

# ASIC's work for older Australians



**ASIC**

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Australian Securities & Investments Commission

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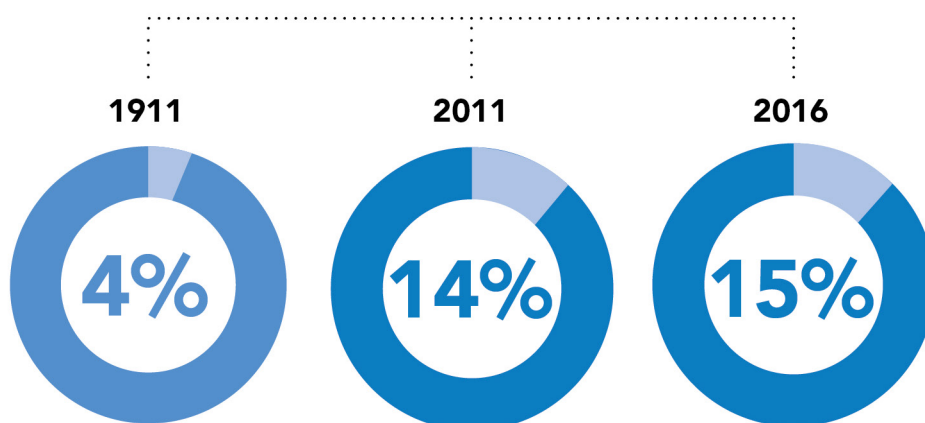
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*The world's population is ageing – the proportion of people aged 60 and over is expected to double between 2007 and 2050, and the actual number will more than triple, reaching two billion by 2050.<sup>1</sup>*

Australia is following this trend, with 15.2% of the population now aged over 65,<sup>2</sup> up from 8% in 1970–71.<sup>3</sup> By 2054–55 it is projected that the number of Australians over 65 will more than double, and that 4.9% of the population will be aged over 85.<sup>4</sup>

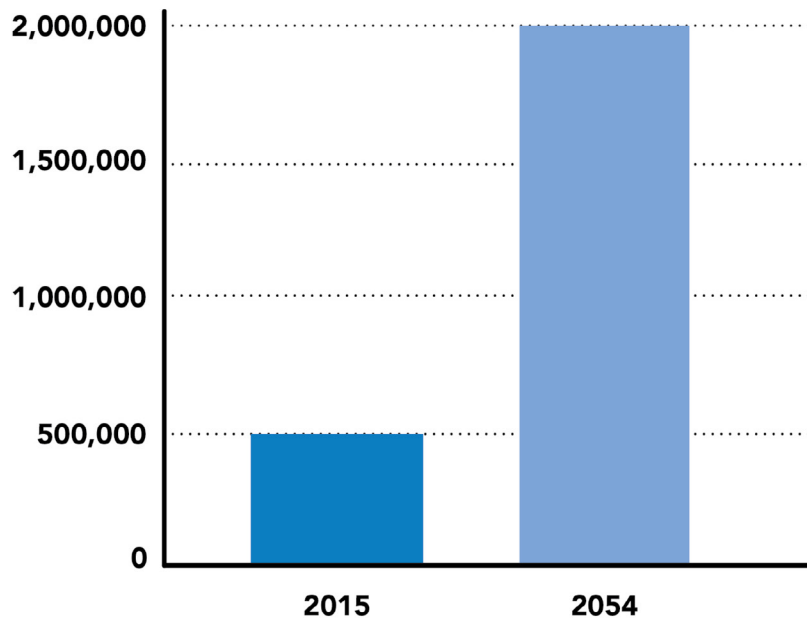
These demographic changes will not only result in a larger pool of older Australians facing the challenges of making good financial decisions, but will also impact on economic drivers such as participation and productivity.

