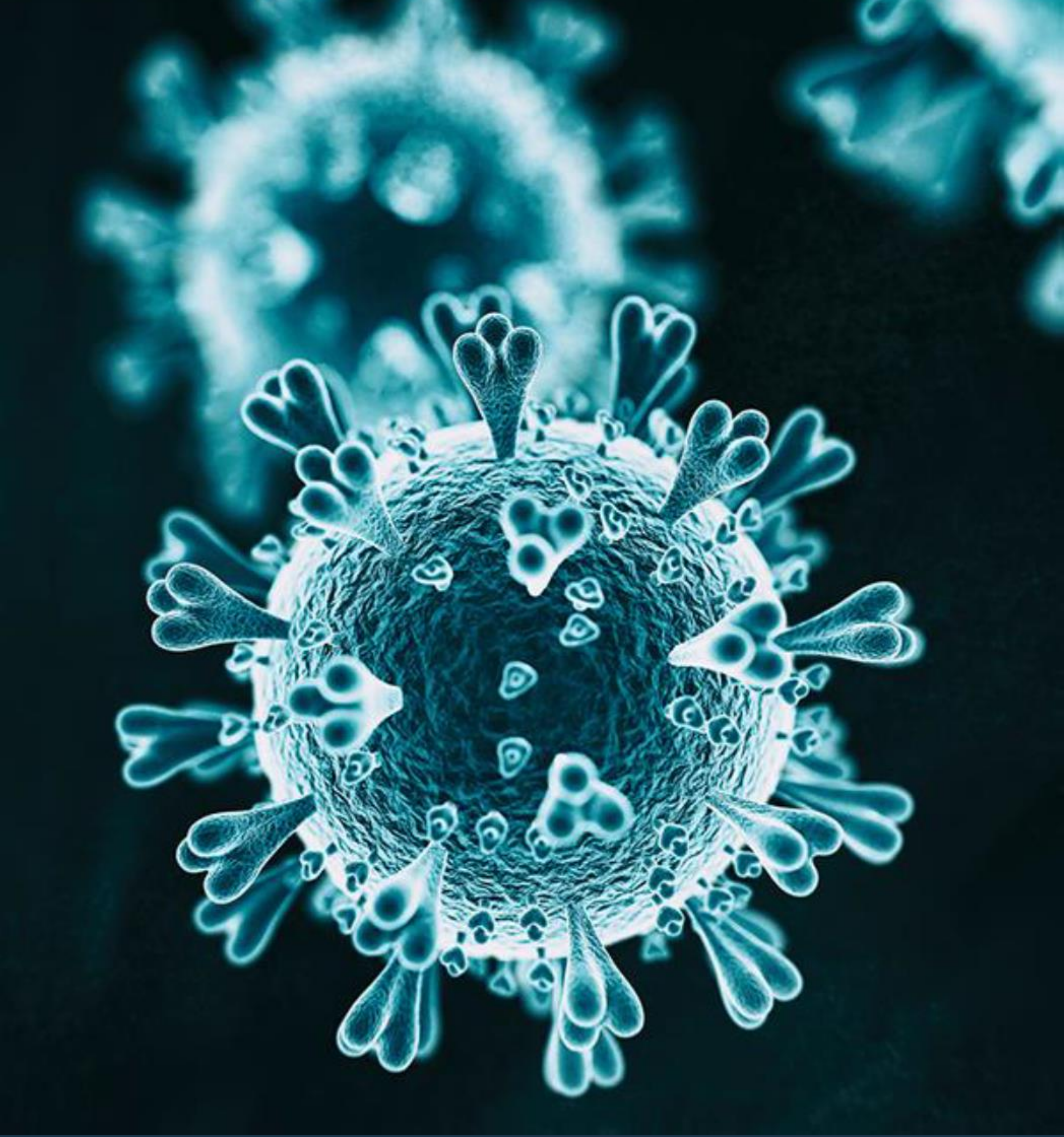

COVID-19:

Self-funded retirees' distress

2 September 2020

National Seniors AUSTRALIA

Publisher: National Seniors

ABN: 81 101 126 587 ISBN: 978-0-6483647-9-5

Suggested citation: McCallum, J., Ee, N., Hosking, D. (2020) *COVID-19: Self-funded retirees' distress*. Canberra: National Seniors Australia

Ethics Declaration

National Seniors CEO solicited text comments online about the experiences of older Australians during the rapid progression of the COVID-19 pandemic (13/03/20-25/06/20) with the clear statement that the information would be used:

- to inform government on issues and to improve services (quality improvement); and
- to give public voice to the plight of older Australians (marketing/advocacy) not formal research *per se*.

This was initiated without formal approval from an NHMRC accredited ethics committee because of the urgency of capturing issues for the attention of government and government funded service providers at the peak of the outbreak.

The research did not have a research question, hypothesis, or a defined research methodology other than collecting text comments. It is in a category similar to patient experience measures which are not considered to be research but a vehicle for quality improvement.

In the last request to older Australians we informed them that we were planning to use their comments, de-identified and told them, if they have any concerns, to let the CEO National Seniors know. This implied *de facto* implied or 'opt out' consent for the use of the non-identifiable information.

This published Report takes non-attributable quotes from member responses aggregated for publication for the purpose of advocacy.

Table of Contents

1. BACKGROUND

There is a proportion of Australians who are now retiring with significant household wealth. For those aged 60 to 64 in the run-up to retirement, the average super balance was $336,000 for men and $278,000 for women [1]. The average retirement balance for couples as reported to be a joint $400,000 total, based on Australian Taxation Office figures. Moreover, the retirement costs for couples are relatively lower than for individuals and 70 per cent of Australians are coupled on retirement.

Historically, people in the top echelons of the public service, academia, banks, major insurance companies and similar businesses received generous lifetime pensions and were thereby self-funded in their retirement years. The introduction of the Superannuation Guarantee Levy in 1992 expanded this category to include a larger proportion of seniors. This led to less dependency on the Aged Pension with more people identifying as self-funded, although not all had substantial incomes. Some Australian seniors strongly identify as self-funded but still want or require government help and receive government assistance. Others aspire to be self-funded because they prefer to be self-sufficient and engage diligently in retirement planning to achieve this goal. Whether fully or part self-funded, older Australians occupy a diverse range of socio-economic positions and varying abilities to cope with external and unavoidable economic shocks.

