

## Saving for Retirement

Case study 1

### Did you know?

It's a scary fact, but most Australians won't have saved enough money by the time they retire to enjoy a comfortable retirement<sup>1</sup>. What's more, women are more likely to be worse off than men, with many living in poverty during retirement<sup>2</sup>.

And, because we're all living longer, there are more people relying on the Government Age Pension than ever before. However, recent research<sup>1</sup> shows that the Age Pension will not be enough for an average couple to enjoy even a modest lifestyle in retirement (see table).

This fact sheet gives you general advice about how you can make sure you have enough money set aside to enjoy the retirement lifestyle you want. And, it's not that hard to do. You just need to get started sooner rather than later.

### How much is enough?

As a guide, your final account balance on retirement should be roughly equal to six times your final salary. However, ASFA found the average payout to be much lower than this, with women retiring on \$63,000 and men on \$136,000<sup>1</sup>. When you look at the amount of money you need to spend to enjoy a comfortable lifestyle, compared with these average balances, the figures are quite confronting. The following table shows you what we mean:

### Average National Weekly and Annual Budgets for Retired Couples and Single Females

	Modest lifestyle – single	Modest lifestyle – couple	Comfortable lifestyle - single	Comfortable lifestyle – couple
Housing – ongoing only	\$56.67	\$54.40	\$65.68	\$76.14
Energy	\$32.19	\$42.76	\$32.67	\$44.31
Food	\$74.88	\$155.10	\$106.97	\$192.54
Clothing	\$17.49	\$28.39	\$37.86	\$56.79
Household goods & services	\$25.61	\$34.73	\$72.05	\$84.40
Health	\$34.41	\$66.41	\$68.27	\$120.49
Transport	\$90.98	\$93.56	\$135.58	\$138.16
Leisure	\$72.60	\$108.17	\$220.02	\$301.51
Communications	\$9.17	\$16.05	\$25.19	\$32.06
<b>Total per week</b>	<b>\$414.00</b>	<b>\$599.56</b>	<b>\$764.28</b>	<b>\$1,046.39</b>
<b>Total per year</b>	<b>\$21,587</b>	<b>\$31,263</b>	<b>\$39,852</b>	<b>\$54,562</b>

Source: Westpac ASFA Retirement Standard, June 2011. Figures assume home ownership.

From the table – and using the average balances mentioned earlier – you can see that, even to enjoy a modest retirement lifestyle, a single woman would only have enough money for about two years, while a couple could only exist on their savings for about seven years.

This is really bad news when an average couple retiring at age 65 can expect to live about another 20 years<sup>4</sup>.

When you add to the mix **the things you can enjoy** on a comfortable budget versus **those you can't** on a modest income the reality hits home.

## So, what do I actually need for retirement?

To give you a realistic idea of what this all means, take a look at the following table. It shows the lump sum amount you'd need upon different retirement ages for both a modest and a comfortable retirement:

Age	Modest Single	Modest Couple	Comfortable Single	Comfortable Couple
60	\$314,931	\$456,217	\$586,841	\$802,696
65	\$282,487	\$409,297	\$526,384	\$720,002

Source: Western Financial. Assumptions: Net return of 8% pa, 3% pa inflation, no allowance for Age Pension, projections to age 86 (ie the female life expectancy at age 60 and 65), single person amounts assume home ownership. All figures in today's dollars.

## Work it all out online

Obviously, nobody wants to be in this situation. To avoid it and lead the sort of retirement you want, you need to make sure you have enough money saved.

You can easily work out how much you'll need, by using the 'Retirement Planner' calculator at [www.moneysmart.gov.au](http://www.moneysmart.gov.au)

Simply fill in the gaps where prompted with your information and the calculator will do all the rest. It will even tell you how much you need to be saving each year to get you there.

## Getting where you need to go

If you need to start saving extra to reach your retirement goal, there are simple ways of doing this. You can:

- » **Top up your super** – through concessional (eg salary sacrifice) and/or non-concessional (after-tax) contributions. You might even benefit from the co-contribution if you make non-concessional contributions. Many employers will put in some extra if you do.
- » **Merge your super** – combining all your super accounts may save you paying extra fees but be sure to check for exit fees and loss of insurances;
- » **Split your contributions** – there could be tax advantages.

Check out our separate **Super Saving Tip** brochures for more information on growing your retirement savings. You'll be surprised how quickly you'll be on your way to financial freedom.

## Expert advice on hand

If you'd like to chat with someone about your retirement needs, our friendly financial advisers are always on hand to help. Just call us on 08 9480 3500 or 1300 99 85 42 (country WA).

The information in this document, issued August 2011, is of general nature only and does not take your personal investment objectives, financial situation and needs into account. You should assess whether any advice is appropriate to your individual investment objectives, financial situation and particular needs before making any investment decision. You should also consider seeking the assistance of a professional adviser. You should also read the Funds Product Disclosure Statement.

<sup>1</sup> Retirement Savings Update, ASFA Research Report, February 2008. <sup>2</sup> Submission to the Productivity Commission, Dr Diana Olsberg, Director University of New South Wales Research Centre on Ageing and Retirement. <sup>3</sup> Westpac ASFA Retirement Standard, June 2011. <sup>4</sup> ABS, Australian Life Tables, 2000 – 2002.

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