September 2025

Vanguard
Strong and Steady

How Australia Retires

Foreword

Vanguard has proudly supported Australians on their retirement journeys for nearly 30 years, providing low-cost investment solutions and, since 2022, superannuation services through Vanguard Super.

Founded on the belief that every investor deserves a fair go, Vanguard has always championed accessibility and affordability in investing. Our mission is simple yet powerful: **"to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success."**

From shifting home ownership patterns to rising cost-of-living pressures, Australians are navigating a more complex path to retirement than ever before. While we have seen Australia's retirement system evolve to meet the changing needs of working and retired Australians, there is still need for improvement. It's clear that Australians demand even better services, more personalised guidance and a retirement system that reflects the realities of modern life.

This third edition of Vanguard's How Australia Retires report builds on our insights from previous years and offers a deeper look into the factors shaping how Australians feel about retirement, how they prepare for it and how they experience it.

We explore how financial literacy, retirement planning and home ownership influence retirement confidence and sentiment and examine the widening gap between the expectations and realities of working-age Australians and current retirees.

Importantly, this report highlights actions that are linked to being financially better prepared and more positive about retirement. Whether it's developing a retirement plan or simply checking in more regularly with your super fund, these actions can help lay the groundwork for better, more secure years in retirement.

We are grateful to the Australians who shared their experiences and perspectives for this research. We hope this report provides valuable insights for individuals, industry leaders and policymakers alike and helps us all work toward a retirement system that better supports Australians in this important phase of life.

Daniel Shrimski
Managing Director,
Vanguard Investments Australia

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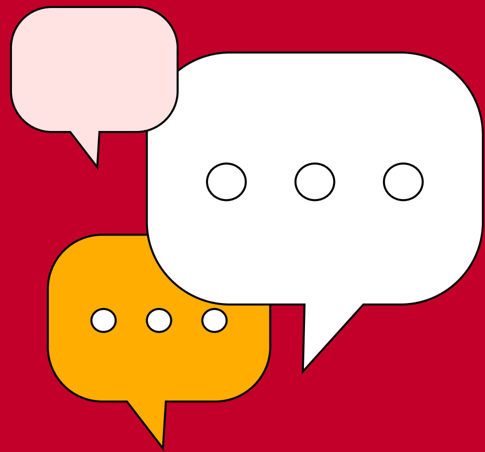


Definitions

Traditionally, "retirement" has been understood as a reference to the phase of life when one ceases full-time paid work or ceases paid work altogether. Participants in the study were not provided with a specific definition of "retirement," so the results effectively reflect individuals' subjective interpretations of "retirement" which may vary.

While there is no one universally applicable prescribed "retirement age" in Australia, subjective understandings of "retirement" may be influenced by the fact that an individual qualifies for the Age Pension from age 67 years old (provided they satisfy all other relevant criteria), and (assuming no grounds for early access apply) gains access to their superannuation savings once they reach their "preservation age" and cease an employment arrangement, retire or elect to receive a "transition to retirement" income stream, or when they turn 65 years old (Sources: Services Australia and the Australian Taxation Office).

For the purposes of this study:

- "Retired Australians" or "retirees" refers to respondents who identify with any of the above concepts of retirement.
- "Working-age Australians" are defined as those within the study who did not self-identify as retired.
- "Australians" refers to residents of Australia surveyed and is inclusive of both working-age and retired Australians (as self-identified).

Executive summary

The How Australia Retires 2025 report explores how Australians are preparing for and experiencing retirement.

Based on a nationally representative survey of over 1,800 Australians conducted in February 2025, the report examines financial and retirement literacy, expectations versus realities of retirement, the role of housing and overall retirement sentiment and confidence.

- **Retirement sentiment** reflects how people feel about retirement. It's based on the words they associate with it, whether positive (like "secure" or "proud") or negative (like "anxious" or "worried"). This gives insight into their emotional outlook.
- **Retirement confidence**, on the other hand, measures how certain people are that they'll be able to fund the lifestyle they want in retirement. It's a self-assessed measure of financial preparedness.

Key findings

Many Australians have no financial plan for retirement

Nearly one in two working-age Australians (48%) have no plans in place for how they'll retire. Meanwhile, retirees who had a good idea or clear understanding of what actions they needed to take were three times more likely to feel highly confident about funding their desired lifestyle in retirement and 65% more likely to have a positive outlook on retirement than those without.

Younger Australians have a more dire outlook on retirement — and with good reason

Australians under 45 expect to need significantly more to retire comfortably, estimating around $100,000 per year, nearly double the $55,000 current retirees report spending.

This may contribute to their more negative sentiment: only 43% of working-age Australians report positive sentiment about retirement, compared to 65% of retirees.[1] In contrast, older Australians are more likely to own their homes and have built up greater financial resources, which likely contributes to their more optimistic view.

More Australians are retiring with mortgage debt, which is a worrying trend

One in three Millennials and one in four Baby Boomers expect to carry mortgage debt into retirement. This is troubling as nearly half (48%) of retirees with a mortgage report low confidence about retirement. This represents a significant shift from the 1990s, when the superannuation system was established. For example, ABS data shows that 91% of older persons living in couple-only households in 1999 were homeowners, with 88% owning their homes outright.[2]

1 To assess Australians' sentiment toward retirement, respondents selected from ten emotion-related words (five positive, five negative), plus "unsure" or "none of these." Sentiment was classified as positive if only positive words were chosen, negative if only negative words were chosen, or mixed if both positive and negative words were chosen, or respondents selected "unsure" or "none of these."

2 Australian Bureau of Statistics (2001), Australian Social Trends 2001, Housing and Lifestyle: Housing experience through life-cycle stages, ABS Website.

More needs to be done to improve both financial and retirement literacy

Many Australians struggle with financial literacy and don't understand important aspects of Australia's retirement system, such as when they will be eligible to access their superannuation. Being well-prepared can significantly improve Australians' confidence about retirement but planning is challenging without a solid understanding of the retirement system or basic financial concepts.

Insights into retirement sentiment

To better understand what shapes Australians' sentiment towards retirement, we created a profile of a typical Australian, who we called Sam. We found that when five key actions were taken together, Sam's likelihood of reporting a positive retirement sentiment was 89%, more than double the baseline of 41%:

1. Having a solid retirement plan.
2. Boosting financial literacy.
3. Being familiar with the retirement system.
4. Making voluntary super contributions.
5. Engaging with their super provider at least twice per year.

We found that retirement planning had the strongest association with positive sentiment. While the other factors were less influential on their own, their combined presence was linked to a substantial improvement in Sam's retirement sentiment.

Improving retirement outcomes for Australians

Retirement decision-making is complex, and many Australians lack the education, tools and guidance to navigate it confidently. Our findings suggest better financial education, access to simple guidance (including from super funds) and enabling more Australians to access financial advice will improve retirement confidence.

Given declining home ownership rates, it's critical that younger Australians understand how their retirement needs may differ from those of current retirees. Super funds and policymakers can help by incorporating renting and mortgage debt scenarios into retirement planning tools.

Finally, the current individual-focused superannuation model doesn't reflect the reality that many Australians manage finances jointly. Viewing super as a household asset can support more equitable and effective retirement strategies, especially for women, who typically retire with lower balances.

Financial and retirement literacy

Overview

Our findings this year highlight persistent gaps in financial knowledge and confidence across the Australian population, which has implications for both day-to-day financial decisions and long-term retirement planning.

Australians continue to have concerning gaps in their financial literacy and understanding of the retirement system, particularly those from younger generations. Women scored lower in financial literacy than men across all age groups. Many Australians, including those at retirement age, struggle to understand key aspects of the retirement system, such as the age they can access their superannuation.

Most Australians aren't confident in making financial decisions and in their understanding of financial products. While most Australians are comfortable with basic products like savings accounts, confidence drops for superannuation, shares and investment products like exchange-traded funds (ETFs).

These findings suggest more can be done to support working-age and retired Australians to better understand and effectively navigate financial decisions and Australia's retirement system.

Financial literacy

To measure financial literacy, our survey asked respondents to answer three basic questions about interest, the impact of inflation and risk diversification — key building blocks for financial decision making.

These "Big Three" financial literacy questions were created by U.S. researchers Annamaria Lusardi and Olivia Mitchell and have been used to measure financial literacy around the world.[3]

We found that:

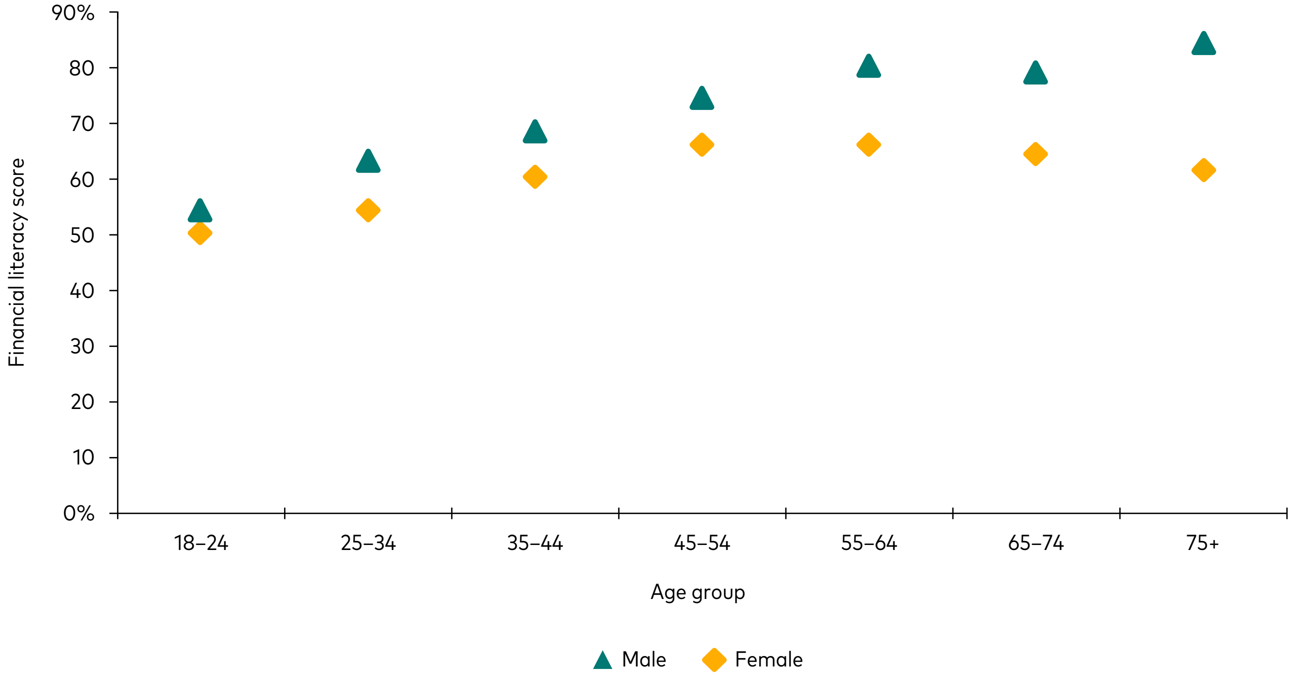
- Younger Australians had lower levels of financial literacy than older Australians. As Figure 1 shows, the lowest age group was those aged 18-24 (52%), while the highest group was those aged 75+ (75%).
- Women scored lower than men across all age groups. The biggest variance between men and women was in the 75+ age group, where men scored 84% and women scored 62%.
- Older men demonstrated consistently higher financial literacy than the general population, a trend that persisted into retirement. In contrast, women's financial literacy peaked between ages 45–54.

This year's findings were largely consistent with results from the 2024 edition of this report. However, there were some changes in particular age groups.

For example, we found that 45–54-year-olds scored better in this year's survey (71% versus 63% in 2024) and 18–24-year olds scored worse (52% this year versus 55% in 2024).

FIGURE 1:

Financial literacy by age and gender



3 To measure financial literacy, we asked respondents to answer the "Big Three" financial literacy questions:
1. Suppose you put $100 into a no-fee savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made? (Answer: Exactly $102)
2. Imagine now that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, would you be able to buy more than today, exactly the same as today, or less than today with the money in this account? (Answer: Less than today)
3. Is the following statement true or false. Buying shares in a single company usually provides a safer return than buying shares in a number of different companies. (Answer: False)
We took each respondent's financial literacy score to be the proportion of questions answered correctly.

Financial decision making

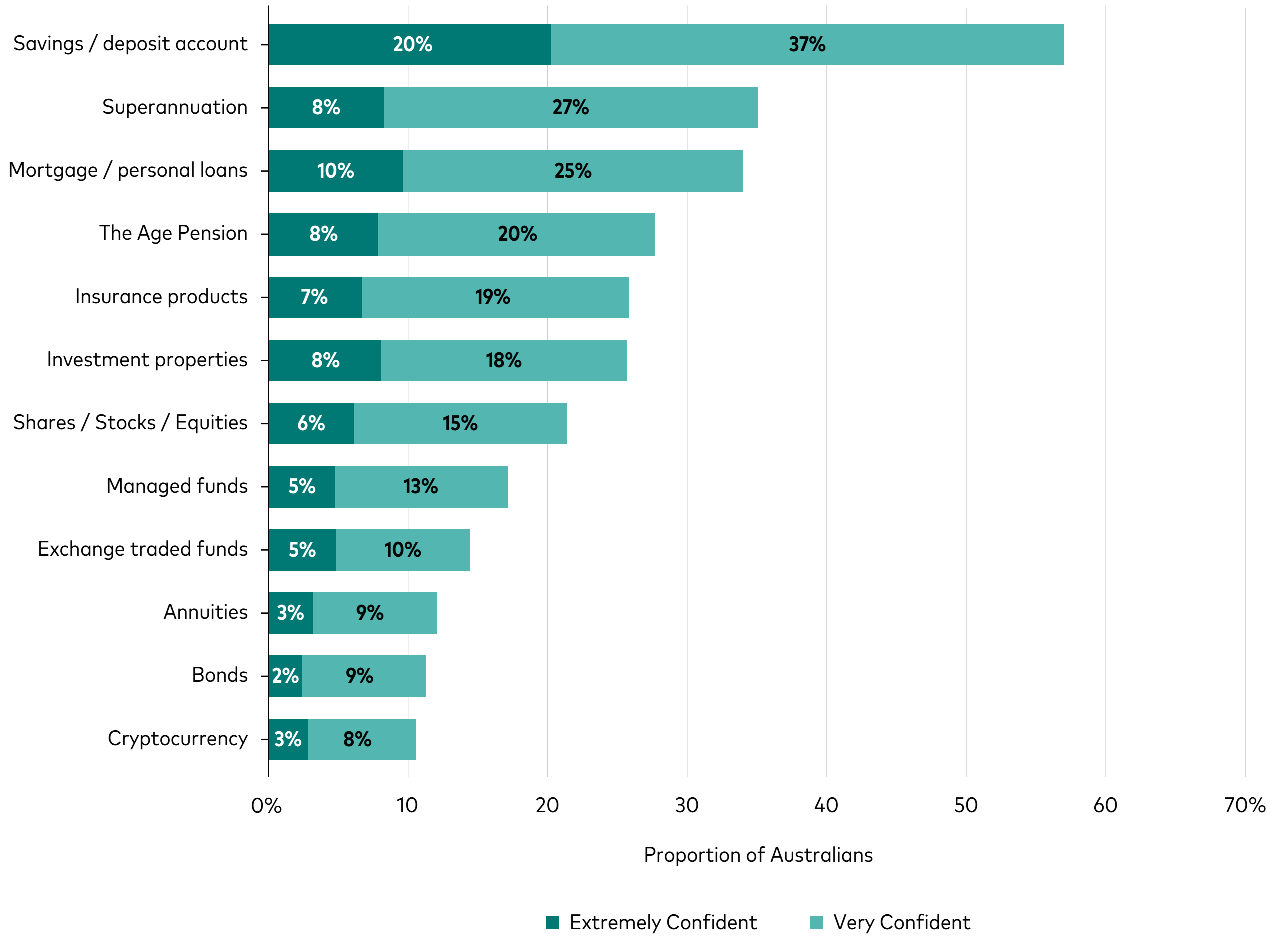
Despite rising levels of income and wealth in Australia, many Australians remain unfamiliar with financial products and services and lack confidence in making financial decisions. When it comes to managing finances in general, only 37% of Australians are very confident or extremely confident in making financial decisions.