The most recent National Seniors Social Survey found that 71% of 3,895 respondents identified as retired. According to main income information provided by 2,712 respondents 66% were self-funded retirees. Of the 1797 self-funded retirees 69% received their main income from super pension and 10% from term deposits or share dividends. Fifteen percent had defined benefit or lifetime annuity.

Self-funded retirees are facing increased financial instability and general insecurity with the onset of the COVID-19 pandemic [2]. Superannuation and many investments integral to sustaining retirement have been negatively affected by the economic impact of the COVID-19 lockdowns. To add, ineligibility for stimulus payments and government assistance has left some self-funded retirees with little resolution or support in replacing income affected by the crisis.

Self-funded retirees are generally perceived as having the resources to live comfortably in later life; for many people, however, COVID-19 has eroded livelihoods with very few recovery options available. It is important that the financial and psychological implications of COVID-19 for self-funded retirees are not lost in the ephemera of life in 2020 and are discussed and digested in policy and practice.

2. NATIONAL SENIORS' COVID-19 SURVEYS

Two surveys conducted by National Seniors during the first half of 2020 provided the opportunity to reflect how the Pandemic affected self-funded retirees. The two surveys differed in their design and the information collected but can be used together to shine a light on the considerable challenges self-funded retirees are now facing.

National Seniors invited our members to share their experiences of the COVID-19 crisis and its impact from March 13th until 21st April. Members provided text-based responses to the following questions via a web link promoted in the member online newsletter 'Connect' and via the National Seniors webpage.

1. What issues or concerns would you like to bring to the attention of the Government about the COVID-19 virus pandemic?
2. What resources do you need to deal with risks of COVID-19?

Respondents provided demographic information for age, gender, living arrangement and carer status [3]. The duration of the survey period encompassed the initial peak time of new COVID-19 cases in Australia and the subsequent flattening of the curve.

As restrictions eased, a level of uncertainty remained regarding how to negotiate a "new normal" way of living. In order to capture older Australians concerns in relation to the way forward, National Seniors conducted another survey of members from 11th of June until the 22nd of June. The survey asked people to rate their level of concern (from *very concerned* to *not at all concerned*) across four different life domains, including money and finances. Respondents had the option of providing additional information via text-based responses. Demographic information included age, gender, living arrangement, state of residence and broad categories of income.

The survey periods in relation in the context of the number of new COVID-19 cases across Australia are presented in Figure 1

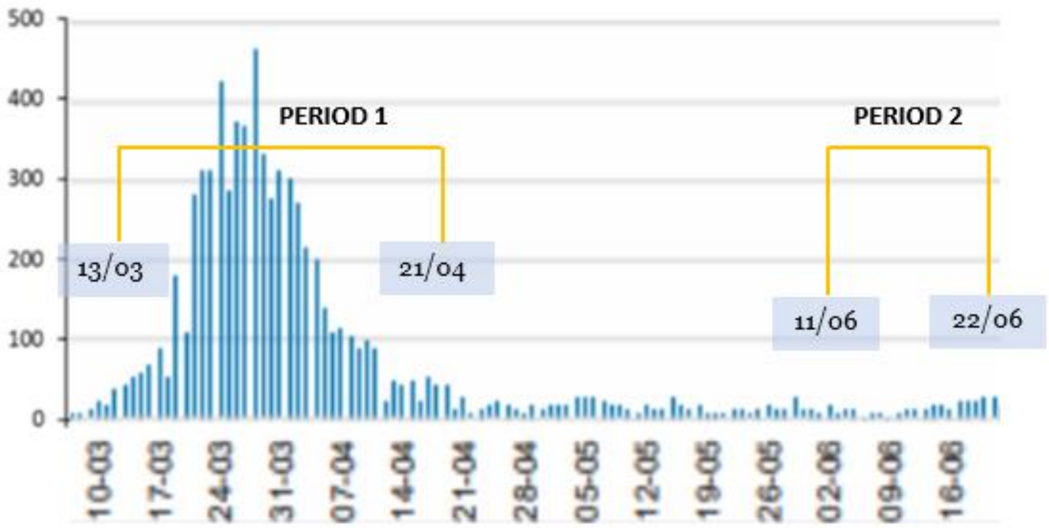

Figure 1 Daily number of reported COVID-19 cases across two survey periods

The common demographic information collected across the two survey periods is presented in Table 1 and included age, gender and living arrangement.

	Period 1 survey (n=1,110)	Period 2 survey (n=1294)
Age		
50-59	6.3%	4.2%
60-69	34.1%	30.0%
70-79	45.5%	49.0%
80+	13.7%	16.2%
Gender		
Woman	60.9%	58.0%
Man	38.9%	42.0%
Living arrangement		
Lives with one other	55.9%	56.1%
Lives with others	9.7%	7.6%
Lives alone	34.4%	34.6%

3. SELF-FUNDED RETIREES' EXPERIENCES THROUGH THE COVID-19 PEAK

During the first survey period, 1,110 respondents provided at least one response to the two-question text-based survey. Our previous report "Older Australians' life and care during the pandemic" found a dominant theme amongst financial concerns was the serious plight of many self-funded retirees who felt completely overlooked by government [3].

To further explore and reflect the impact of COVID-19 on self-funded retirees, comments were filtered using the terms "self-funded/self-funded retiree(s)" "superannuation"; "invest(ments)" "saving(s)".

Comments were coded according to the sentiments expressed then grouped under two overarching headings, '*Financial impacts*' and '*Feelings and concerns*'**.**

a. Financial impacts

i. Superannuation

Superannuation funds have been severely impacted by the market downturn. In the early phases of the pandemic, many respondents raised the need to reduce the mandatory minimum annual withdrawal rate to allow sufficient time for fund balances to recover. Others requested the ability to recontribute superannuation funds that had been withdrawn.

In response to the dramatic financial downturn to the share market caused by Covid-19 related disruption, I believe it is essential to abolish or at least reduce the mandatory minimum rate of withdrawal from superannuation funds. This action would stop any unnecessary reduction of units invested and help to slow the progress of self-funded superannuants toward social service payments.

I am a self-funded retiree, am concerned about my super and would like the option of reducing the amount which I am obligated to withdraw each year, as occurred during the GFC.

