Planning for aged care costs:

Hesitancy, ignorance and denial

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challenger

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National Seniors Australia and Challenger have mutual interests in the financial literacy, financial security, and broader wellbeing of older Australians. They formed a corporate partnership in 2012 to support the National Seniors Social Surveys, broader research, and some philanthropic endeavours.

Contents

Executive Summary

Age care costs are not typically considered as important components of planning for a financially comfortable retirement. Retirement comfort is defined predominantly by lifestyle factors, with age care a distant and unwelcome possibility.

Australia's age care system is complex. The financial contribution by individuals to their own care is difficult to determine and age care is not considered a desirable commodity, especially given the recent distressing findings by the Royal Commission into Age Care.

We argue that a shift in focus is needed so that age care costs are built into later life financial planning. Having the financial resources available to access age care and support services can greatly increase retirees' quality of life and independence. A financial plan that includes age care also relieves stress and anxiety, either for family members or the older person themselves when navigating the age care system in times of crisis.

To better understand seniors' willingness to financially plan for age care, we analysed responses from over 5,000 older Australians 50 years and over who took part in the 2021 National Seniors Social Survey.

Participants answered multiple response questions about their experiences and expectations of needing age care, on budgeting and on financial planning, including planning for age care costs. They also provided information about their social and demographic characteristics.

Findings showed:

- 38% had thought about age care costs, but only 14% had planned for them.
- The likelihood of age care cost planning did not differ by gender or partner status but was strongly associated with older age, higher education and greater wealth.
- Regular budgeters were 75% more likely to have planned for aged care costs.
- Investigating future age care options was associated with being three and a quarter times more likely to have planned for age care costs.
- Being previously exposed to the age care system through a family member or friend was associated with being 75% more likely to plan for age care costs

Most people believed improvements to the age care system should be funded by the Government through general revenue or an age care levy.

In summary, only people with the means, information, and motivation were more likely to plan for the cost of age care in later life.

We suggest strategies to reduce the hesitation and ignorance about planning for care and make inroads into the denial that some have about risks in this life phase.

1. Background and purpose

It is now a truism that Australians are living longer than ever before. Forty years ago, a woman aged 65 could expect to live another 15.7 years and a man could expect to live another 12.5 years. By 2018, (assuming no improvements in population health and mortality) women aged 65 have another 22.6 years to live and men another 20 years (1). Increasing life expectancy means that retirement forms a much greater proportion of life compared to previous generations and financial resources are needed to fund these extra years. This is just one of many social changes that have interrupted traditional patterns of living and care in later life. The challenge is to develop retirement income policies and plans that accommodate these evolving social changes.

Nowhere is this more evident than in planning for late life care needs. Many retired children, some in their 70s, are caring for older parents which was not the experience of their parents born prior to World War II. For these older Australians it was common to have parents who died in their 50s and 60s when no home and residential care was available. Consequently, the current 'old' old confront life circumstances for which they have no experience and have not planned for. The younger old, 60 plus, also appear to be approaching these issues with hesitancy, ignorance or denial. This joint study investigates a particular aspect of care planning; the willingness to financially plan for age care.

1.1 Current 'Public Domain' planning information

According to the Financial Planning Association of Australia (FPA), there are three phases of retirement linked to retirees' health.

- Phase 1 where health and wellbeing of clients is generally good
- Phase 2 when clients health may begin to decline, or they may begin to experience mobility issues and
- Phase 3 described as the ''fragility years''.

With increasing lifespan, the fragility years may account for up to a quarter of the retirement period. Financial planning for retirees tends to focus on the initial Phase 1 where risk of disability is low, and priority is given to achieving long-held lifestyle and leisure goals. In Phases 2 and 3, spending patterns and needs can change. People may need increasing levels of support to manage everyday activities over the last 10-12 years of life with high levels of personal care required in the last 4-5 years. The FPA argues that ignoring these changes underestimates the amount of savings needed during retirement, particularly if timely and appropriate aged care is required in later years (2).

Aged care services support older people who need help in their home or who can no longer manage to live at home. They include:

- Home care packages providing care and support services at home. These services range from low level household assistance up to complex care and support services delivered by clinical and allied health professionals.
- Government and non-government residential care delivered within aged care facilities.
- Short-term care services delivered across multiple settings (3).

Lower levels of support are also available so seniors can remain in their home independently. Services are provided through the Commonwealth Home Support Programme (CHSP) and include personal care, health and therapy services, domestic assistance, home maintenance, and home modification.

Aged care and support services are paid for by a combination of Government payments and user-contributions, but user contributions vary according to what type of care is accessed, how much care is needed and a person's means-tested income and assets (4).

The Government fully subsidises aged care costs for people whose main income source is the Age Pension. However, these policies are complex. If Age Pensioners sell their home when entering residential care, any amount over a certain threshold is counted as an asset and assessed accordingly when calculating fees and additional costs.

Typically, later life financial planning services do not prioritise care costs. The Association of Superannuation Funds of Australia (ASFA) has developed a Retirement Standard that provides a general guide to the amount of superannuation needed to support a comfortable retirement lifestyle[i]. This does not include age care costs reflecting the lifestyle assumptions of homeowners in the standard (5). While other living expenses will probably decrease by age 85, the later years are when care needs are more complex and varied, and co-payments are the norm for those who receive care. The cost of additional services can be substantial for some people, especially if they need to finance essential care while waiting for higher-level packages to become available.

1.2 Our previous joint research on planning

An earlier 2014 joint study by National Seniors and Challenger (6) found that three in four seniors had given some thought to future aged care costs. Just over 50% (52.6%) nominated they would finance aged care by selling the family home. Other multiple options selected to finance care were general savings (33%), selling assets (25%), and income from investments

[i] https://www.superannuation.asn.au/resources/retirement-standard

(23%). Fifteen percent said they didn't know how they would finance care. One change from this earlier study is the increased prevalence of million dollar plus homes particularly in capital cities and popular holiday resorts.

The large portion who nominated 'selling the family home' to fund care suggests for these seniors, age care was synonymous with residential care[ii] given that selling the family home is generally a prerequisite for moving into a residential care facility. Needing residential care typically occurs later in life with most users (60%) being 85 or older[iii].

1.3 Support at home as age care

Thinking of care costs being for residential care doesn't acknowledge that the majority of care is delivered at home with either a home care package or home support service. Home delivered care includes a variety of services which grow with care needs, from help with cleaning to a suite of personal services. This progression of receiving an increasing array of services at home is possibly one reason why such care is often not considered as 'aged care' The highest proportion of home support users (43%) are aged between 75 and 84 years, and 25% are aged between 65 and 74[iv]. Selling assets or using income to pay for future care requires planning for these resources to be available; only 8% of seniors surveyed in 2014 said that funds were currently being put aside.

Shifting the mindset of seniors so age care costs are incorporated into retirement plans is challenging. Older Australians have a strong preference for receiving informal support when they need assistance or care. In a survey conducted for the Aged Care Royal Commission, help from family was preferred by 54%, which is more than double the share who actually receive it. Only 47% want paid help, which is 31 percentage points lower than the share of people who receive it (4).

Clearly there is a gap in peoples' understanding and willingness to financially plan for the costs of formal age care in the periods prior to needing it. This report aims to shed light on whether people over 50 are financially planning for aged care and how this relates to their demographic, financial and other characteristics.

[ii] It is also possible that some were planning to sell the family home to down-size and buy something cheaper thereby releasing funds to pay for care (other than residential care)
[iii] https://www.gen-agedcaredata.gov.au/Topics/People-using-aged-care
[iv] https://www.gen-agedcaredata.gov.au/Topics/People-using-aged-care

2. Design and data collection

This investigation used data from the 2021 National Seniors Social Survey (NSSS-9). National Seniors is a not-for-profit advocacy and research organisation representing the interests of Australians 50 years and over. Every year, National Seniors research team conducts an online survey of members and non-member associates' views across a range of topics relevant to older people.

