

Making the Best of Longevity – and Superannuation

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Although increasing longevity is a major and relentless driver of change in Australia, there is no overarching national longevity strategy informing the response.

Compulsory superannuation is a core pillar of Australia's retirement income system, along with the age pension, and voluntary savings including home equity. Superannuation should play a larger role in a better managed national longevity strategy.

A major focus for superannuation is to improve the retirement income system. The funds could add more value at minimal cost by promoting a wide understanding of the opportunities and challenges of longevity (beyond the limiting concept of 'retirement') by engaging members and their partners to help them commit to making the best of their longevity.

This submission takes a holistic approach to increasing longevity and reviews how this should influence the role of superannuation funds.

Longevity in Australia

In 1910 a baby was expected to live until 49, now on average it's 83, up nearly 70%. In the same year a 65-year-old would live about 12 years to 77. Today it's 87, an increase of 80%. Over half the 65s today are likely to live beyond 87, most of the time in reasonable health. Over a third are likely to live beyond 90.

Major changes have occurred including the development of a world-class superannuation system, the upgrading of the home equity release program, improvements in health treatments and acknowledgement that aged care needs major reform.

However, there is no overarching strategy to address the social challenges and cost. Longevity responses currently take place in separate government departments, with little co-ordination between them. In addition, the older community is largely ignorant of the opportunities to make the best of the rest of their lives. The wider community is even less aware. Successive governments have tended to overlook many warning signs and opportunities in their intergenerational reviews.

Current failings

1. Superannuation guidelines are changed in isolation rather than as a means to optimise longevity outcomes.
2. There are few incentives for seniors to remain in work past their 'entitlement' to the age pension, and few employers and unions are adequately preparing for increasing longevity.

3. Home equity release by seniors has been improved but without encouragement and guidance to seek more suitable housing consistent with expected longevity.
4. Filling many employment gaps, seniors could reduce the pressure on housing exacerbated by migration.
5. Retirement is still presented as an 'entitlement'.
6. A coherent strategy for people with disabilities beyond 65 is still lacking.
7. The implementation of a coordinated preventive health program to reduce health costs and increase healthy life expectancies has been slow.
8. Funds have been allocated to managing specific illnesses appearing in older people with too little emphasis on educating them to manage their later years more humanely at lower cost.
9. Gender-based disparities in superannuation, exacerbated by women living longer with longer dependency periods, have not been adequately addressed.

An overarching National Longevity Strategy would provide a more relevant context for managing increasing longevity.

Poor Longevity Awareness and Education

People and their advisers are poorly informed about their longevity prospects. Greater longevity awareness would benefit seniors, the wider community and government.

Lack of longevity input means professionals are less able to help people make the best of their later lives. These professionals include:

- Health advisers - GPs, dentists, pharmacists, physiotherapists and other health professionals
- Financial advisers who provide investment guidance, social security support and tax advice. They pay little attention to individual longevity and its consequences and the importance of including partners, and
- Legal professionals and accountants who provide estate planning including guardianship, powers of attorney, wills, and advice on intergenerational wealth transfer.

With a consistent longevity framework for individuals and their partners, informed professionals could better support personal life and health management strategies.

A common ground of personal longevity planning would maximise opportunities for a productive, enjoyable, and dignified future.

A national longevity education program including basic longevity planning should be provided to enable people to frame their own future more confidently and commit to making the best of it.

Personal Longevity Planning

Personal longevity planning was pioneered in Australia at www.mylongevity.com.au as a free online service and has been used by over 250,000 people, with ongoing development. At My Longevity, we define 'my longevity' as 'the rest of my life'.

Personal longevity planning empowers people to manage their longevity, starting with an estimate of how long they may live and why, and then how to make the best of that time.

This involves:

Identifying

1. Estimating how long we may live using an evidence-based calculator
2. Quantifying potential stages of our longevity – according to the Australian Institute of Health and Welfare
3. Highlighting immediate and longer term issues and identifying possible responses and benefits.