…We have lost thousands and now withdrawn what funds are left. But rules will prevent us paying this back in when the panic is over - there needs to be relaxed rules on the limits of future contributions if there is evidence that funds were withdrawn due to the exceptional circumstances

Me and my wife are self-funded retirees below the pension age and our super has been hammered. We are getting nothing, and we are going to suffer because of it.

To its credit the government acted quickly to reduce the minimum drawdowns as part of the economic response to COVID-19. On 25 March 2020, the government announced that the super minimum drawdown rates would be halved for the 2019-20 and 2020-21 financial years.

ii. *Investments*

Adverse impacts of COVID-19 on the stock market has caused self-funded retirees to suffer capital losses. Heightened concerns about long-term financial security and ability to survive are present. Some self-funded retirees who are facing a loss of income and capital appear to be unaware about the option of part age pension payments.

Giving up work last year and then selling my investment property so I could afford to retire, at the age of 74, I've lost my eligibility for a part pension. With the share market crashing my situation has changed drastically but it seems impossible to regain my eligibility for any government assistance. What measures can I take to remedy this.

I have not previously qualified for a pension. I support my daughter who has many health issues and is unable to work. We live solely from Bank share dividends. How will we pay our bills and how will we buy food if Bank dividends are stopped?

iii. *Loss of income*

For many self-funded retirees, rental income has been disrupted, returns of investments and savings are at an all-time low. Despite diminished income, many remain ineligible for government assistance.

I am a single woman, self-funded retiree who built a granny flat in my back garden to provide retirement income. My tenant has a job but is a single parent and has flagged he won't be able to pay rent in 2 weeks' time when his holiday and sick leave runs out and he is at home with his son two working days a week. I could forego 2 weeks rent but this will go on for months. … I am 63 and not eligible for pension help. Please advocate for landlords like me who aren't wealthy, just making ends meet.

Interest rate on term deposits low- one million dollars gets you no more than $16000 per annum, less than pension! More support needed for self-funded retirees. Dropping deeming rate much lower would help.

We just miss out on an age pension which means we rely on interest on our savings - there is now NO return on our savings! This simply means that the taxpayer will be supporting us in the near future - how does this make economic sense?

What about those that are in the "grey zone" above the pension cut off but not enough to be really comfortable with what is happening we are getting nothing on the money we have in the bank and have seen our investments and super that we rely on to provide an income devastated WHERE is our lifeline…

Self-funded retirees do not get any of the financial benefits provided by the Federal Government. The RBA dropping interest rates to .25% gives no return on investments. Allowing tenants to be absolved from paying rent and cannot be evicted hence no income. If companies don't pay dividends - no income.

Means testing the age pension precludes asset-rich retirees with low income from the receiving part age pension. While there is a need to prevent government payments being provided to wealthy retirees who shelter their assets, it is arguable that more could be done for those who wish to remain self-funded. Dividend cuts and rental abatements in the wake of COVID-19 have shown that stocks and property are not always reliable income sources for retirement. The generation of reliable income from retirement savings is thus imperative. There is scope for the government to encourage and support self-funded retirees to take-up better retirement income streams. Changes to the means testing rule in 2019 have been useful in incentivising part-pensioners to purchase lifetime income streams. Guidance for self-funded retirees in risk assessment and diversification would also be beneficial.

iv. Ineligibility for governmental support

Self-funded retirees have not been eligible for government benefits such as stimulus pay outs or discounts available to pensioners. Importantly, low income retirees who do not qualify for the pension have expressed being placed in particularly an economically disadvantageous position – often because of the lack of income diversification and reluctance to consume capital.

Low income Australians who 'fall through the cracks'! Self-funded retirees with minimal savings, NO franking credits, assets assessed as too high for Pension. e.g. an old house where land values have risen over many years.

As a self-funded retiree depending on commercial property rent and investments in a share portfolio, I am looking at a pretty lean time ahead. Tenants are large companies and are requesting 50% reductions in rents and companies in share portfolios warning of low dividends to nil. I am not entitled to a pension because of property values and am unaware of any government assistance through this time.

Self-funded retirees (that's the people who worked, paid taxes and saved so as not to be a drain on the government like pensioners) are as usual being helped the minimum. Even though downturns on the Stock Exchange impact badly on our allocated pension funds, the only help we will receive is a paltry $750 in April and again in July. If childcare is free why aren't SFRs given free electricity, free rates and so on? It's about time politicians realised that SFRs are not millionaires just average Aussies who saved for their retirement and now need help.

Self-funded retirees need access to Health Care Card entitlements.

As a self-funded retiree, I need to halve my super withdrawals, so as not to deplete my nest egg, otherwise I will need to draw on the pension later. However, that means that my income will nearly halve, and I will have to survive on less than $18000 for the year. Yet no payments are made to people like me as I do not draw on anything from Centrelink or any other welfare. Seems people like me are simply hung out to dry. Always feel we battlers who have done without and saved for retirement are left out of government policies.

Self-funded retirees do not get any of the financial benefits provided by the Federal Government. The RIBA dropping interest rates to .25% gives no return on *investments. Allowing tenants to be absolved from paying rent and cannot be evicted hence no income. If companies don't pay dividends - no income*

As a self-funded retiree, we don't receive any Centrelink benefits, but DO have a "Low Income Health Care Card" due to our low income. The Coronavirus stimulus of $750 and $550 does not apply to anyone who has a LIHCC, only those actually receiving payments!!! How can people on designated "Low incomes" be exempt from a payment designed to stimulate the economy and targeted at those on a low income. It is just staggering!!!!!!!

v. *Inequitable financial outcomes*

Governmental financial responses to COVID-19 has resulted in inequitable outcomes for self-funded retirees. Some expressed being in worse financial positions than welfare recipients. The perception of financial insecurity is prevalent even though wealth has remained largely intact for many.

The plight of self-funded retirees financially: Loss of income from property Low interest on term deposits Drop in share market Meaning those who have done the right thing and spread their investments are now worse off than people on a full age pension

Inequality in the provision of 750 stimulus payments x 2 to only pensioners but not including self-funded retirees who have had their super funds heavily hit with no actual govt support other than reduced draw levels. The super impacts are the direct result of govt initiated actions to manage covid-19.

Self-funded retires have been hit harder and receive no help. How about a reduction in RATES (local council)- Electricity- Phone /internet charges?