National Seniors Australia and Challenger have mutual interests in the financial literacy, financial security and the broader wellbeing of older Australians. The National Seniors Australia and Challenger Partnership in Research is a corporate partnership formed in 2012 to support the National Seniors Social Survey, broader research and philanthropic endeavours. Both parties designed the questions in this study. The NSSS-9 was approved by the Bellberry Human Research Ethics Committee, reference HREC2020-12-1319-A-1

A link to the survey was emailed directly to all members of the National Seniors online community who had given their permission to receive online communication from the organisation. The Survey was also promoted in National Seniors online newsletter and social media channels. Questions were 'point and click' multiple choice or short answer format accompanied by free text boxes so participants could elaborate on their responses if they wished. The questions and their response options that are the basis of this report are included as Appendix 1.

Survey responses were collected online via the survey tool Survey Monkey ®. Data were collated, graphed and analysed using Microsoft Excel and Stata (version 16.1).

3. Survey results

Participant demographic information is provided in Table 1. The number of people who responded to each question is provided in brackets.

3.1 Who responded to the Survey?

Table 1. NSSS-9 participants

	Number of participants	*Percentage of participants*
Age group (n=5331)		
50-64	936	17.6
65-74	2529	47.4
75-85	1606	30.1
85+	260	4.9
Gender (n=5391)		
Women	2980	55.3
Men	2391	44.3
Other identity or prefer not to say	20	0.4
Health (n=5312)		
Excellent/good	4000	75.3
Fair	1094	20.6
Poor/very poor	218	4.1
Education (n=5124)		
Year 10	959	18.7
Year 12 or diploma	2138	41.7
Tertiary degree or higher	2027	39.6
Partnered (n=5249)	3220	61.3
Employment (n=5302)		
Retired	4,080	77.0
Working or home duties	1026	19.3
Unemployed/unable to work	196	3.7
Age pension as main income (n=4443)	1293	29.1
Receiving carer payment (n=4389)	171	3.9
Savings (n=4165)		
Under $200k	1710	41.0
$200-$500k	930	22.3
$500k plus	1525	36.6
Home ownership (n=5027)		
Own house outright	4002	79.6
Own with a mortgage	551	11.0
Don't own house	474	9.4

3.1 How popular is planning for cost of aged care?

People in the survey were asked if they had planned for age care costs. Just over a third of had thought about aged care costs but only 14% had financially planned for them.

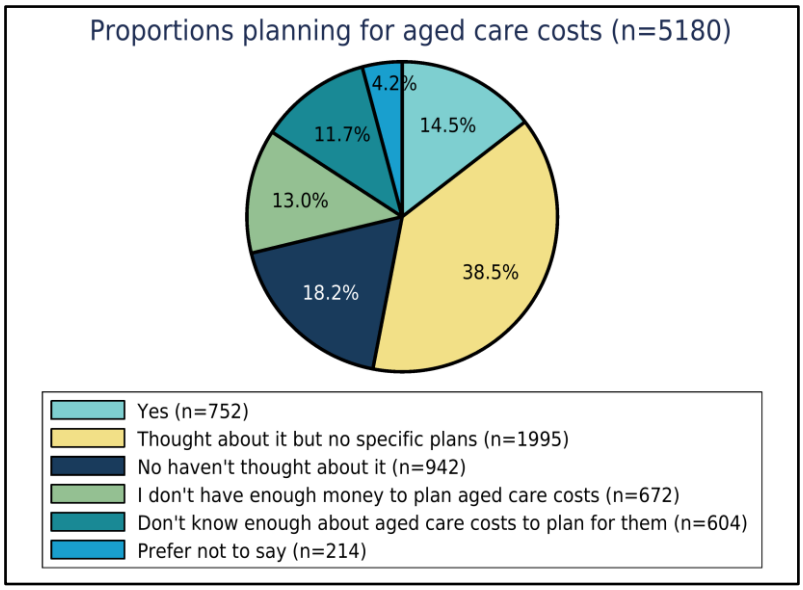

Figure 1. Responses to the question "Have you financially planned for aged care costs?

In short, the prevalence of financial planning for care was underwhelming which presents a major policy issue and a concern for the future well-being of older Australians.

3.2 Who plans for aged care costs?

The people who had planned for age care costs differed from those who hadn't by age group, education level, self-reported health, amount of savings and receiving the Age Pension as main income source. As a matter of interest, planning for aged care did not differ by gender or partnership status[v].

Being older, having higher education, greater wealth and not receiving the Age Pension as main income source were all independently associated with financially planning for aged care. [Appendix 3: Model 3.1]. The proportions of people financially planning for age care according to these factors are shown below in Figure 2. The incentive to plan because you're older may be because you are closer to needing help or are seeing peers in care.

[v] Chi Square tests evaluated whether planning for age care costs differed across groups of people according to demographic and financial characteristics.

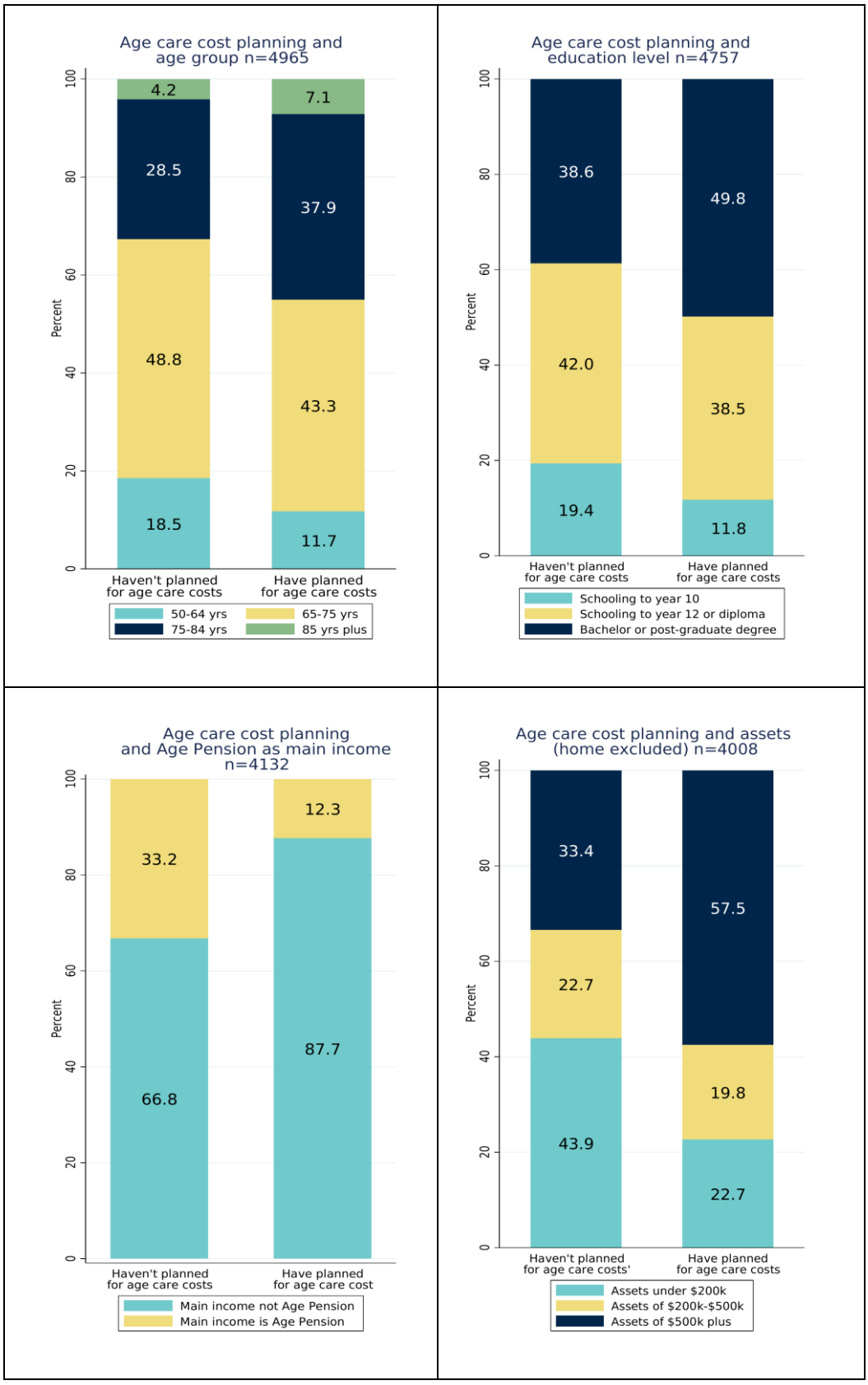

Figure 2. Proportions planning for age care cost according to age group, education level, receipt of Age Pension as main income and wealth

3.3 Is Age care planning connected to financial planning?

Approximately 4,400 participants (83%) responded to the financial questions from the NSSS-9. Financial planning questions included whether people managed their spending with a regular budget, if they had sought financial advice following the outbreak of COVID-19, and if they had plans to protect against market falls similar to the GFC.

