There has been little investigation of the effect of self-perceived financial security and the impact that it will have upon baby boomers' retirement. Further, the tendency has been to focus on either the objective or subjective components as separate or unrelated components.

Income and wealth have been highlighted as important for retirement financial security. There is evidence that policy advice from government should be targeted towards enabling more efficient use of income and wealth to ensure a sustainable lifestyle in retirement (Borowski, 2008). A possible vehicle for this is through further education programs or information websites. The qualitative research reviewed showed that financial security depends not only on income and wealth, but also on individuals' attitudes as to how they expect to use these economic resources (eg, Quine et al., 2006). Increasing boomers' financial security may result from two factors: first, through increasing objective levels by increasing income and wealth prior to retirement; and second, through increasing the subjective measures

of financial security by increasing individuals' awareness of their financial security.

Government efforts are now underway to enable these outcomes that are important for financial security. The government's aim to progressively increase the superannuation guarantee from 9 percent to 12 percent of wages would benefit the objective security of boomers, particularly those who have more time in the workforce before retirement. Proposed direct financial contributions by government, rather than just relying on tax incentives, would be important particularly for those on low incomes. Regulation of the financial planning industry could improve both objective and subjective outcomes for retirement security.

Future research should examine how objective measures of wealth and income, along with subjective measures of self-perceived financial security, provide a more comprehensive understanding of overall preparedness for retirement. This research could use a similar approach to Joo's (2008) analyses in the United States to explore the multiple dimensions of financial security in a financial wellness model. We need to know more about subgroups among the ageing boomers – in terms of their gender, economic resources, family situations, and individual variability.

Mixed method approaches are a priority to better understand and integrate knowledge on objective and subjective aspects of financial security. Evidence on these dimensions will more effectively inform policies that enable individuals to take positive action. Research on boomers' thoughts and expectations, including self-rated measures of financial security, will improve our understanding of how they assess their situations and take actions that could enhance their standards of living in retirement.

Another research priority is longitudinal analysis of financial security from later working life through the retirement transition period. Cross-sectional analysis of boomers' financial security, especially through wealth and income measures, only provides static indicators for policy direction. By examining the fluctuations and influence of predictors of both subjective and objective financial security, individuals and policy-makers will be able to make more informed decisions that will encourage higher levels of financial security.

There is also a need for further investigation of the qualitative experiences of boomers as they approach retirement. Although well explored in the United States, for example through the work of Miron-Shatz (2009), there is a need to examine further the life and work experiences of Australian boomers.

Examining the qualitative experiences will complement quantitative analyses by showing the meanings, strategies, and contexts in which financial security is achieved (or not). This need for further investigation and research dissemination is heightened to make better sense of the mixed policy messages being heard by boomers and their consequent confusion in retirement planning.

In conclusion, many studies examine the wealth and income components of Australian boomers' financial security, but few have examined self-perceptions or expectations about financial security in retirement. Future research should consider combining both subjective and objective measures in understanding financial security in retirement. This way both the economic resources available to boomers as well as how they feel they will use them can be used as the basis for policy formulation and retirement decision making.

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