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Living with risk: Retired couples' experiences of a financialised retirement income system

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Siobhan Austen
Curtin University, Australia

Ray Broomhill
University of Adelaide, Australia

Monica Costa
Curtin University, Australia

Rhonda Sharp
University of South Australia, Australia

Abstract

This paper presents new data on the nature and consequences of the risks for retirees inherent in the Australian retirement income system. This system can be regarded as 'financialised' in that retirement savings are primarily managed by non-government financial institutions and, although the Age Pension remains as a safety net, responsibility for the provision and management of retirement incomes has increasingly shifted to individuals. In this article we report the results of a qualitative study of older mixed-sex couple households' experiences of this system and discuss the implications for retirement incomes policy. We conclude that while the system of government-mandated employer superannuation contributions (the Superannuation Guarantee) is undoubtedly raising the living standard of many older Australians, the financialised nature of the retirement income system, as a whole, poses significant financial risks for many retirees.

JEL Codes: H31, H55, J18

Keywords

Australia, financialisation, qualitative methods, retirement

Corresponding author:

Siobhan Austen, Department of Economics, Curtin University, GPO Box U1987, Perth, WA 6845, Australia.
Email: siobhan.austen@cbs.curtin.edu.au

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Introduction

The provision of retirement incomes for Australians has undergone significant change over the past three decades. In 1992 the Superannuation Guarantee Charge Act required employers to contribute a portion of each of their employees' earnings into a superannuation fund for them.[1] This system now forms the main earnings-based pillar of the Australian 'three-pillar' retirement income system, standing alongside the government Age Pension, which remains as a safety net, and private savings. Australia now has one of the largest superannuation industries in the world with total assets valued at AUD 3.3 trillion, equal to over 150% of gross domestic product, in June 2022 (Australian Prudential Regulation Authority [APRA], 2022).

Although the Superannuation Guarantee is government mandated, the management of superannuation funds occurs within private sector organisations. Thus, the shift towards superannuation over the past few decades has seen the Australian retirement income system become increasingly integrated into the deregulated world of private financial markets – a process that can be described as financialisation. There now exists a plethora of financial interests that are heavily invested in the further growth of the superannuation system, including banking and financial institutions that control or rely on the enormous assets tied up in superannuation, an extensive financial adviser industry, and associated lobby organisations. The superannuation system has also created a significant group of retirees whose financial futures depend on the performance of superannuation funds and the continuation of generous taxation and other government supports for superannuation.

Much of the commentary on the shift to superannuation in Australia has been enthusiastic about its benefits. For example, international reports have identified Australia's system as one of the most successful retirement income systems in the world (see Mercer, 2020), and Australian trade union leaders have characterised Australia's 'universal' superannuation system as one of its greatest success stories:

> After more than 25 years we are seeing its truly transformative effect not just on the lives of working Australians but on the broader national economy. We now have an entire generation retiring with the benefit of decades of compulsory superannuation, delivering them dignity in retirement, helping to ease the burden on the age pension, and mitigating wealth inequality. (Combet, 2020)

Against this, a range of heterodox economists and political economists have criticised the financialisation of the Australian retirement income system. Many argue that the shift to such a system will have adverse consequences for many individuals by exposing them to increased levels of risk as they are drawn into engagement with financial markets – becoming 'active (if often reluctant) investors and risk takers' (Bryan and Rafferty, 2017: 108; see also Borowski, 2013; and for international perspectives see Clark, 2000; De Deken, 2017; Ebbinghaus, 2015; Natali, 2017; Orenstein, 2003). In effect, financialisation is predicted to result in a 're-commodification' of retirees' lives, exposing older citizens to risks associated with greater dependence on market forces and financial upheavals in their later years.

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This paper takes up the question of the effects of a financialised retirement income system on retirees, contributing novel evidence on Australian lived experiences of risk in retirement. Partly reflecting the recency of the shift to superannuation (those covered by the Superannuation Guarantee for all their working life are only now starting to retire), there is currently little evidence on the *actual* experiences of risk of Australian retirees under a market-based system. This paper aims to help fill that important gap in the extant literature. It does so by contributing an analysis of data generated in interviews with a cross-section of retired, mixed-sex couples. The case studies that we report make a further contribution by showing how the financialisation of the retirement income system has impacted older Australians' experiences of risk in retirement in ways that are not captured by the aggregate data and broad generalisations used in other studies of the Australian system.

The paper begins, in the following section, with a brief review of key studies of financialisation and the Australian retirement income system. The approach and methods of our investigation of the experiences of older, mixed-sex couple households follows in the next section. Subsequently we present detailed data from a range of these couples, and then draw our conclusions.

