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How much super is enough? A revisit

The age-old question about how much you'll need when you retire is difficult to answer with precision. But there are more tools than ever to help get you as close as possible to a figure that suits your particular needs.



One of the first steps on the way to figuring out how much money you will require in retirement should be the Association of Superannuation Funds of Australia (ASFA) Super Guru website (<http://www.superguru.com.au/>), and its quarterly updated Retirement Standard. This is essentially a calculation of how much an individual or couple living in Australia might need for a modest or comfortable retirement.

According to ASFA, assuming you own your home, right now the 'comfortable' figures stand at \$42,861 annually for a single and \$58,784 for a couple. 'Modest' lifestyle figures drop to \$23,662 a year for a single and \$34,051 for a couple. Those without retirement savings must rely on a less-than-modest lifestyle offered by the Age Pension of \$20,393 for a single and \$30,743 for a couple.

The 'comfortable' figures translate to a retirement saving total of \$545,000 for a single and \$640,000 for a couple. But of course these are simply average figures and do not take into account an individual's wishes for a more luxurious lifestyle, or the dollar amounts required by somebody retiring 20 years from now, for example.

For those on higher incomes, the Australian Securities and Investments Commission (ASIC) recommends you target two thirds of your current income annually, in order to maintain your current standard of living – also a handy guide. You can find more details at <https://www.moneysmart.gov.au/>.

But what if you retire 10, 20 or 30 years from now? There is no calculator to tell you what you will need in future-dollar terms taking all economic movement into account, but perhaps a rough estimate could be achieved by allowing for compounding effects of the Consumer Price Index (CPI) which measures changes, over time, of a 'basket' of goods and services that roughly represents spending patterns of Australian households.

If it was assumed that CPI was 2.5% annually every year between 2015 and 2045, using those figures in the ASIC calculator, the amounts change to look like this:

MODEST				
Retirement year	2015	2025	2035	2045
Single/yr	\$23,662	\$30,289	\$38,773	\$49,633
Couple/yr	\$34,051	\$43,588	\$55,797	\$71,424

COMFORTABLE				
Retirement year	2015	2025	2035	2045
Single/yr	\$42,861	\$54,866	\$70,233	\$89,904
Couple/yr	\$58,784	\$75,248	\$96,324	\$123,303

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As you can see, even an allowance for CPI movement has a dramatic effect on future value.

When other contributing factors are taken into account – such as Aged Pension rules, people living longer and markets going up and down over time – it's clear that planning for your ideal retirement lifestyle sooner rather than later can make a big difference.

Speak to us for more information

Speak to your Russell R Farr & Associates Financial Adviser if you would like to understand more about how this information might impact your financial situation.



Important information

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