Most people (71%) budgeted regularly, but 60% said they did not seek COVID-related financial advice. Of those that did seek advice, most used a financial adviser. Market falls were not relevant for 19% of participants, but when relevant, the most common protection plan was having a conservative investment mix [See Appendix 2 for financial characteristics of NSSS-9 respondents]

To test connections between planning for age care costs and other types of financial planning or management, the following variables were added to the model of financially planning for care:

- Not seeking COVID-related financial advice
- Financial planning for market falls equivalent to the GFC
- Regular budgeting

People who did not seek COVID-related financial advice or plan for market falls were 22% and 52% respectively less likely to plan for aged care costs. Regular budgeters on the other hand were 76% more likely to have planned for age care costs [Appendix 3: Model 3.2]. This helps to identify the group of people who are positively disposed to planning. It suggests there is a pathway from general financial planning and regular budgeting to incorporating care into future plans.

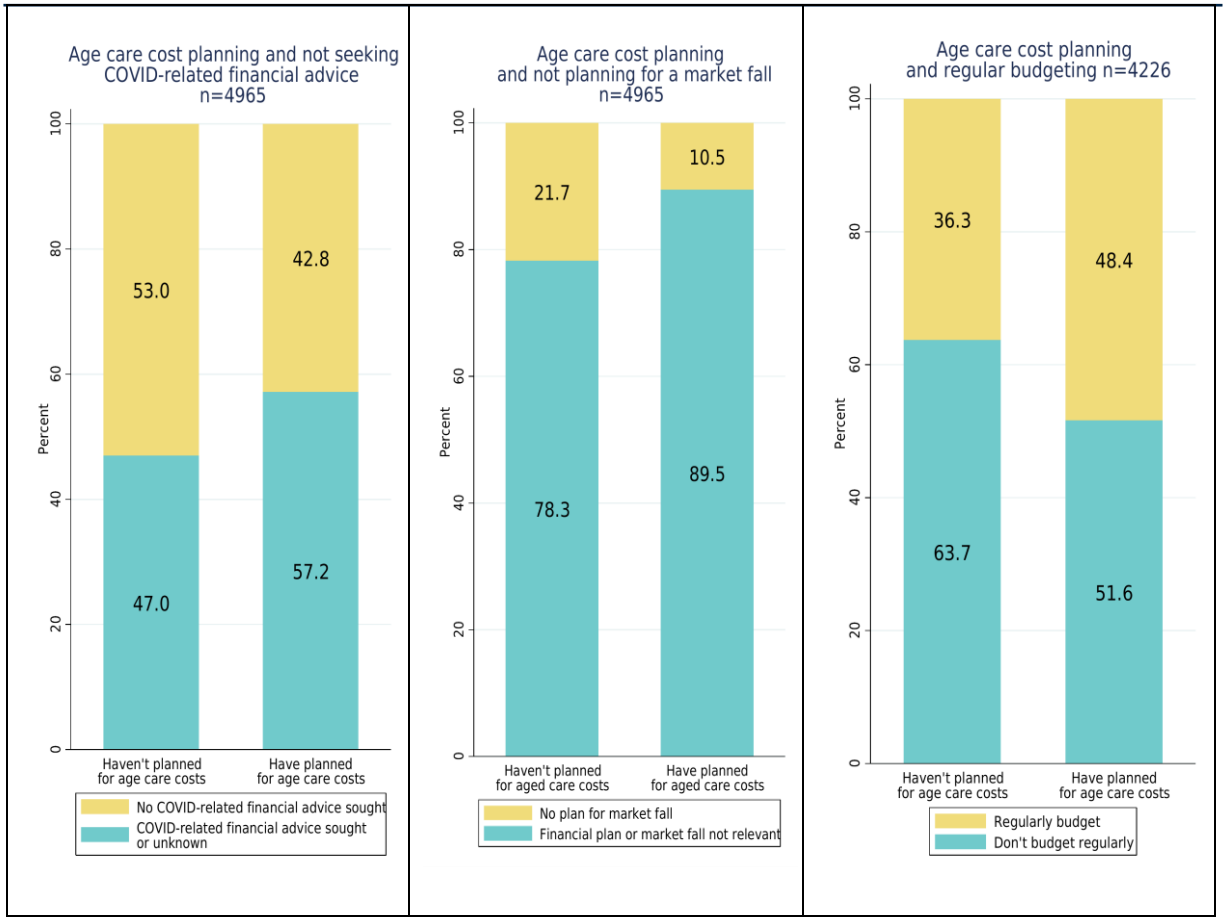

Figure 3. Proportions planning for age care cost according to financial planning indicators

3.4 How does age care exposure affect age care cost planning?

Planning for aged care costs may be influenced not only by financial planning factors, but by knowledge of age care options and exposure to the aged care system. Although 90% of participants thought they either would or could need care services, Figure 4 shows that only 20% had investigated future aged care options. The majority opted not to look ahead, but to hesitate until they needed care before looking into it.

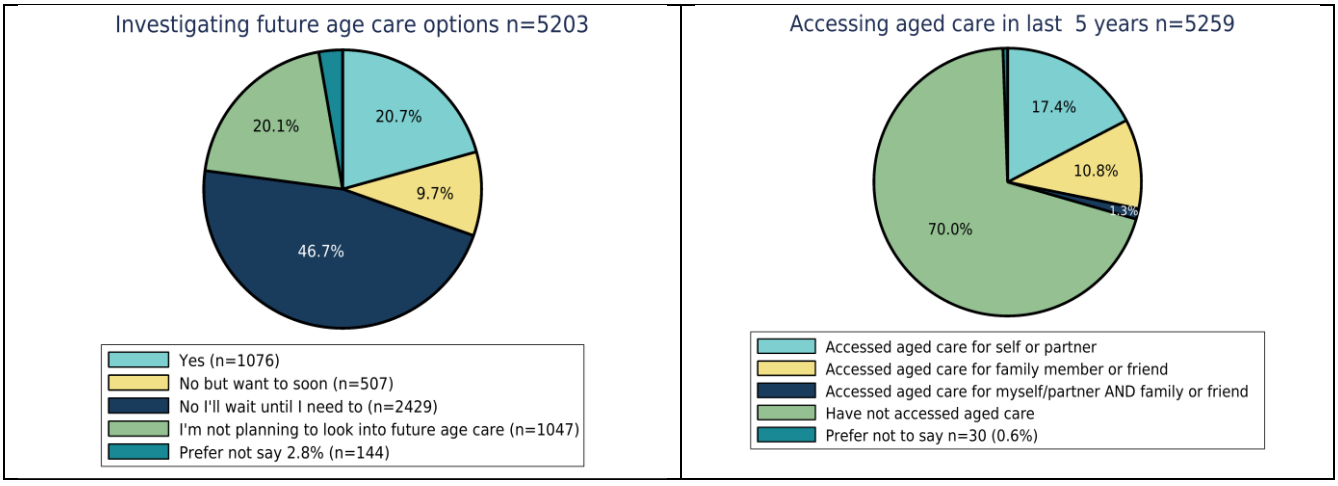

Figure 4. Age care engagement

Approximately 30% of participants had been exposed to the aged care system through accessing care for themselves, a partner or family member in the previous 5-years (Figure 4). Home care was accessed by the highest proportion of people (63%) who had accessed care in the previous 5-years.

The variables for

- Investigating future care options
- Previously accessing aged care

were added to the demographic and financial factors in the model to test if age care knowledge and exposure were associated independently with planning for aged care costs.