In terms of confidence in understanding various financial products and services, we found (see Figure 2):

- Australians were most confident in understanding savings and deposit accounts (57% very or extremely confident).
- Australians were less confident in their understanding of investment products such as shares (21% very or extremely confident), managed funds (18%), exchange-traded funds (15%) and bonds (11%).
- Only 35% of Australians were very or extremely confident in their understanding of superannuation products. Given the central role of superannuation in retirement planning, this is a concern.
- About 35% of Australians were very or extremely confident in their understanding of mortgages and personal loans. This is surprising given the high proportion of Australian household wealth held in property.

FIGURE 2:

Australians' confidence managing financial products and services



Note: Respondents were asked "How confident do you feel in your understanding of the following financial products and services?" and had to select from "not at all confident", "slightly confident", "moderately confident", "very confident" and "extremely confident."

Retirement literacy

Not only did we find low levels of financial literacy among our survey participants, but we also uncovered significant gaps in Australians' understanding of the retirement system.

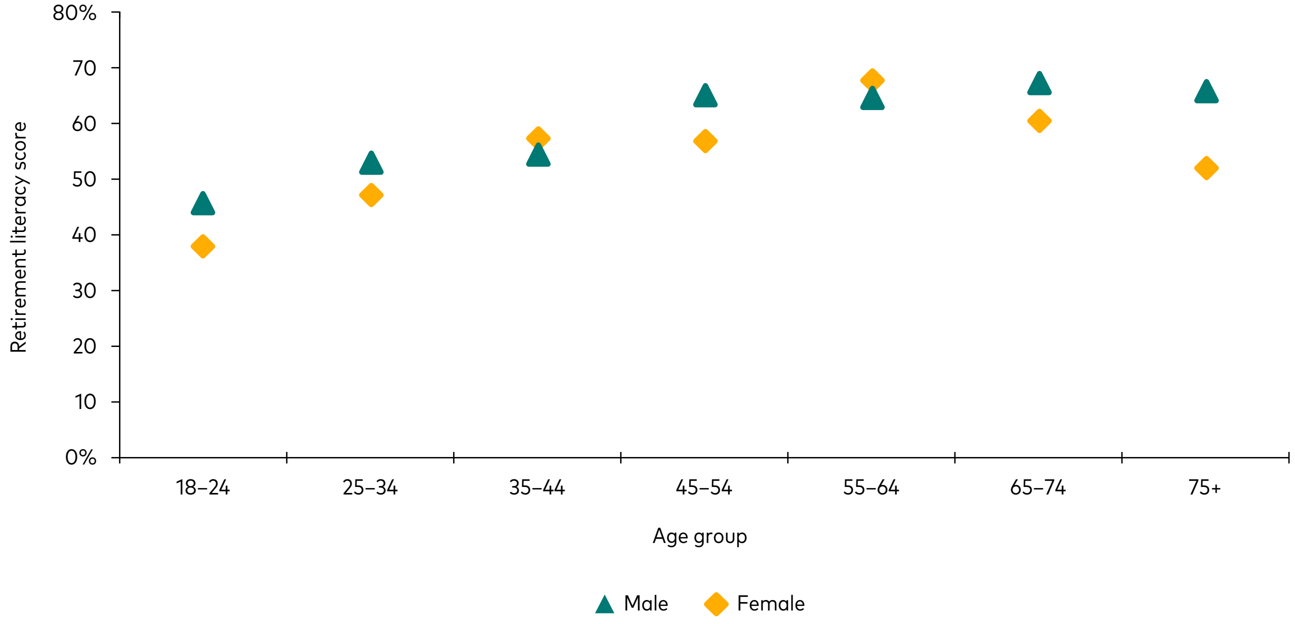
Australia's retirement system is made up of three key pillars:

1. The means-tested, publicly funded Age Pension.
2. Compulsory, concessionally taxed superannuation savings; and
3. Private savings and other assets held both inside and outside the superannuation system.

Concerningly, this year's survey found that even Australians at retirement age have gaps in their understanding of the retirement system. As Figure 3 shows, the average retirement literacy score for men aged 65 and older was 67%, while women in the same age group scored only 57%.[4]

FIGURE 3:

Retirement literacy by age and gender



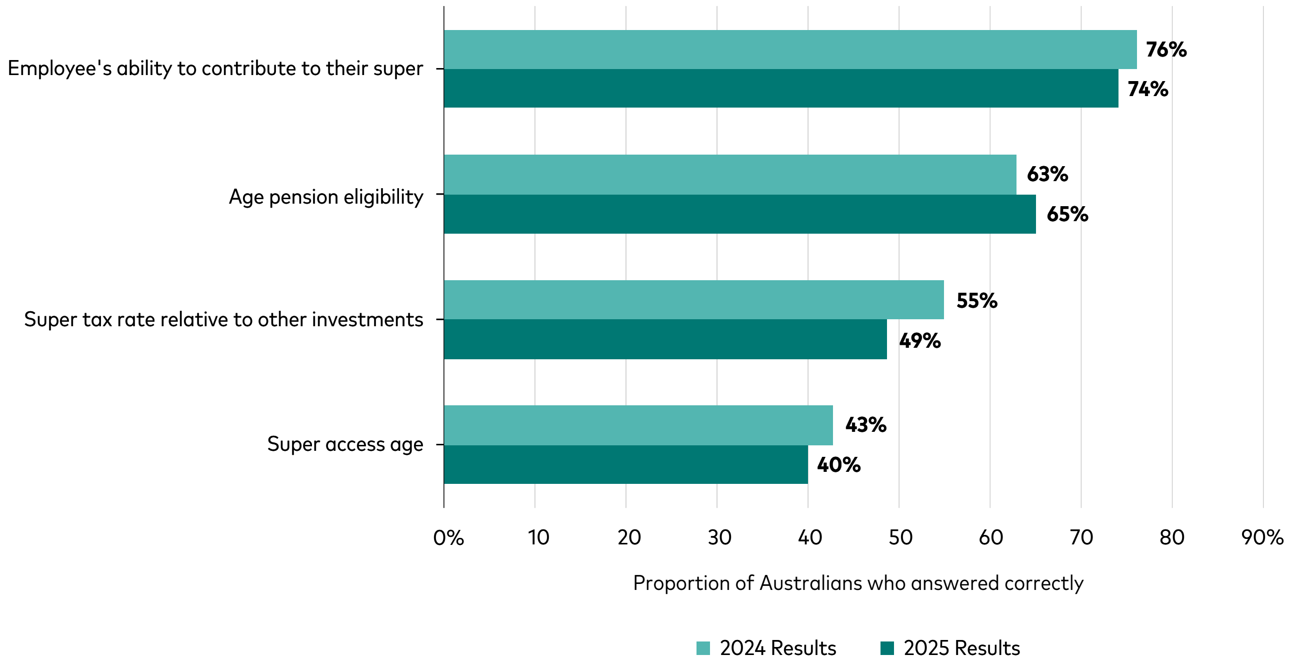
4 To measure retirement literacy, we asked respondents four basic questions about the retirement system to which they could answer true or false. Respondents could also choose "don't know" or "prefer not to say".
1. Everyone in Australia over the age 67 is eligible to get Age Pension if they pass the resident rules, income test, and assets test. (Answer: True)
2. Super fund members can access their superannuation after reaching the age of 50. (Answer: False, "preservation age" is age 60 for people born after 1 July, 1964)
3. Employees cannot contribute into their own superannuation funds – only an employer can make contributions. (Answer: False, employees can make voluntary contributions)
4. Superannuation is taxed at a lower rate than other investments (except for owner-occupied housing) (Answer: True)
Each respondent's retirement literacy score was taken to be the proportion of questions answered correctly.

The biggest knowledge gap was in answering the age at which Australians can access their super (see Figure 4). Australians can access their superannuation once they reach their preservation age, which is age 60 for people born on or after 1 July, 1964. Just 40% of Australians were able to answer that question correctly this year, compared to 43% last year.

As with financial literacy, younger Australians had the lowest levels of retirement literacy, while older men scored the highest. Women's retirement literacy peaked in the 55–64 age group — just before reaching the Age Pension eligibility age of 67 — and declined in older age groups.

FIGURE 4:

Australians' understanding of the retirement system



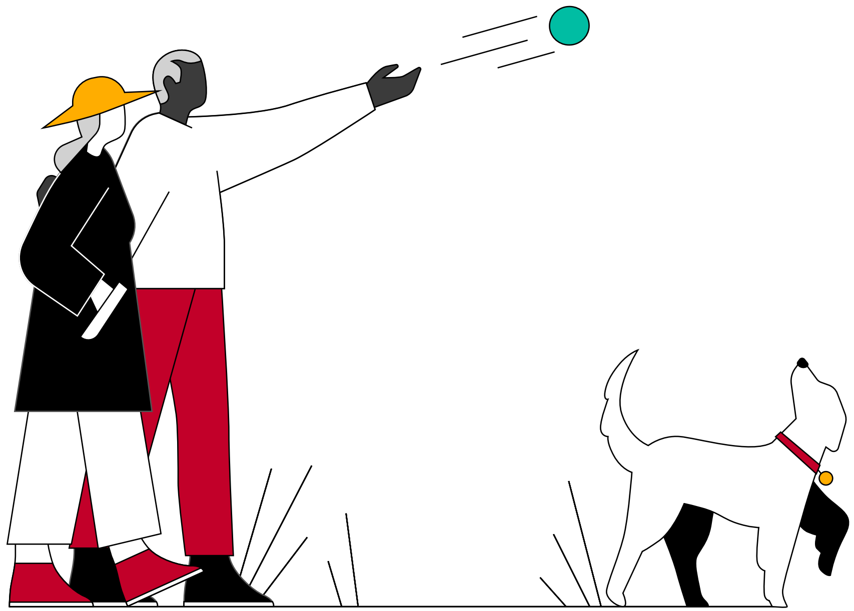
Retirement expectations versus reality

Overview

Our findings this year suggest working-age Australians are facing a complex and evolving retirement landscape that looks increasingly different from the experiences of today's retirees. This highlights the need for better education, planning and communication around retirement, particularly for younger Australians.

This year, we found:

- Younger Australians expect to need significantly more income in retirement than they did two years ago — and far more than current retirees actually spend. For example, 25–34-year-olds now expect to need $106,000, adjusted for inflation, annually in retirement — a 59% increase since 2023, and nearly double the amount current retirees actually spend. This could suggest that younger Australians are reassessing their retirement income needs in light of cost-of-living pressures.
- Most Australians expect to work into their late 60s, which could be unrealistic. While the ideal retirement age often hovers around 60, realistic expectations cluster around 67–68, likely influenced by the Age Pension eligibility age. However, unplanned early retirement due to health issues, job loss, or other unforeseen circumstances remains common.
- Working-age Australians may be overestimating their ability to work part-time in retirement. Many working-age Australians imagine themselves working part-time after retirement, but this isn't the norm for current retirees. This trend may reflect anxieties about income needs in retirement, expectations for higher living standards or changing attitudes to work in later life.
- Retirement evokes negative emotions for many working Australians, while most retirees view retirement in a positive light. Since older Australians are generally more likely to own their homes and have accumulated greater financial resources, these factors likely play a role in shaping their more positive sentiment.
- Retirement planning makes a meaningful difference, yet many Australians have no plans in place. Those with comprehensive retirement plans report a much smaller gap between their ideal and expected retirement ages. For example, working-age Australians with detailed plans had a gap of just 0.3 years, compared to nearly 10 years for those with no planning at all.



Retirement income expectations

This year's survey found a gap between the amount of income working-age Australians expect they will need in retirement and the amount current retirees spend in retirement. We also found that all age groups in the 2025 survey had significantly higher estimates for minimum income required than those in 2023, the first year we collected this data.

Retirement income expectations for working-age Australians differ vastly from the reality for current retirees: Australians under 45 estimate their minimum retirement income to be double what current retired couples are spending.