Self-funded retirees are not being helped. Cost of living has increased, and no payments have been given to us even though we maybe on less money than the job seeker allowance. The $750 should been means tested to help self-funded retirees. We bear the brunt on all fronts deeming rates etc

…Why has the government not provided all citizens with monetary support during this most difficult time. I know a Veteran who receives several pensions totalling in excess of $100,000 pa. He has secured one $750 support package, and another in July from the government. This is unfair! I earn $35,000 pa. Why have I missed out?

Those of us who are self-funded retirees and have an income stream of no more than a pension seem to be lost in consideration of any assistance.

The disconnect between capital and income for these self-funded retirees is stark. Few would consider themselves wealthy and some believe they are in poorer economic positions than people on the age pension, despite having significant savings and investments. Reluctance to consume capital assets may stem from fears of having to forego their identity and position as self-funded retirees. This reluctance may also stem from the desire to leave a bequest, not knowing how to safely consume capital, or uncertainties about how long they might live.

b. Feelings and concerns

As a group, self-funded retirees have experienced a range of emotions, impacted both by the direct health and financial effects of COVID-19 on older demographics. These experiences are of immediate concern in terms of their well-being but also present future concerns for mental health, growing pension dependency and inability to pay for aged care services. These feelings are real and raw.

i. *Anger and Injustice*

Feelings of injustice and resentment were evident. Respondents described feeling their lifetime efforts to remain self-sufficient and their tax contributions to the welfare system are neither acknowledged nor paying off.

What handout are the self-funded retirees being given? Just miss out on any pension so no benefits for being responsible and saving for our future which is now. Everyone getting something but us.

…MONEY would be a great help! My shares have crashed! The dividends will be less! My tenants are NO LONGER OBLIGED to pay RENT! That is : MOST OF MY INCOME HAS CEASED. My financial and ACTUAL SURVIVAL is at stake here, mostly caused by Government Decree! As a SMSF Financially Self-Supporting RETIREE the only thing I am getting is IGNORED! IF everyone else [many of whom have never paid taxes] can be given MONEY to live, then WHY NOT ME and MY FAMILY TOO? This is BLATANT DISCRIMINATION against the prudent and the elderly. AND it is INGRATITUDE as well! …

I have worked in the Social Welfare organisation in Australia now for over thirty years first Department of Social Security then Centrelink. My husband and I retired just over two years ago and are fully self-funded. We are too young for the age pension so due to the COVID19 we are not entitled to any payments, but we have lost thousands with the stock market crash which will take us years to recover. Why are income support customers who financially have not been affected by the virus receiving handouts but us self-funded baby boomers receive nothing.

As a self-funded retiree after a lifetime of saving. My income will be less than the pension next year without any support or benefits. My 3 prescriptions alone cost 3 times that of my friends on a pension. If people don't have to access the equity in their house, why are those with their equity in superannuation and shares and dividends expected to by the community and governments. All people should get a universal wage and a health care card for those over 70. You should be rewarded not punished for trying to take care of yourself.

Fine giving billions to those still working but how are they helping those that paid taxes for 50-60 years and are now self-funded retirees. Not at all.

The government is assisting every corner of society, from wayward travellers to kindergarten. What about self-funded retirees? I continually feel that I am being punished because I planned my retirement and budgeted to get where I am…

---

ii. Feeling invisible & forgotten

Self-funded retirees also expressed disappointment and sadness associated with feeling neglected by the government.

> *Self-Funded Retires are the forgotten people in the community and are not rich but saved all their life without relying on government handouts.*
>
> *Financial support is great for concession/pensioners but there is no help for self-funded retirees. We're watching our super savings drop rapidly risking our ability to support ourselves in the medium to long term. Feel invisible.*
>
> *…We feel as if the government as totally forgotten about us Seniors that not entitled to pension or anything else. We have all our lives paid our taxes and our dues to the government it's time that they look out to help us seniors that can't get a pension. We feel that the help stimulus went to a lot of people that need it by all means but it also went to the people that have always been on the dole for ever they are the ones been looked after in the stimulus what about us seniors for heaven's sake we are now getting punished for having worked all our lives PLEASE HELP US*
>
> *Self-funded retirees are the forgotten ones during this pandemic. Nil stimulus package of any degree offered to us.*
>
> *Fully self-funded retirees have been left behind with no assistance at all*
>
> *Not all landlords are squillionaires & as self-funded retirees who worked hard 7 days a week in order to have a comfortable retirement from 1 commercial property we feel really let down by the govt. Absolutely nothing in the way of help, just a huge loss of income. Is it that they [see] us as expendable & hope we won't be around to vote next time*?

---

iii. Vulnerability and insecurity

Financial impacts on self-funded retirees have left them feeling vulnerable and hopeless as they look to the future.

> *Older and retired Australians are feeling very vulnerable. When I first commenced working many, many years ago, I listened and wholeheartedly supported the prevailing wisdom that told us we would have to ensure our own financial support in retirement. Therefore, we worked hard, paid our bills and taxes, invested in superannuation, and paid off our mortgage and built up modest savings. In the current climate, with global economic collapse and uncertainty for the future, our superannuation is vanishing; we earn no interest on our savings; and those of us faced with the very real prospect of having to dust off our skills and resumes and hunt for a job, face the greatest risk of death and disability if we contract Covid 19, plus we have very little prospect of gaining employment due to our ageist society.*

If this continues for extended period as it appears it will. What support will be given to self-funded retirees as they may not have sufficient funds to survive & continue to live in their homes.

iv. *Worry and Fear*

Less financial security and continued uncertainty throughout the pandemic has evoked fear and uncertainty of how they will manage in the years to come.

I am self-funded so the effects on super is my main concern. Will I have to go back to work?

Many self-funded retirees are worried about what COVID-19 effects will do to their super fund balances. To prevent many from possibly having to move to a government pension, the Government should consider relaxing the deposit rules to allow those with some assets outside super to top up the amount lost in super during this COVID-19 period.

My main concern is that my Super has dropped by more than $120,000. My wife and I have only just retired early at the end of last year. How will we survive now that we have lost so much?

Overcoming fear. Dependency on savings and investments at reduced income to continue to live and the congestion through Centrelink. We are not all on pensions to receive extra support.

