

THE UNIVERSITY OF  
SYDNEY

# Why we need CIIPRs.

Susan Thorp

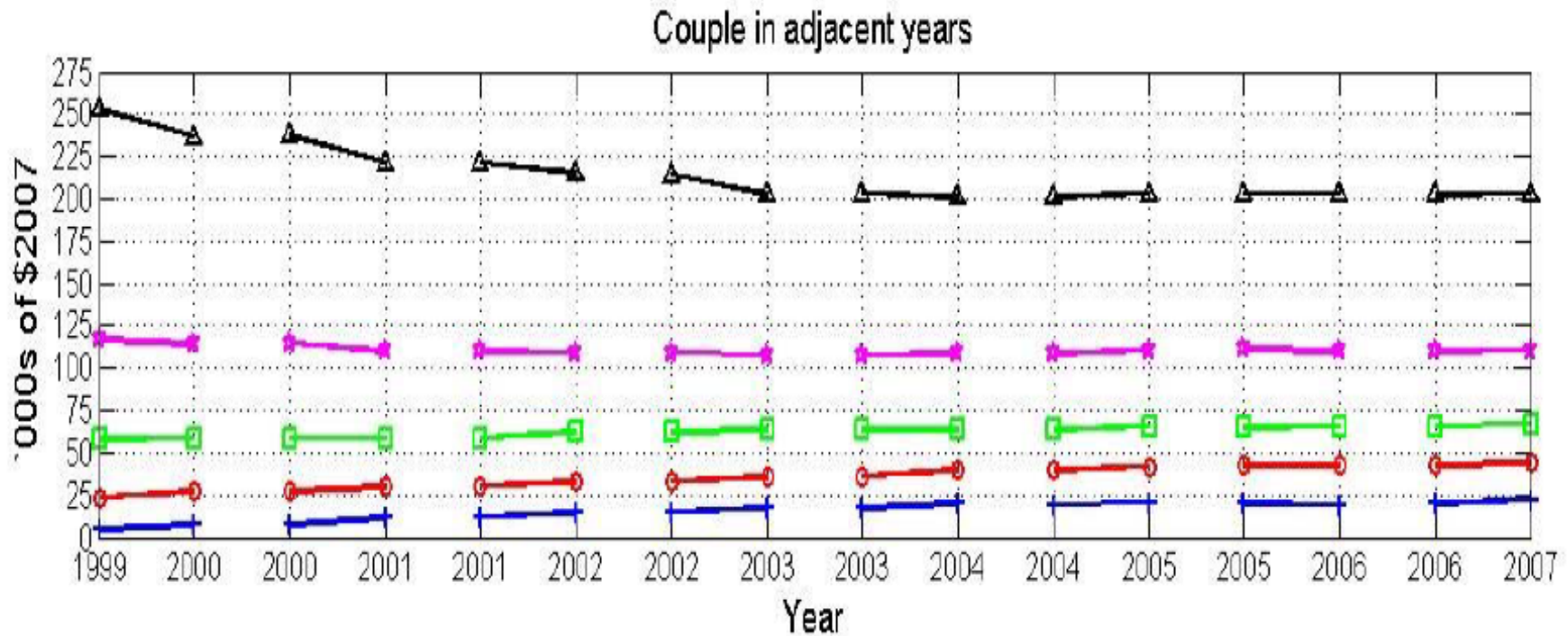
The University of Sydney Business School

Economic and Social Outlook Conference, 2015

Uncertainty makes it hard to know how to slice the retirement cake.