Studies of financialisation and the Australian retirement income system

The term financialisation is a complex one but it encompasses a number of powerful transformations occurring in almost all capitalist economies (Van der Zwan, 2014). Analysts of financialisation have identified the increasing dominance and power of the financial sector at national and international levels combined with the increasing influence of neoliberal economic theory and policies as central drivers underpinning the widespread adoption of privatisation, financial deregulation and austerity fiscal approaches. The increasing financialisation of the economy has also been associated with a 'cultural' shift towards individualism and the emergence of a new 'subjectivity' amongst citizens, namely an 'investor' ideal-type of individual or household. Individuals have been encouraged (or required) to increasingly participate in financial markets whether through the rapid spread and availability of banking and financial credit products, the increasing availability of finance for property investment, or through effectively becoming shareholders through their superannuation investments. Individuals thereby have been encouraged to internalise new norms of risk-taking. This has been described as the increasing financialisation of everyday life for individual citizens[2] (Hillig, 2019; Pellandini-Simányi, 2021; Van der Zwan, 2014).

Evidence of the above transformations can be seen in changed institutional structures and policies across almost every aspect of the Australian political economy and society. However, they are particularly evident in the changes that have emerged in the institutional arrangements in the Australian retirement income system since the introduction of the Superannuation Guarantee.

A number of critics of the shift towards private retirement income provision have pointed to the transference of risk to workers that this potentially brings. Borowski, for example, argued that the structure of Australia's retirement income system, mirroring the

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'financialised ideal' recommended by the World Bank, would expose retirees to a range of risks, including 'inflation risk, malfeasance and incompetence in the management of superannuation funds, exchange rate risk, investment risk, longevity risk and political risk' (Borowski, 2013: 750–751; see also Gallery et al., 1996: 99).

Feminist economists also have delivered critiques of superannuation highlighting the especially large risks for women posed by the growth in earnings-based superannuation, given women's disadvantaged labour market position and high exposure to periods out of paid work due to unpaid work commitments (see, e.g. Olsberg, 2003; Sharp, 1992; Women in Super, 2022).

Bryan and Rafferty (2017: 104) place particular importance on the role of defined-contribution accounts in their analysis of the risks associated with the shift towards superannuation, arguing that 'the shift from defined-benefit pensions to defined-contribution superannuation is one of the starkest expressions of the shift of risk from states to citizens, and the associated role of finance' (for an international perspective see Brooks and Weaver, 2005; De Deken, 2017).

However, Mees (2020) argues in opposition that the previous defined-benefit schemes (common in public-sector and large corporate workplaces prior to the Superannuation Guarantee legislation) were less than efficient and very limited in their coverage. He concludes that the structure of the reforms introduced by the Superannuation Guarantee legislation together with other reforms in the financial system have on the whole, reduced the level of risk for employees.

Many other commentators on the Australian retirement income system side-step the issue of risk and rely instead on aggregate indicators to gauge the performance of the superannuation sector. For example, the influential Grattan Institute report *Money in retirement: More than enough*, whilst acknowledging that retirees are exposed to risks in the drawdown phase of their superannuation (when they are retired and needing to access their superannuation), did not pursue the issue of risk, claiming that it was 'beyond the scope of this report' (Daley and Coates, 2018: 15). The report did go on to claim, however, that as the superannuation system reaches maturity the *vast majority* of retirees will be financially comfortable.[3]

The findings of the recent *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Australian Government, 2019: 1:1–2) show that a less sanguine view of the performance of the superannuation system is warranted. The Commission revealed that members of for-profit retail superannuation funds were exposed to a host of risks through malpractices and exploitative behaviours as well as poor returns. Self-managed superannuation funds were also found to be associated with relatively high levels of risk. Whilst these funds can be perceived as creating an opportunity to control one's own investment strategy, they also offer little to no protection against, malpractice, poor decision-making and unforeseen events.

Approach, data and methods

With the aim of providing detailed evidence on the lived experience of risk in a financialised retirement income system, we collected data in interviews with a cross-section of retired, mixed-sex Australian couples. Retirees living in couple households comprise

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the majority (64%) of all retirees in Australia (Australian Bureau of Statistics [ABS], 2018–19). We focus on mixed-sex couples to bring to light intra-household gender relations within older households, an under-researched topic area.[4]

Our interviews were conducted in 2018–19 with 36 retirees across two capital cities and in one regional centre. Our interviewees were a purposive sample of retirees recruited using a number of strategies to ensure that a variety of retirement experiences were captured. We were aware that we ran the risk of recruiting a group of willing narrators who felt comfortable in placing their relationship and financial arrangements under our 'microscope'; in other words, there was a risk of recruiting a sample of relatively well-off retirees and couples with low levels of conflict within their relationship. We sought to minimise the potential impact of this factor by using professional and social networks to identify interviewees who might not otherwise have participated.