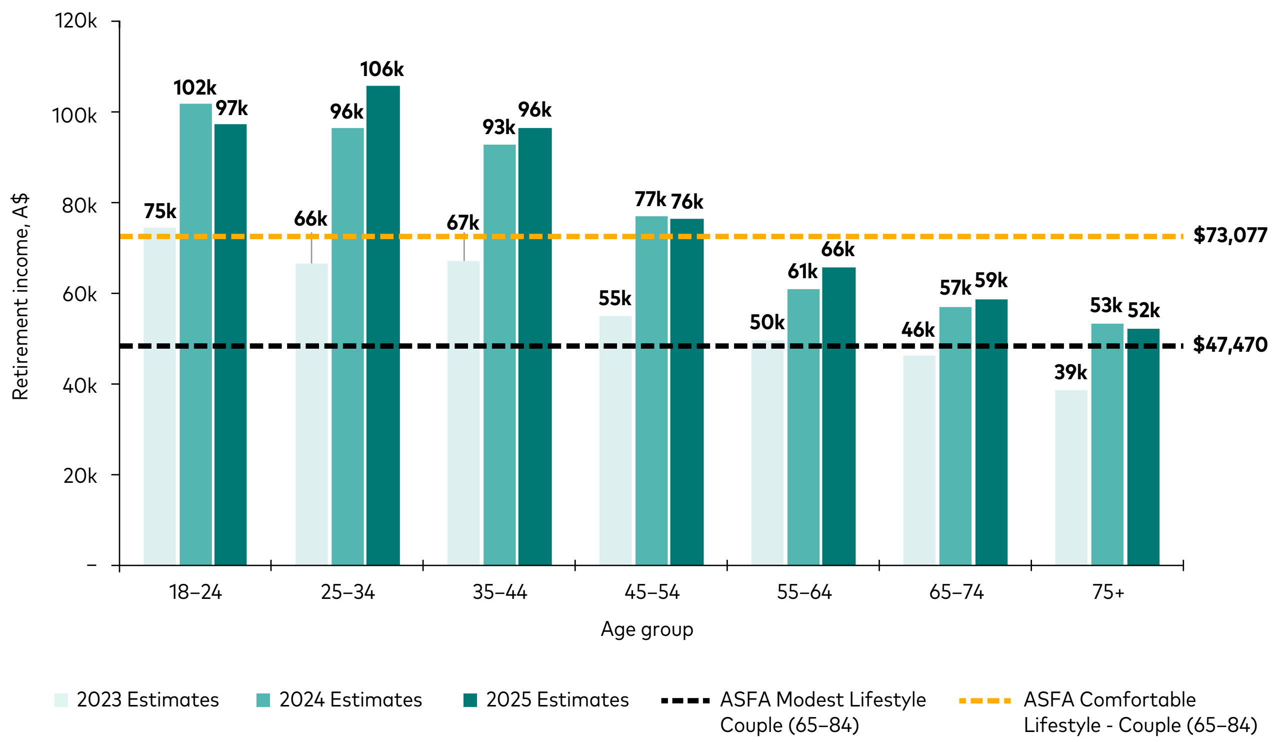
Younger Australians anticipate needing significantly more income in retirement than current retirees or what common retirement income benchmarks suggest. On average, Australians under the age of 45 estimated they would need a minimum household income of $100,000 per year in retirement. As Figure 5 shows, Australians aged 25–34 estimated they would need a minimum household income in retirement of $106,000, the highest of any age group. This figure represents a 10% increase from 2024, when the same group estimated $96,000, and a 59% cumulative increase from 2023, when this age group estimated needing $66,000.

The survey asked for estimates in real terms — that is, today's dollar value — to account for the impact of future inflation. However, some may have misunderstood the question and included future inflation in their responses, potentially inflating their estimates.

To put these figures in perspective, retired Australians with a partner reported spending an average of $55,000 in the last 12 months — almost half of what Australians aged under 45 believe they will need. As Figure 5 shows, those aged 65–74 estimated needing $59,000, while those 75 and older estimated $52,000 annually.

FIGURE 5:

Increases in Australians' annual retirement income estimates, 2023–2025



The Association of Superannuation Funds of Australia (ASFA) provides benchmarks for retirement income. ASFA estimates that for a comfortable lifestyle in retirement — which includes top level private health cover, regular leisure activities, annual holidays and the occasional overseas trip — couples aged 65–84 need $73,077 per year.[5] This estimate is based on data from the December 2024 quarter, which was the most recent available at the time of the survey.

This is significantly more than the $55,000 we see current retired couples spending, however still significantly below the income levels Australians aged under 45 are anticipating they will need. Notably, the ASFA benchmarks assume retirees own their own home outright and are relatively healthy.

There are several reasons why working Australians' expectations may not align with the spending realities of today's retirees. One possibility is that younger Australians are simply overestimating the income they will need in retirement. This could reflect lower levels of retirement planning among these age groups, as well as the inherent uncertainty in making financial projections for a life stage that may be decades away.

Another explanation is that younger Australians may be factoring in continued increases in the cost of living. A representative basket of goods and services that cost $100 at the start of 2020 would cost $121.08 today, reflecting an effective annual inflation rate of 3.74% over the last 5 years.[6]

Having experienced recent inflationary pressures, younger Australians might be extrapolating those trends into the future, leading them to anticipate higher expenses to support their desired lifestyles and cover essential needs. This, of course, would be a misunderstanding of our survey question as we asked the survey participants to estimate future spending needs in today's dollar value.

Of course, it could also be that younger Australians genuinely require a higher minimum household income in retirement. This may reflect rising expectations for lifestyle and living standards, or concerns about ongoing housing costs — such as rent or mortgage payments — extending into retirement.
In recent years, rising interest rates have significantly increased mortgage repayments and rental prices, which are among the largest expenses for many Australian households.

5 Association of Superannuation Funds of Australia (2025), ASFA Retirement Standard, December quarter 2024, ASFA Website.

6 Australian Bureau of Statistics (Mar-quarter 2025), Consumer Price Index, Australia, ABS Website. National all-groups CPI change from quarter ending Dec-2019 to Mar-2025.

Ideal and realistic retirement ages

To better understand Australians' retirement expectations, we asked those who have not yet retired two questions:

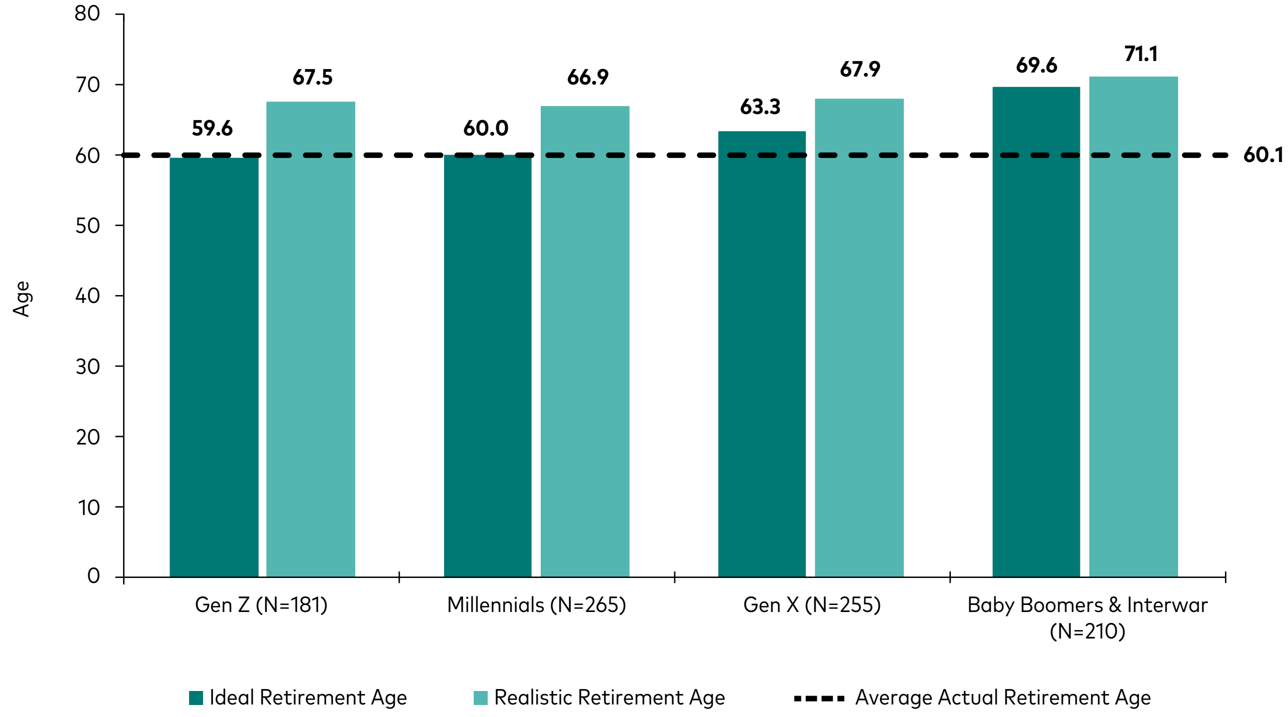
- Ideally, at what age would you like to retire?
- Realistically, at what age do you believe you will be able to fully retire?

Comparing the two responses, we found that all age groups expect to retire later than their stated ideal age. This trend is consistent across generations, with younger Australians reporting a wider gap between their ideal and expected retirement ages. For Gen Z, the gap is nearly eight years; for Millennials, it is around seven years.[7]

As Figure 6 shows, Gen Z and Millennial respondents reported lower ideal retirement ages, both around 60, compared to Gen X (63.3) and the Baby Boomer and interwar generations (69.6 combined).

FIGURE 6:

Working-age Australians' estimates of their ideal and realistic ages at retirement



7 Generational age groups (based on birth year and expected age in March 2025):
- Gen Z: born 1996–2010; aged 14–28
- Millennials: born 1981–1995; aged 29–43
- Gen X: born 1966–1980; aged 44–58
- Baby Boomers: born 1946–1965; aged 59–78
- Interwar Generation: born 1945 or earlier; aged 79+

Source: Australian Bureau of Statistics (2022), 2021 Census shows Millennials overtaking Boomers, ABS Website.

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However, when asked about the age they realistically expect to retire, Gen Z, Millennials and Gen X all estimated between 67 and 68 years, potentially anchoring to the Age Pension eligibility age. These estimates are notably higher than the actual age at retirement of current retirees, which we found to be 60.1, and which the Australian Bureau of Statistics (ABS) reports to be 60.5 for people who have retired since the year 2000.[8]

While Gen Z, Millennials and Gen X significantly overestimate their likely retirement age compared to the experiences of current retirees, ABS data shows that the average retirement age is, indeed, increasing.

The average age for those who retired in 2002, according to ABS data, was 55. Meanwhile, the average age for those who retired in 2022 was 65.[9] If this upward trend continues, retiring at 67 or 68 may be a realistic or even optimistic expectation for younger Australians.

Improvements in healthcare outcomes and quality of life have enabled more Australians to remain in the workforce for longer. At the same time, evolving work patterns, such as part-time roles, casual employment and participation in the "gig economy" can help Australians maintain employment into older age, including in retirement.

However, some Australians find themselves retiring earlier than they planned, for example due to job loss, ill health or other factors outside their control. Our finding that working Australians have much higher realistic retirement ages than the actual age of current retirees could also suggest that people are overestimating their ability to work well into their 60s and beyond.

These findings highlight the importance of retirement planning, which our survey found had a positive impact on retirement confidence and sentiment. While thinking ahead to retirement can be difficult, proactive planning can help individuals make better decisions and identify opportunities to improve both their retirement and pre-retirement years.

8 Australian Bureau of Statistics (2022-23), Retirement and Retirement Intentions, Australia, ABS Website.
9 Ibid.

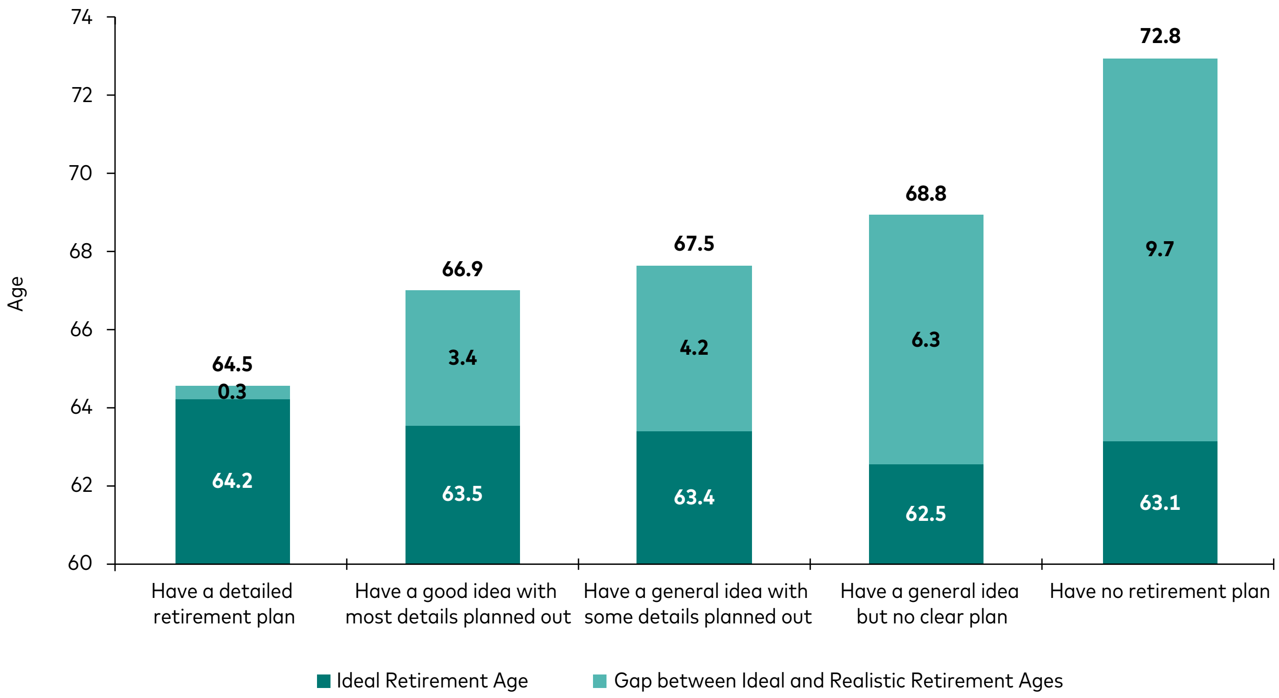
By taking the time to plan, Australians can gain a clearer understanding of when they might retire and what their lifestyle could look like — potentially easing some of the anxiety that can surround retirement.

Importantly, we found that having a detailed retirement plan was strongly linked to having a smaller gap between ideal and expected retirement ages.[10]

As we see in Figure 7, working-age Australians who already have detailed retirement plans had a realistic retirement age of 64.5 years versus an ideal retirement age of 64.2 — a gap of less than half a year. Meanwhile, working-age Australians who have done no retirement planning had an ideal retirement age of 63.1 versus a realistic age of 72.8, a gap of nearly 10 years. This association remained even after accounting for the impact of different wealth levels. The substantial gap among non-planners appears to be driven primarily by a much later expected retirement age, suggesting that having a plan helps to align expectations with reality.

