

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	Saving required for retirement at age 67
Comfortable lifestyle for a couple	\$690,000
Comfortable lifestyle for a single person	\$595,000

Figures provided are based on an average weekly earning of 2.75% and an assumed investment earning rate of 6%. This assumes an income of \$51,805 per year for singles and \$73,077 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	Saving required for retirement at age 67
Modest lifestyle for a couple	\$100,000
Modest lifestyle for a single person	\$100,000

Figures provided are based on an average weekly earnings of 2.75% and an assumed investment earning rate of 6%. This assumes an income of \$32,897 for singles and \$47,470 for couples. The fact sheet indicates that the same savings are required for both couples and singles, reflecting 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 (December quarter 2024)

	Comfortable Lifestyle	Modest Lifestyle	Age Pension ¹
Single	\$51,805	\$32,897	\$27,334 a year * \$29,874 with supplements
Couple	\$73,077	\$47,470	\$41,210 a year * \$45,037 with supplements
	Top level private health insurance, doctor/specialist visits, pharmacy needs	Basic private health insurance, limited gap payments	No private health insurance
	Fast Reliable internet/telco subscription, computer/android mobile/streaming services	Basic mobile, modest internet data allowance	Very basic mobile and limited internet connectivity
	Own a reasonable car, car insurance and maintenance/upkeep	Owning a cheaper, older, more basic car	Limited budget to own, maintain or repair a car
	Regular leisure activities including club membership, cinema visits, exhibitions, dance/yoga classes	Infrequent leisure activities, occasional trip to the cinema	Rare trips to the cinema
	Home repairs, updates and maintenance to kitchen and bathroom appliances over 20 years	Limited budget for home repairs household appliances	Struggle to pay for repairs, such as leaky roofs or major plumbing problem
	Regular professional haircuts	Budget haircuts	Less frequent haircuts, or self-haircuts
	Confidence to use air conditioning in the home, afford all utilities	Need to keep a close watch on all utility costs and make sacrifices	Limited budget for home heating in winter
	Occasional restaurant meals, home-delivery meals, take-away coffee	Limited meals out at inexpensive restaurants, infrequent home-delivery or take-away	Only local club special meals or inexpensive take-away
	Replace worn-out clothing and footwear items, modest wardrobe updates	Limited budget to replace or update worn items	Very basic clothing and footwear budget
	Annual domestic trip to visit family, one overseas trip every seven years	Annual domestic trip or a few short breaks	Occasional short break or day trip in your own city

1. From 20 March 2025, 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 \$595,000 for singles and \$690,000 for couples need 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 or 1300 888 803.

Complete financial care is a phone call away.



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