Self-funded retirees- financial fallout in superannuation, unsure where this is all going…How to get through the next 6 months. Scared…

v. *Lost hopes and dreams*

For some, the financial impact of COVID-19 represents the loss of their ability to achieve their future plans, hopes and dreams. A sense of grief and loss of identity at the prospect of becoming dependent on government support was evident.

It is a very stressful time for self-funded retirees. I worked as a Police Officer for 42 years in a stressful environment. Never claimed anything from the government in all my 65 years. I am worried about the virus and I know others in greater need than me, but it does not prevent me the stress and anxiety as with many of my colleagues. I have lost $60,000.00. And all my dreams of some "bucket list adventures" are now just a dream. This may sound selfish, but I have worked hard and them seems to be no recognition for those who have never been a burden to the Government or the taxpayer for our efforts.

… Our concern is that as people who have saved hard to be self-funded retirees now we watch our savings drop. Bad news. We always thought we would not be a burden on the Government.

As a self-funded retiree, I am increasingly concerned about our future financial position and the likelihood that we will soon become dependent on the Govt for support

The depth of negative feelings and emotions emphasise the need to renegotiate terms with self-funded retirees. As the impacts of the pandemic are felt. What is needed are new or modified policies and strategies to enable this group to help themselves remain self-sufficient.

4. THE CONTINUING CONCERNS – SECOND SURVEY PERIOD

As the COVID-19 restrictions were easing across the country in late June, the second survey quantified the levels of financial concern being experienced by respondents. In the second survey, 1,294 respondents provided responses to the '*Money and finances*' component and 41% (528) identified as self-funded retirees.

Figure 2 presents the proportions of self-funded retirees who were 'Very concerned'; 'Somewhat concerned'; 'Neutral'; 'Not very concerned'; and 'Not at all concerned'

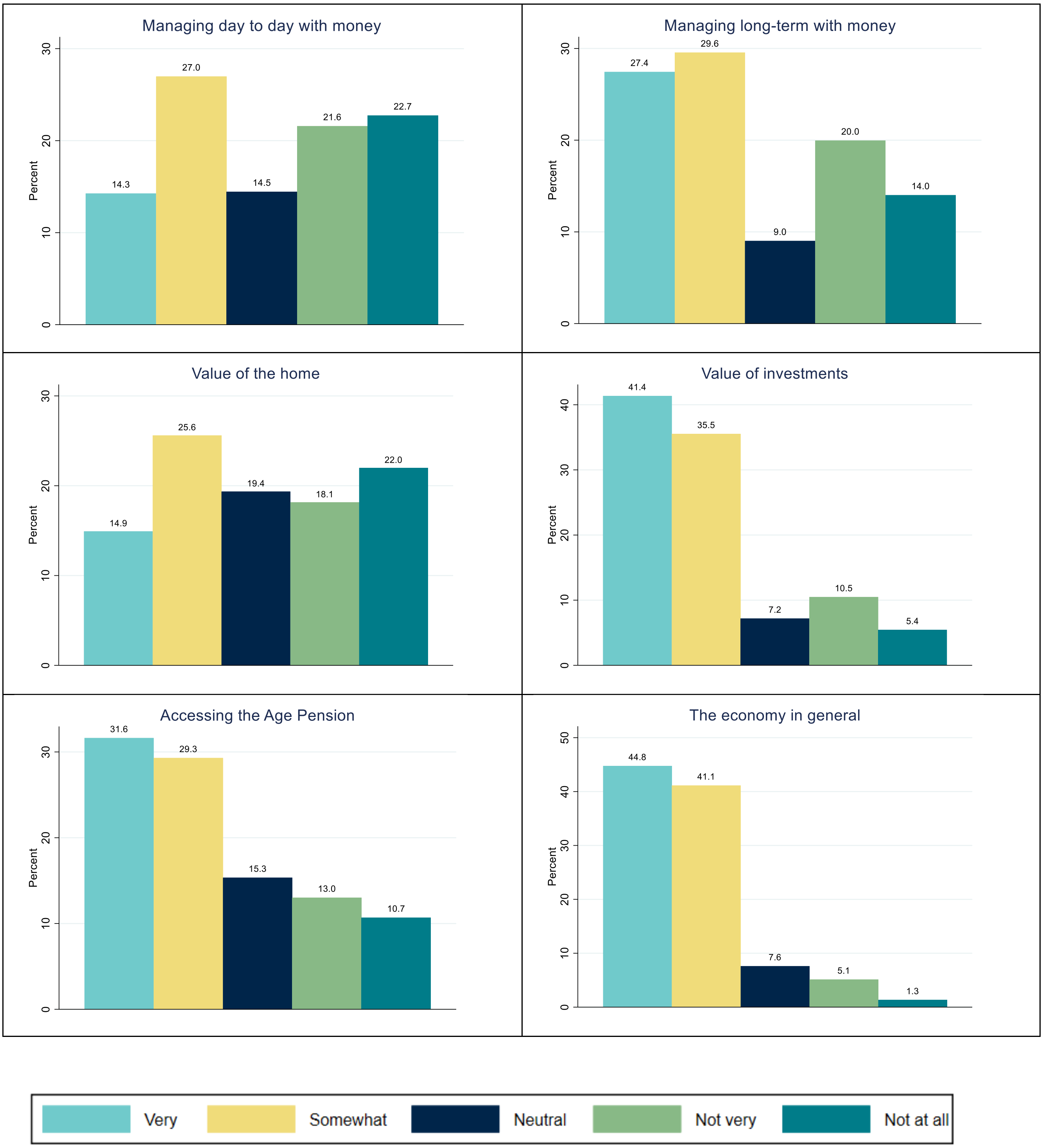

Figure 2. Proportion of self-funded retirees with future money and finance concerns

Approximately a quarter of self-funded retirees were very concerned about managing money over the long-term compared to 14% being very concerned with day-to-day finances or the value of their home. Four out of ten were very concerned about the value of their investments and nearly a third (31.6%) were very concerned about accessing the Age Pension. The economy in general was very concerning for 45% of self-funded retirees.

Even prior to COVID-19, retirees were worried that their money would not last their entire lifetimes, as highlighted by a 2019 NSA survey [4]. Indeed, with the trend of increased life expectancy, most retirees will need to generate income for a longer retirement period. Desires to leave bequests, being unsure about how to safely consume capital and not knowing how long they might live puts added pressure, especially in the early phases of retirement, on those who attempt to conserve capital.