FIGURE 7:

Gap between ideal and realistic retirement ages by level of retirement planning



10 Respondents were classified as having a detailed retirement plan if they selected the following response when asked about their level of financial preparedness for retirement: "I know exactly what I need and exactly how to get there."

Planning for retirement

Retirement planning plays an important role in helping Australians retire with confidence, yet many Australians are unprepared.

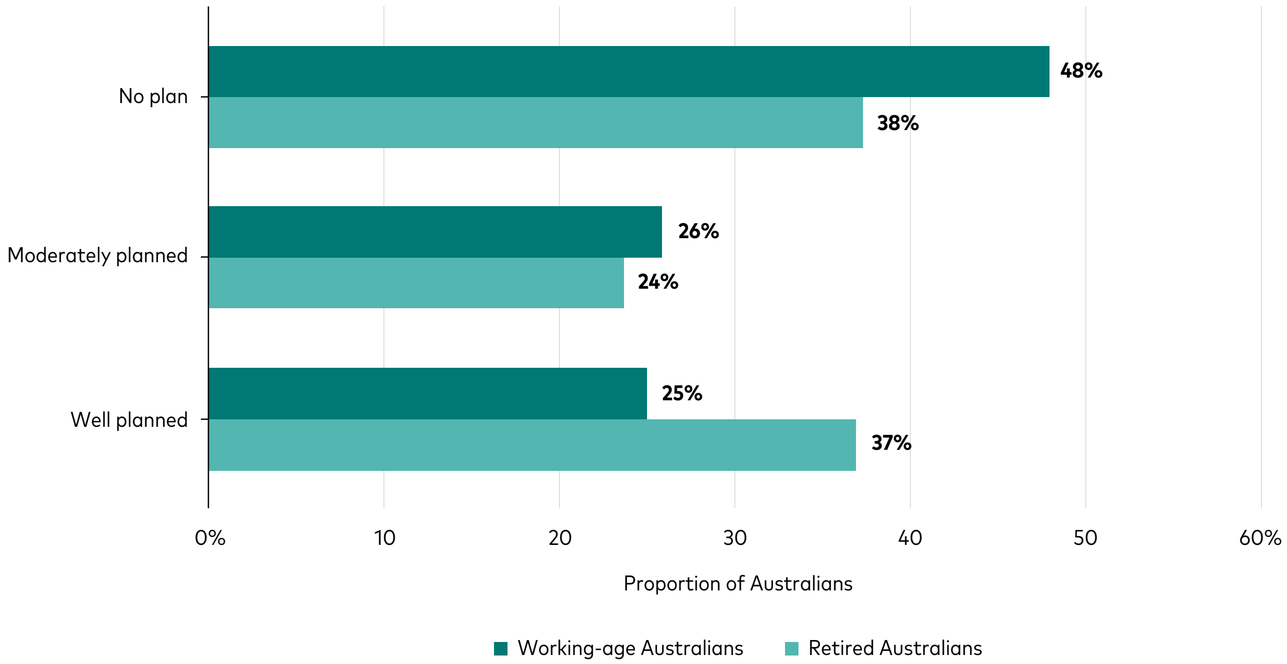
Concerningly, nearly half of working-age Australians said they had no plan for how they would financially support their desired lifestyle in retirement, as Figure 8 shows. One in four working-age Australians said they had a general idea of what they would need with "some details planned out," while another one in four said they were well-planned. This is relatively consistent across age groups, with only 29% of Australians aged 55 to 64 who are still in the workforce describing themselves as well planned for retirement.

When we look at the level of planning retirees had when they retired, we find:

- 38% said they had no plan for how they would support their desired lifestyle.
- 24% said they had a general idea of what they needed for retirement; and
- 37% said they were well-planned.

FIGURE 8:

Self-assessed level of retirement planning



Retirees who had a good idea or clear understanding of what actions they needed to take were three times more likely to feel highly confident in their ability to support their desired lifestyle in retirement. They were also 65% more likely to have a positive outlook on retirement.

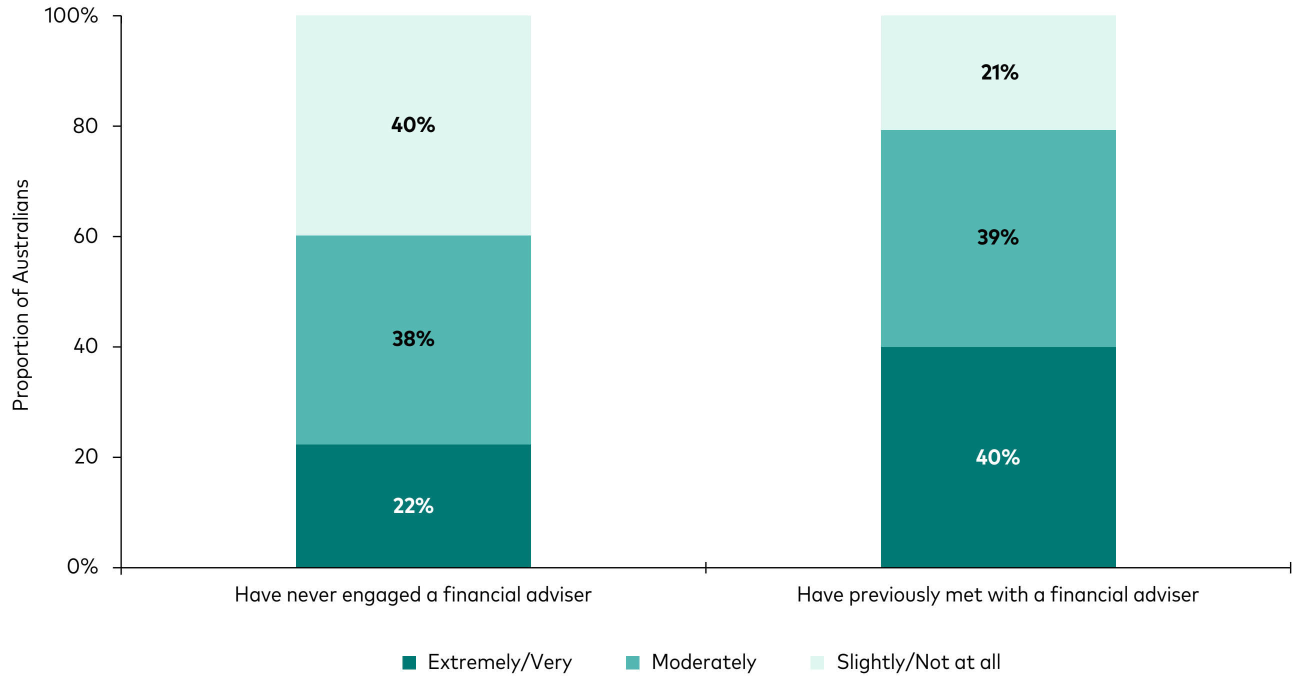
Financial advisers can play an important role in helping Australians prepare for retirement, which in turn can boost their confidence. While many Australians are unwilling or unable to engage a financial adviser, those who do were more confident and positive towards retirement.

For example, 40% of Australians who had previously met with a financial adviser said they were very confident or extremely confident about their ability to fund their desired lifestyle in retirement (see Figure 9). That compares with 22% of Australians who had never engaged with a financial adviser.

We found that both working age and retired Australians considered financial and lifestyle factors as being important parts of retirement plans, but they had different priorities.

FIGURE 9:

Australians' retirement confidence by relationship with financial advisers



When asked what their plans for retirement might include:

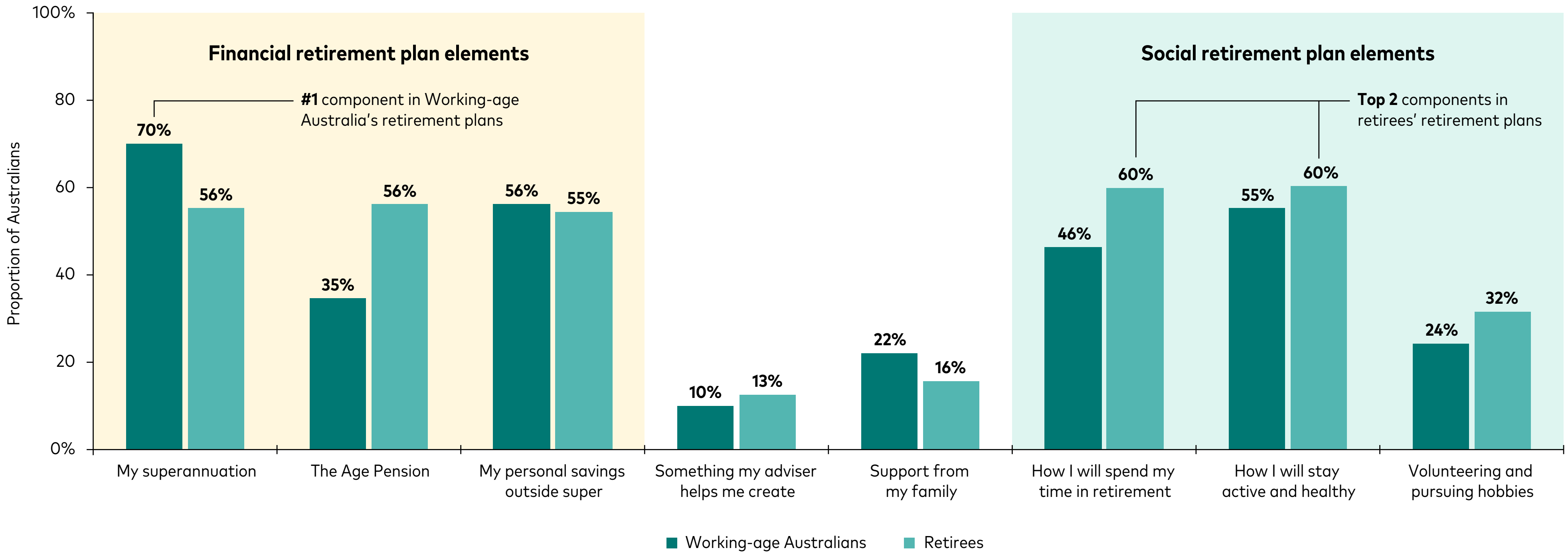
- Working-age Australians focus on the financial aspects, like superannuation (70%) and personal savings outside super (56%).
- Retirees focus on non-financial aspects, like how they will spend their time (60%) and how they will stay active and healthy (60%).

During our working lives, retirement is often viewed as a distant goal and there is a strong focus on financial preparation — for example, having enough superannuation. Because work plays such a central role in our daily routines and identity, the transition to retirement can feel abrupt and bring significant lifestyle changes.

Our findings suggest that good retirement planning goes beyond finances. Working-age Australians may benefit from looking ahead to their goals for lifestyle, health and social connection in retirement and factoring them into retirement planning.

FIGURE 10:

Elements of a retirement plan by retiree status



Note: This question was only asked to respondents who indicated they have done some level of retirement planning

Part-time work in retirement

Retirement doesn't necessarily mean stopping work completely. For some Australians, retirement involves working reduced hours, participating in the "gig economy" or taking on a new role with flexible working conditions.

This year's survey showed that more than two in three retirees expected to stop work completely when they retired. However, working-age Australians have significantly different expectations (see Figure 11):

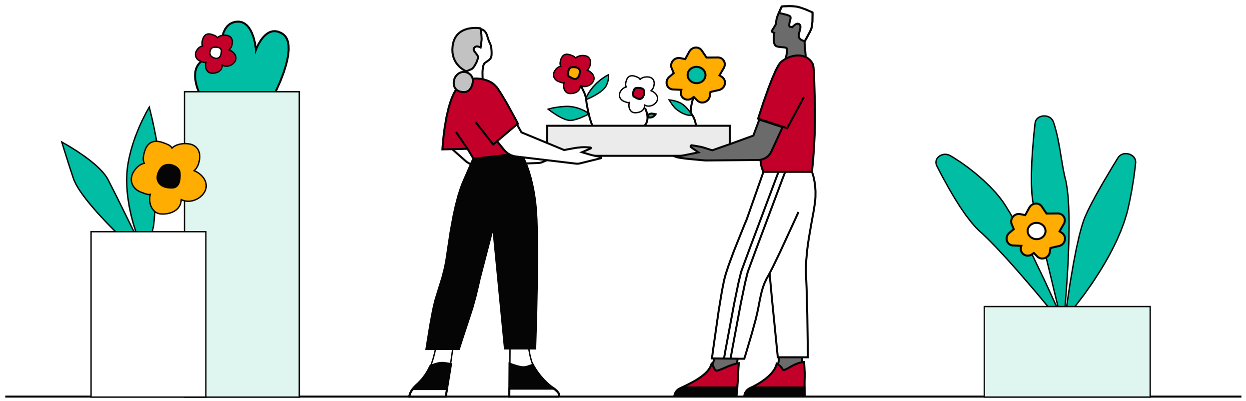
- only 35% of working-age Australians expect to stop working entirely when they retire.
- 36% of working-age Australians expect to be working in some capacity in retirement.
- 29% said they were either unsure or would decide later.

Working-age Australians also have different expectations about the role of income from part-time employment in retirement (see Figure 12).

- One quarter of working-age Australians believe that part-time work will form a significant part of their retirement income.
- Meanwhile, only 2% of current retirees report that part-time work contributes a significant portion of their retirement income.

The significant gap between how younger Australians and current retirees view the role of work in retirement may reflect evolving work patterns, shifting attitudes toward retirement, or rising expectations for income later in life.

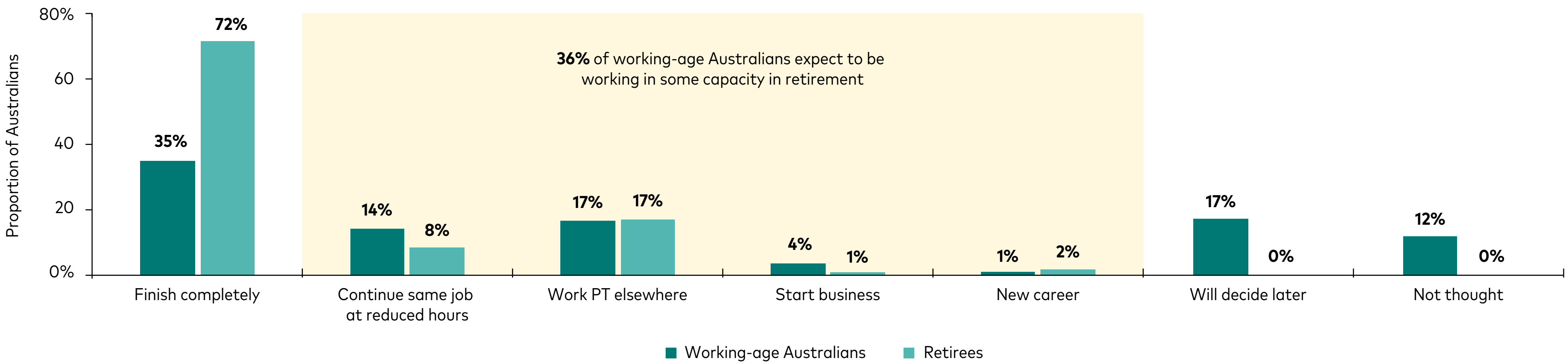
While working-age Australians may be overestimating their likelihood of working part-time in retirement, ABS data shows that the proportion of the workforce aged over 65 has grown from around 1% to 5% over the past three decades.[11] This trend suggests that part-time work in retirement is becoming more common, even if it may not always contribute significantly to retirement income.