### Percentage of Australians over the age of 65<sup>5</sup>

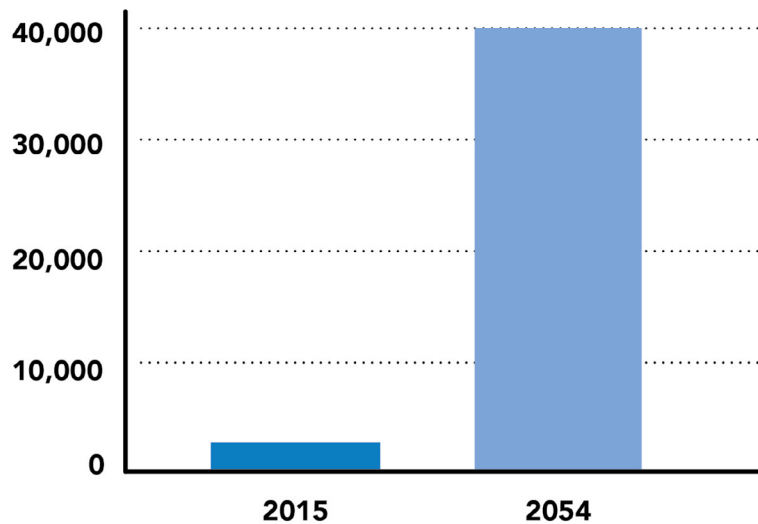


Australians 65 and older will number  
**8.3 million by 2053<sup>6</sup>**

## Projected population of Australians over 85 years old<sup>7</sup>



## Projected population of Australians over 100 years old<sup>8</sup>



Addressing these challenges requires a whole-of-government approach. ASIC is committed to addressing the key issues that affect older Australians when they use financial products and services. These issues include the challenges involved in making complex financial decisions, and financial products and selling practices that target older Australians.

ASIC is already actively working to support older Australians through our regulatory, education and enforcement work. We are also committed to working collaboratively with other government agencies and stakeholders to help bring about positive changes for older Australians in financial services.

This commitment includes actively and transparently communicating the work we are doing for older Australians. This report outlines what we see as the major issues for older Australians and how we are addressing them.



## Key issues

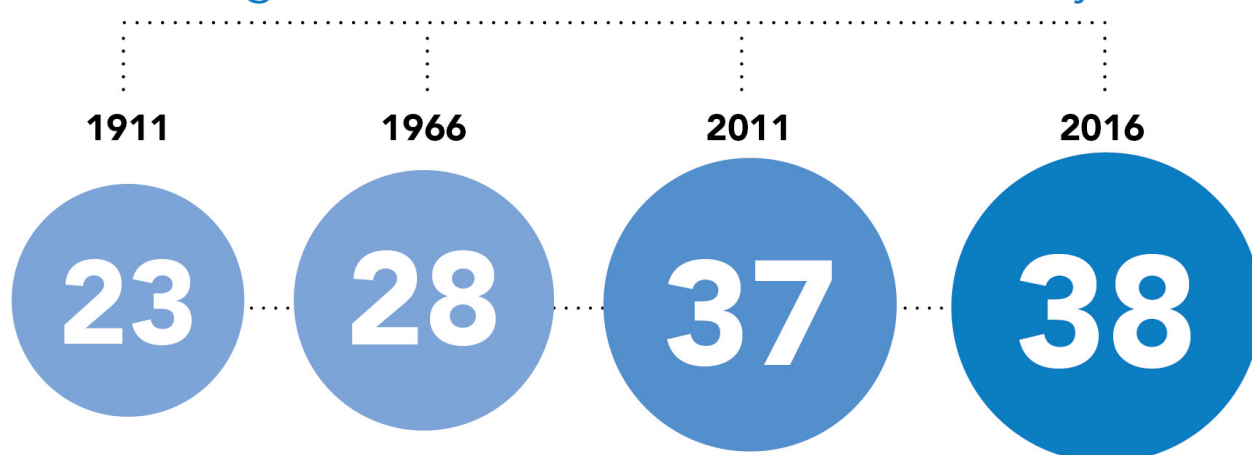
The issues outlined in this report affect older Australians of various ages. While many of these issues impact on retirees, they may also impact on those preparing for retirement, or on the income and financial capability of Australians once they reach retirement age.

## Financial risks and challenges

Older Australians are a diverse group and face a broad range of financial issues and challenges based on their particular circumstances. There are however a number of common issues and risks that can impact people in this age group.

Many Australians over the age of 55 are retired or preparing for retirement, and therefore face significant and complex financial decisions that require them to consider issues such as superannuation, taxation, health care, social security, estate planning and long-term financial stability.

## Median age of Australians over the last 105 years<sup>9</sup>



Challenges range from choosing and effectively managing retirement income products and structures, through to interacting with aged care.