To achieve a cross-section of economic experiences, we first used criteria developed by the ARC Centre of Excellence in Population Ageing Research (CEPAR, 2018) and the Association of Superannuation Funds of Australia (ASFA, 2019) to identify three income categories: well-off, comfortable and modest. 'Well-off' households have a combined annual income over AUD 80,000. 'Comfortable' households have incomes between AUD 60,000 and AUD 80,000. The remainder live in 'modest' households, with annual incomes below AUD 60,000 – although those with household incomes below AUD 40,000 could perhaps be better classified as living in a 'precarious' situation.

Just over one-fifth (22%) of the households in our sample were 'well-off', 44% were 'comfortable' and one-third were classified as either 'modest' or 'precarious'. As such, despite our efforts, our data does still under-represent the experiences of modest or precarious households. CEPAR estimated that over two-thirds of all retiree couple households that were homeowners had an annual household income below AUD 60,000 (CEPAR, 2018) and one-fifth had an annual income below AUD 40,000. Retirees who were non-homeowners (both partnered and single) fared far worse with 84% living at a 'precarious' level (CEPAR, 2018: 8).

The conduct of the interviews was informed by feminist political economy research methods. This entailed, in part, avoiding an assumption commonly made in mainstream economics that the household would be functioning as a single unit. Reflecting this, each partner of the couple household was interviewed separately to ensure that both the male and female partner had an equal voice in describing the couple's experience of retirement. The approach also enabled an assessment of each partner's knowledge of income and assets within the household. We also utilised a typology developed by Broomhill and Sharp (2007: 86–88) to classify each couples' pre-retirement gender arrangements as being: traditional male breadwinner (male worker/female home-carer); modern male breadwinner (male full-time worker/female part-time worker and home-carer); or dual income household (both full-time workers/shared home-care).

Interviews were digitally recorded (with permission) and transcribed for analysis. In analysing the interview transcripts, we utilised the technique of 'reading between the lines' developed by Mills et al. (2014). This technique recognises that interviews are woven with stories, silences and emotions that provide a nuanced insight into the spoken and unspoken norms and practices operating within the household. A comprehensive summary of each interview was then prepared by the team member who conducted the

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interview. These were read and discussed several times by all members of the research team and through this process core ideas and concepts were identified for individuals and households. We utilised this technique to explore the complexities and contradictions in the ways that individuals negotiate the risks and challenges of retirement by themselves and with their partners. We found that the analysis benefitted from the involvement of all four members of our diverse research group which included male and female researchers with economics, political economy, history and sociological expertise.

The lived experience of risk in older, mixed-sex Australian couple households

We start our presentation of results on the financial risks and other challenges that older couples face in retirement with data from the group of retirees who were living in 'well-off' households. Pseudonyms have been used in the following accounts of the experiences of our interviewees to protect their privacy.

Well-off retiree couple households

While the increasing financialisation of the Australian retirement income system has produced increased risks for some it also has provided opportunities and rewards for others. We found that those 'well-off' retiree couples that we interviewed with annual combined incomes over AUD 80,000 not only enjoyed a living standard well above the average for the other retirees but also, in the main, experienced a higher degree of financial security and less exposure to risk.

The well-off older households that we interviewed tended to have had at least one partner in well-paid, secure employment throughout their working life. They also accumulated, through an early start on retirement savings and consistent contributions, a significant level of retirement savings. These households typically actively embraced an 'investor' ideology and identity that is promoted within the superannuation industry and by government. That is, they were actively engaged in the management of their superannuation and other assets and were knowledgeable about financial opportunities and issues. Often this was because of their class position, displaying the positive effect of cultural capital on managing their retirement income. Whilst it was often the male partner who was most influential in driving the household financial strategy, reflecting gender arrangements in the household pre-retirement, retirement planning seemed to be particularly successful for couples who were both committed to a shared investment strategy and who communicated easily about financial matters and decisions. Having access to good financial advice was also critical, as this provided access to information about the taxation concessions that are available for certain types of superannuation investments.