11 Australian Bureau of Statistics (April 2025), Labour Force, Australia, Detailed, ABS Website.

FIGURE 11:

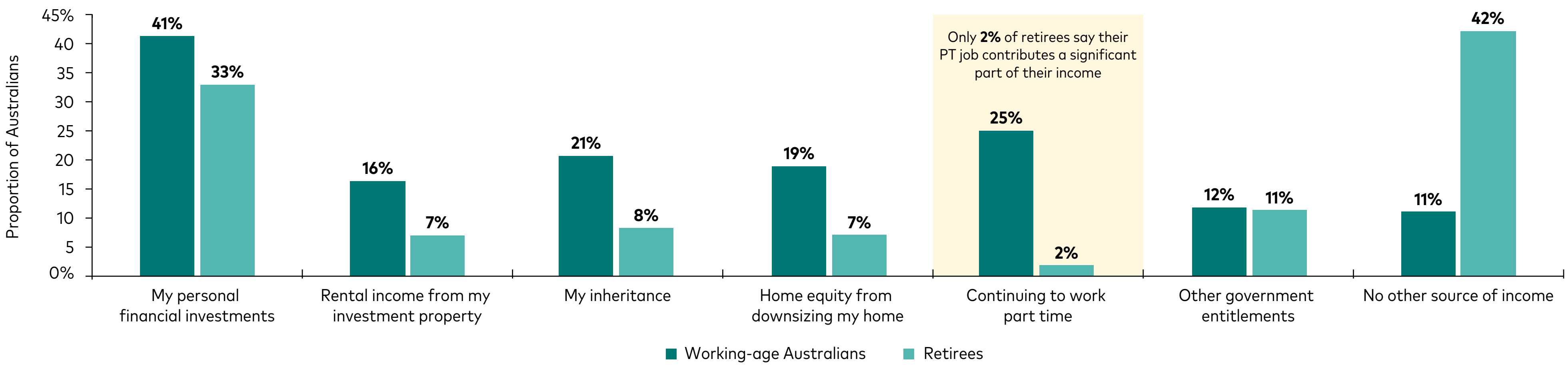
Expectations about working in retirement by retiree status



Note: Retirees were asked "when you first retired, did you expect to:". Retirees were not shown the "will decide later" and "haven't thought about it" options

FIGURE 12:

Expectations about sources of retirement income by retiree status



The "sentiment gap"

To evaluate Australians' sentiment toward retirement, we asked respondents to select words that came to mind when they thought about retirement.

They were given a list of ten words. Five were positive (confident, satisfied, positive, secure, and proud) and five were negative (anxious, overwhelmed, worried, sad, and disappointed). Respondents could also select "unsure" or "none of these."

Respondents were classified as:

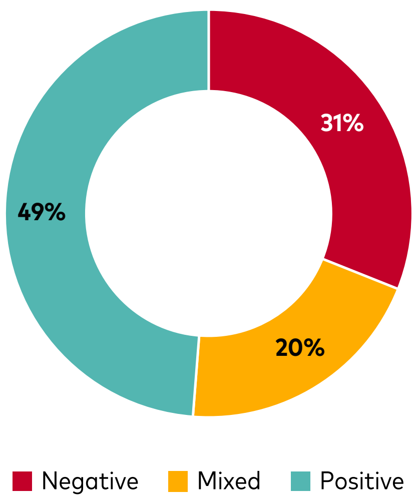
- **Positive** ● if only positive words were selected,
- **Negative** ● if only negative words were selected,
- **Mixed** ● if both positive and negative words were chosen, or if the respondent selected "unsure" or "none of these."

Based on this classification, as Figure 13 shows, we found:

- 49% of Australians are positive about retirement
- 31% are negative
- 20% have mixed sentiment

FIGURE 13:

Breakdown of Australians' retirement sentiment



Notably, 65% of retirees reported positive sentiment, compared to just 43% of working-age Australians (Figure 14). Meanwhile, women were significantly more likely than men to express negative or mixed sentiment. We also observed a clear trend of improving sentiment with age (Figure 15).

These findings suggest that while thinking about retirement may evoke negative emotions for many working-age Australians, particularly those who haven't yet made concrete plans, most of those who actually have retired view retirement in a positive light.

Unsurprisingly, positive sentiment was closely linked to home ownership and wealth. Since older Australians are generally more likely to own their homes and have accumulated greater financial resources, these factors likely play a role in shaping their more optimistic outlook.

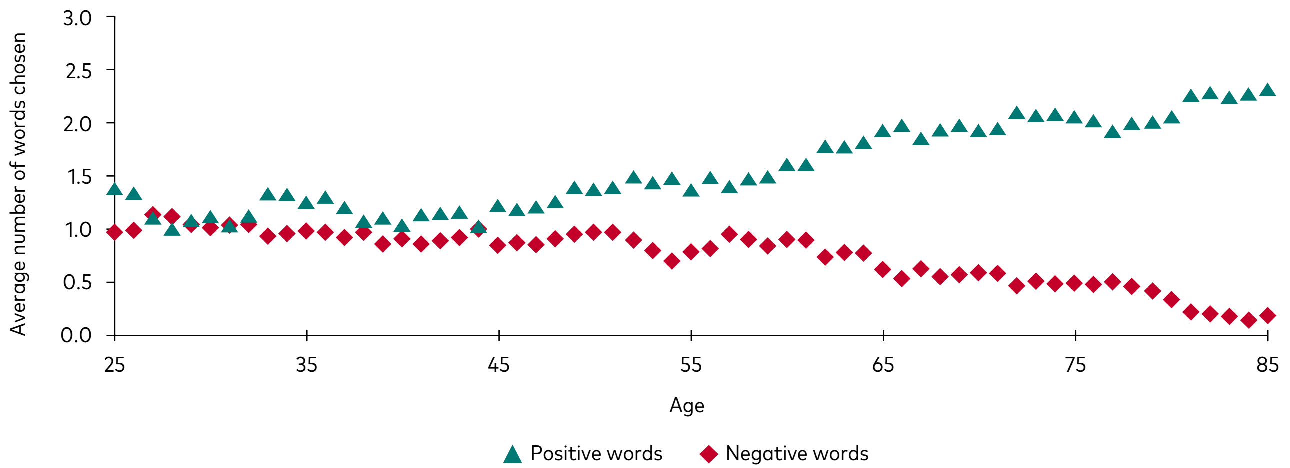
The "sentiment gap" between working-age and retired Australians may also reflect the different challenges faced by each generation. For example, younger Australians tend to have lower rates of home ownership and higher levels of housing debt than retirees, which may contribute to greater anxiety or uncertainty about retirement.

FIGURE 14:

Retirement sentiment by retiree status

FIGURE 15:

Average number of positive- and negative-sentiment words associated with retirement by age



Note: Datapoints show the averages over the age range ±2 years from each age

Retirement and housing

Overview

Home ownership plays a vital role in Australia's retirement system, so much so that some argue it should be recognised as the "fourth pillar" after superannuation, the Age Pension and private savings.[12]

While two-thirds of today's retirees own their homes outright, working-age Australians anticipate a very different housing reality in retirement. Our findings suggest a need for expanded pathways to home ownership for young Australians or, alternatively, to support them in achieving financial security through other means.

This year we found that:

- The vast majority of Australians value owning their own home in retirement.
- Working-age Australians are significantly more likely to expect to carry mortgage debt into retirement compared to current retirees.
- Australians with mortgage debt in retirement are more likely to report low confidence and negative sentiment about their retirement prospects.
- Most Australians intend to keep their family home in retirement rather than downsize.
- There is broad public support for government reforms aimed at increasing the supply of affordable housing.

12 Senate Economics References Committee. "A Husband Is Not a Retirement Plan": Achieving Economic Security for Women in Retirement. Canberra: Commonwealth of Australia, April 2016.

Attitudes to home ownership

Unsurprisingly, Australians across all generations aspire to own their homes by the time they retire. This sentiment is consistent across age groups, though older Australians are more likely to emphasise the importance of home ownership than younger Australians.

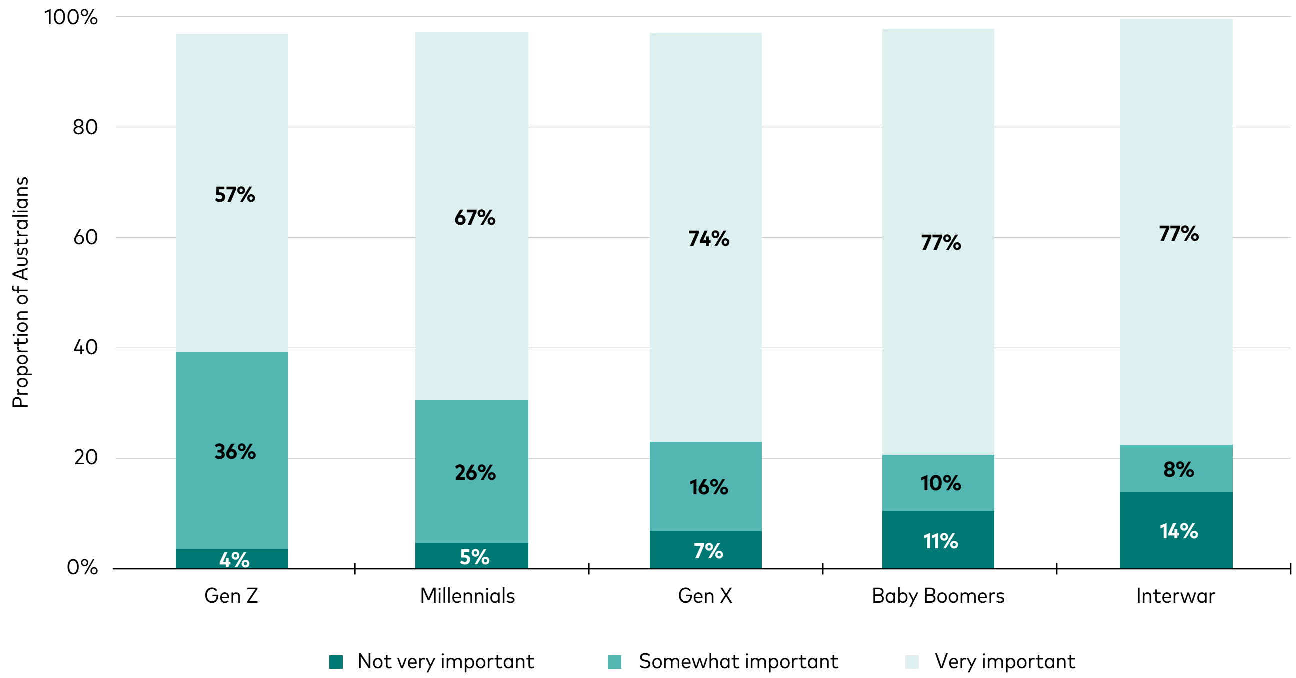
As Figure 16 shows, the majority of Australians across all generations believe that home ownership in retirement is "very important":

- 77% of Baby Boomers and the Interwar generation.
- 74% of Gen X.
- 67% of Millennials; and
- 57% of Gen Z.

Those that already own a home were significantly more likely to view home ownership in retirement as very important (83%) compared to those that do not (51%). Similarly, retired Australians were more likely to rate homeownership as very important (81%) than working-age Australians (70%).

FIGURE 16:

Perceived importance of owning a home in retirement by generation



Note: Percentages sum to less than 100% as some respondents selected "unsure"

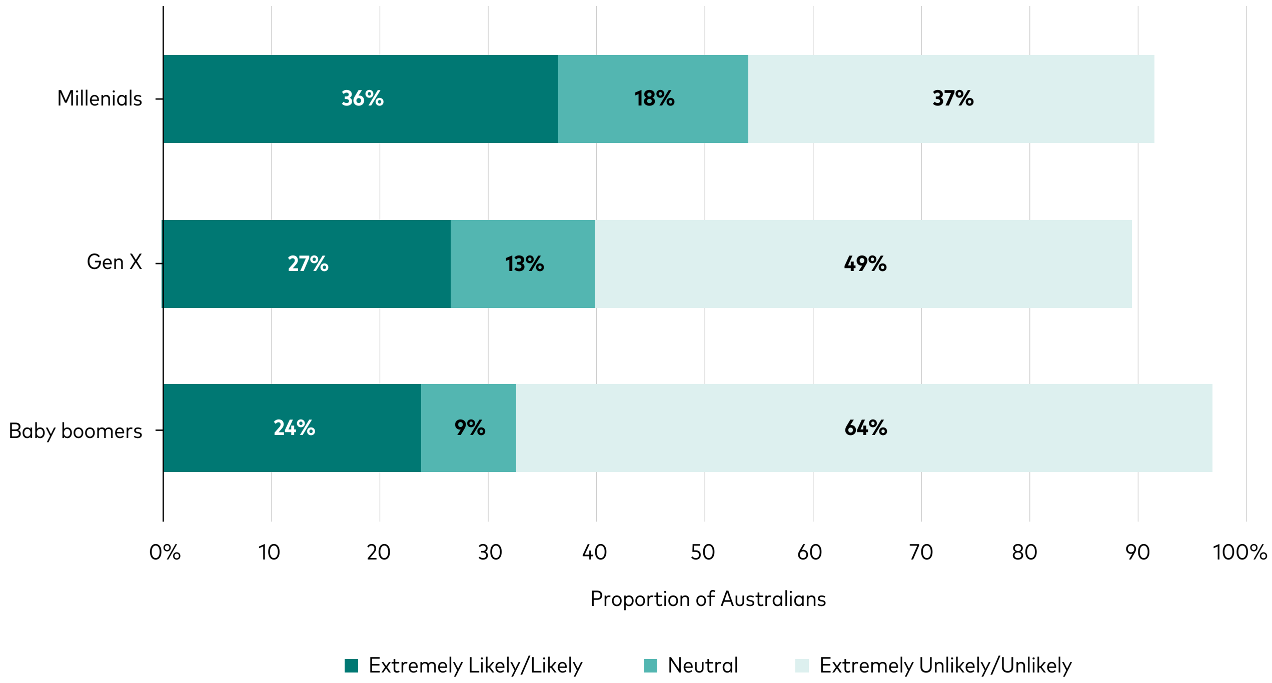
Consistent with last year's findings, a substantial proportion of younger Australians expect to carry mortgage debt into retirement. More than one in three Millennials (36%) expect to have a mortgage when they retire, compared to 27% of Gen X and 24% of Baby Boomers (see Figure 17). In contrast, we found that only 8% of those who had already retired were still paying a mortgage this year.