*For people approaching or in retirement, the ability to recover from financial loss is limited.*

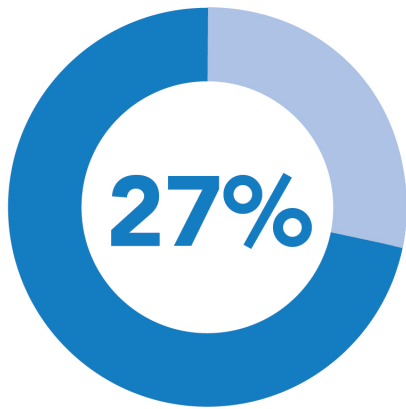
Retirees reliant on income from superannuation or other investments have less time to recover from negative investment returns, and risk outliving their retirement savings. Retiree expectations may not always correspond with the income available from superannuation and/or government support.

Some older Australians may be financially more vulnerable due to low retirement savings or low superannuation balances (for example, if most of their working life was before superannuation became compulsory or there were significant periods outside the paid workforce), or divorce or the death of a partner.

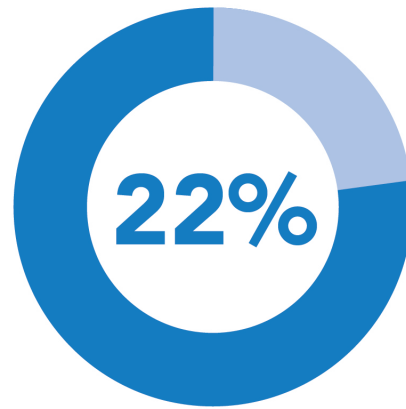
Older people can also be particularly vulnerable to certain types of financial scams, or can be victims of financial abuse or exploitation by friends or family.

Some financial products hold particular risks for older people as they are less able to recover from losses or replace lost income. There are also higher-risk products specifically targeted at older Australians who may be concerned about the adequacy of their retirement savings, and who are therefore more vulnerable to schemes that claim to address this concern.

## Financial situation of Australians over 55 years old<sup>10</sup>



say they can comfortably meet all their expenses **and spend or save if they want to**



say they can meet their expenses but there's **nothing left to save**

While older Australians are becoming increasingly familiar with and confident in their use of technology, there are still some who find it challenging to navigate the rapid technological advances in everyday financial services.

Cognitive decline can also impact on older Australians' ability to make financial decisions – both in relation to everyday financial management such as bills, purchases and banking, and longer-term management of investments and superannuation, including self-managed superannuation.



There are 1.3 million Australians over 55 whose financial priorities are **to meet their day-to-day expenses**<sup>11</sup>

**Only 50% of Australians over 55** have a financial plan for the next five years

**And 32% of Australians over 55** have a plan for the next 10–15 years<sup>12</sup>



## ASIC's support for older Australians

*ASIC's role is to allow markets to fund the economy and, in turn, economic growth. In doing so, we contribute to the financial wellbeing of all Australians.*

For older Australians, ASIC particularly focuses on the financial products and services that enable people to effectively plan for and transition to retirement, as well as ensuring they have access to independent advice, information and resources to help them understand those products and services and their associated risks.

**Our initiatives range across our regulatory, operational and education work, and include:**

- ◆ input into shaping and implementing government law reform initiatives about financial products and services that impact on older Australians
- ◆ surveillance and monitoring of financial products and services used by older Australians, for example financial advice on transition to retirement, and products and selling practices that target older Australians
- ◆ ongoing development of targeted information and resources to enhance the financial capability of older Australians.





# Retirement income and superannuation

## New financial products for retirement

The Financial System Inquiry recognised that managing multiple financial objectives and risks in retirement is complex and that there is a need for more effective financial products for retirement.

The Government has proposed that superannuation trustees develop and offer comprehensive income products in retirement (CIPRs), and promote these to fund members.

The aim of CIPRs is to deliver a lifetime income stream in retirement that can manage the risk of outliving available retirement savings, while providing flexibility to access part of the benefits for other retirement expenses. The pooling aspects of these products can allow older Australians to enhance their quality of life in retirement without the risk of outliving their income.

ASIC is working with Government to facilitate these reforms, in particular focusing on the disclosure, comparability and advice aspects of the proposed new products.

We are also working collaboratively with other regulators and government agencies to make it easier for other new and innovative retirement income products to be developed, to provide greater choice for retirees.

Working with the Australian Taxation Office, Australian Prudential Regulation Authority (APRA) and Department of Social Services, we participate in a streamlined 'one stop shop' to support product providers who are developing new income stream products with a longevity component.

## Superannuation

*Superannuation is a key component of the Australian Government's retirement savings policy and a fundamental part of retirement planning for most Australians.*

ASIC is committed to ensuring that older Australians have access to retirement and superannuation products that meet their needs and deliver value for money.

We have an active program of monitoring disclosure and advertising for superannuation and managed investment products that target retirees.