Sandra and Graham (age 90 and 92 years; traditional male breadwinner household) had a very solid portfolio of investments that sustained them very comfortably during their long period of retirement. They had a combined annual retirement income in excess of AUD 100,000. Key to their strong financial position was the fact that Graham's well-paid management position in a private financial institution gave him access to a

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defined-benefit superannuation scheme from the beginning of his employment. He also contributed additional savings throughout his career. He retired in 1991 with an annual indexed pension in excess of AUD 40,000, and a portfolio of other private investments that grew to over AUD 1.5 million. An additional post-retirement benefit, provided by his former employer, was access to a personal financial advisor for life. This assistance was instrumental in the multiplication of their investments in shares. Sandra herself retired with very little individual accumulated savings and Graham's financial experience placed him at the helm of the management of their finances, including her (small) investments. According to Graham, Sandra has little knowledge or interest in the management of their finances ('*she couldn't tell you what she's got*'). This points to a potential vulnerability for her in the future – she was not only dependent on Graham but may also need to manage his and her complex financial portfolio if she outlives him. To create some protection against this, Sandra and Graham are expecting their children to provide support to them in the management of their finances, if the need arises.

Brian and Cheryl (68 and 66 years; modern male breadwinner household) had a combined annual income of close to AUD 100,000 that came from a combination of industry superannuation accounts and a defined-benefit pension from his 22 years in the defence forces. A key to this couple's strong financial position in retirement was Brian's very focussed approach to contributing to his and her superannuation accounts, and their savings from early in his career. These savings were transferred into his industry superannuation fund on retirement. Brian began preparations for retirement very early on when they were in their 30s and he was later able to take advantage of the opportunities provided by the Superannuation Guarantee system in the 1990s, including by maximising his own and Cheryl's salary sacrificing. She had a little bit of super from her previous career but not a lot. However, once they were both working in administrative roles at an educational institution she started to put extra money away into superannuation. Their accumulation of a healthy retirement level of retirement savings also illustrates the value of a good financial advisor who helped this couple achieve a financial buffer against a range of external events and minimise their vulnerability to a range of risks faced by other households.

Patricia and Kevin (67 and 68 years; dual income household) had a combined annual income of more than AUD 80,000, derived from the proceeds of property investments complemented by their industry superannuation funds. Their journey towards retirement was not without its ups and downs. They learnt a lot from a disastrous initial investment and followed this up with a combination of professional advice, self-education and careful planning. Patricia perceived that the skills they developed in this process helped protect them against the risks associated with a changing and complex policy environment. These risks also demanded their continued engagement with the details of new policies. However, she feared that as they get older their capacity to keep abreast with policy changes is likely to decrease and their dependency on the quality of financial advice will rise.

Their experience also suggests that some risks can unexpectedly emerge in the transition from the pre-retirement phase for the accumulation of savings to actual retirement as the capacity to generate independent income and household needs substantially change. This household took a few years in retirement to develop their household budget as, in

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Kevin's words, '*how much you need in retirement is a mystery*'. Over time they had to review their retirement strategy to ensure that their investments were structured in a way that provided them with insurance against longevity and the deterioration of their physical and cognitive capacities. This included gradually transferring their retirement savings away from a self-managed super fund, which was becoming difficult to manage, to their individual industry funds, and streamlining their property investments to guarantee a fixed income and limited management demands.

Comfortable retiree couple households

According to the *Retirement Standard* developed by ASFA (2019), an annual combined income of between AUD 60,000 and AUD 80,000 enables a 'comfortable' living standard for retired couple homeowners, affording a variety of leisure activities, regular dining out, private health insurance, a reasonable quality car and quality clothing and some travel both domestically and internationally. Our interview data paints a similar picture. However, it also shows that although retired couple households with a 'comfortable' level of income achieve a relative high level of economic well-being, many are anxious about their financial situation, aware of the financial risks that they are exposed to.

Within the 'comfortable households' that we interviewed, men were more likely to control the household's financial resources, and sometimes did so with the assistance of a professional financial advisor. This pattern reflects, in part, men's greater level of superannuation assets (and, in turn, their greater participation in paid work over the life course), and how this placed them in the driver's seat to make key decisions about the use of the household's superannuation and other financial assets.