While the vast majority of Australians continue to value home ownership, the rate of ownership has steadily declined over recent decades. In 2021, just over half (54.6%) of Millennials aged 25–39 were homeowners (either with a mortgage or owning outright), compared with 62.1% of Generation X at the same age in 2006, and nearly two-thirds (65.8%) of Baby Boomers in 1991.[13]

For many younger Australians, home ownership feels increasingly out of reach. This may explain why younger Australians rated home ownership in retirement as less important than older Australians. It also could explain the finding that current homeowners are more likely to view home ownership in retirement as "very important" than non-homeowners.

FIGURE 17:

Self-assessed likelihood of having a mortgage at retirement by generation



Note: This question was only asked to those who either currently have a mortgage or believe it is not unlikely they will own a home by the time they retire. Percentages sum to less than 100% as some respondents "unsure" or "prefer not to say."

13 Australian Bureau of Statistics (2022), "Back in my day" – comparing Millennials with earlier generations, ABS Website.

Mortgages and retirement

Compared to previous generations, working-age Australian homeowners are more likely to carry mortgage debt later in life, leading to a growing number of people entering retirement with outstanding home loans.

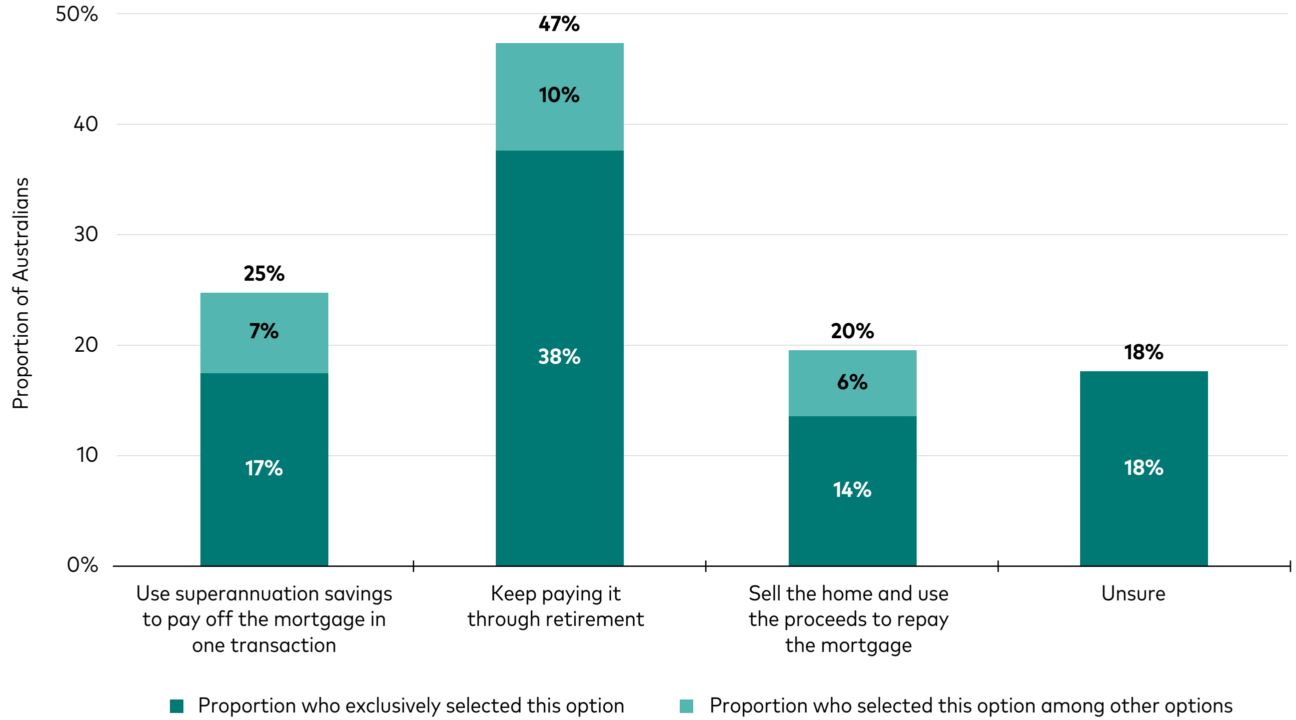
As we see in Figure 18, when working-age Australians were asked how they will manage their mortgages during retirement:

- nearly half (47%) said they expect to continue making payments during retirement.
- one in four (25%) said they plan to pay off their mortgage in a single transaction using their superannuation.

Unsurprisingly, Australians who retire with a mortgage tend to have lower confidence and more negative sentiment about retirement. Nearly half (48%) of Australians who retired with a mortgage said they were "slightly" or "not at all" confident about retirement, compared to only 28% of all retirees. While the impact on sentiment was less pronounced, the proportion of retirees with positive sentiment dropped from 65% overall to 48% among those still paying off a mortgage.

FIGURE 18:

How Australians would manage a mortgage during retirement



Note: This question was asked only to working age Australians who indicated that it was either "likely" or "extremely likely" that they will still be paying their mortgage upon retirement

Due to rounding, totals may differ from the sum of individual values.

Renting in retirement is also associated with lower confidence and sentiment. Around one in five retirees (21%) are renting (see Figure 19). Among this group, only 10% reported feeling “extremely or very” confident about retirement, compared to 35% of all retirees (Figure 20). Similarly, the proportion of retirees with positive sentiment fell from 65% to 51% among renters, which could be explained by lower average wealth and income of this group.

Long-term trends suggest this issue may grow. Analysis by the Grattan Institute found that homeownership rates among the poorest 40% of Australians aged 45–54 declined from 68% in 1981 to just 54% in 2021.[14] If this continues, a growing share of future retirees may face retirement without owning a home.

As more future retirees are likely to enter retirement while still paying off a mortgage or renting, their financial needs and challenges may differ significantly from those of current retirees. This highlights the importance of supporting working Australians to better prepare for a changing retirement landscape.

FIGURE 19:

Housing arrangements of retired Australians

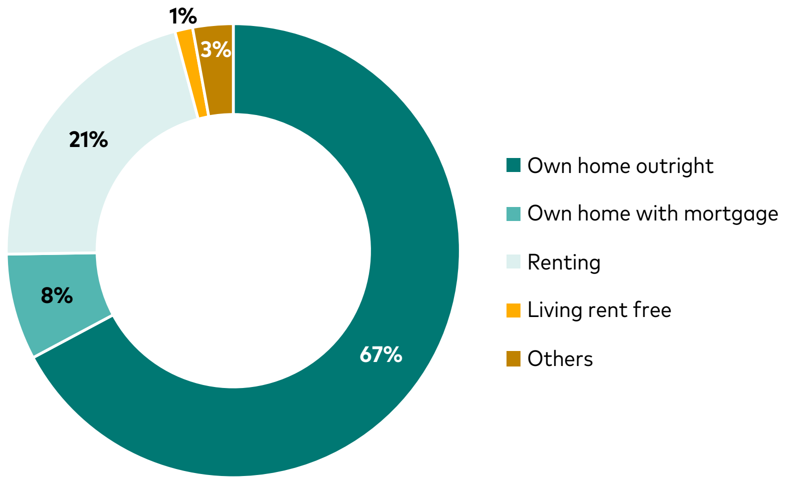
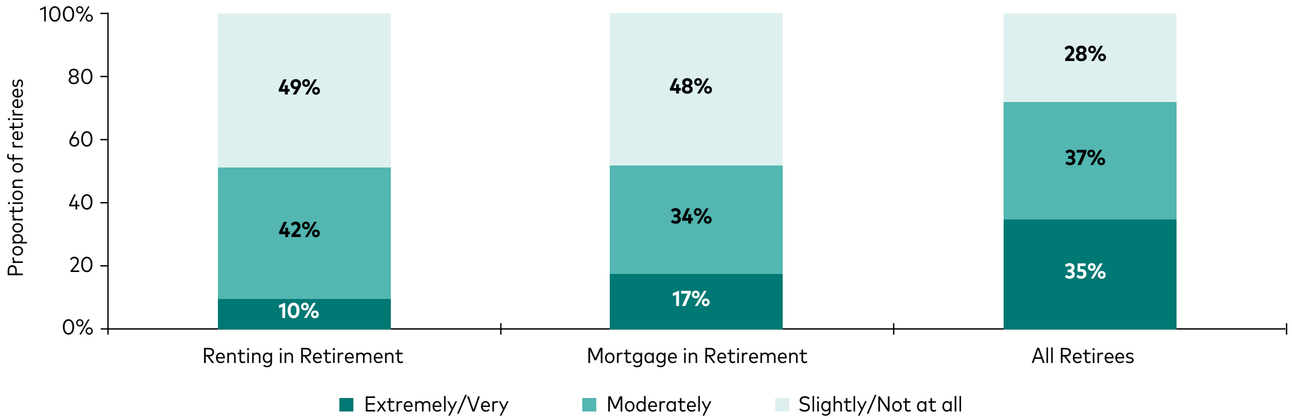


FIGURE 20:

Retirees’ retirement confidence by whether they are renting or have a mortgage



14 Coates, Brendan, Matthew Bowes, and Joey Moloney. Renting in Retirement: Why Rent Assistance Needs to Rise. Grattan Institute, February 9, 2025.

The role of the family home

A common assumption is that older Australians can sell their family homes and downsize as they transition into retirement. This can help retirees unlock a significant portion of their wealth to either fund their retirement lifestyle, pay off remaining mortgage debt or reduce the burden of maintaining a larger property. However, our research finds that few Australian retirees are planning to move to smaller or more affordable homes.

This year's survey found that less than 30% of retired Australians have moved or are planning to move into a new home since retiring. As Figure 21 shows, when we asked retirees how they thought about the family home, we found:

- 63% of retirees plan to remain in their home for life or leave it as an inheritance.
- 27% plan to stay in their home during retirement but are open to selling it to fund aged care or cover unexpected expenses.
- Only 9% of retirees consider their home primarily as a potential source of retirement funding.[15]

Furthermore, when we asked Australians which options they are considering as part of their housing plans in retirement, we found:

- Only 15% of retirees are considering moving into a retirement village (see Figure 22).
- Just 4% of retirees are considering moving into aged care accommodation.
- Among retirees who currently own a home, 78% are not considering any alternative housing plans for retirement other than living in their own home.

FIGURE 21:

How working-age and retired Australians perceive the role of the home in retirement

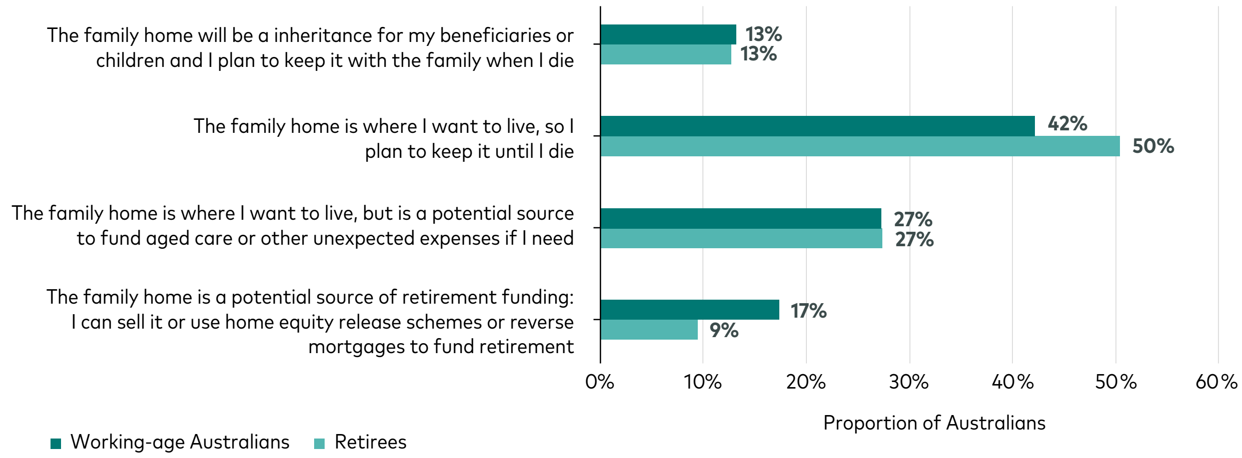
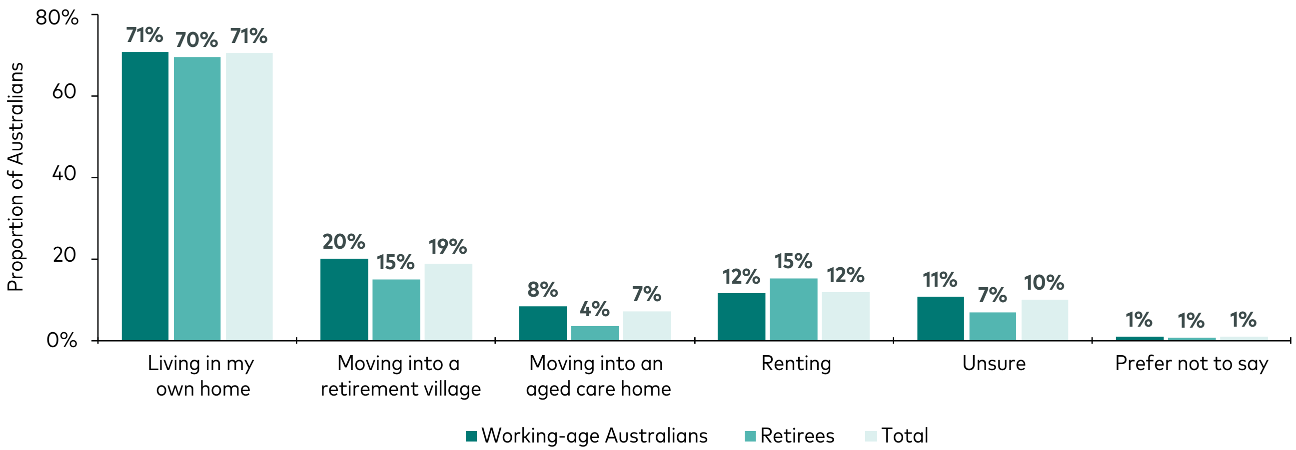


FIGURE 22:

Housing options Australians are considering in retirement by retiree status



15 **Note:** Percentages may not add to 100% due to rounding.

