

The ASFA Retirement Standard

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Association of Superannuation Funds of Australia

ASFA

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What is the ASFA Retirement Standard?

The ASFA Retirement Standard benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years. It is updated quarterly to reflect inflation, and provides detailed budgets of what singles and couples would need to spend to support their chosen lifestyle.

Few people know exactly how much money they will need to spend each year to fund a comfortable lifestyle in retirement. The ASFA Retirement Standard has been developed to help with this problem by objectively outlining the annual budget needed by Australians to fund a comfortable standard of living in the post-work years.

The Standard is updated quarterly to reflect inflation, and provides detailed budgets for both singles and couples.

The Standard was first introduced in 2004 and has since been revamped to give Australians a more comprehensive picture of how much they need to spend to support their retirement lifestyle. The revised Standard reflects changes in living standards, new expectations of retirees and their evolving spending patterns. In particular, the budgets for Communications, Health, Energy, Clothing, Household goods and services, Recreation and Transport has been updated. Australians can now get a more comprehensive picture of how much they need to spend to support their retirement lifestyle. The revised standard now incorporates expenditure on:

Communications – reflecting the increased number of retirees who want a mobile phone and broadband internet connection to keep in touch with friends and relatives. Changes have been made in both the comfortable and modest budgets.

Private health insurance – the cost of this is now included in the ‘Health’ budget for both lifestyles, reflecting that a majority of retirees hold private health insurance.

Energy – the allocation for this is now more in line with contemporary levels of cost in this area.

Clothing – this budget is now based on more diverse shopping patterns for both modest and comfortable lifestyles.

Household goods and services – now includes the costs of computer equipment upgrades as well as services such as hairdressing and personal care items. The “comfortable” standard budget includes air conditioning, home alarm system, and regular pest inspections .

Recreation – this budget has been substantially amended and now amongst other things includes the costs of membership of social and sporting clubs. There is also allowance for the costs of eating out and other excursions. A “comfortable” budget allows for the purchase of sporting items such as golf clubs or fishing gear.

Transport – now reflects the increased costs for a retiree to own, maintain and run a car.

These changes to the ASFA Retirement Standard will ensure that it remains relevant to the needs of both retirees and those planning for retirement. The enhancements made will also make it easier for retirees to adjust for major spending changes such as rapidly increasing energy prices. Focus groups, comprising of retirees, were engaged in developing the revised Standard to ensure that it reflects the real needs of real people.

Budgets for various households and living standards (Dec. Quarter 2010)

	Modest lifestyle – single	Modest lifestyle – couple	Comfortable lifestyle – single	Comfortable lifestyle – couple
Housing – ongoing only	\$55.96	\$53.71	\$64.85	\$75.18
Energy	\$30.62	\$40.67	\$31.08	\$42.15
Food	\$72.78	\$150.75	\$103.97	\$187.14
Clothing	\$17.62	\$28.61	\$38.14	\$57.22
Household goods and services	\$26.02	\$35.28	\$73.19	\$85.74
Health	\$33.12	\$63.92	\$65.71	\$115.97
Transport	\$88.63	\$91.14	\$132.07	\$134.59
Leisure	\$73.03	\$108.80	\$221.31	\$303.28
Communications	\$9.16	\$16.03	\$25.17	\$32.04
Total per week	\$406.94	\$588.91	\$755.49	\$1,033.31
Total per year	\$21,218	\$30,708	\$39,393	\$53,879

The figures in each case assume that the retiree(s) own their own home and relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement. Single calculations are based on female figures.

What is considered a Modest and Comfortable retirement lifestyle?

A modest retirement lifestyle is considered better than the Age Pension, but still only able to afford fairly basic activities.

A comfortable retirement lifestyle enables an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things as; household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel.

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

The difference between the two budgets mainly relates to the extra items included in the Comfortable Budget. These include items such as being able to update the kitchen or bathroom at some stage, some wine, eating out from time to time, being able to entertain family or friends at home, private health insurance at the top rate, purchasing magazines and CDs, an economy overseas holiday and being able to afford additional alcohol or purchase tobacco or make gifts.

