



**MODORAS**  
Financial Performance Solutions

# HOW MUCH IS ENOUGH IN RETIREMENT?

Australians can generally expect to live for another 20 years or so after they retire. How much money is needed to adequately fund the golden years?

It's a question many people ask at some stage in their working lives: How much money will I need to retire comfortably?

The answer to that question depends on a number of factors, including:

- whether you enter retirement debt-free — for example, will you have paid off your mortgage by then?
- the type of lifestyle you want in retirement — will a modest lifestyle suffice, or do you want to be comfortable (see section over) — and what does the word 'comfortable' mean to you?

Because a comfortable retirement looks different to everyone, there's no one-size-fits-all amount of income required in retirement.

If you own your own home, a rule of thumb is that you'll need two-thirds (67%) of your pre-retirement income to maintain the same standard of living in retirement.





Another is that every \$100,000 you've invested may generate a sustainable income of \$5,000 a year, subject to investment returns. But in reality, how much is needed will be different for everyone. And there is so much to consider. To find out the figure that suits you, call a Modoras planner.

### 'Comfortable' vs 'modest' retirement

Knowing what lifestyle you would like to live in retirement is a vital consideration to knowing how much is enough. As a guide, the Association of Superannuation Funds of Australia (ASFA) release a 'retirement standard'.

The standard outlines the budgets needed by the average Australian — singles and couples — to fund a 'comfortable' and a 'modest' standard of living.

Both budgets assume the retirees own their own home outright and are relatively healthy.

#### How much do I need for a comfortable retirement?

The following lump sums assume the retirees will draw down all their capital and receive part Age Pension.

Category	Savings required at retirement
Comfortable lifestyle for a couple	\$640,000
Comfortable lifestyle for a single person	\$545,000

All figures in 2018 dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6 per cent.

Everyone's idea of a 'comfortable' retirement differs. While ASFA's Retirement Standard — the budget needed to fund a comfortable retirement — may be adequate for some people, it won't be for others.

For example, if you want to go on an extended overseas holiday every year, you'll probably need more than the standard amount of retirement savings.

That's why it's important for you to get personal advice from a qualified financial planner.

They can assess your financial and lifestyle goals and requirements and then put forward recommendations to help you achieve them.

If you live longer than expected and don't qualify for the Age Pension, you're going to need more at retirement than the AFSA standard.

The following table shows the lump sums our financial modelling says retirees will need if they stop working at 65, fully self-fund their retirement, live until they're 88, and draw down all their capital.

Category	Savings required at retirement
Comfortable lifestyle for a couple	\$1,054,300
Comfortable lifestyle for a single person	\$745,860

All figures in 2021 dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6 per cent.

#### How much do I need for a modest retirement?











ASFA's 'modest lifestyle' lump sums are relatively low due to the fact the base rate of the Age Pension (plus various pension supplements) is sufficient to meet much of the expenditure required as this budget level.

Category	Savings required at retirement
Comfortable lifestyle for a couple	\$70,000
Comfortable lifestyle for a single person	\$70,000

All figures in 2018 dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6 per cent. The fact that the same savings are required for both couples and singles reflects the impact of receiving the Age Pension.



## ASFA Annual Budgets — for those aged around 65 (June quarter 2021)

	Comfortable Lifestyle	Modest Lifestyle	Age Pension <sup>1</sup>
<b>Single</b>	\$44,818	\$28,514	\$24,770
<b>Couple</b>	\$63,352	\$41,170	\$37,341
	Replace kitchen and bathroom over 20 years	No budget for home improvements. Can do repairs, but can't replace kitchen or bathroom	No budget to fix home problems like a leaky roof
	Better quality and larger number of household items and appliances and higher cost hairdressing	Limited number of household items and appliances and budget haircuts	Less frequent haircuts or getting a friend to cut your hair
	Can run air conditioning	Need to watch utility costs	Less heating in winter
	Restaurant dining, good range & quality of food	Take out and occasional cheap restaurants	Only club special meals or inexpensive takeaway
	Fast internet connection, big data allowance and large talk and text allowance	Limited talk and text, modest internet data allowance	Very basic phone and internet package
	Good clothes	Reasonable clothes	Basic clothes
	Domestic and occasional overseas holidays	One holiday in Australia or a few short breaks	Even shorter breaks or day trips in your own city
	Top level private health insurance	Basic private health insurance, limited gap payments	No private health insurance
	Owning a reasonable car	Owning a cheaper more basic car	No car or, if you have a car, it will be a struggle to afford repairs
	Take part in a range of regular leisure activities	One leisure activity infrequently, some trips to the cinema or the like	Only taking part in no cost or very low-cost leisure activities. Rare trips to the cinema

1. From 20 March 2020, including the maximum basic rate, maximum pension supplement and energy supplement.



The AFSA Retirement Standard methodology was last reviewed in April 2018 and annual-budget figures are updated quarterly to reflect the Consumer Price Index. For the latest figures, visit the 'AFSA Retirement Standard' web page .

(The AFSA also publishes budgets for various households and living standards for those aged around 85.)

## How to boost your retirement income

Your super is intended to form a substantial part of your retirement income.

And yet, according to the AFSA, average superannuation balances at the age of retirement (assumed to be age 60 to 64) in 2015–16 were \$270,710 for men and \$157,050 for women.

This is obviously well short of the \$545,000 – \$745,860 a single person needs today for a comfortable retirement. For more information, read our Growing your super for a better retirement fact sheet.

## Get expert advice

Planning for your retirement is complex and everyone's situation is different.

That's why we recommend you get personal advice from one of Modoras's qualified and experienced financial planners.

For example, we can help you with a cost-benefit analysis of using extra money to pay off your home loan sooner versus making extra super contributions or investing in other assets.

It's never too late to plan for your retirement; the sooner you start, the more likely you are to reach your retirement-savings goal.

Contact us for a complimentary consultation at [info@modoras.com](mailto:info@modoras.com) or 1300 888 803.

## Complete financial care is a phone call away.

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