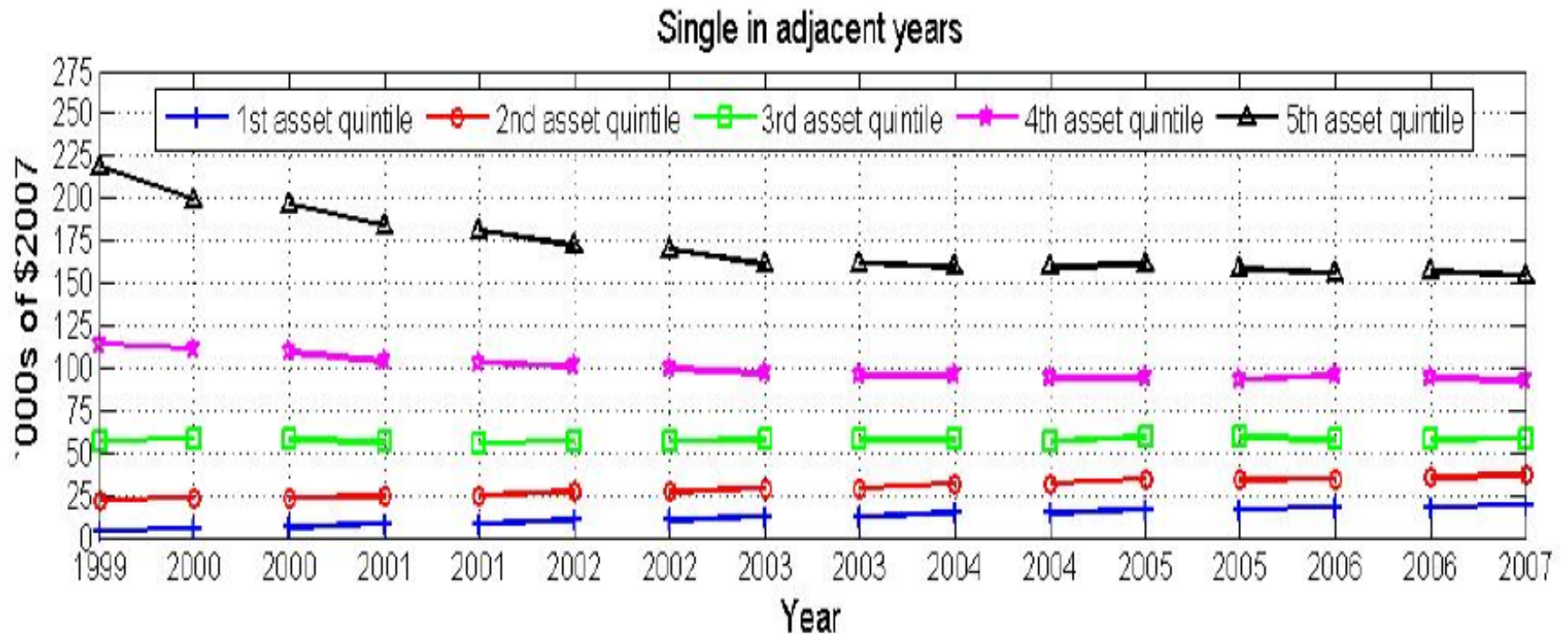


# Most pensioner households preserve their wealth; some save.



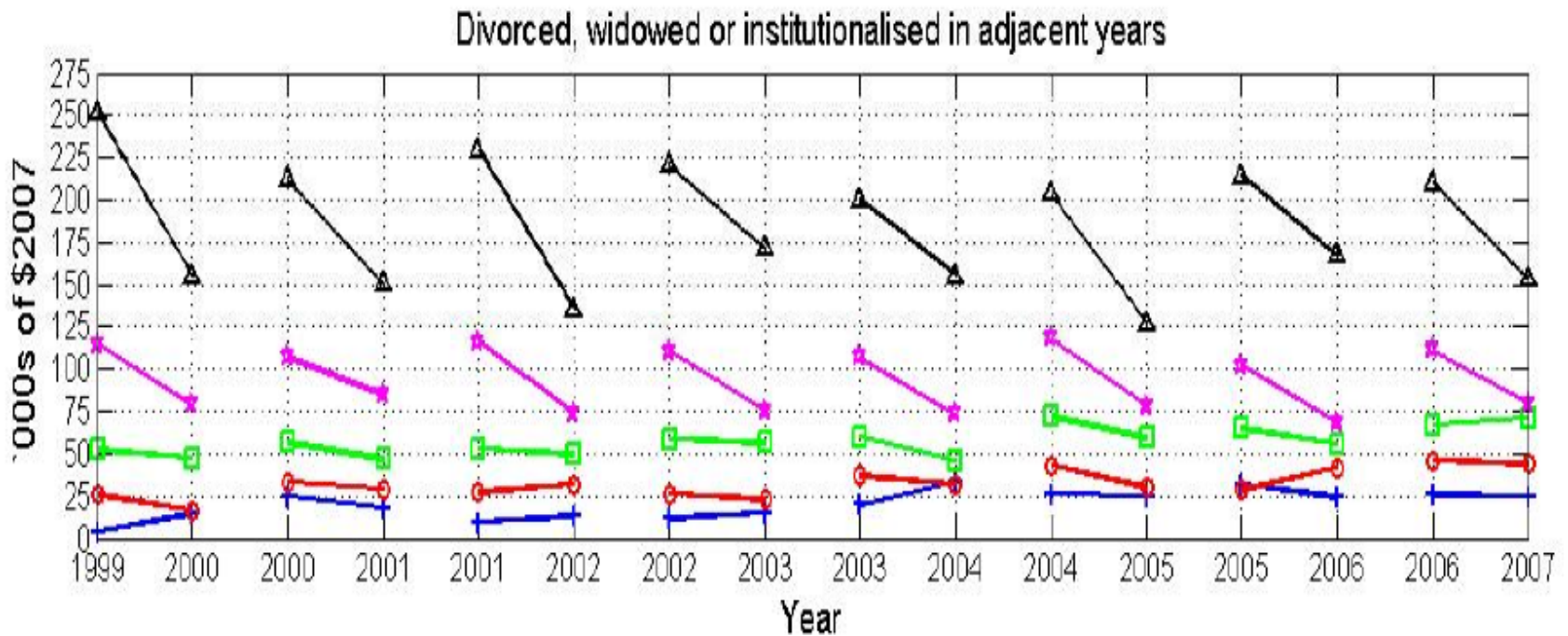
Source: Wu, Asher, Meyricke, Thorp (2015) "Age Pensioner Profiles", Figure 4.