Not surprisingly, there was a strong relationship between having investigated care options and planning for care costs. Those who had looked into future care were three and a quarter times more likely to have also planned for the cost of care (OR 3.26, 95% CI 2.59-4.10; p<.001). Previously accessing age care either for self or a partner or a family member also contributed to the likelihood of planning for age care costs (OR 1.75, 95% CI 1.39-2.19; p<.001). This points to a service exposure-information-action pathway which reduces people's hesitation to plan for care.

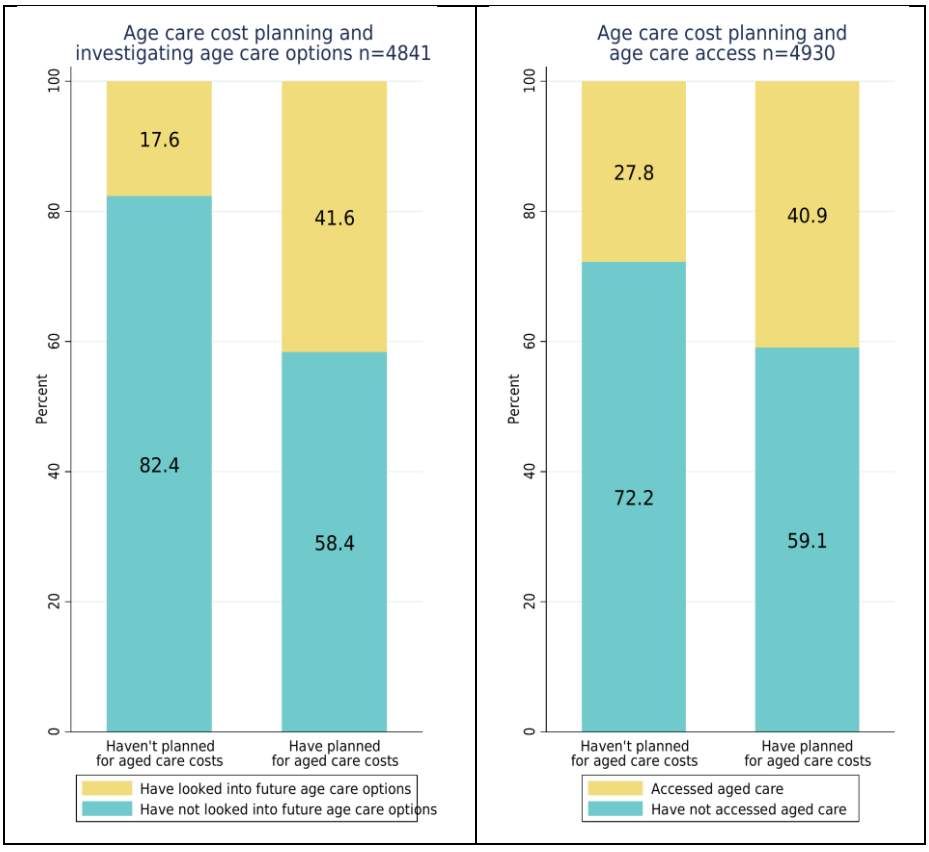

Figure 5. Age care cost planning and exposure to age care

3.5 With low planning rates for age care costs, how should improvements to age care be funded?

When asked to nominate one or more ways that aged care improvements should be funded, most people selected options that were based on Government spending with relatively few opting for increasing user-pay contributions (Figure 6). It appears that overall people perceive age care costs as a government/population-based responsibility.

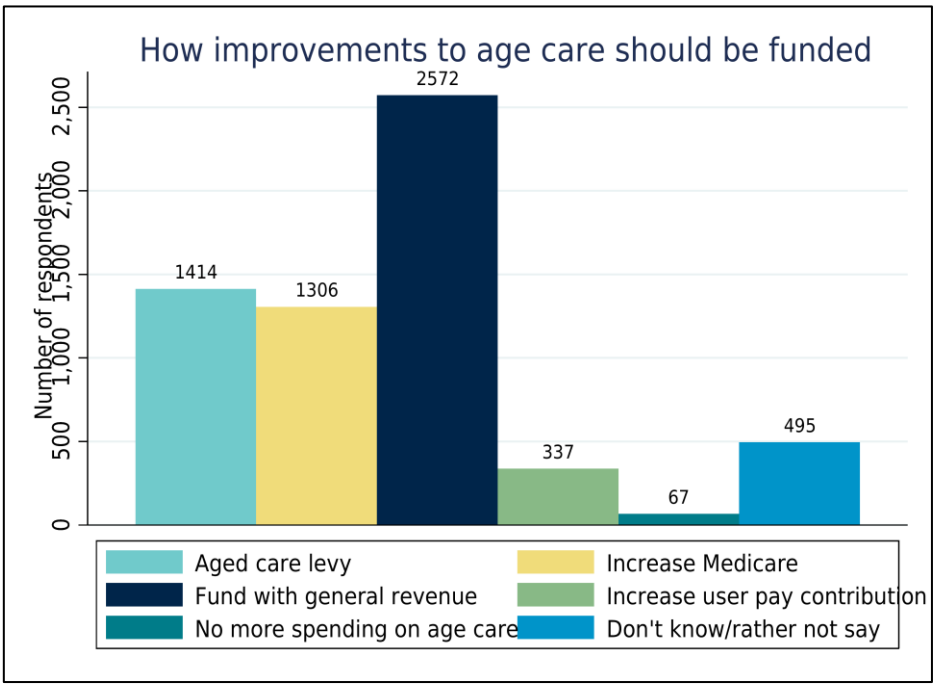

Figure 6. Responses to the question of "How do you think the federal government should pay for improvements in the aged care system" (more than one option could be selected)

3.6 Summary of Results

In a sample of approximately 5,000 older Australians aged 50 and over, only 14% had planned for the possible cost of their future care. Some (12%) felt they didn't know enough about age care costs to plan for them, and 13% believed they didn't have enough money to plan for age care. The largest group (38%) said they had thought about age care costs but hadn't made any plans. Some people (18%) hadn't thought about age care costs at all.

Sociodemographic, financial and care variables were significantly and independently associated with whether people planned for aged care costs, namely:

- older age
- higher education level
- better self-reported health
- greater amount of savings and investments
- not having the Age Pension as main income
- planning for market falls

- regularly budgeting
- investigating age care options
- accessing aged care in the previous 5-years.

The strongest socio-demographic relationship was with financial wealth (excluding the home); those with higher savings and investments were 66% more likely to have planned for aged care costs.

The strongest financial planning relationship was with regular budgeting; those who budgeted regularly were 75% more likely to have planned for aged care costs.

The strongest age care relationship was with looking into future aged care options. Those who had looked into aged care were three and a quarter times more likely to have planned for aged care costs.

In summary, people with the means, information, and motivation were more likely to plan for the cost of age care in later life.

The responses to a different question on how improvements to the age care system showed most people believed age care should be funded from general revenue. This provides an additional perspective on why people do not incorporate age care costs into their financial planning.

4. Discussion

Approximately one-third of Australians 65 and older use some form of age care services[vi] yet according to our findings, only 14% of seniors had planned for aged care costs. The dominant view was that age care costs are primarily a government responsibility.

The Government pays for 78% of all age care (4), but people still have to pay for services depending on their income and/or assets. There are many fees and charges, co-payments and deposits that are in place which people are understandably ignorant about until they need to access care. The danger is that many care recipients will be caught off guard by these unplanned costs and they may not be able to access the level or type of care they need.

The complexity of the age care system makes understanding care costs difficult. Approximately 12% of the people we surveyed said they didn't know enough about age care costs to plan for them. For those currently accessing care, the proportion who struggled to understand cost is much higher. The University of South Australia found that a third of Home Care Package recipients surveyed didn't know what level of funding they received and couldn't understand their fees and charges. Almost 90% wanted clearer information and 82% supported simplifying fees and charges (7).

