

FINANCIAL REVIEW

# Calculating the cost of growing old

According to statistics, the average superannuation balance isn't nearly enough to maintain retirees in a comfortable lifestyle.



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TECH TALK

HAVE you had a close look at your budget lately? You know what I'm talking about – a detailed analysis of your income and expenditure, that is the money that comes in and the money that goes out. You might be surprised. I know I always am when I look at it under a microscope – but I do find being conscious of the \$50 a week I spend on coffees is at least a start.

Retirees need to be even more aware of their spending. The Association of Superannuation Funds of Australia (ASFA) has, for the past few years, been looking at how much retirees need to spend each year for either a comfortable or modest retirement.

But take note, even the modest lifestyle expenditures are above the pension level. So if you're thinking that a budget of \$21,957 a year is a pretty frugal way of living, then consider aged pensioners who are on \$19,468.80 a year.

A couple needs \$31,767 a year for a lifestyle considered modest and \$55,316 for a retirement defined as comfortable.

A comfortable couple will spend more on their weekly food budget – almost \$195 versus \$157; internet and phones, \$32.21 compared to \$16.12 weekly; and things such as household appliances, \$11.47 a week versus \$2.91 a week.

That weekly communication budget for a

## How much is enough in retirement?

ASFA RETIREMENT STANDARD	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11
Comfortable (couple, per annum)	\$48,648	\$50,561	\$51,437	\$53,729	\$55,316
Comfortable (single)	\$36,319	\$37,829	\$38,403	\$39,302	\$40,412
Modest (couple)	\$26,339	\$27,454	\$27,902	\$30,557	\$31,767
Modest (single)	\$18,742	\$19,617	\$19,901	\$21,132	\$21,957

Source: ASFA



modest couple equates to \$70 a month. When was the last time you spent less than that on combined internet, home phone and mobile phone in a month?

Clothing is another area where, if you want to enjoy a comfortable retirement, you have to spend double – \$3070 a year for a couple versus \$1535 for a modest couple. No designer brands included in either of those budgets.

Unfortunately, your health will also be impacted by how much you can afford to spend, with comfortable couples able to afford more health cover, gap payments and products at the chemist.

They can eat out more often, go on better holidays and even afford a better drop of tippie. Their total weekly expenditure is \$1060.86 versus the modest couple's \$609.24.

But to afford the better kind of lifestyle when you need it most, you're going to need a fair chunk of money at retirement. How much? A sum of \$510,000 if you're a couple and \$430,000 if you're single – and that assumes you will receive part of an age pension.

The unfortunate thing is most of us won't get there unless we're on a fairly sizeable annual income.

ASFA has also calculated the size of the balance we're likely to retire with on certain incomes. With a 9 per cent superannuation guarantee on a salary of \$30,000 for 30 years you will end up with an end balance of just \$110,000. On a salary of \$50,000 you'll have \$183,000 and on \$100,000 you'll end up with \$366,000. If the superannuation guarantee were 12 per cent instead of 9 per cent, those balances would be \$146,000, \$244,000 and \$487,000 respectively.

That last number is the only one anywhere near what we might need to support our comfortable retirement.

But here's some more bad news. Current average superannuation balances on retirement are nowhere near any of these numbers.

Average superannuation payouts in retirement in 2009-10 were \$198,000 for men and \$112,600 for women. That is far greater than what they were four years prior – in 2005-06 they were only \$136,000 for men and \$63,000 for women – but still not enough.

And while you're contemplating how comfortable or modest you want retirement to be, consider this: neither of the ASFA retirement standards allow for gifts of any kind. So if you want to be able to spoil the grandkids, you'll have to budget for that, too.