We monitor the provision of advice by superannuation trustees, as well as disclosure of fees and costs to ensure compliance with recently revised fee disclosure requirements.

We are currently considering the provision of advice to employers from trustees, disclosures from trustees to employers, and issues around employers' selection of the default superannuation fund for employees.

Through ASIC's MoneySmart website we also provide free and impartial guidance and tools to help older Australians make better financial decisions about retirement products. Resources include a retirement planner, superannuation calculators and information about retirement income and aged care.

## Financial advice

*High-quality financial advice and guidance is particularly important for older Australians, who face complex financial decisions that have significant and long-term consequences.*

ASIC uses a range of tools including surveillance, enforcement and education initiatives as part of our commitment to ensuring that older Australians have access to affordable, high-quality advice that meets their needs.

ASIC's MoneySmart website has practical resources that help older Australians better understand and navigate the financial advice process, including:

- ◆ the Financial Advisers Register, which includes information about where an adviser has worked, what products they can advise on and their qualifications and training
- ◆ the Financial Advice Toolkit, launched in 2016, which helps people evaluate the advice they receive and breaks down the complexity of the financial advice process. The toolkit helps people choose a financial adviser, understand a Statement of Advice and review their financial situation.

ASIC is also continuing to support the Government's implementation of reforms to improve the professional and educational standards of financial advisers.

We are considering the desirability of specialised training and competence requirements in the area of advice around aged care funding and related issues.



Since the Financial Advisers Register was launched in March 2015, it has been **searched 1.9 million times**

MoneySmart superannuation calculator receives **32,000 hits per month**

MoneySmart retirement calculator receives **30,000 hits per month**

## Advice about self-managed superannuation

Self-managed superannuation funds (SMSFs) are a particular area of focus for ASIC when considering the appropriateness of financial advice for long-term objectives.

*Particular risks can arise for older Australians with an SMSF as a result of the effects of cognitive decline, or the death or incapacity of an SMSF trustee.*



Australians have more than **\$2.3 trillion dollars** invested in superannuation<sup>13</sup>

There are approximately **600,000 self managed super funds** in Australia<sup>14</sup>

Financial advice should cover not only establishment of an SMSF but also its ongoing suitability and appropriate exit strategies. ASIC is undertaking shadow shopping research to understand the motivations and experiences of consumers who have recently set up an SMSF or are intending to set up an SMSF.

Among other things, we are looking at whether people have plans in place if they are no longer able to manage their SMSF.

We are also undertaking a surveillance to test the quality of advice provided by advisers to consumers who set up an SMSF in late 2016.

## Home equity release products

For many older Australians, their home is their most significant financial resource and can be a source of income in retirement.

Home equity release products are a way for people to access the equity in their home, without being required to pay until the house is sold or the owner dies or moves out. The relative costs of these products can be difficult for people to estimate due to movements in interest rates and house prices.

ASIC's MoneySmart website has practical user-friendly information that explains the risks of equity release products and suggests questions to ask the product provider. It also has a reverse mortgage calculator to help older Australians who may be contemplating a reverse mortgage work out how much their debt will increase over time, what this means for the equity in their home, and how changes in interest rates and house prices could affect that equity.

*ASIC is also reviewing reverse mortgage selling practices to older Australians and those approaching retirement.*

Our review of reverse mortgages is testing compliance with responsible lending laws, measuring borrower understanding and outcomes, and checking whether borrowers can get enough information about the product.

We are also assessing the impact of the special consumer protections introduced in the National Consumer Credit Protection Act in 2012, including the specific disclosure requirements around the cost of reverse mortgages, inquiry requirements around future aged care and estate needs, and the 'negative equity protection' on all new reverse mortgage contracts which means that the borrower cannot ultimately owe the lender more than their home is worth.



# Insurance

Older Australians can often find it challenging to obtain the right insurance policy for their needs, whether it is to cover travel, medical treatment, or unexpected events such as injury resulting in disability. Issues associated with ageing can create higher risks for certain types of insurance, resulting in higher premiums and exclusions from cover for older Australians.

ASIC is working with insurers and other relevant stakeholders to help older Australians obtain insurance that is appropriate for their needs and circumstances.

We are also discussing with the insurance industry the minimum standards set out in industry codes of practice, including on issues such as claims handling and product design that currently affect how easily older Australians can access appropriate cover.

## Life insurance

Life insurance is particularly relevant for older Australians, as a part of planning for the financial support of family members.