Findings from a previous National Seniors report showed 80% of people did not understand consumer contributions to age care (8). It is likely then that some of this year's survey respondents who had thought about care costs (38%) also didn't understand them. Estimating personal contributions to the cost of age care is inherently challenging, particularly if those costs will only be incurred years into the future. The system is complex and very few people know where to look for information. My Age Care provides age care service costings, but if people are seeking information only 9% use My Aged Care and a further 0.3% contact a financial adviser (4). Clearly, alternate and improved communication channels are required to make the financial component of care planning more accessible and interpretable. One of the combined consumer groups' "10 asks" of the government to action from the Aged Care Royal Commission was to develop a 'simpler system' which is needed urgently[vii].

Thirteen percent of people surveyed in the NSSS-9 said they didn't have enough money to plan for age care. Understandably, low-income earners may feel there is little point planning

[vi] https://www.gen-agedcaredata.gov.au/Topics/People-using-aged-care#Aged%20care%20use%20in%20Australia

[vii] https://www.cota.org.au/news-items/joint-statement-by-aged-care-consumer-organisations

for care costs when care is fully or substantially subsidised by the Government. This is not necessarily the situation, however, for low-income earners who also own their own home.

The Pension Loans Scheme[viii] allows homeowners, even those with low incomes or minimal savings, to afford high level care at home, rather than going into residential care. Planning for age care costs by incorporating the equity tied up in the house can help maintain quality of life as people's care needs increase. Better designed policies for a rejuvenated Pension Loans Scheme could facilitate this and stimulate planning.

The small proportion of people who had planned for age care costs were likely to be more educated, healthier, wealthier, budget regularly and have some knowledge of the age care system. These findings support what researchers have called the "Capacity-Willingness-Opportunity" model of financial planning for retirement (9). Knowledge acquired through education or having financial and personal resources build people's capacity to foresee and plan for future needs. The Opportunity dimension acknowledges that external factors may constrain or enable effective financial planning. In this context, financially planning for care was more likely for people who had taken the opportunity to look into care options or had been exposed previously to the age care system.

The Willingness dimension is particularly complex because it encompasses the motivations, attitudes and emotions that drive planning. Financially planning for age care requires being motivated to pay for age care costs. In findings reported by National Seniors in 2018, 80% of survey respondents said they were prepared to pay within their means for age care services (8). Different views were expressed in a report on ageing and aged care prepared by Roy Morgan for the Age Care Royal Commission. They found that people across all ages believed support and care services should be funded mainly by Government (4). In our survey also, very few people thought improvements to age care should be paid for by users; rather this was a Government responsibility.

Another factor undermining motivation to include age care costs in financial planning is that Australians tend to think age care is synonymous with residential care. A move into a residential care facility is usually funded by selling the house, so people may not be aware of how other non-residential care options are financed. A better understanding of the benefits of home support and home care could increase motivation to include care costs in financial plans for later life.

Our survey showed that seniors hesitated to plan for age care generally. The Aged Care Royal Commission findings and the subsequent coverage by the media have provided

[viii] Further information about the Pension Loans Scheme can be found at
https://nationalseniors.com.au/news/latest/boost-your-retirement-income-without-selling-your-family-home
https://www.servicesaustralia.gov.au/individuals/services/centrelink/pension-loans-scheme

powerful disincentives for engagement with any aspect of the age care system; it is understandable that most people deny the need for planning financially or otherwise for such an unattractive and distressing prospect. Planning for age care ahead of when it is required is currently a confronting topic to consider and act on.

5. How to promote planning?

From the findings and discussion presented here, four promising pathways can be identified to promote planning for aged care costs through the current phases of hesitancy and ignorance of the realities:

1. Financial planners, superfunds trustees, banks and government services all need to incorporate realistic age care planning as a standard and essential component of retirement planning to support choice and comfort in later life.

2. Service providers can take advantage of exposure-information-action pathways by encouraging and supporting people to plan for their own age care costs when helping family or friends access the age care system.

3. Following the recommendations of the Aged Care Royal Commission, the Government needs to prioritise State and Territory systems of care navigators, finders and advocates who can provide standard information and refer people to sources of advice with current and clearly communicated information on care cost planning.

4. A concerted and sensitive campaign is required to counteract public negativity and distress about engaging with the age care system resulting from the findings of the Aged Care Royal Commission. Planning for age care costs can provide more choice and better outcomes if care is required in the future.

A combination of these strategies can reduce the hesitation and ignorance about planning for care and make inroads into the denial that some have about risks in this life phase.

Planning for future care, financially and otherwise requires acknowledgement of possibilities that do not align well with what the essayist Sarah Holland-Blatt calls the enduring but increasingly unobtainable “Utopian Fantasy” of a comfortable retirement:

> “in spite of aspirational saving and leisure planning, we devote no time to contemplating the realities of ageing or that the frailty and vulnerability that often accompany old age may one day arrive for us” (10)

As a society, we need to shift the perception of age care and age care preparation as being undesirable admissions of vulnerability and dependence to being proactive choices that enable us to live the best life possible financially and otherwise in our later years.

Acknowledgment

We extend our thanks to the generous responses of National Seniors members which have informed this report.

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APPENDIX 1: Questions from the NSSS-9 used in analyses

Have you planned for aged care costs? Aged care costs may be for either residential care or home care.

- ◯ Yes, I'm financially planning for aged care
- ◯ I have thought about it but haven't made any specific plans
- ◯ No, I haven't thought about it
- ◯ I don't have enough money to set aside for aged care costs
- ◯ I don't know enough about aged care costs to plan for them
- ◯ Prefer not to say

Do you manage your spending with a budget on a regular basis?

- ◯ Always
- ◯ Usually
- ◯ Sometimes
- ◯ Rarely (Please go to Q58)
- ◯ Never (Please go to Q58)
- ◯ Don't know/prefer not to say (Please go to Q58)

Have you sought financial advice from anyone following the COVID-19 pandemic? *Please select all that apply*

- ☐ No, I haven't sought advice
- ☐ I have spoken with a financial adviser
- ☐ I have spoken with someone from my super fund
- ☐ I have sought help from another professional.
- ☐ I have sought advice from a government website or agency
- ☐ I have sought advice from trusted friends or family
- ☐ I have done my own research

At the start of 2020 did you have any of the following plans in place to protect against market falls similar to the GFC? *Please select all that apply*

- ☐ Market falls are not relevant to me
- ☐ I had extra cash set aside
- ☐ My investment mix was conservative
- ☐ I have a defined benefit pension that is protected from market falls
- ☐ I bought a lifetime annuity
- ☐ I was spending less than I can afford and/or saving more than needed
- ☐ I delayed my planned retirement
- ☐ There was no specific plan for a market fall
- ☐ Other (please specify)

Do you expect you or your spouse/partner will need aged care services as you get older?

- ◯ Yes
- ◯ No
- ◯ Maybe
- ◯ Prefer not to say

Have you looked into **future** aged care service options for yourself or your spouse/partner?

- ◯ Yes
- ◯ No, but I want to soon (Please go to Q20)
- ◯ No, I'll wait until I need to (Please go to Q20)
- ◯ No, I'm not planning to look into future age care options (Please go to Q20)
- ◯ Prefer not to say (Please go to Q20)

In the last five years, have you accessed age care services?

- ◯ Yes for myself or my spouse/partner
- ◯ Yes for a family member or friend
- ◯ Yes for myself/partner AND a family member/friend
- ◯ No (Please go to Q18)
- ◯ Prefer not to say (Please go to Q18)

How do you think the federal government should pay for improvements in the aged care system?
You may select more than one option.