Helen and Steve (73 and 75 years respectively) were a traditional male breadwinner household prior to retirement and now had a combined annual income of a little more than AUD 60,000, supported by Steve's superannuation savings of around AUD 1.2 million which was drawn down at the minimal rate. Steve recognised that financially they are a lot better off than many retirees:

> *. . . we're lucky, because I had a good job, and we were able to accumulate what we've got. . . . We're paying for things, and we're living as we lived when we were working. See, now, we could cut back, but why should we?*

However, Steve was still anxious about their financial situation. Demonstrating the relevance of longevity risk, he expressed a concern that, although their current level of income was adequate, their retirement savings might not last long enough to see them through for the remainder of their lives:

> *I don't think you can ever feel that you're adequately prepared. . . . It's always a constant concern to me that I'm not going to have enough money to see out my life . . . And the fact that we are better off than most . . . still doesn't give me that satisfaction in knowing that my money's going to last, because you don't know what's going to happen.*

One of the reasons for Steve's insecurity derived from a previous experience when he discovered that the financial advisory firm managing his substantial lump sum retail

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superannuation account were charging grossly excessive fees. Outraged, he attempted to change to a not-for-profit industry fund but was persuaded by his financial advisor to stay with the commercial retail fund. His experience with poor quality superannuation schemes was not unique given that the 2018 Royal Commission uncovered widespread malpractice in the industry.

Steve's partner, Helen, on the other hand, believed that the Age Pension will provide them with an adequate safety net if, or when, their retirement savings run out. However, as the owner of the household's superannuation assets, Steve's conservative approach to spending – informed by an apparent strong commitment to a perceived breadwinner provider role within his relationship, and his risk aversion – prevailed in this household. This outcome illustrates how, in a retirement income system dominated by occupational superannuation, financially dependent spouses can often struggle to have their interests and preferences reflected in decisions about the use of household resources.

Another aspect of longevity risk was evident in Liz and Gary's situation (75 and 81 years old; traditional male breadwinner household). Gary had used a small inheritance to purchase a 16-year annuity when he was 65 in the expectation that this would adequately provide an income for himself and Liz for as long as needed. However, now at age 81, the annuity was due to expire. Gary never expected to live this long. The couple planned to access the Age Pension and both Gary and Liz were anxious about the reduced standard of living that this will entail.

In other comfortable older couple households, financial stress appeared to originate from prior instances of poor investment decision-making. For example, Greg (71; living with Lynn 72; dual income earner household), had, on retirement, opted to take a lump sum payment from his super and invest it in the stock market. His motivation was a concern that the balance on his superannuation account '*was not going to set us up enough*' into late retirement. He was confident in his capacity to manage his financial investments, although, his partner Lynn expressed great concerns over his under-preparation for such a task and her strong preference for the '*real safety of just having a (superannuation) pension*'. Around 1 year into Greg's venture the 2008 Global Financial Crises (GFC) hit, and the value of his investments declined dramatically. It was Lynn's '*worst nightmare*'. The retirement income of the couple never recovered. To offset losses, they both returned to part-time and casual work, preserved their retirement savings and, at Lynn's insistence, Greg made changes to the way his investments were allocated. At the forefront of Lynn's thinking, as with many other couples, was how to maintain a healthy financial position to allow for a degree of choice in their decisions about their future, specifically on health and aged care.

A further but related theme in the interview data from participants living in comfortable households was a sense of vulnerability to factors beyond one's control, or, as one participant expressed: '*you don't know what's going to happen*'. Financial market fluctuations were a source of anxiety and they were aware that something similar to the GFC could happen again. For some, as Greg and Lynne's story shows, the GFC had a devastating effect on their savings with knock-on effects on living standards and financial security. Robyn and Paul (72 and 74 years old respectively; modern breadwinner household), also lost out in the GFC after shifting superannuation assets into other investments. As with many other couples, Robyn and Paul were foregoing current living standards to

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preserve their capital and allow them to access quality aged care options, so that, as Paul noted, if it '*got to the point that we needed care, there would be money available to . . . get into anywhere decent . . . if you need care*'.

Judy and Peter (74 and 80 years old; dual income household) were locked out of home ownership by the GFC, Brexit, and some decisions that had turned out poorly. They had taken a 'lifestyle' decision to move to Europe after retiring but this turned out badly when the GFC, and later the threat of Brexit, depressed housing prices there. By the time that they had returned to Australia, the couple had sustained significant financial losses and decided to rent rather than re-enter the housing market. With rising property prices, the couple now expect to be renting for the remainder of their lives although they are concerned that the low interest they earn on their bank deposits will not be sufficient to maintain adequate rented housing.