While conserving capital is helpful in protecting retirees from running out of money during their lifetime, it inevitably leads to more conservative expenditure and a lower standard of living. The economic recovery from COVID-19 will require consumers, and retirees to have the confidence to spend the money to support the lifestyle they desire. Hoarding capital and cutting spending during market dips will provide a pro-cyclical contraction at a detrimental time for the economy. Short-term financial stimulus measures might help the current situation, but long-term solutions are necessary to give retirees the confidence to utilise their capital assets. Appropriate incentives and supports for self-funded retirees have the potential to encourage spending, maintain the dignity and lifestyles they have worked hard to protect and reduce feelings of injustice in this group.

The following comments were provided as optional text in the 2nd period survey

Collapsing share market has severely impacted our superannuation. We worry about our future ability to support ourselves.

Halving the required draw down is helpful but if the talk of allowing renters to default on their payments those of us who fully own a rental property as part of a retirement mix of fixed interest rental income and super will not be able to live without worrying about every cent.

In this downward share market it looks like the banks will not pay their dividends. This is a huge worry for self-managed superfunds as we rely on dividends for our very day costs.   Will the government be able to look at this issue

Loss of income due to most dividends being deferred or cancelled, plus concerned that should our tenants lose their jobs we will also lose that income, but whilst still incurring expenses such as insurance, land tax, rates, etc. A mere deferral of these expenses will not be of sufficient assistance as the loss of income in the interim will make it difficult to pay these in 6 months' time. We've seen no indication that the Gov't might pay any assistance directly to retirees who do not qualify for the pension.

I'm concerned about my superannuation. It's in freefall at the moment and advice is stay put..I'm worried that my capital is being eroded..and will I have any money left when this is over? I don't want to be dependent on the government pension.

Comments similar to ‘I don’t want to be dependent on the government pension’ were common through the surveys. This is reflected in the high proportion, about two thirds, who were very or somewhat concerned about accessing the Age Pension. The Pension provides a socially secure level of income which no citizen can fall below and some sense of security. While this change implies lesser living standards there is also an emotional tone expressed about loss of independence and perhaps a negative sense of the pension as ‘welfare’.

5. DISCUSSION

The COVID-19 pandemic has had and continues to have severe economic and psychological consequences for older Australians. Retirement incomes and sense of financial security plummeted due to an unexpected and unprecedented convergence of negative financial trends, including: the collapse and prolonged instability of the stock market; negative to zero returns on Super Guarantee (SG) balances; savings interest rates tracking downwards with the cash rate of 0.25%; cuts to bank dividend; superannuation drawdowns; increased unemployment and even less job opportunities for older workers; slowing or cessation of business income, decreasing home ownership and loss of rental income; and disproportionately high deeming rates. Older Australians now have lower and less stable income, and which is likely to continue while the national deficit grows, and financial and stock markets remain unstable. Self-funded retirees found themselves amongst groups impacted by COVID like small business owners and casual workers, but with less time and capacity to improve their circumstances in the future.

a. Financial strain & stress

The initial financial impacts of the pandemic on self-funded retirees was evident from:

- the outcry for reduction superannuation drawdown requirements, which the government responded quickly to.
- negative impacts on a wide range of investments, with few viable alternatives to bolster their financial position.
- consequent overall losses in disposable income.
- ineligibility for the government support options available to others.

These factors culminated in a strong sense of inequity and injustice amongst self-funded retirees, including perceptions that they were worse off than welfare recipients, and that governmental responses to COVID resulted in unjust and inequitable financial outcomes.

The distress resulting from these sudden financial losses came through very strongly in free responses during the March-April shutdown. Negative emotional themes included:

- Anger and injustice
- Feeling invisible and forgotten
- Vulnerability and insecurity
- Worry and fear, and
- Lost hopes and dreams.

The articulation of “loss of hopes and dreams” not only represents sadness and grief, but that many feel resigned to their situation. The suddenness and magnitude of the financial downturn combined with perceptions of a lack of time or ability to make changes to their retirement plans and income strategies are likely strong contributors to this distress.

At the end of June, months after the initial peak of COVID, before the Victorian outbreak, worry was still at an all-time high. The top three issues at the forefront of older Australians minds were the national economy, followed by the value of investments, and the ability to manage long-term finances. These issues clearly underpin the concerns surrounding stability of retirement incomes based on accumulated funds and assets. The distress felt by Australians who aspire to be independent of government support must be acknowledged and attended to. Financial and psychological initiatives aimed at relieving the distress and stabilising incomes are urgently needed.

b. *Policy to bolster self-funding*

Our previous research documented the unresolved conflict that many older Australians felt about reinvesting in the stock market after their experience of the Global Financial Crisis. Despite reporting having a low tolerance of risk, many reinvested in the stock market because of the attraction to the lucrative returns (4). While the Global Financial Crisis was undeniably catastrophic, the stock market showed signs of recovery by the 9-month mark, and the national economy stabilised in a year and a half. The 'once bitten twice shy' lesson appeared not to influence behaviour as the market recovered. The COVID-19 recovery will take much longer and its impacts on families and retirement income are likely to be more severe. Within the current financial and legislative framework, the risks of maintaining a stable retirement income will fall squarely on older Australians and they are not prepared for this.

To facilitate adaptive adjustment to these unprecedented and changing circumstances more accommodating deeming and taper rates are needed. This will allow retirees to maintain their self-funded status for longer and avoid becoming financially dependent on the government. The dilemmas of choice for those with low incomes but high asset wealth need to be explored and discussed conscientiously. It may be difficult to overcome the mental inertia of older generations who are reluctant to drawdown assets and consumes savings. This group will face diminished living standards including in care options. Importantly, paradigm shifts in must occur within groups approaching older adulthood who have these types of assets.

For those coming into retirement and others already retired, superannuation funds will be subject to the Government's legislative timetable to develop a Comprehensive Income Product for Retirement (CIPR) by 1 July 2022. This timing is hardly optimal for fund members approaching retirement or already retired, who are in need of this product now. The CIPR timeline should thus be accelerated, promoted and integrated in the COVID response strategy. This will propel superannuation funds to 'get over' the powerful anchoring bias of an accumulation mindset and to design good solutions for retirees and members in the retirement-planning phase. This paradigm shift must also occur amongst those leading the financial advice and wealth industries. If there is one lesson to be learned from the COVID 'stress test', it is that retirement plans cannot be static.

