



**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.**





## 'Comfortable' vs 'modest' retirement

As a guide, the Association of Superannuation Funds of Australia (ASFA) release a retirement "standard", which shows what average Australians will need to fund for both a "comfortable" and "modest" standard of living. Both budgets assume that you own your own home outright and are relatively healthy.

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

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

Figures provided are in 2022 dollars based on March 2022 quarter using price inflation of 2.5%. This assumes an income of \$47,837 per year for singles, and \$65,445 per year for couples.

### 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
Modest lifestyle for a couple	\$70,000
Modest lifestyle for a single person	\$70,000

Figures provided are in 2022 dollars based on March 2022 quarter using price inflation of 2.5%. This assumes an income of \$29,366 for singles, and \$42,449 for couples. The fact that the same savings are required for both couples and singles reflects the impact of receiving the Age Pension.

Everyone's idea of a 'comfortable' retirement differs. The kind of questions you need to consider are the number and type of holidays you plan to take; the kinds of hobbies, dining, and activities you wish to pursue; whether you plan any extensive renovations or upgrades at home; and what kind of financial legacy you wish to leave to your family.

### So how much is really enough?

Modoras has been helping thousands of Australians find financial security and freedom for 40 years. Because a comfortable retirement looks different to everyone, we know that there is no one-size-fits-all amount of income or investments for retirement.

If you own your own home, a rule of thumb is that you'll need two-thirds 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.

Cost of living and inflationary pressures can also effect your retirement savings, making it even more important to ensure you are prepared for life's ups and downs with tailored financial advice.

If you retire at 65, draw down on all your capital, and live to 88 years, **you're going to need more at retirement than the AFSA standard to be comfortable.** Our conservative modelling shows that couples will need a minimum of \$900k to maintain their existing lifestyle once retired – but depending on your goals, it is likely to be a much higher figure.

**That's why it's so important to get tailored advice and a plan to achieve your retirement nest-egg from one of the Modoras qualified and experienced financial planners.**



## ASFA Annual Budgets — for those aged around 67 (March quarter 2022)

	Comfortable Lifestyle	Modest Lifestyle	Age Pension <sup>1</sup>
<b>Single</b>	\$46,494	\$29,632	<b>\$21,222 a year *</b> \$25,155 with supplements
<b>Couple</b>	\$65,445	\$42,621	<b>\$31,995 a year *</b> \$37,924 with supplements
	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 ABS, average superannuation balances at the age of retirement (assumed to be age 65 to 74) in 2022 were \$435,900 for men and \$381,700 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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