Action

1. Implementing lifestyle actions immediately, with health professional inputs
2. Reviewing and taking longer-term actions, with professional advice:
 - Who will speak for me when I can't?
 - Who gets what when I die and who doesn't, and why?
 - Activities I could consider, including paid work, volunteering and grandparenting
 - Where will I live?
 - How will I deal with dependency and aged care?
 - How will I deal with end of life?
3. Engaging with family, and
4. Reviewing plan regularly to maintain relevance by accommodating changes

Personal longevity planning provides people with a holistic view of their future within which key life decisions can be framed and actioned with properly informed commitment.

Role of Superannuation Funds

Super funds are best placed to encourage personal longevity planning in Australia. They are in regular contact with members and are potentially well placed to reach their partners.

By providing personal longevity planning online to members and their partners, super funds would increase the number of people better informed to make the best of their longevity (and their superannuation).

Then a joint approach with professional advisers would strengthen relationships and commitment to decisions and reduce the cost of advice without creating compliance issues.

Delivery of personal longevity planning can best be initiated and managed by super funds. A collective approach to providing the service by the superannuation industry would be efficient and effective, available widely and drawing on a national longevity strategy for changes.

National Longevity Strategy

Development of a national longevity strategy requires the commitment of state and federal government departments, superannuation funds, health and financial advisers, and academia.

Their inputs should be properly co-ordinated to create and maintain a national strategy. This requires establishment of an independent entity such as a longevity institute.

Increasing longevity is not just an Australian phenomenon. A national institute would promote Australia's capabilities and seek evidence-based best practice solutions world-wide.

About My Longevity

Longevity planning as provided by My Longevity is available at www.mylongevity.com.au

David Williams is a scientist and gerontologist who founded My Longevity in 2008 following leadership roles in major financial planning institutions, during which he received a Distinguished Service Award from the profession. He chaired the Australian committee for ISO Personal Financial Planning Standard ISO 22222: Personal Financial Planning. He regularly gives presentations on the evolution and value of personal longevity planning.

Relevance to specific issues raised in the Discussion Paper

Supporting members to navigate retirement income (Page 8)

1. Super-sponsored longevity planning plus establishment of a longevity institute would provide more support and boost confidence and commitment of members in taking informed control of their longevity.
2. Longevity planning would make a substantial addition to critical data available to funds to support fund and industry development strategies.
3. Longevity planning would increase trust and engagement between super funds and their members.
4. SMSF trustees, members and the community would benefit from the availability of industry-wide longevity awareness education.

Supporting funds to deliver better retirement income strategies (Page 20)

1. A longevity planning relationship with members would be longstanding and provide the framework for better product decisions.
2. A national longevity strategy would better co-ordinate super fund responses to longevity and flow through to more innovative product design and marketing.
3. Personal longevity planning underpins properly informed decisions about retirement timing, ongoing capability for employment, longer healthy lifespan and shorter dependency. This would contribute to more confidence and financial resiliency through commitment to retirement income strategies.

Making lifetime income products more accessible (Page 26)

1. Personal longevity planning improves the possibility of continuing paid work and highlights the community benefits from longer healthy lives and personal contributions such as volunteering and grandparenting. Personal longevity planning would reduce the fear of dependency and promote more informed product decisions.
2. Industry standardised longevity planning could be made available from a central source to the wider community, providing consistent education and support to people as well as their financial advisers, retirement coaches, health providers and others.

David Williams
CEO and Founder
My Longevity Pty Limited

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Increasing longevity is a major, relentless driver of change in Australia, but there is no overarching national longevity strategy informing responses.

Personal longevity planning improves how people frame their future and commit to better outcomes with specific health, financial and estate planning advice.

Superannuation funds should provide consistent longevity planning advice to members and partners before and in 'retirement' and more actively contribute to a national longevity strategy.