On top of policy support, retirees need to be encouraged to being open to spending down capital in order to maintain a decent lifestyle in older age. Further, the focus on planning and saving for retirement should occur earlier in the pre-retirement phase. Superannuation funds and financial advisors need to play a central role in the promoting these changes. Additionally, informed conversations about care needs and risks in later life must be normalised. Unless these important topics are discussed regularly and openly they will not be recognised as very probable risks. Particularly when early signs of risk are present in later life, financial planning discussions must begin in a timely fashion. This will help retirees avoid unforeseen crisis which they are not prepared for, and in which all options have to be discovered anew. The issues of ageing need to be lightened up and dealt with realistically. Serious cultural change can only come through open, thoughtful discussions.

c. *Dealing with distress*

A recent National Seniors Report investigated who worried about retirement income and why [5]. Amongst other factors, we found that worry was strongest amongst those aged 50+ who had not yet retired. The current report found that retirees who had stable circumstances prior to the pandemic are now exhibiting major fears. Many older Australians have found themselves in financial difficulty because they did not have contingencies for catastrophic events such as those brought on by the COVID-19 pandemic. The 2007 GFC and the ‘Millennium Bug’ of 2000 evidenced that significant market downturns have occurred roughly every decade since the Super Guarantee (SG) has been available. However, this once-in-a-century pandemic was unpredictable and wide in its impacts. The reality is that superannuation was not designed as a holiday fund or a guaranteed income unless it was invested in an annuity or a similar financial product. SG accumulated funds left all the risks, financial and legislative, in the hands of the self-funded retiree and these came home to roost with the impacts of COVID-19. Over the last 20 years, the dominant focus on self-management and accumulation neglected the realities of risk in planning decisions. This was amplified by growing finance and wealth industries built around managing the assets of accumulated funds. This interest has appeared to overwhelm considerations of financial comfort and avoidance of financial stress

Financial stress a well-known risk factor for poor mental health [6, 7]. Regardless of the speed of adaptation to new circumstances, distress management will prevent cascading mental health effects into future [8]. Community support and open discussion of changes and risks is a starting point and prevention of serious financial failures through welfare support will be needed. Fortunately, the base-level support from the Age Pension remains a stable and secure option, although not the desired outcome for some. A renegotiation of the perceived status of a ‘self-funded retiree’ relative to ‘welfare recipients’ needs to come through public discussion of the experiences and issues for those who proudly sought self-funding status.

Resilience, defined as the process of coping and adapting in the face of adversity, trauma, threats and stress [9, 10], is now a necessary skill. Undoubtedly, COVID-19 has been, and continues to be a source of stress, fear, disruption and uncertainty for older adults Australia wide. More than other groups, older adults are experiencing heightened anxieties and fears of infection and death from the virus, prolonged isolation and disconnection, and suffering financial insecurity and strain. Seeking to build resilience in this population will improve their ability to recover and adapt to the real and perceived challenges associated with the pandemic [10]. Strategic measures aimed to target building resilience will empower individual coping [11] and has the potential to reduce progression from mild or moderate levels of psychological distress to clinical disorders, thereby reducing resource burdens on public mental health care system.

The Australian Government has funded seniors' groups through the Wellness Checks call service to build connections and resilience through 6 months from April 2020. Key targeted outcomes are to:

- Reduce immediate psychological distress
- Empower individual and adaptive coping
- Support connections to social support and resources
- Improve access to accurate information

These targets need to be actioned at all points of official or other contact so that support and consistent messaging on the realities of ageing and the potential of planning and maintaining resilience is conveyed to the public.

d. Rewriting the Superannuation Guarantee Script

Retirement planning that relies on bank dividends has done well historically, but no longer can be expected to provide a stable retirement income. The same can be said of other investments such as commercial property or multiple investment properties, which provide good income but suffer dramatically in poor markets. Until recently, the realities of risk that accompany asset accumulation strategies have not been well understood by the public. The focus on nurturing a 'nest egg' was not the primary purpose of the SG. Rather, it was intended to provide adequate retirement income notwithstanding associated risks and limitations such as delayed career entry, low income employment and longer lifespan meaning over 25 retirement years. The concerns tracked by our research have become more significant for a greater proportion of people because of lessons not learned.

The popular script for the SG retirement income goals must be publicly discussed, rewritten and propagated through people of all ages. Reliable generation of income across the later life with managed risk has come unstuck for many because of unachievable expectations and failure to recognise probable risk. This new script may be unpalatable for those who came through the early years of the SG or irrelevant as they may not be unable to change their retirement plans and investments. For these reasons, it may be most effective to focus on those under 60. These necessary shifts to retirement planning is a collective responsibility of the Government, superannuation Trustees, finance and wealth industries, and private individuals.

6. CONCLUSION

The times of accumulating values of SG ‘nest eggs’ are over for the majority and a new, refreshed understanding of the SG purpose and value is needed. Government and Superannuation Fund Trustees must now take the lead in the COVID-19 era. The SG superannuation must be redefined to focus on providing adequate lifestyle and buffering worry in later life, as opposed to wealth accumulation. Worry is a personal and health risk factor but also a sentiment with political implications. This worry can only be addressed by open discussion supported by facts and incentives to change.

A change in understanding of superannuation is required to overcome the longstanding accumulation mindset and encourage innovative new solutions for retirees. Finance and wealth industries as well as retirees will need to be brought into this discussion, and flexibly adapt to the changing times.

7. ACKNOWLEDGEMENTS

We extend our thanks to National Seniors members for their generous responses, especially during this difficult period of COVID-19 restrictions. We also acknowledge the helpful comments from Jeremy Cooper and Aaron Minney in the writing of the report.