- ☐ An aged care levy (similar to the NDIS)
- ☐ An increase to the Medicare Levy
- ☐ Funded through general revenue
- ☐ Increase in user pay for aged care services
- ☐ I don't think more money should be spent on the aged care system
- ☐ Don't know/rather not say

APPENDIX 2 Financial snapshot of NSSS-9 respondents

Income

Table 2.1 Main income source of people who planned for aged care costs come

Main source of income	*Have planned age care costs*		*Have not planned aged care costs*	
	n	%	n	%
Part time work	5	0.8	66	2.0
Age Pension	79	12.9	1159	34.8
Other Govt pension	36	5.9	167	5.0
Super fund	326	53.2	1406	42.3
Defined benefit	57	9.3	217	6.5
Lifetime annuity	12	2	19	0.6
Term deposit	10	1.6	43	1.3
Share dividends	41	6.7	127	3.8
Rental income	29	4.7	53	1.7
Selling investments	11	1.8	48	1.4
Family business income	7	1.1	18	0.5

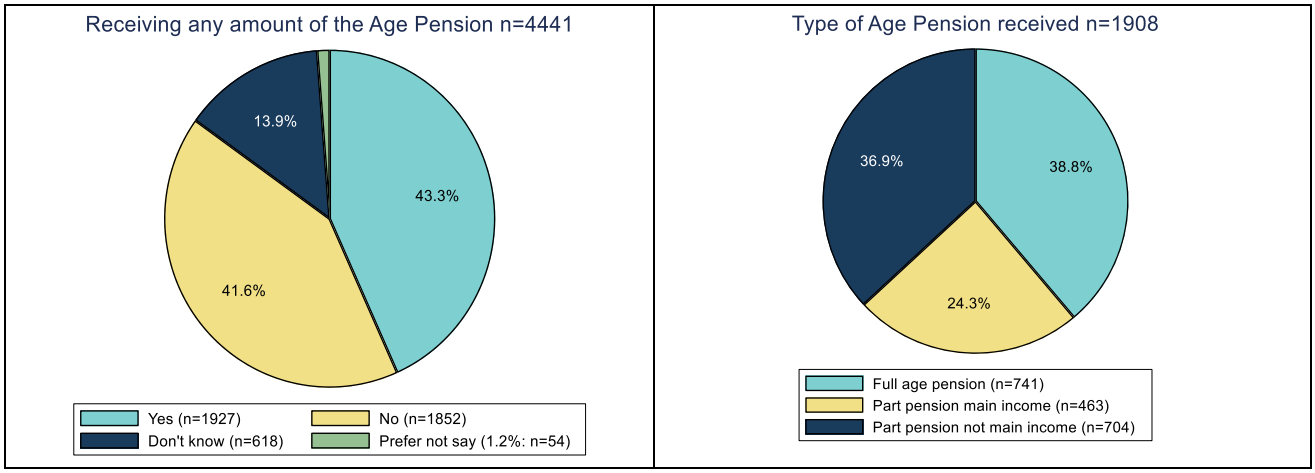

Figure 2.1 Receipt of Age Pension by NSSS-9 participants

Overall, only 43% of survey respondents received any Age Pension. In comparison, close to 63% of the age-eligible population receive Age Pension payments. This is due to the inclusion of people under pension age in the sample that may impact on the other numbers in the survey around financial preparations.

For those aged 70-79 and 80+ (the proportions are closer to the national figure of 63%. A younger age group and the sample's high proportion of self-funded retirees accounts for only 39% receiving the full Age Pension.

Budgeting

A relatively high proportion of respondents (71.5%) usually or always managed expenses with a budget.

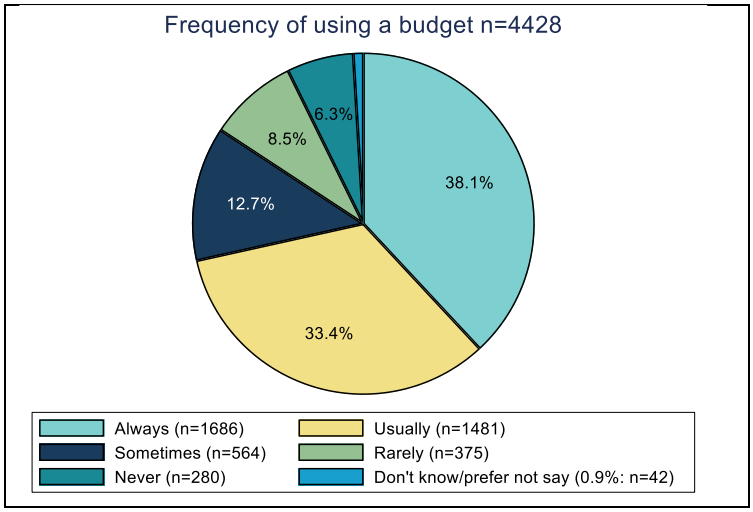

Figure 2.2 Budgeting frequency by NSSS-9 participants

Wealth had a small moderating effect on budgeting with those reporting greater wealth reporting a lower use of budgets than those of lower wealth. Having a specific budget for essentials was more clearly influenced by wealth. Not only is essential budgeting less likely for people with more assets, but budgets were less likely to be followed strictly when they were made.

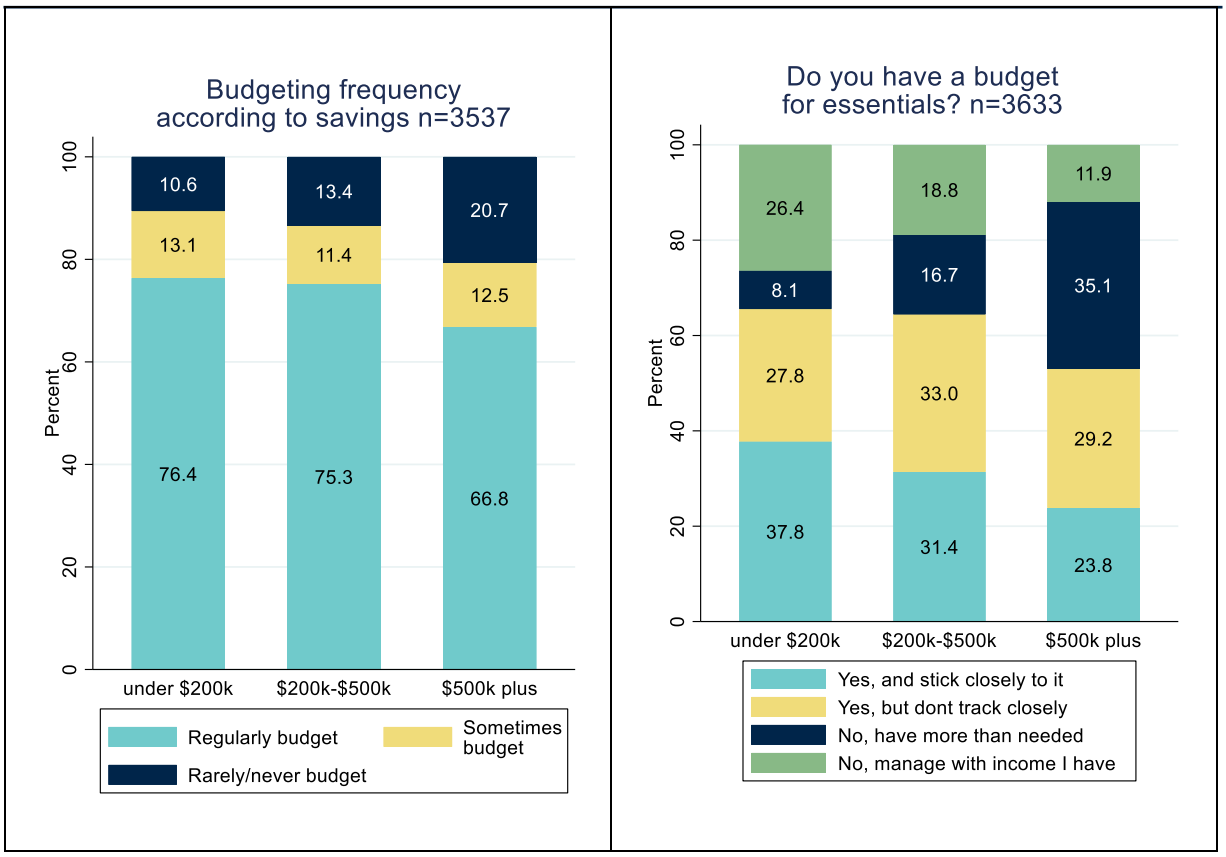

Figure 2.3 Budgeting tendencies of NSSS-9 participants according to wealth

Other factors related to wealth were also indicators of a predilection to budgeting. For example, people who main source of income was the age pension, or those reliant on a government agency for advice (rather than their super fund or paying for an adviser) were more likely to manage to a budget. They were also more likely to have a specific budget for essential spending. Retirees with income from a defined benefit pension, property rental or a family business were all less likely to budget specifically for essential spending.