The work involved in staying on top of finances in retirement when one's household has limited means was clearly apparent in an interview with Christine and Bob (both 77 years old; modern male-breadwinner household). The main source of income for this couple was two small superannuation funds (one each), their shares (described as '*not worth much*'), interest and cash deposits. Christine had worked part-time into her 70s and supplemented her income for a time with a part Age Pension, as part of a strategy to preserve her limited superannuation. She was behind their key financial decisions ahead of retirement including efforts to improve Bob's superannuation savings. Housing assets were also used to boost the household's cash position, with the family home sold to release part of the returns into his superannuation fund and so draw benefits from tax concessions that were available at the time. Earlier on, Christine had improved her superannuation balance by salary sacrificing. A significant part of Christine's current strategy is to ensure they will be able to access the Age Pension as soon as possible: *I keep a little tally so that I know when we'll be eligible to go back on the Pension*. A sense of the precariousness of their financial situation through their vulnerability to external events was conveyed by Christine when she expressed how they could be left with nothing:

> *You can panic about it but you can't change it. Tomorrow the whole global financial system could fall in a hole, and I could be left with nothing.*

Modest and precarious retiree couple households

ASFA (2019) describes 'modest' households as being able to afford basic activities relating to 'travel, dining out, etc; and were able to cover basic household bills'. Our interviews also showed that the experience of financial risk in these retiree households takes a different form from that experienced by their comfortable and well-off counterparts.

Many 'modest' couple households had arrived at (or were thrown into) retirement without sufficient financial resources, including superannuation savings, to support an adequate lifestyle. In many cases this was because their workforce participation had been limited or interrupted, or because they had been employed in low wage work. Their experiences demonstrate the risks in retirement that can result from a lack of regular and well-paid work over a standard (male) working life. Some of our participants said that

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they did not know how to navigate the complexities of superannuation and its interaction with Age Pension eligibility, having never seen this being done before. Managing finances was often a chore, just hard work, or a burden, rather than a source of power or autonomy.

A picture of the financial vulnerability that existed for households in this income group was conveyed by Heather and Roger (80 and 75 years old; a modern breadwinner household) who had worked well beyond the typical retirement age and did not formally retire until well into their 70s. Since then, the Age Pension has become their primary source of income. Heather said that she felt that they live on a knife's edge and were barely coping. She worried about their ability to survive should an emergency arise. Particularly frustrating for Heather is her lack of information on Roger's superannuation, the income derived from it and his decisions about it. Notwithstanding its impact on her living standard and economic security, Heather felt powerless to ask him about his finances. It is likely that, ultimately, she was held back by a view that the superannuation he accumulated is his only and that she has no entitlement to it. Given her sense of powerlessness and the on-going difficulties to cooperate around financial issues, it is not surprising that Heather said that they had given very little thought to how they will cope in the future.

Margaret and Michael (67 and 64 years old; modern male breadwinner household) were also in a precarious financial situation, with their situation revealing the risks associated with unemployment and ill-health. Their rough plan for retirement unravelled when Michael was unable to return to fulltime work after being retrenched during the GFC, when he was in his 50s, and, later, he faced impaired ill-health. Margaret had also reduced her work hours, to enable her to provide care to a sick sister. Their incomes never recovered and, thus, they were only ever able to build modest superannuation balances in private retail funds. Michael then had a negative experience with his retail superannuation fund in the 1980s, pointing to the risks involved in the choice of a superannuation fund:

> *. . . I'm not — haven't been in favour of superannuation funds being really useful or successful. And I know other people have got them and have done better than I did, but I just picked the wrong company.*

After this experience, Margaret and Michael turned to small property investments, which they had to sell, at some loss, ahead of her retirement. Dependent on income support payments until he reached retirement age, Michael had experienced a very high level of anxiety about his current financial situation, which was having a negative impact on his physical and mental health. He describes his situation as 'a bit distressing and overwhelming. . . So, in my retirement, this wasn't in the plan, trust me'.

While most of our interviewees benefited from the financial security provided by owning their home, a few were not in that fortunate position and this added substantially to their exposure to financial risk. Sue and John (59 and 69 years old; male breadwinner household), are a case in point. When John retired a financial adviser told them it would be best for him to transfer his superannuation savings to Sue so that he could get a full pension. This provided a much appreciated level of security to Sue and also proved to be

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very advantageous to them financially. Even so, John admitted he gave very little thought to retirement planning and didn't have a 'retirement plan'. However, it was obvious that their current position was underpinned by the free accommodation they received in return for the unpaid management of a tourist park. This arrangement was not a permanent one, and if (or when) Sue and John need to pay rent, their financial situation is likely to become precarious. Sue expressed her anxiety about their long-term prospects as they were already drawing down on their superannuation. Her backup plan was to buy a caravan and live in that if necessary.

Conclusion

Our study made use of the rich data generated by qualitative research methods to 'bring to life' the effects of a financialised retirement income system on the experiences of older Australians. The results of the study add important new details on the performance of the Australian retirement income system, complementing analyses that, to date, have been largely predictive of the effects of the shift towards superannuation and/or based on aggregated quantitative data.