# Even poor singles preserve wealth at older ages, on average.



Source: Wu, Asher, Meyricke, Thorp (2015) "Age Pensioner Profiles", Figure 4.

# Losing a partner or moving into aged care affects wealthier pensioners.



Source: Wu, Asher, Meyricke, Thorp (2015) "Age Pensioner Profiles", Figure 4.





# Is there much icing on the cake?

<b>Age Pensioners 1999-2007</b>			
	<i>60-69 yrs</i>	<i>70-79 yrs</i>	<i>80+ yrs</i>
<b>Annual consumption (\$2007)</b>			
Singles	\$18,600	\$17,800	\$15,900
Couples	\$29,700	\$27,700	\$25,500
<b>ASFA comfortable lifestyle standard (\$2007)</b>			
Singles	\$33,000	\$33,000	\$29,500
Couples	\$45,000	\$45,000	\$41,445

Source: Wu, Asher, Meyricke, Thorp (2015) "Age Pensioner Profiles", Table 6.



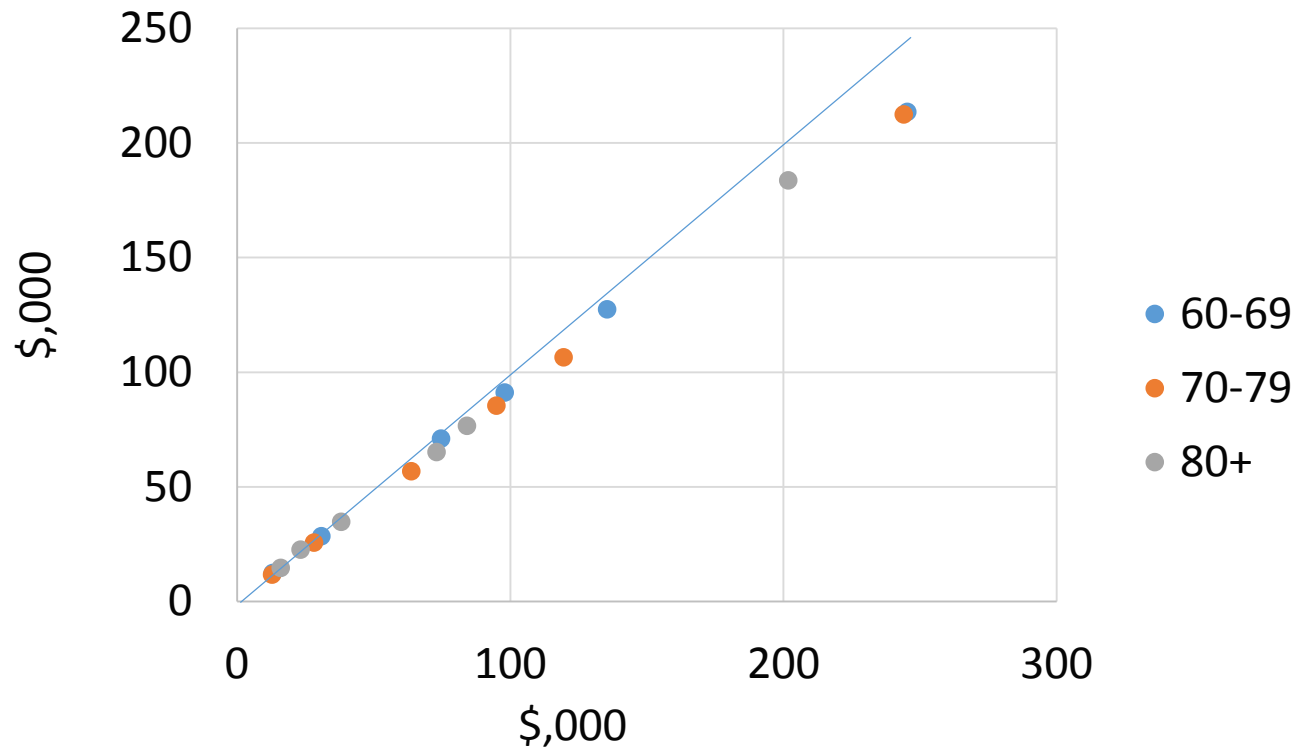
# MORNINGS

MORNINGS SHOULD WE SPEND THE KIDS' INHERITANCE?