COVID impact

A year after the initial impact of COVID-19, there is now a range of different financial outcomes from the pandemic. The initial market shock had a dramatic impact of markets as economies shut down to manage the pandemic. Just over half the respondents to the survey reported a drop in their retirement savings. Some by more than 20%.

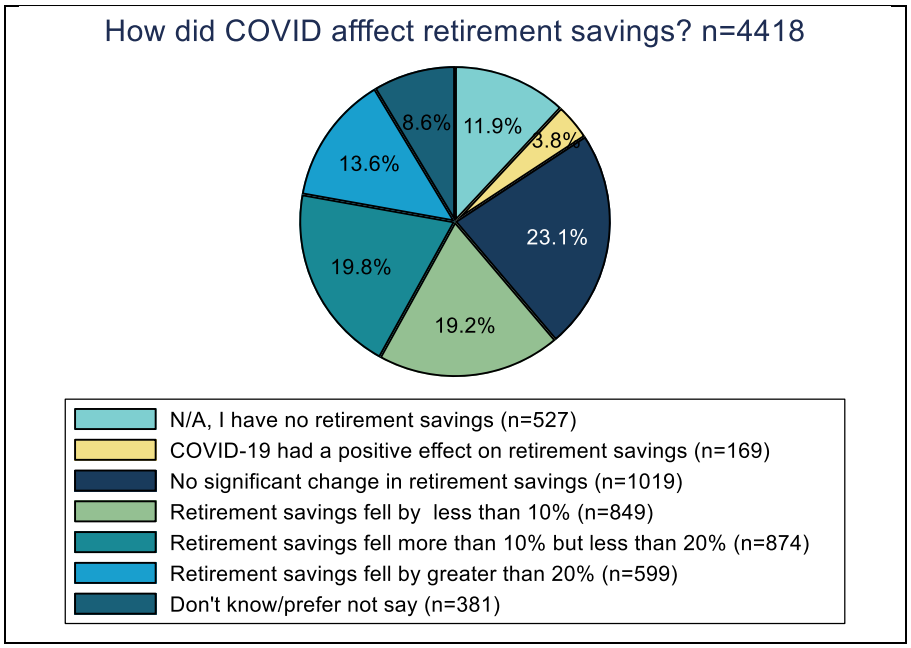

Figure 2.4 COVID-19 effects on retirement savings

The largest impacts were felt by those who rely on rent or share dividends for income in retirement. A high proportion of retirees also reported being reliant on term deposits said they had the largest fall in savings from the Covid impact. Conversely, more people reliant on a family business or defined benefit pension compared to other sources reported that they had no significant change in their retirement savings.

COVID-19 had less impact on income. More than 60% of older Australians reported that household income was not affected through the pandemic. Only 10% reported a significant fall in income so the impact on income was limited for older Australians.

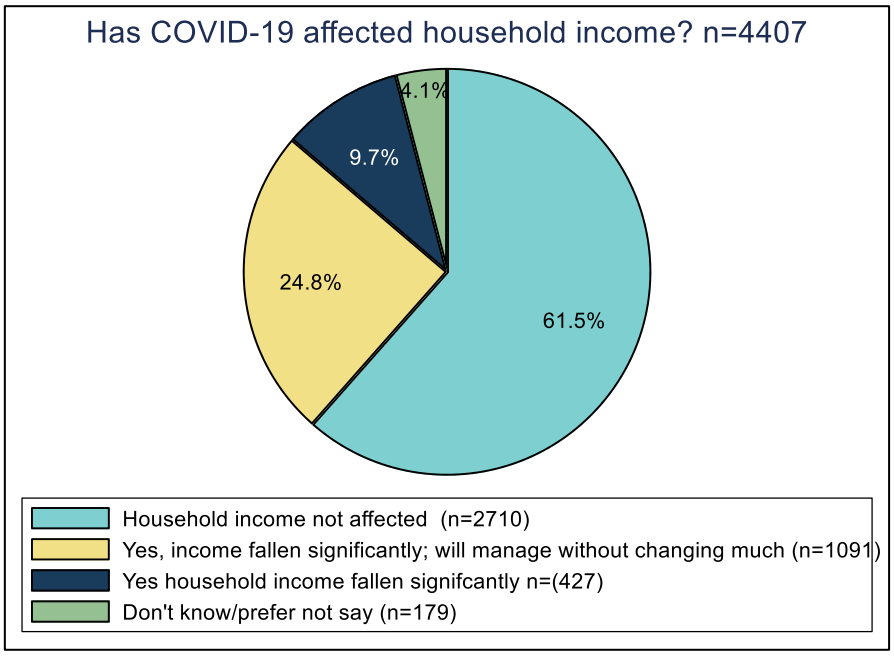

Figure 2.5 COVID-19 effects on household income

Retirees who are reliant on dividends or term deposits experienced a negative impact on household income, with 32% and 23% respectively reporting a significant drop.

Preparation for market impacts

While the health pandemic was the worst in over a century and difficult to foresee, the impact on markets and household income was in line with other events.

The stability in household income is good news here. However, one in four older Australians didn't have a plan in place. While this figure was higher with people with lower financial assets, one in six people with more than $500,000 in assets didn't have a plan in place to protect against market falls.

The most common plan was a conservative investment mix, with the majority of people with more than $200,000 adopting this strategy. One third of people with more than $750,000 also reported having extra cash set aside, but this wasn't possible for people with lower savings and only 16% overall used this approach.

13% of the sample also reported being protected by a defined benefit pension. This was good for them, but the availability of defined benefit pensions is limited so this protection will apply to an even smaller segment of retirees in the future.

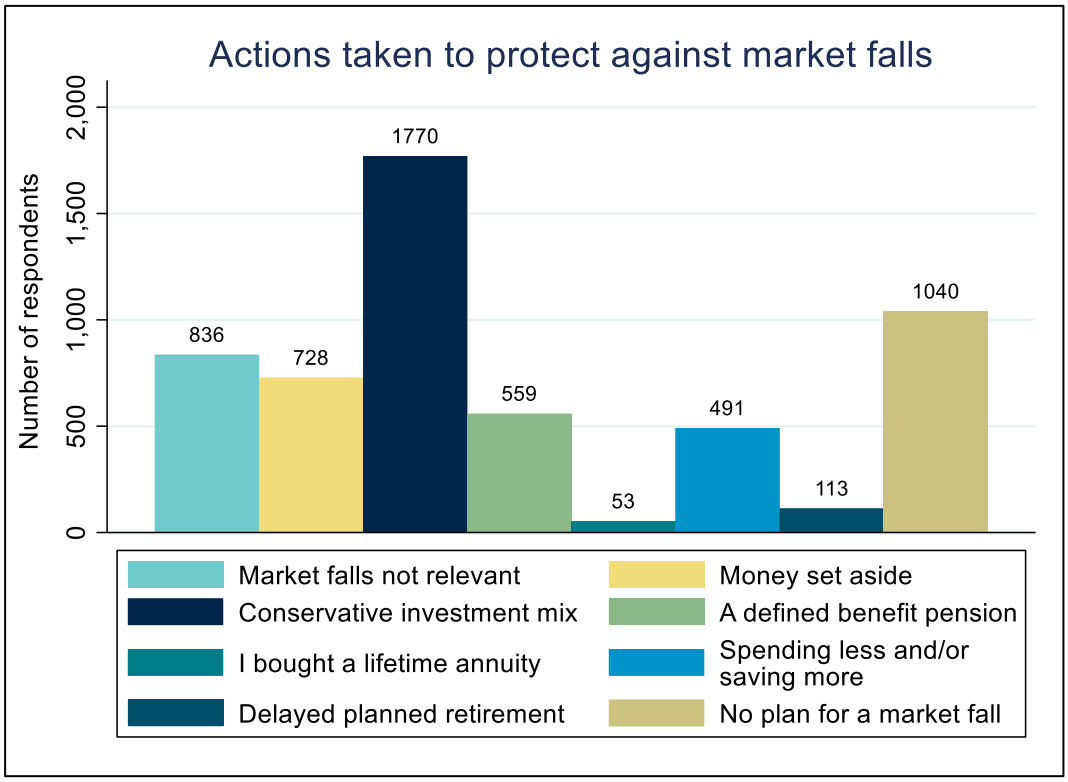

Figure 2.6 Actions taken to protect against market falls (more than one action could be selected)