The results of this investigation include that the nature and level of risk experienced by retirees is far from uniform. The data revealed that each of the three groups of households – well-off, comfortable and modest or precarious – experienced risk in their interaction with the 'three pillars' retirement income system, but this occurred in quite different ways and with different degrees of positive and negative outcomes.

Our interviews with 'well-off' retirees indicated that they had incomes and assets in retirement that protected them to a high degree from economic insecurity and helped to minimise their vulnerability to share market and other fluctuations. These retirees had clearly done very well as a result of accumulating healthy superannuation savings, often with the assistance of good financial advice and with the benefit of generous taxation arrangements for superannuation. They also generally displayed an enthusiasm to embrace what can be described as the 'investor culture' that is actively promoted within the superannuation industry and by government. In many cases we found that these retirees benefitted from drawing on advice from financial advisers for assistance with investment decisions and planning strategies. However, we found that a certain level of insecurity existed even within this group resulting from their exposure to the vicissitudes associated with market fluctuations and other unpredictable aspects of their financialised investments – including particularly uncertainty about the length of time that their retirement savings would need to be stretched and about what resources would be required in the future to meet their health and aged care needs. Some women, whose partners had taken responsibility for household finances, expressed considerable anxiety about how they would manage their financial affairs and resources after the death of their partner.

The households most obviously affected by the risks resulting from the financialisation of the retirement income system were those experiencing a 'comfortable' living standard. Those households most often relied on a mix of defined-contribution superannuation and Age Pension payments for their retirement income. Some also had attempted to self-manage at least a part of their savings – or had done so at some stage. Even while generally relatively secure financially at the time of interview, many were anxious about

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their futures and struggled to cope with some of the fundamental uncertainties and risks they might face in the future: Are my superannuation savings going to be adequate? What annual income will I need to continue to live comfortably? We found a very common theme was uncertainty about whether their retirement savings will last as long as required. Many had initially made judgements about their choice of retirement investments based upon an overestimation of the capacity of their savings and an underestimation of their long-term needs. The risks that they now perceived created a desire to 'self-insure' against external events, but many struggled to achieve this given the inflexibility of their income sources. Amongst these 'comfortable' retirees we noted a greater degree of concern about the high and increasing cost of health and institutional care should that be needed by one or both partners.

The interview data illustrated that the degree of risk and anxiety experienced by those on 'comfortable' retirement incomes was also linked to how their superannuation investment was managed. Almost half of all superannuation accounts are held in not-for-profit industry funds while approximately 30% are in commercial retail funds (ASFA, 2022). Those who derived their retirement income primarily from investments in not-for-profit industry superannuation funds generally expressed much higher levels of security and less concern about their level of risk than those whose investments were held in private retail funds or who dabbled in shares or property investments. We found that there existed a number who had embraced the 'investor culture' that was common amongst well-off retirees – but often these retirees lacked the resources to be as successful. Those who were more directly engaged in attempting to manage their own investments whether through a self-managed fund or through individual property or share market investments displayed higher levels of anxiety – often as a consequence of market instability.

For those whose living standards we described as 'modest' or 'precarious' the risks posed by the financialised retirement income system were less related to the inherent risks associated with managing one's superannuation assets over an uncertain timespan but, rather, their lack of such assets. However, the lived experiences of retirees in 'modest' households are most important as they demonstrate the risks posed by events such as unemployment, poor health and care responsibilities in a financialised retirement income system.

For a variety of reasons, including low wage employment and disrupted or truncated work histories, many of the interviewees living in modest households had few, if any, superannuation assets and their living standards were modest because of the low level of the Age Pension. The circumstances of those who didn't own their own home were precarious.

The Age Pension plays a critical role in Australia's retirement income system as it reduces the risks associated with labour market absence, low wage jobs, market upheavals and longevity. However, the decision of successive governments to progressively increase the age at which both men and women are able to access the Age Pension has undermined the financial position of those who need (for health or other reasons) to leave work early, or who have been forced out of their jobs. For many of the 'modest' participants in our study, prevailing policy rhetoric and media images also caused them to fear that the Pension would erode in value leaving them with an even more inadequate and insecure standard of living in the future. One concern was that if the Age Pension is

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defunded and if health and aged care continue to be privatised and become more expensive, the capacity of those dependent on the Pension to afford these essential services will disappear. For many of the 'comfortable' and 'well off' participants in our study, the thought of becoming dependent on the Age Pension also generated a feeling of anxiety and in many cases a degree of shame about the loss of self-reliance.