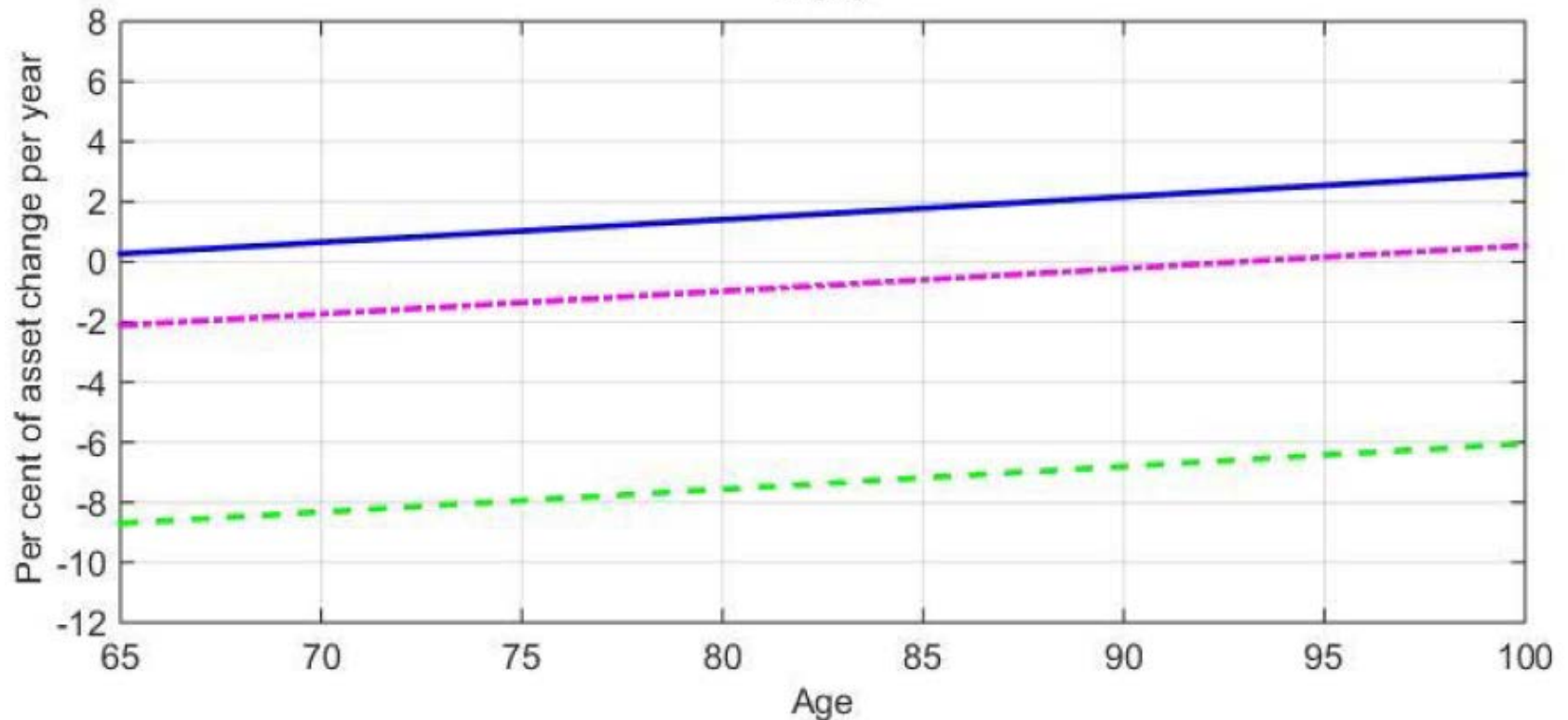
# Most of the cake stays uneaten.

Median residual assessable assets of  
partnered pensioners: last obs/first obs



# Part-pensioners have higher spending rates.

Male



Fitted decumulation rates for male full-rate, income-taper and asset-taper pensioners, by age. Wu et al. (2015, Figure 6).

# CIIPR: Comprehensive Income, Insurance and Intergenerational equity products for retirement

## **Income**

- CIPRs can distribute “income” from current earnings AND enable prudent decumulation of capital

## **Insurance**

- CIPRs could offer insurance against aged care costs, medical expenses and other shocks, not just longevity; reduce buffer stock savings

## **Intergenerational equity**

- Do we want tax-preferred super savings to become *inter vivos* gifts or bequests?