Media Release

Commonwealth Bank
Commonwealth Bank of Australia
ABN 48 123 123 124

PRE-RETIREES* FINANCIALLY AWARE BUT MORE EDUCATION IS NEEDED

20 May, 2004: Pre-retirees are feeling confident in their financial knowledge, with 9 out of 10 pre-retirees claiming it is average or above average, but a Newspoll** survey commissioned by the Commonwealth Bank has found there are gaps in their financial education which could cost them money.

A new Commonwealth Bank Retire Ready Survey has revealed that many pre-retirees** are on the right path financially, with six out of ten people aware of how much superannuation they have accrued, six in ten planning to supplement their superannuation or the government pension with another form of investment, and 15% intending to work full-time after the age of 65.

However, while many Australians are taking responsibility for funding their retirement, the survey found 78% of pre-retirees are not aware of exactly how much retirement income they will receive from their main source[1], 78% admitted to knowing little or nothing about the types and styles of investments in their superannuation, and over half (59%) have not made financial plans or seen a financial planner.

According to Geoff Austin, Executive General Manager, Mortgage and Investment Services, Commonwealth Bank, while the confidence amongst pre-retirees in their financial knowledge is encouraging, the survey clearly shows that not enough people are putting that knowledge into action.

“With such a large percentage of the Australian population about to reach retirement, the financial knowledge gap and lack of action revealed in the Retire Ready survey really are critical issues for our society,” he said.

“Pre-retirees can fund a comfortable retirement, but they need to have a clear understanding of their financial position, set and achieve saving goals, diversify their investment portfolio and take ownership of their financial future.”

Despite 87% of pre-retirees believing their financial knowledge was average or above average, the survey showed: there is still a need for education as almost half (46%) of the respondents do not know how much money they need to live comfortably in retirement[2]; one in three pre-retirees believe property will always give the highest return which is not always the case; and six in ten pre-retirees incorrectly think that a balanced portfolio is comprised of equal amounts invested in cash and shares.

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Adding to the financial literacy gap is procrastination with 56% of respondents confessing to procrastinating when it comes to planning their finances for retirement and one in four of these admitting to procrastinating for more than 10 years.

As the table below demonstrates, procrastination can make a substantial difference to a retirement nest egg over a 10-year period.

Amount saved each month	**Value after 10 years***
$50	$8,350
$100	$16,699
$250	$41,747

*Assumes the amount is invested at the beginning of each month for 10 years, interest rate is 6.25%p.a. There is no contribution tax or surcharge (ie personal contribution), and no fees.

"Education is the key to turning procrastination into motivation and action so pre-retirees need to read financial literature, attend seminars and seek professional advice," Mr Austin said.

"The important thing to realise is that it is never too late to start planning and that your approach to financial planning now will determine your quality of life in the future."

As part of the Bank's national initiative to encourage pre-retirees to think about financial planning, Commonwealth Bank branches throughout Australia will stage a "Retirement Focus Day" giving local residents an opportunity to visit a Commonwealth Financial Planner for an informal, obligation-free discussion. From May 2004, and continuing through to the end of June 2004, Retirement Planning seminars will be taking place in selected locations.

Contact your local Commonwealth Bank Branch to find out if it is offering a free Retirement Planning seminar.

- Ends -

[1] *This question was asked of those who say their main source of income in retirement will be the government pension, superannuation or managed funds, which represents seven in ten pre-retirees.*
[2] *The question asked was 'How much wealth would you need in total if you stopped working today, in order to have an income of $30,000 for the next 25 years?'.*

Note to Editors
*Pre-retirees are those aged 45-64 years who work full or part time.
**This Newspoll study was conducted by telephone in March/April 2004. The study was conducted nationally among n=638 pre-retirees aged 45-64 who work full or part time.

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COMMONWEALTH BANK *RETIRE READY* SURVEY* HIGHLIGHTS

A total of 638 respondents aged 45-64 years who work full or part time were questioned about topical retirement issues by telephone over the period March 26-30 and 2-4 April 2004.

Plans to work and retire

- After the age of 65, one in two pre-retirees** plan to continue working in some capacity – this has not changed from the previous year
- 15% intend to work full-time after the age of 65
- One in six pre-retirees believe they will never stop working or will work as long as they are able to, and one in five plan to finish working during the 65-69 age bracket - these results have not changed from the previous year

Sources of retirement income

- Worryingly, four in ten pre-retirees say they do not have any form of investments to build their wealth for retirement apart from superannuation
- Apart from superannuation, the main types of investments pre-retirees are using to build their wealth for retirement are property (35%) and shares (24%). On a related note, 34% of all pre-retirees believe that property investment will *always* give them the highest return on their money
- People are continuing to place high expectations on superannuation (44%) and the government pension (22%) as their likely main source of income in retirement[1]

Awareness of their own financial position

- The majority (78%) of pre-retirees who say their main source of income will be the government pension, superannuation or managed funds are not aware of exactly how much retirement income they will receive from their main source during their retirement
- Almost one in two pre-retirees (46%) do not know how much money they would need to retire on to have an annual income of $30,000 for the next 25 years
- Six in ten pre-retirees know how much superannuation they have accrued so far – four in ten do not
- Two in ten pre-retirees regard themselves as knowing a lot about the types and styles of superannuation investments they own, whereas eight in ten know either a little or nothing about the investments in their superannuation
- Of those pre-retirees who have some knowledge about the types and styles of their superannuation investments, 52% say their superannuation includes shares, while 36% say their superannuation includes property and 19% say their superannuation includes a portfolio, such as managed funds
- Of those who are ‘superannuation savvy’, 41% describe their investment as ‘moderate’ and 19% say ‘conservative’[2] – two in ten use higher risk strategies to grow their superannuation [2]

[1] Pre-retirees were able to chose from the government pension, superannuation, managed funds, property, savings, shares, other investments, other family members.

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Seeking expert help

- 9 in 10 (87%) pre-retirees claim they have an average/above average understanding of personal finances
- But when tested on their knowledge, nearly six in ten believe that a balanced fund has equal amounts invested in cash and shares and one in three believe property will always give the highest return
- Despite this only 41% of pre-retirees claim to have made financial plans or seen a financial planner about planning for their retirement

Procrastination

- 56% of pre-retirees say that they procrastinate when it comes to planning finances for retirement
- One in four of those pre-retirees who say they procrastinate, claim to have spent more than 10 years procrastinating about planning their finances for retirement

Ends

Note to Editors
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[2] Pre-retirees were able to chose from aggressive, growth, moderate, conservative or defensive, and given the following definitions for each:
- aggressive – that is, maximising your return by accepting a higher level of risk over the long term
- growth - that is, generally seeking high returns from higher risk over medium to long term
- moderate - that is, seeking returns to outpace inflation with a combination of aggressive and defensive investments
- conservative – that is, looking for a stable return over the short term
- defensive – where security is of prime importance over the short term, and low risk assets are used.