The notion of 'political risk' is relevant here; the risk of policy changes that can subvert retirees' efforts to successfully achieve the living standard that they anticipated (Borowski, 2013: 752–754). As noted, concerns were frequently expressed in the interviews about the possibility of policy changes that would further undermine the adequacy of the Age Pension. But retirees are also vulnerable to changes in the taxation arrangements on superannuation, as their reaction to a proposal by Labour in the 2019 Federal election to restrict access to franking credits showed (Bagshaw, 2019). In this instance, the strength of the electoral backlash against these proposals saw the credits (which flow largely to more wealthy retirees) retained at an estimated annual cost of AUD 6 billion (Bagshaw, 2019). As a consequence, however, the risk of further negative changes to the Age Pension (of greater importance to less wealthy retirees) has likely increased.

Across the different groups of households, the interview data also revealed many women, due to their relatively low levels of superannuation, struggle to have their needs and concerns around the use of household savings reflected in decision-making. That is, across all income groups we found women who were experiencing additional insecurity and risk as a result of an imbalance of power in their household and unequal access to information about the household's financial situation. This was more common in households which we categorised as traditional male breadwinner households and in modern male breadwinner households where the woman had worked part-time. This is a form of economic insecurity and inequality associated with the financialised retirement income system that is poorly recognised in policy discussions.

There were some modest households in our sample where the gender power balance had improved post-retirement. In these households, women had become more actively engaged in financial decision-making but largely as a result of the need for more careful management of a more restricted household budget. Some women in these households also now had access to a source of income of their own, as a result of their Age Pension entitlement. However, as the Age Pension is means-tested on household income and assets, in those households where the male partner has substantial superannuation assets, women's access to an independent source of income in retirement continues to be limited.

Overall, the interviews undertaken for this study illustrate that many of the problems that many retirees encounter in their experience with the retirement income system are linked to its financialised nature. Some of these problems stem from largely unregulated financial institutions engaging in a range of dubious practices that have put retirees at risk. The close integration of superannuation funds with financial markets results in retirees' savings being exposed to unpredictable financial market fluctuations such as occurred during the GFC. The dominance of a defined-contribution model for superannuation savings, underpinned by a neoliberal policy framework, reduces certainty for retirement incomes and, while this creates opportunities for some, for others it adds serious elements of unknown risk and insecurity.

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The current Australian retirement income system is highly regarded internationally for its financial sustainability and positive macroeconomic impacts. For many of our interviewees, the shift towards superannuation has also improved their retirement income beyond what they would have achieved under the existing state-provided Age Pension. However, these interviewees illustrate that the current system also has shortcomings that derive from its financialised structure that shifts many of the risks associated with the provisioning for retirement onto individuals. The experiences of older Australians that has been documented in this research shows that these risks are substantial and affect the quality of life experienced by many retirees – pointing to a need for significant structural and policy reforms to the Australian retirement income framework.

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Notes

1. Until recently, those employees earning less than $450 per month were excluded.
2. While the scope of this article does not allow for a full analysis of the phenomenon of financialisation, either globally or in Australia, this has been discussed in some detail elsewhere by the authors (see Broomhill et al., 2021) and further research is certainly warranted on this topic.
3. For a critique of this analysis see Broomhill et al. (2021).
4. We acknowledge the need for studies of same sex couples. Funding and other resource constraints prevented including such households in our study.

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Author biographies

Siobhan Austen is an Emeritus professor of Economics at Curtin University and Director of Women in Social and Economic Research (WiSER). Her research expertise is in the economic analysis of the gendered aspects of key social and economic policy debates around population ageing, retirement incomes and labour force participation.

Ray Broomhill is an adjunct associate professor at the School of Social Sciences at the University of Adelaide. His research interests apply a ‘regulation’ approach to Australian political economy issues. They include the impact of neoliberal globalism on the role of the Australian state at federal and local levels, and effects of restructuring on households, gender relations and the Australian ‘male breadwinner’ model.

Monica Costa is an economist and gender and development researcher. Her research has focussed on the gendered impacts of retirement incomes policies, government budgets and aid policies. She has worked on research projects and as a gender advisor to governments, UN agencies and International NGO in Australia, Portugal, Timor Leste, Solomon Islands and Indonesia.

Rhonda Sharp is Emeritus professor at the University of South Australia and former professor of Economics and Research Chair and at the University of South Australia. The focus of her work has been to integrate a gender perspective into economic and social policies and government budgets through research, and working with governments, non-government organisations and international agencies.

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