We are also reviewing insurance claims handling in relation to total and permanent disability cover products, which tend to have a high proportion of claims from older Australians. In particular, we are looking into some of the findings about declined disability insurance claims that emerged in [Report 498](#) *Life insurance claims: An industry review*.

## Insurance through superannuation

Millions of Australians have access to insurance coverage through their compulsory superannuation. We have been working with APRA and the insurance and superannuation sectors to consider how to improve the provision of insurance through superannuation, including issues around disclosure and complaints handling, as well as conflicts of interest and culture.

## Funeral insurance

[Report 454](#) *Funeral insurance: A snapshot* provides an overview of the funeral insurance market in Australia, and recommendations for improving the features of funeral insurance products.

Since that report was released in 2015, some insurers have introduced more flexible features into their funeral insurance products. ASIC is also monitoring how funeral insurance products are advertised to older Australians, and how appropriate these products are for consumers.

ASIC's MoneySmart website has comprehensive information about the costs of funeral insurance, as well as other ways to pay for funerals.



## Financial capability

Older Australians often seek assistance with financial decision making. Many rely on family, friends, carers or professionals for advice.

*ASIC, through leadership and coordination of the National Financial Literacy Strategy, has brought together a broad range of stakeholders, including government, business and community groups, to support older Australians with financial information.*

We continue to develop targeted information and resources for older Australians and their supporters, based on research about the key financial issues impacting older Australians.

We recently published [Report 537](#) *Building seniors' financial capability*, summarising key findings from a number of research studies about the challenges faced by older Australians. The report reflects the diversity of the older Australian population and the importance of developing a range of responses to effectively address the complexity of financial decisions in and around retirement.

ASIC hosted two roundtables in 2016–17 to present the findings of research into financial capability of older Australians.

### ASIC's MoneySmart website

*ASIC's MoneySmart website provides a range of comprehensive information to enhance the financial capability of older Australians.*

It has dedicated resources for over 55s, and the friends and family who support them in their financial decision-making. The MoneySmart website covers topics such as retirement triggers, superannuation, aged care, wills and powers of attorney, scams, lending to and guaranteeing loans for family members, legal and financial housekeeping, and how to explore the right kind of financial advice in the event of memory loss or dementia.

It has publications such as *Financial decisions in retirement* and *Super decisions*, and a comprehensive range of calculators for older Australians including the Retirement Planner, Super Calculator, Super Contributions Optimiser and Account-Based Pension Calculator.

ASIC works closely with other government agencies, including the Departments of Social Services, Human Services and Health, to promote financial capability resources to older Australians, and ASIC's MoneySmart website provides links to a wide range of organisations for seniors around Australia that can also help with information or other support.



## References

- <sup>1</sup> <http://www.un.org/en/sections/issues-depth/ageing/index.html>
- <sup>2</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3101.0Mar%202017>
- <sup>3</sup> [https://demographics.treasury.gov.au/content/\\_download/australias\\_demographic\\_challenges/html/adc-04.asp](https://demographics.treasury.gov.au/content/_download/australias_demographic_challenges/html/adc-04.asp)
- <sup>4</sup> [https://static.treasury.gov.au/uploads/sites/1/2017/06/2015\\_IGR.pdf](https://static.treasury.gov.au/uploads/sites/1/2017/06/2015_IGR.pdf)
- <sup>5</sup> <http://abs.gov.au/ausstats/abs@.nsf/mf/2024.0>
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- <sup>7,8</sup> [https://static.treasury.gov.au/uploads/sites/1/2017/06/2015\\_IGR.pdf](https://static.treasury.gov.au/uploads/sites/1/2017/06/2015_IGR.pdf)
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- <sup>13</sup> <http://www.apra.gov.au/Super/Publications/Documents/2017QSP201706.pdf>
- <sup>14</sup> <https://www.superguide.com.au/smsfs/smsfs-lead-the-super-pack-again>

# About ASIC

The Australian Securities and Investments Commission (ASIC) is Australia's corporate, markets and financial services regulator.

ASIC's vision is to allow markets to fund the economy and, in turn, economic growth. In doing so, we will contribute to the financial wellbeing of all Australians.

We do this by:

- ♦ promoting investor and consumer trust and confidence
- ♦ ensuring fair and efficient markets
- ♦ providing efficient registration services.

ASIC's regulatory role includes helping consumers and investors protect themselves against unfair or illegal conduct in financial services and consumer credit.

ASIC's MoneySmart website helps ordinary Australians take steps to improve their personal finances.



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