

Super Activity 3: What do I need to do about super?

Years 11-12

TASK 3 SUPERANNUATION AND LIFE EXPECTANCY: OUTLIVING YOUR MONEY

Worksheet

Focus: Mathematics

YOU WILL:

- ▶ analyse the implications of different life expectancies on superannuation savings for men and women

YOU WILL NEED:

- ▶ *Fact sheet: What is superannuation*
- ▶ *Fact sheet: Where does my super money come from?*
- ▶ *Fact sheet: What do I need to do about super?*
- ▶ A calculator

On average, Australians are living longer. In Australia, a boy born in 1881–1890 could expect to live to 47.2 and a girl to 50.8 years. Now, a boy born in 2013–2015 can expect to live to the age of 80.4 years and a girl would be expected to live to 84.5 years.

Life expectancy is a function of your age – some ages have higher risks of death than others. Life expectancy changes over the course of a person's life because as an individual survives the periods of birth, childhood and adolescence, his or her chance of reaching older age increases. The life expectancy at different ages can be described as the number of additional years a person can expect to live.

Men aged 65 in 2013–2015 could expect to live on average another 19.5 years (an expected age at death of 84.5 years) and the life expectancy of women aged 65 in 2013–2015 was 22.3 years (an expected age at death of 87.3 years). [Source: <https://www.aihw.gov.au/reports/life-expectancy-death/deaths-in-australia/contents/life-expectancy>]

COMPARING THE SUPERANNUATION NEEDS OF MEN AND WOMEN

1. In 2015, if the average superannuation balances at retirement were \$292 500 for men, \$138 150 for women and for households \$355 000, what percentage of the men's superannuation balance was the women's superannuation balance?
2. Based on average life expectancy, who needs the greater superannuation saving by age 65, men or women? In 2015 the median age at death was 84 years for females and the mean age was 80. For men the median age at death was 78 years and the mean age was 74. This difference between the median and mean age at death has been noted for the past 30 years (<https://www.aihw.gov.au/reports/life-expectancy-death/grim-books/contents/grim-books>). Based on the data of age at death, approximately what percentage of women lived beyond 84 in 2015 in Australia?
3. It has been estimated (ASFA Retirement Standard – December Quarter 2016) that a single person who owns his or her home and wants a comfortable retirement needs \$545,000 in savings. This assumes when you retire you withdraw all of the capital and receive a part age pension. If an annual budget for a comfortable retirement is \$43,695, how long can a single person with \$545,000 in savings live before running out of money? What assumptions have you made in calculating this answer?
4. Using \$43,695 as the annual budget for a comfortable lifestyle in retirement:
 - a. How much would a man aged 65 who retired in 2015 need in savings to cover his life expectancy?
 - b. How much would a woman aged 65 who retired in 2015 need in saving to cover her life expectancy?
 - c. Calculate what percentage of a man's retirement savings at 65 (part a) a woman's retirement savings at 65 (part b) needs to be, based on her longer life expectancy. Compare this to your answer to Question 1, which calculated the equivalent percentage of average retirement savings.
5. Using \$24,270 as an annual budget for a more modest lifestyle in retirement, calculate:
 - a. How much would a man aged 65 who retired in 2015 need in savings to cover his life expectancy?
 - b. How much would a woman aged 65 who retired in 2015 need in saving to cover her life expectancy?
 - c. Calculate what percentage of a man's retirement savings at 65 (part a) a woman's retirement savings at 65 (part b) needs to be, based on her longer life expectancy. Compare this to your answer to Question 4(c). Write a summary statement, recording any assumptions you need to make, indicating how large an increase in women's superannuation savings at retirement would be required to achieve parity with the superannuation savings at retirement of men, given the longer life expectancy of women.