Meanwhile, analysis by the Australian Institute of Health and Welfare, based on data from 2012 to 2014, found that approximately 80% of older Australians — defined as Indigenous Australians aged 50 and over and non-Indigenous Australians aged 65 and over — accessed some form of government-funded aged care service, such as in-home care, before their death.[16] While aged care may not be part of many Australians' retirement plans, it is likely to become a necessity later in life. Nevertheless, the family home continues to occupy a central role in retirement housing plans.

Among retirees who have moved or plan to move during retirement, the primary motivations are relocating to a preferred location or being closer to family (60%), followed by reducing property maintenance (43%). Working-age Australians are similarly reluctant to move in retirement, but twice as likely to cite accessing money for retirement as a motivation, with 48% listing this as a reason compared to 22% of retirees.

These findings suggest that retirees may be less inclined to downsize than public perception suggests. This is in line with research from the Australian Housing and Urban Research Institute and the Productivity Commission, which found that downsizing remains a "relatively uncommon path for older Australians."[17,18] Our research also indicates that Australians may be underestimating their future aged care needs, an oversight that suggests they could benefit from better retirement education and planning.

16 Australian Institute of Health and Welfare (2018), Cause of Death Patterns and People's Use of Aged Care: A Pathways in Aged Care Analysis of 2012–14 Death Statistics, AIHW Website.

17 Productivity Commission (2015), Housing Decisions of Older Australians. Commission Research Paper.

18 James, A., Rowley, S., and Stone, W. (2020) Effective downsizing options for older Australians, AHURI Final Report No. 325, Australian Housing and Urban Research Institute Limited, Melbourne.

Attitudes to housing policies

Housing affordability continues to be a subject of national discussion. In this year's survey, we wanted to explore Australians' attitudes to different housing policies.

Most Australians either somewhat or strongly agreed that the government should increase support for affordable housing and implement reforms aimed at improving housing supply. Support levels were consistent across the population, with 77% of non-homeowners and 74% of homeowners in agreement (see Figure 23).

There was also broad support for policies to allow tax-advantaged savings outside superannuation to help first home buyers save for a deposit. Again, support was similar for non-homeowners (57%) and homeowners (62%).

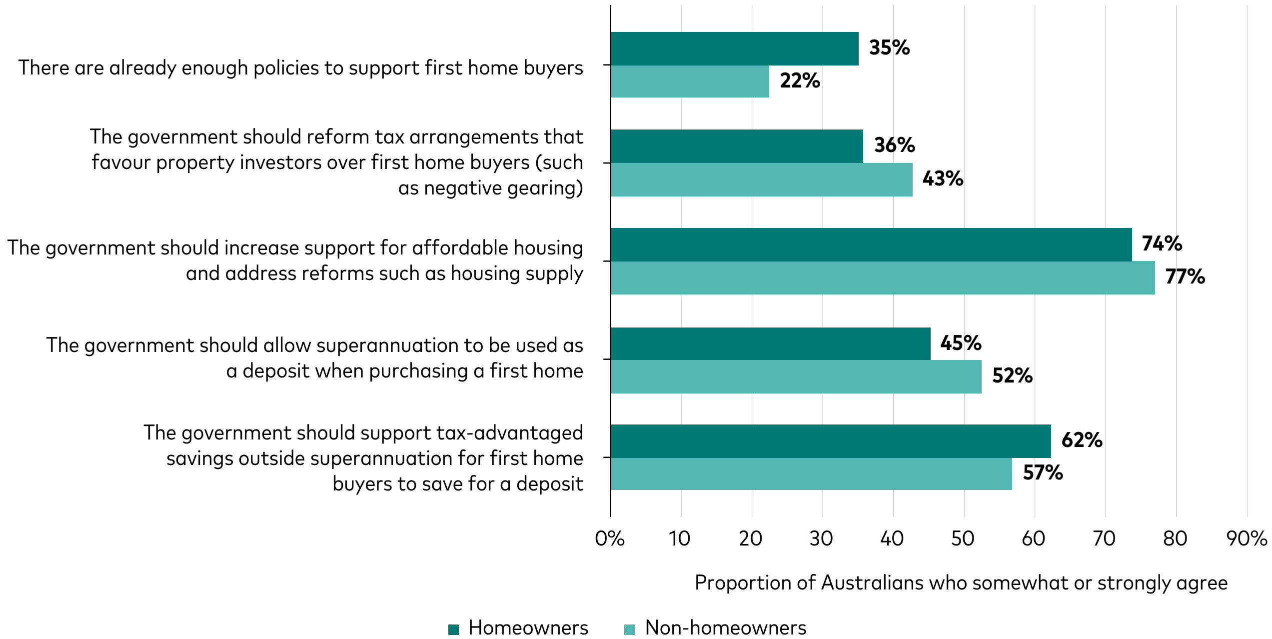
When asked if the government should reform tax arrangements that favour property investors over first home buyers (such as negative gearing), support was more modest, with 43% of non-homeowners and 36% of homeowners in agreement.

Support for property tax reforms was higher among younger Australians, with 24% of Gen Z respondents strongly agreeing with this measure compared with 17% of Baby Boomers and 11% of the Interwar generation.

Only 22% of non-homeowners said there are already enough policies to support first home buyers, compared to 35% of homeowners. Unsurprisingly, younger Australians were much more likely to want more policies for first-home buyers as compared to older Australians.

FIGURE 23:

Proportion of Australians who somewhat or strongly agree with different housing policies by home ownership status



Actionable insights to improve retirement outcomes

Insights into retirement sentiment

This year, we introduced new survey questions to gain deeper insights into Australians' sentiment towards retirement. These findings complement our research into retirement confidence this year and in previous editions and help us illustrate how different actions can influence retirement sentiment. To make the illustration more intuitive, we created a profile of a typical Australian who we've called Sam. By examining what the average person is doing to prepare for retirement, we explored the controllable factors that can shape attitudes toward retirement and identified practical steps individuals can take to improve their outlook.

Meet Sam, a typical Australian

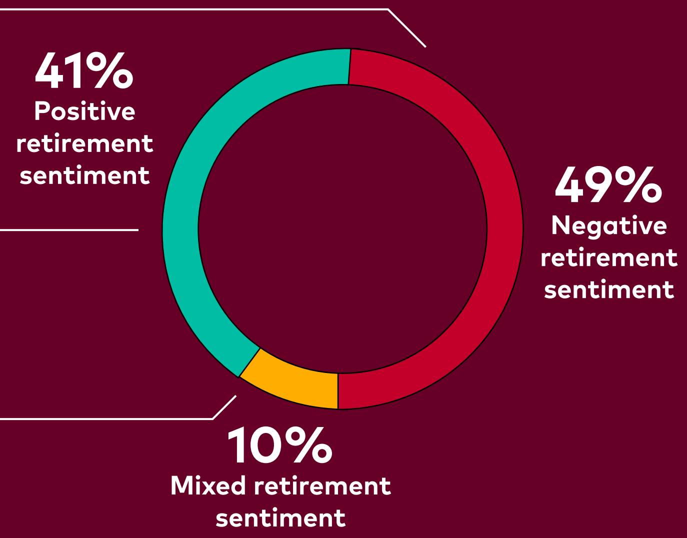
Sam is 38 years old, holds a bachelor's degree and works full-time in healthcare. With an annual income of $80,000 — around the median for similarly aged Australians[19] — Sam has a super balance of $65,000. This is in line with the median balances of similarly aged Australians.[20]

Sam is married, lives with a partner and two children, owns a home with a mortgage and has $35,000 in personal investments. Like many Australians in this age group, Sam has some gaps in financial literacy and does not fully understand the retirement system.

Sam has never made a voluntary super contribution, rarely checks their super balance and has limited engagement with their super fund. Sam has also never sought professional financial advice and has not developed a clear retirement plan, having only a general idea of how to prepare financially for retirement.

Based on our survey findings:

- **Sam has a 49% probability of negative retirement sentiment,** meaning Sam would exclusively choose words such as *anxious, overwhelmed, worried, sad, and disappointed to describe their feelings about retirement.*
- **Sam has a 41% probability of positive retirement sentiment,** meaning Sam would exclusively choose words such as *confident, satisfied, positive, secure, and proud to describe their feelings about retirement.*
- **Sam has a 10% probability of mixed sentiment toward retirement,** meaning Sam would choose a combination of positive and negative words, or select *"unsure" or "none of these."*



**All three percentages have been rounded to the nearest integer, resulting in a total of 101%.*

19 ABS employee earnings and Hours, Australia – Median gross annual income for a 35–44-year-old in Australia (May 2023)

20 ATO Taxation Statistics 2020-21 – Median super balance for all persons aged 35-39 (2020-21)

Improving Sam's outlook on retirement

Our research identified several factors that influence retirement **sentiment,** a measure of emotional attitudes towards retirement. While some factors, such as receiving an inheritance, are outside an individual's control, others are more achievable and are still strongly associated with positive retirement sentiment.

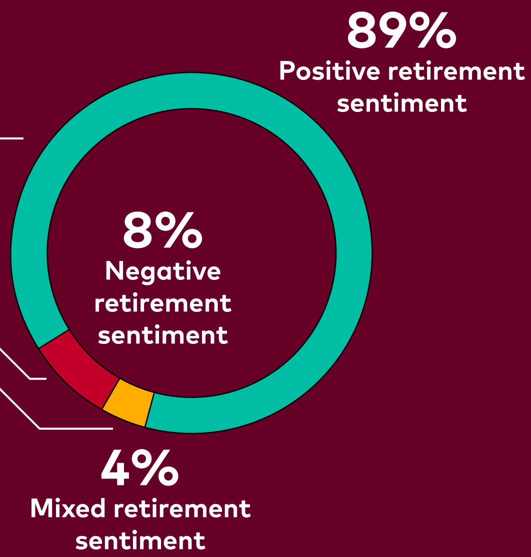
Taken together, we found the following five actions had a substantial positive association with the retirement sentiment of our typical Australian, Sam:

1. Having a solid retirement plan.
2. Boosting financial literacy.
3. Being familiar with the retirement system.
4. Making voluntary super contributions.
5. Engaging with their super provider at least twice per year.

If Sam had done these five things, his/her feelings about retirement would shift dramatically. Based on our survey findings, we would see the following results:

- **Sam has an 89% probability of positive retirement sentiment,** more than twice the baseline level.
- **Sam has an 8% probability of negative retirement sentiment,** which represents a dramatic reduction from the baseline of 49%.
- **Sam has a 4% probability of mixed sentiment toward retirement,** meaning Sam would choose a combination of positive and negative words, or select "unsure" or "none of these."

Notably, we also see similar shifts in Sam's levels of retirement **confidence**, a self-assessed measure of financial preparedness, when these five factors are present. Since these factors are associated with gains in both sentiment and confidence, our findings suggest that enhancing Australians' financial and retirement literacy, encouraging proactive retirement planning, and increasing engagement with superannuation could contribute to better retirement outcomes.



**All three percentages have been rounded to the nearest integer, resulting in a total of 101%.*

Financial and retirement literacy

This year's survey showed that many Australians can't correctly answer simple questions about financial concepts or our retirement system. Particularly concerning is the fact that only 40% of Australians can correctly answer the age at which Australians can access their superannuation.

One of the most impactful things Australians can do to improve how they feel about retirement is to be well planned, but it's difficult to have a plan if you don't understand the retirement system or financial concepts like compound interest.

Retirement decision making is inherently complex, and there is a lack of adequate education, assistance and guidance available for Australians. Policies that introduce and reinforce financial concepts from an early age could help improve Australians' financial capability and literacy, which could boost confidence in retirement.

The Australian Government's National Financial Capability Strategy notes that positive financial behaviours, attitudes and capabilities are associated with improved financial wellbeing and less financial stress.[21] Meanwhile, low financial capability is correlated with lower superannuation balances, lower willingness to take financial risk, shorter saving horizons, being less likely to set up a retirement plan, being less informed about pension rules and paying higher investment fees.[22]

21 Australian Government (2022), National Financial Capability Strategy 2022, ASIC MoneySmart website.

22 Ibid.

TOOLKIT TIP

There are numerous online resources to help improve your financial literacy.

- **ASIC's MoneySmart:** This government-backed website offers free articles and tools to help you manage your finances. It explains financial terms and concepts in plain language and provides resources to help you reduce debt, build wealth, and plan for the future.
- **Vanguard's Learn Centres:** Vanguard Australia's website has free articles and videos on financial topics, including investing, economic and market trends, and retirement planning.
- **Podcasts, YouTube and social media:** These platforms often explore topics such as budgeting, saving, investing, and retirement planning, and can be a great way to learn from experts and enthusiasts alike. However, it's important to verify the information you come across and be mindful that some financial influencers may have sponsorships or incentives to promote specific products or strategies and they may not be authorised or qualified to give financial product advice. Always cross-check advice with trusted sources and consider whether it aligns with your personal financial goals.

For those who prefer a deeper dive, Vanguard's thought leaders regularly share insights and observations on matters relevant to investors, the investment industry, and global financial markets. And Vanguard's "Megatrends" research quantifies the long-term nature of shifts in technology, demographics and globalisation, to help you understand how these forces may impact the investing landscape.

Retirement planning

Nearly half of Australians (46%) have no plan for how they will financially prepare for their desired lifestyle in retirement. Yet our findings show that having a retirement plan has a greater impact on retirement sentiment than any of the other factors we examined, such as improving financial and retirement literacy, increasing engagement with superannuation or making voluntary super contributions. We also found that having a detailed retirement plan is strongly linked to a smaller gap between ideal and expected retirement ages.

While "having a plan" can mean different things to different people, those who are well prepared for retirement tend to share several key characteristics. These characteristics can serve as a useful framework for understanding how planning contributes to better retirement outcomes.