APPENDIX 3: Logistic regression output

Key to variable names:

OUTCOME VARIABLE**: think_plancarecost = binary variable for thinking or planning for aged care costs** 1 "planned or thought about care cost" 0 "no plan or thoughts about care cost"

VARIABLES TESTED FOR INDEPENDENT ASSOCIATIONS WITH OUTCOME VARIABLE

agegrp_simple = 10 year age groups: 1 “50-64”,2 “65-74”, 3 “75-84”, 4 “85+”

new_ed = Highest level of formal education: 1 "up to yr 10" 2 "yr 12 or diploma" 3 "tertiary degree or higher"

new_health = self-report health: 1 "good/excellent" 2 "fair" 3 "poor/very poor"

sav_simple = saving and assets (excluding home:) 1 "under $200k" 2 "$200k-$500k" 3 " $500k plus"

agepens_bin1= binary variable for receiving age pension: 1 "age pension main income" 0 "age income not main income"

budget_bin= binary variable for regularly budgeting: 1 "budget reg" 0 "doesn't budget reg"

noadvice = no financial COVID-related financial advice sought: 1 "no advice" 0 "unknown"

noplan_markfall= not having a plan for a market fall: 1 "no plan" 0 "unknown"

carefut_bin1= binary variable for looking into future age care options: 1 “has looked into age care options” 0 “has not looked into age care options”

careuse_bin= binary variable for accessed age care in previous 5 years: 1 “has access age care” 0 “has not accessed age care”

Model 3.1. Planning for aged care by significant socio-demographic and financial variables

```
. logistic carecost_bin agegrp_simple new_ed new_health sav_simple agepens_bin1

Logistic regression                                     Number of obs     =      3,270
                                                        LR chi2(5)        =     199.40
                                                        Prob > chi2       =     0.0000
Log likelihood = -1265.9734                             Pseudo R2         =     0.0730
```

carecost_bin	Odds Ratio	Std. Err.	z	P>|z|	[95% Conf.	Interval]
agegrp_simple	1.65011	.1113576	7.42	0.000	1.445672	1.883459
new_ed	1.232221	.0920899	2.79	0.005	1.064324	1.426602
new_health	.8172924	.0903269	-1.83	0.068	.6581167	1.014967
sav_simple	1.610088	.118528	6.47	0.000	1.393759	1.859994
agepens_bin1	.5311119	.0861228	-3.90	0.000	.3865084	.7298157
_cons	.0177295	.006024	-11.87	0.000	.0091092	.0345073

Note: _cons estimates baseline odds.

Model 3.2. Adding significant financial planning variables to Model 3.1

```
. logistic carecost_bin agegrp_simple new_ed new_health sav_simple agepens_bin1 budget_bin noadvice noplan_
> markfall

Logistic regression                                     Number of obs     =      3,233
                                                        LR chi2(8)        =     259.25
                                                        Prob > chi2       =     0.0000
Log likelihood = -1217.8549                             Pseudo R2         =     0.0962
```

carecost_bin	Odds Ratio	Std. Err.	z	P>|z|	[95% Conf.	Interval]
agegrp_simple	1.621189	.1122319	6.98	0.000	1.415489	1.856781
new_ed	1.244311	.0949058	2.87	0.004	1.071535	1.444946
new_health	.8440447	.0942683	-1.52	0.129	.6781063	1.05059
sav_simple	1.598821	.1210024	6.20	0.000	1.378412	1.854474
agepens_bin1	.5466674	.0905641	-3.65	0.000	.395101	.7563767
budget_bin	1.761098	.1849825	5.39	0.000	1.433424	2.163675
noadvice	.7871663	.0835707	-2.25	0.024	.6392891	.9692496
noplan_markfall	.4874095	.0753936	-4.65	0.000	.3599385	.6600239
_cons	.0177293	.0064233	-11.13	0.000	.0087157	.0360645

Note: _cons estimates baseline odds.

Model 3.3. Adding significant care variables to Model 3.2

```
. logistic carecost_bin agegrp_simple new_ed new_health sav_simple agepens_bin1 budget_bin noadvice noplan_markfall caref
> ut_bin1 careuse_bin

Logistic regression                             Number of obs     =      3,168
                                                LR chi2(10)       =     386.78
                                                Prob > chi2       =     0.0000
Log likelihood =  -1127.931                     Pseudo R2         =     0.1464
```

carecost_bin	Odds Ratio	Std. Err.	z	P>|z|	[95% Conf.	Interval]
agegrp_simple	1.434085	.1035682	4.99	0.000	1.244807	1.652144
new_ed	1.186374	.0935284	2.17	0.030	1.016522	1.384607
new_health	.6891486	.0821982	-3.12	0.002	.5454887	.8706426
sav_simple	1.668213	.1324316	6.45	0.000	1.427837	1.949056
agepens_bin1	.5194615	.0891357	-3.82	0.000	.3711023	.7271318
budget_bin	1.75427	.1916965	5.14	0.000	1.416061	2.173255
noadvice	.852939	.0943533	-1.44	0.150	.6866839	1.059447
noplan_markfall	.5079699	.0805781	-4.27	0.000	.3722321	.6932058
carefut_bin1	3.267354	.3821109	10.12	0.000	2.598064	4.109062
careuse_bin	1.750446	.2016618	4.86	0.000	1.396643	2.193877
_cons	.0172904	.0065905	-10.65	0.000	.0081913	.0364968

Current Publications

2021

National Seniors Australia and Australian Unity, New and Emerging CALD Communities Support Team, *COVID-19 vaccine sentiments & fears*, Report 1: Canberra: National Seniors Australia. Published 24/2/21.

McCallum, J., Hosking, D. and Ee, N. (2021) Older Australians' Sentiments about vaccination, and planning, financing and 'co-design' of aged care. Canberra: National Seniors. Published 19/3/21.

Orthia, L, McCallum, J. Hosking D., Maccora, J., and Krasovitsky. *Co-Designing aged care: Views of 4,562 Older Australians*. Published 9/6/21

Ee N., Orthia L., Hosking D., McCallum J. (2021) Worry about the younger generation: Older Australians' intergenerational solidarity. Canberra: National Seniors Australia. Published 26/07/21

Orthia L., Hosking D., Ee N., McCallum J. (2021) The Quality of Death? Senior Australians' Views on Voluntary Assisted Dying. Canberra, ACT: National Seniors Australia Published 12/08/21

Hosking D., Hosking R., Orthia, L., Ee, N., McCallum, J. Listening to *LGBT Seniors* (in press)

2020

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

1. *Aged care redesign from the consumer point of view*. 24/1/20
2. *The role of downsizing in homecare* 20/7/20
3. *COVID-19 impacts in Aged Care "Re-writing the scripts"* 4/09/20
4. *Financing aged care: Policy development from the base up* 14/09/20

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

National Seniors & Confederation of Australian Sport (2020) *Just Doing it!? Older Australians Physical Activity.* Canberra: National Seniors Australia. Published 3/3/20

Maccora, J., Ee, N., Hosking, D., McCallum, J. (2020) *Who Cares? Older Australians do*. Canberra: National Seniors. Published 18/5/20.

Ee, N., Maccora, J., Hosking, D., McCallum, J. (2020) *Australian Grandparents Care.* Canberra: National Seniors. Published 25/5/20.

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

McCallum, J., Ee, N., Hosking, D. (2020) *COVID-19 (2): Self-funded Retirees distress.* Canberra: National Seniors. Published 2/09/20.

Hosking, D., Minney, A. and McCallum J. (2020) *Retirement Comfort – Personalised versus Standard Plans.* National Seniors. Published 27/10/20.

Ee, N., D Hosking., Maccora, J., McCallum, J. (2020) *COVID-19 (3): Evolving concerns of older Australians.* National Seniors. Published 4/12/20.

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