Retirement savings needed to support either a comfortable or modest retirement standard

Table: Lump sum retirement benefits after 30 years in a taxed fund

Tax treatment and contribution level	Wage of \$30,000	Wage of \$50,000	Wage of \$100,000
9% contributions and investment earnings taxed at current rates.	\$110,000	\$183,000	\$366,000
Lump sum if contributions made at the rate of 12% of salary.	\$146,000	\$244,000	\$487,000
Lump sum needed to support comfortable lifestyle for a couple (assumes receipt of part Age Pension).	\$510,000	\$510,000	\$510,000
Lump sum needed to support comfortable lifestyle for a single person (assumes receipt of part Age Pension).	\$430,000	\$430,000	\$430,000

All figures in today's dollars (using 3.75% AWE as a deflator), investment earning rate of 7% assumed. Annual expenditures needed for a comfortable lifestyle are as at September 2010 \$39,302 for a single, \$53,729 for a couple.

The lump sums needed for a modest lifestyle are relatively modest, being \$50,000 for a single and \$35,000 for a couple as the required expenditures of \$21,132 for a single and \$30,557 are mostly met by the Age pension of \$17,165 for a single and \$25,878 for a couple (with a pension supplement also available).

Super Guru Website

Detailed information on the ASFA Retirement Standard can be found on ASFA's dedicated consumer website, Super Guru (www.superguru.com.au).

Super Guru, which has been developed with the support of the Victorian Government and its Collaborative Internet Innovation Fund, provides information and fact sheets on choice of fund, managing super, planning for retirement, SMSFs and the Age Pension.

Super Guru aims to break down the complexity of super and provide information in a simple and easy to understand format.

Westpac-ASFA Retirement Standard

The Westpac-ASFA Retirement Standard provides the annual budget needed for households to live in either a comfortable or modest standard of living in the suburbs (plus a 10% buffer to cover inflation, and provides detailed budgets for all ranges and capital needs to support your chosen lifestyle).

Budgets for various households and living standards

Household Type	Modest Budget	Modest Lifestyle	Comfortable Budget	Comfortable Lifestyle
House Total	\$61,277	\$62,226	\$79,938	\$122,217
Yearly Total	\$28,881	\$28,289	\$38,559	\$55,566

Table: Budgets for various households and living standards (March Quarter 2015)

Household Type	Modest Budget	Modest Lifestyle	Comfortable Budget	Comfortable Lifestyle
Household	\$61,277	\$62,226	\$79,938	\$122,217
Yearly Total	\$28,881	\$28,289	\$38,559	\$55,566

Table: Moderate vs Comfortable retirement lifestyle

City	Modest Budget	City	Comfortable Budget
Perth	\$24,412	Perth	\$22,141
Melbourne	\$22,222	Melbourne	\$21,887
Canberra	\$21,987	Canberra	\$21,440
Gold Coast	\$27,295	Gold Coast	\$25,138
Adelaide	\$27,459	Adelaide	\$25,238
Brisbane	\$27,611	Brisbane	\$25,288
Wellington	\$27,611	Wellington	\$25,288
Wellington	\$28,950	Wellington	\$26,820

Detailed budgets

The Westpac-ASFA Retirement Standard benchmarks the annual budget needed for households to live in either a comfortable or modest standard of living in the suburbs (plus a 10% buffer to cover inflation, and provides detailed budgets for all ranges and capital needs to support your chosen lifestyle).

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Working out how much you need

Financial advisers offer a variety of options, most of which are based on a percentage of your income. However, the Westpac-ASFA Retirement Standard provides a clear benchmark for how much you need to live in either a comfortable or modest standard of living in the suburbs (plus a 10% buffer to cover inflation, and provides detailed budgets for all ranges and capital needs to support your chosen lifestyle).

How much will I need to save?

This will depend on what stage you are at, how long it is until your retirement, and what level of retirement income you are seeking.

The table below roughly sets out what an individual might have to save, in terms of percentage of their income, to meet their retirement income needs.

ASFA believes that a target of between 15% and 20% of retirement income is needed in retirement. As the table below shows, reaching this target will involve more than the 6% compulsory contribution for most people.

Table: Percentage of income over and above the 6% Superannuation Guarantee required to top up to achieve 60% of pre-retirement income (a)

Years to retirement	\$3000 (\$21000)	\$5000 (\$35000)	\$7000 (\$49000)
10	3%	1%	0%
15	15%	2%	0%
20	15%	17%	23%
25	15%	19%	14%
30	2%	1%	1%
35	1%	1%	1%
40	1%	1%	1%