Specifically, we found those who were well-planned[23] were more likely to have:

- Considered how many years their retirement might last.
- Accounted for both the financial aspects and lifestyle aspects of retirement, such as how they will spend their time.
- Made additional super contributions.
- Sought professional financial advice.
- Known how much they could safely spend each year in retirement to avoid running out of money.

Financial advisers can play an important role in helping Australians better plan for retirement, but there is an "advice gap". Research by the Australian Securities and Investments Commission (ASIC) in 2019 showed that only 27% of Australians had ever received financial advice, and only 12% had received advice in the last 12 months.[24]

This year's survey found that 40% of Australians who had previously met with a financial adviser said they were very confident or extremely confident about their ability to fund their desired lifestyle in retirement, compared to 22% of Australians who had never engaged with a financial adviser. Moreover, having an ongoing relationship with a financial adviser was associated with lower negative sentiment towards retirement. This may be because advisers play a key role in helping their clients develop and execute a retirement plan.

Cost was the biggest barrier to seeking professional financial advice for both pre-retirees and retired Australians.[25] Meanwhile, we found that pre-retirees and working-age Australians were more open to exploring adviser services than retirees, who tended to be more hesitant.

In addition to measures to improve financial and retirement system literacy, Vanguard supports reforms to help Australians achieve better financial outcomes through accessible, affordable financial advice and guidance.

23 Respondents were classified as "well planned" if they selected one of the following responses: "I know exactly what I need and exactly how to get there," "I have a good idea of what I'll need, with most details planned out," or "I have a general idea of what I'll need with some details planned out."

24 Australian Securities and Investments Commission (2019), Financial advice: What consumers really think, ASIC website.

25 53% of retirees and 61% of working Australians aged 55+ said financial advice was too expensive.

TOOLKIT TIP

Planning for your retirement – whether on your own, or as a couple – is an important practical step you can take as you enter this new phase of life. It can also be an emotional time, as you make one of life's larger transitions, from full-time work to part-time or casual work, and potentially no paid work at all.

Your retirement plan can be simple or detailed, but will likely consider the following:

Timing: Working out if and when you want to retire is probably a good starting point. There's no official retirement age in Australia – you can retire as early or as late as you wish. But remember, you usually can't access your super until you reach your preservation age– this is age 60 for everyone (unless you were born before 1 July 1964 in which case you've already reached your preservation age).

Boosting your super: Making use of things such as salary sacrifice contributions, the carry forward rule and bring forward rule can help you boost your super as you approach retirement.

Lifestyle and priorities: What matters most to you in retirement? For example, is it staying active or slowing down, continuing some form of work or finishing work all together, staying where you live or downsizing.

Income and living costs: Estimating your daily living costs and working out your sources of income and how much income you'll have.

A notoriously difficult question to answer is – how much money you need to retire?

There are numerous factors that will help shape the answer and there are a few online calculators that are a good place to start, including ASIC's MoneySmart Retirement Planner Calculator and ASFA's Retirement Tracker.

Vanguard's Learn Centre also has a variety of articles on planning for retirement that provide well-considered insights.

Contents page ↗

Engaging with super

For many Australians, super is the largest asset they hold outside their family home. While Australians are typically savvy consumers who carefully compare costs for mortgages, utilities and insurance, engagement with superannuation remains relatively low.

For example, research conducted by ASIC's MoneySmart in 2024 found that one in two (48%) millennials reported they were not very or not at all knowledgeable about maximising their super and three in ten (31%) check the performance of their super fund less than once a year or not at all.[26]

Separate research by Vanguard has shown that some 34% of Australians have never reviewed or compared super fees.[27] Of those that had, 59% said it was difficult to compare fees. This is concerning, because fund returns relative to their stated benchmarks tend to be negatively associated with fees and costs.

To better understand how engaged Australians are with their super, we asked respondents how often they had contacted their super fund in recent years, whether face-to-face, by phone, SMS, email, online messaging, apps or social media. We also asked whether they had made additional contributions to their super, either regularly or as a one-off.

Our findings suggest that, when combined with better financial and retirement literacy and planning, engaging with super at least twice a year and making additional contributions had a positive impact on the retirement outlook of Sam, our typical Australian.

Nevertheless, we found that:

- 56% of Australians engaged with their super fund less than once per year or couldn't recall the last time they had.
- 46% had never made an additional super contribution.

These findings suggest that more can be done to help Australians engage with their superannuation and better understand the value of actions such as making additional contributions. Meanwhile, greater transparency and comparability of super fund fees could also help reduce complexity and empower Australians to make more informed decisions about their retirement savings.

26 Australian Securities and Investments Commission (2024), Setting Millennials Up for Super Success: Summary Roundtable Report, ASIC MoneySmart website.
27 Nationally representative survey undertaken by CT Group in May 2024 on behalf of Vanguard.

TOOLKIT TIP

One of the most practical ways to stay engaged with your super is to check your balance online from time to time. Super is a long-term investment — typically spanning decades — so it's not something you need to monitor daily or even weekly. But taking a few moments every three to six months to check your balance can help you stay informed and in control. Most super funds offer mobile apps that make this quick and easy.

Each year, your super fund is required to send you a member benefit statement, usually around August or September for the financial year ending 30 June. Set aside 15 minutes to review it. It's time well spent.

Your statement will show:

- Your super balance at the start and end of the year.
- Contributions in and payments out.
- Investment gains or losses.
- Insurance cover (if applicable), including the amount of cover and premiums deducted.
- Fees paid (both direct deductions and estimated indirect costs).

Another practical way to engage with your super is by making personal contributions. You might:

- Set up salary sacrifice contributions, where part of your before-tax salary is paid directly into your super.
- Make a one-off after-tax contribution and claim a tax deduction later.

In both cases, contributions are generally taxed at 15%, which is often lower than the marginal tax rate for middle to high income earners, making it a tax-effective way to grow your retirement savings. However, please note that there are legislative caps on the amount of contributions that can be made to your superannuation each year without incurring additional tax.

The evolving role of superannuation

Australia's superannuation system has been celebrated around the world for helping Australians accumulate wealth, but more can be done to help Australians plan for retirement and manage the drawdown of their retirement savings.

In November 2024, the Australian Government legislated the objective for superannuation as "to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way."[28] Meanwhile, the Retirement Income Covenant requires superannuation fund trustees to develop and implement strategies for members to maximise retirement income and manage risks while providing flexible access to funds.

While the importance of delivering retirement income cannot be overstated, a dignified retirement involves more than income. Australians are increasingly looking to their super funds for planning support, guidance and help navigating the complexities of the retirement system.

28 Parliament of Australia (2024), Superannuation (Objective) Bill 2023, Parliament of Australia website.

Australians want more from super funds

Our findings show that Australians expect their super funds to act not only as providers of financial products but also as educators and guides. This year's survey found:

- 86% of working-age Australians said it was somewhat or very important that their super fund provides guidance and support leading up to and throughout retirement.
- 71% of retirees felt the same.

Meanwhile, Australians also want their super funds to provide personalised guidance on products and actions available to them (see Figure 24):

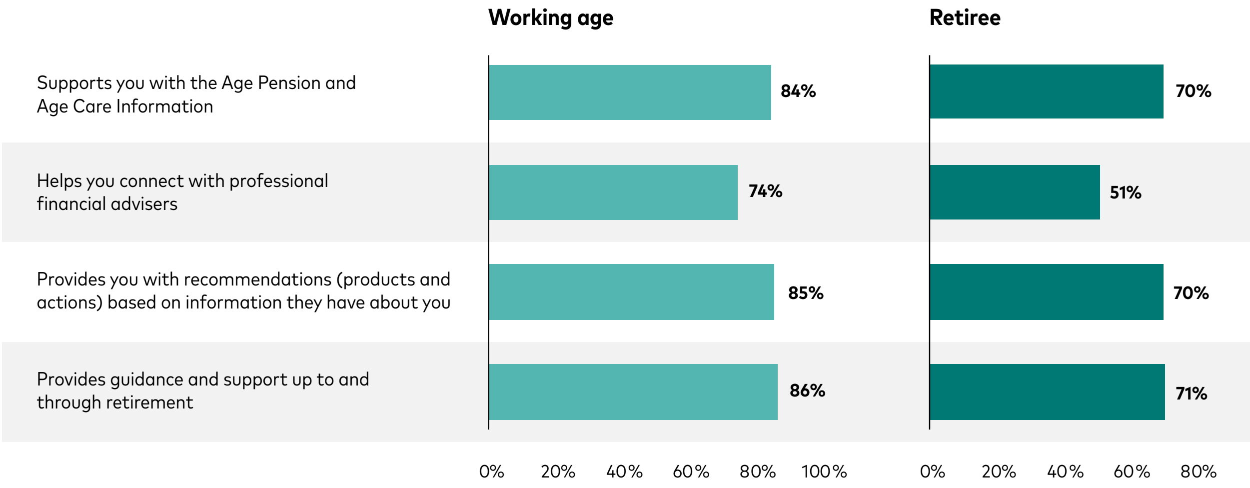
- 85% of working-age Australians said it was important that their super fund provides them with recommendations for products and actions based on available information.
- 70% of retirees agreed.

Superannuation is no longer seen solely as a vehicle for delivering retirement income. Members now expect their funds to offer educational materials, general support, planning tools and appropriate default options for products.

Especially given that financial advice is not always affordable for everyone, superannuation fund members could be supported by their fund to improve their retirement outcomes with better educational resources, behavioural "nudges" and simple guidance on topics relevant to them.

FIGURE 24:

Perceived importance of additional services super funds could offer by retiree status



Note: Proportion that said this additional service was very/somewhat important.

Adapting to home ownership patterns

Australians are entering the housing market later in life, with larger mortgages than previous generations. This year's survey reveals that many Australians expect to retire while still carrying mortgage debt, a trend that could significantly increase income needs during retirement.

Many aspects of the retirement system are built on the assumption of outright home ownership, and commonly used retirement income benchmarks do not account for continuing mortgage payments. Notably, half of the Australians who anticipate retiring with a mortgage plan to continue making payments throughout retirement. This is at odds with retirement planning projections and benchmarks that overlook the financial implications of continued housing costs in later life.

If declining homeownership trends persist, more Australians will also be renting in retirement, which would significantly add to their retirement income needs. The Grattan Institute has noted that financial stress is far more prevalent among retirees who rent, with more than three in four single women who rent living in poverty.[29]

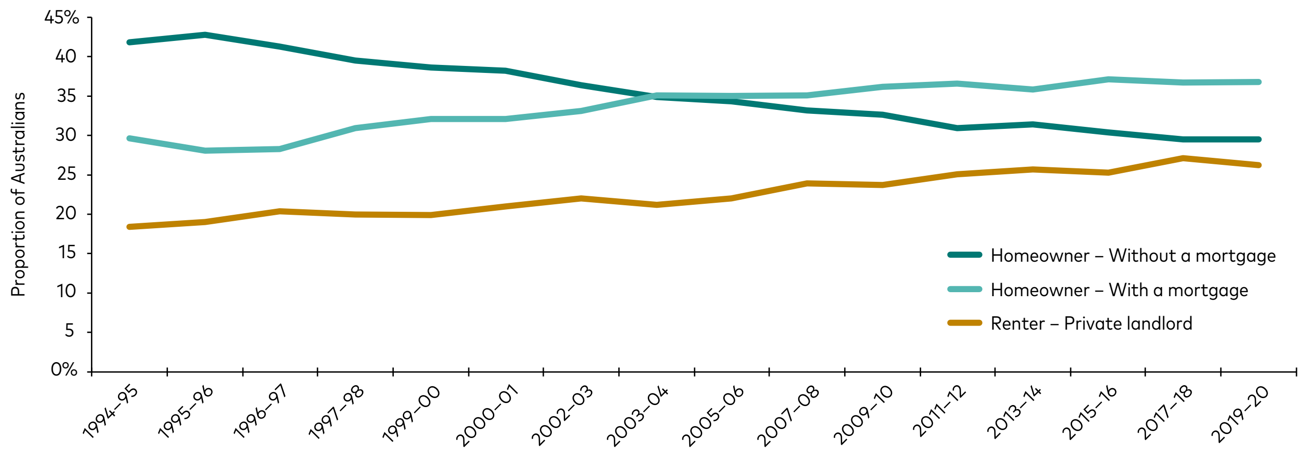
One in four Australians expecting to retire with a mortgage plan to use their superannuation to pay it off in one transaction. While this may provide peace of mind, it reduces funds available through retirement for healthcare, lifestyle and unexpected costs. This could inadvertently lead to increased reliance on the Age Pension from some retirees.

Given these trends, it is crucial that younger Australians understand how their retirement needs may differ from those of current retirees. Without this awareness, they may be ill-prepared for the financial realities of retirement.

Superannuation funds and policymakers could support Australians in preparing for retirement with mortgage debt by incorporating detailed scenario modelling into retirement income calculators and projections.

FIGURE 25:

Proportion of Australian households by housing arrangement



Source: ABS Housing Occupancy and Costs, 2019–20

29 Coates, Brendan, Matthew Bowes, and Joey Moloney. Renting in Retirement: Why Rent Assistance Needs to Rise. Grattan Institute, February 9, 2025.

Taking a household view

The current individual approach to superannuation doesn't reflect that many Australians manage their finances jointly with partners or family members. Couples typically pool income and expenses, including in retirement, and work towards shared financial goals, such as paying off the family home and building retirement savings.

When Australians consider their superannuation as a household asset, it can help them make better strategic decisions, such as using contribution splitting and spouse contributions to reduce disparities between balances, tax planning and income stream optimisation.

Under current settings, superannuation funds are limited in their ability to offer retirement income planning guidance and have limited insights into their members' household finances. Incorporating more personal and household information, particularly for retirees who are part of a couple, allows for more adaptable retirement income strategies that can respond to variables such as Age Pension eligibility and entitlements.

Provided the right consumer guardrails and protections are in place, allowing superannuation funds to use this information to tailor guidance to their members could significantly improve retirement outcomes for many Australians.

Methodology

Vanguard's 2025 How Australia Retires report is based on a survey of a nationally representative sample of over 1,800 Australians aged 18 years and over in February 2025. The survey sample was evenly split between working-age and retired Australians and represented 49% male and 51% female respondents.

The average respondent age was 45 for working-age and 73 for retired Australians. 39% of respondents have a bachelor's degree or higher educational status, and 60% are married or in a de facto relationship. 91% of working-age and 48% of retired survey respondents have a superannuation account.

Throughout the report, sampling weights were applied to the analysis to match the gender, age, and geographic distributions of the sample against the general population as well as the working-age and retired sub-populations.

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