8. REFERENCES

1. Cooper, J., Minney, A. *Retirement income research report, Challenger* 2019, https://www.challenger.com.au/media/Challenger/Documents/Reports/37693-Update-on-balances-paper-2019-FINAL.pdf.
2. *COVID-19: Older Australians' concerns about the way out*. 2020, National Seniors: Canberra.
3. Hosking, D., Ee, N., D., Maccora, J., Ee, N., McCallum, J. , *COVID-19: Older Australians' life and care during the pandemic*. 2020, National Seniors: Canberra.
4. National Seniors and Challenger, *Once bitten twice shy: GFC concerns linger for older Australians*. 2017, National Seniors Brisbane.
5. National Seniors and Challenger, *Retirement income worry: Who worries and why?* 2020, National Seniors: Canberra.
6. Wilkinson, L.R., *Financial strain and mental health among older adults during the great recession*. Journals of Gerontology Series B: Psychological Sciences and Social Sciences, 2016. **71**(4): p. 745-754.
7. Kahn, J.R. and L.I. Pearlin, *Financial strain over the life course and health among older adults*. Journal of health and social behavior, 2006. **47**(1): p. 17-31.
8. Maulik, P.K., G. Thornicroft, and S. Saxena, *Roadmap to strengthen global mental health systems to tackle the impact of the COVID-19 pandemic*. International Journal of Mental Health Systems, 2020. **14**(1): p. 1-13.
9. MacLeod, S., et al., *The impact of resilience among older adults*. Geriatric Nursing, 2016. **37**(4): p. 266-272.
10. Newman, R., *APA's resilience initiative*. Professional psychology: Research and practice, 2005. **36**(3): p. 227.
11. Chen, L.-K., *Older adults and COVID-19 pandemic: Resilience matters*. Archives of Gerontology and Geriatrics, 2020. **89**: p. 104124.

9. CURRENT PUBLICATIONS

2017

McCallum, J. & Rees, K. (2017) *Consumer Directed Care in Australia: Early stage analysis and future directions*. Brisbane: National Seniors. Published 18/8/17.

McCallum, J. & Rees, K. (2017) *'Silver Economy' Consumer Co-design: An Australian Perspective. In Innovation in Active, Healthy and Smart Ageing Secto*r edited by Guangsheng Guo and Jianbing Liu: Beijing Science & Technology Publishing Press 2017 pp 273-283. Published 12/9/17.

National Seniors and Challenger (2017) *Seniors More Savvy about Retirement Income*. Brisbane: National Seniors. Published 3/10/17.

Lamont, A. & Sargent-Cox, K. (2017) *Healthy Ageing: The State of the Evidence and available resources*. Brisbane: National Seniors. Published 12/10/17.

Rees, K., McCallum, J. & Cantwell, J. (2017) *Be Heard: Snapshots of members' views – A report to members from the CEO*. Brisbane: National Seniors. Published 2/11/17.

Earl, J.K., Gerrans, P. and Hunter, M. (2017) B*etter ways of assessing cognitive health*. Brisbane: National Seniors. Published 9/11/17.

Rees, K. & McCallum, J. (2017). *Downsizing: Movers, planners, stayers*. Brisbane: National Seniors. Published 27/11/17.

McCallum, J. & Rees, K. (2017). *Growing older, feeling younger*. Brisbane: National Seniors. Published 5/12/17.

McCallum, J., Rees, K. & Maccora, J. (2017). *Bridging the Digital Divide*. Brisbane: National Seniors. Published 14/12/17.

2018

Rees, K. & McCallum, J. (2018). *A Little Help from My Friends: Getting good advice in the Information Age*. Brisbane: National Seniors. Published 18/1/18.

McCallum, J., Maccora, J. & Rees, K. (2018). *Hope for the best, plan for the worst? Insights into our planning for longer life*. Brisbane: National Seniors. Published 1/2/18.

McCallum, J., Rees, K. & Maccora, J. (2018). *Accentuating the positive: Consumer experiences of aged care at home*. Brisbane: National Seniors. Published 30/4/18.

National Seniors & Retirement Essentials (2018). *The Centrelink Experience: From 'waiting, frustrating, hopeless' to 'helpful', 'friendly', 'positive'*. Brisbane: National Seniors. Published 18/6/18.

National Seniors & Challenger (2018). *Once bitten twice shy: GFC concerns linger for older Australians*. Brisbane: National Seniors. Published 9/7/18.

Rees, K. & McCallum, J. (2018). *Dealing with Diversity: Aged care services for new and emerging communities*. Brisbane: National Seniors. Published 14/8/18.51

Rees, K., Maccora, J. & McCallum, J. (2018). *You don't know what you don't know: The current state of Australian aged care service literacy*. Brisbane: National Seniors. Published 26/9/18.

McCallum, J. & Rees, K. (2018) *Respect for age: Going, going or gone? Views of Older Australians*. Brisbane: National Seniors. Published 21/12/18.

2019

National Seniors submissions to the Royal Commission into Aged Care Quality and Safety:

1. Witness Statement 31/1/19;
2. Review of recommendations of prior reviews that were not implemented 6/2/19;
3. The dementia journey legacy of trauma and what to do about it 9/5/19;
4. Response to the Interim Report of the Aged Care Royal Commission 22/11/19

McCallum, J. Hosking, D. & Rahn, A. (2019) *Feeling financially comfortable? What retirees say*. Brisbane: National Seniors. Published 12/3/19.

Maccora, J., Rees, K., Hosking, D. & McCallum, J. *Senior Surfers: Diverse levels of digital literacy among older Australians*. Brisbane: National Seniors Australia. 13/8/19.

2020

National Seniors & Challenger (2020) *Retirement income worry. Who worries and why?* Canberra: National Seniors Australia 14/1/20.

National Seniors submission to the Royal Commission into Aged Care Quality and Safety:

1. Response to *Visions for Aged Care Consultation Paper 1* 24/01/2020
2. Submission to the Royal Commission Inquiry into accommodation *'The role of downsizing in Home Care'* 20/7/20
3. Response to Visions for Aged Care Consultation Paper *2 'Policy development from the base up*' 4/08/2020

Hosking, D., Maccora, J., Ee, N., and McCallum, J., (2020) *Just doing it!? Older Australians' Physical Activity*. Canberra: National Seniors 3/3/20.

Hosking, D. Ee, N., McCallum, J. (2020) COVID-19 (1): Older Australians life and care during the pandemic. Canberra: National Seniors Australia 9/7/20

McCallum, J, Ee, N., Hosking, D. (2020) *COVID-19 (2): Self-funded retirees' distress*. Canberra: National Seniors Australia 1/9/20

GPO Box 1450, Brisbane Qld 4001
P: (02) 6133 7910 **F:** 07 3229 0356
E: info@nationalseniors.com.au
W: nationalseniors.com.au

National Seniors
AUSTRALIA