This is a question that often gets asked and the answer really depends on the type of lifestyle you want to achieve once you finally leave work.

For example, you may want to have an overseas holiday each year, be able to upgrade your car a couple of times during your retirement or perhaps you want to do some renovations to your home. You also need to consider the costs involved with any interests or hobbies you have, or want to pursue. Once you have an idea of the type of things you want to do, you’ll be in a better position to work out how much money you’ll need each year to achieve your retirement goals.

According to the latest ASFA Retirement Standard Survey, a couple who hopes to live comfortably in retirement would need around $56,406 a year. A single person will require about $41,197 each year. And that assumes you own your own home.

A ‘comfortable’ retirement lifestyle was defined in the survey as being able to get involved in a broad range of retirement activities and to have a good standard of living through the purchase of household goods, health insurance, a reasonable car, and holiday travel.

How much nest egg you will require to fund your retirement lifestyle will depend on:

- how much you draw;
- your investment earnings; and
- the length of your retirement.

If you’re a male who retires at age 60, then on average you can expect to live another 23 years in retirement. A female in average health can expect to live another 26 years. If you desire a ‘comfortable’ retirement of $56,406 pa indexed to inflation, and receive investment earnings of, say, 6% per year, then you’ll require a lump sum of more than $1 million to fund your retirement.

Of course, many of us are unlikely to have saved $1 million when we come to retire and the fact is that you probably won’t need this much. Generally speaking, as people progress through retirement they actually spend less money than they did during the early years out of the workforce.

And in practice you won’t be reliant on just the nest egg you’ve saved. Other sources of retirement income may include:

- Social Security, or ‘Centrelink’ benefits; or
- income from part-time work or a superannuation pension.

Role of the Age Pension

The age pension is available if you meet the age requirements and satisfy the means tests. The current age pension age is 65; however, it is increasing to age 67 over time.

There are two means tests; an income test and an assets test.

The income test applies to any income from employment, as well as your investments and super pensions. Your potential age pension starts to reduce when a couple’s income reaches $7,176 pa, but doesn’t entirely cut out until you earn $72,009.60 pa.

Under the assets test, a homeowner couple can have up to $1,110,500 of assets and still get some age pension. And that limit excludes the value of your family home. Even if you do receive the full age pension, it currently amounts to just $16,208.40 pa each, which is only about half of what you’ll need to have a comfortable retirement.
Retirement in Australia is changing

Fewer of us are retiring completely from full-time work. Many of us will choose to supplement our retirement lifestyles with part-time work. If you earn just $200 or $300 per week in the early years of retirement, this will go a long way to reducing the pressure on your retirement nest egg.

Keep in mind that under the current tax rules, most people won’t pay tax in retirement. That’s because:

- the income and lump sum withdrawals from a taxed super fund are tax free once you’re 60; and
- the Senior and Pensioner Tax Offset applies for those over retirement age, so that no income tax is payable on the first $57,950 of annual taxable income a couple earns.

Feeling Overwhelmed?

It can be daunting looking at how much money you’re likely to need for a comfortable retirement. There are however, four simple things you can do now which can improve the quality of your retirement.

1. **Start saving now.** Remember that it’s never too early to start saving for your retirement. Starting as soon as possible and saving regularly will help you make the most of your opportunities while you are still working. It may be worth considering how you can alter your spending habits so that you are able to spend less and save more.

2. **Contribute to super effectively.** There are options to add more money to superannuation via salary sacrifice, co-contributions and spouse contributions that can have a positive impact on your taxation position as well as your superannuation balance.

3. **Choose an appropriate investment strategy.** In general, the closer retirement becomes, the more the selected asset allocation should reflect an attempt to preserve growth. Therefore if you are some years away from retirement, a conservative asset allocation may not be appropriate. This decision will need to be weighed against your own comfort level with market volatility in the short-term.

4. **Seek Financial Planning Advice.** You have access to a range of financial services from SSFS, from over the phone advice through to one-on-one meetings with a financial planner – all without cost or obligation. At SSFS product and advice fees apply only when you decide to invest and partner with us on an ongoing basis.

To find out more about how we can help you now and in the future call your member service team on **1800 620 305**

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