

How much super is enough?

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How much is enough?

There are lots of theories on how to work out how much super you'll need in retirement. To make it easier, the ASFA Retirement Standard benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in their post-work years. It's updated quarterly to reflect inflation and provides detailed budgets of what singles and couples would need to spend to support their chosen lifestyle. The table below shows what the Standard suggests as the annual budget for those aged 65–84 (March quarter 2024, national):

	Modest lifestyle		Comfortable lifestyle	
	Single	Couple	Single	Couple
Total each year	\$32,915.00	\$47,387.00	\$51,630.00	\$72,663.00

As you move through retirement, your needs will change. In the first few years of retirement, you might spend a lot on travel, still buy nice clothes, upgrade cars, go out for lunches, have hobbies etc, but as you get further into retirement, you might find you spend less on these types of things.

The table below shows what the Standard suggests as the annual budget for those aged around 85 (March quarter 2024, national):

	Modest lifestyle		Comfortable lifestyle	
	Single	Couple	Single	Couple
Total each year	\$30,669.08	\$43,890.54	\$48,492.10	\$67,049.86

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's a drawdown on capital over the period of retirement.

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The ASFA Retirement Standard also suggests the lump sum required at retirement, assuming that the retiree will draw down all their capital and receive a part Age Pension, is:

Category	Savings required for retirement at age 67
Comfortable lifestyle for a couple	\$690,000
Comfortable lifestyle for a single person	\$595,000
Modest lifestyle for a couple	\$100,000
Modest lifestyle for a single person	\$100,000

March 2023. All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6%. The fact that the same savings are required for both couples and singles (under modest lifestyle) reflects the impact of receiving the Age Pension. The lump sum estimates prepared by ASFA take into account the receipt of the Age Pension both immediately and into the future. The Age Pension is adjusted regularly by either the increase in the CPI or by a measure of wages growth, whichever is higher.

The ASFA Retirement Standard is meant as a guide only and doesn't take into account individual needs and circumstances.

Source: superannuation.asn.au/resources/retirement-standard.

What's the difference between modest and comfortable?

A modest retirement lifestyle is considered slightly better than being on the Age Pension, but still only allows for basic health insurance and infrequent exercise, leisure and social activities with family and friends.

A comfortable retirement lifestyle allows retirees 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 like: 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 table below provides more details.

Comfortable	Modest retirement	Age pension
Home repairs, updates and maintenance to kitchen and bathroom appliances over 20 years.	Limited budget for home repairs, household appliances.	Struggle to pay for repairs, such as leaky roofs or major plumbing problem.
Regular professional haircuts.	Budget haircuts.	Less frequent haircuts, or self-haircuts.
Confidence to use air conditioning in the home, afford all utilities.	Need to keep a close watch on all utility costs and make sacrifices.	Limited budget for home heating in winter.
Occasional restaurant meals, home-delivery meals, take-away coffee.	Limited meals out at inexpensive restaurants, infrequent home-delivery or take-away.	Only local club special meals or inexpensive take-away.
Fast reliable internet/telco subscription, computer/android mobile/streaming services.	Basic mobile, modest internet data allowance.	Very basic mobile and limited internet connectivity.
Replace worn-out clothing and footwear items, modest wardrobe updates.	Limited budget to replace or update worn items.	Very basic clothing and footwear budget.
Annual domestic trip to visit family, one overseas trip every seven years.	Annual domestic trip or a few short breaks.	Occasional short breaks or day trips in your own city.
Top level private health insurance, doctor/specialist visits, pharmacy needs.	Basic private health insurance, limited gap payments.	No private health insurance.
Own a reasonable car, car insurance and maintenance/upkeep.	Owning a cheaper, older, more basic car.	Limited budget to own, maintain or repair a car.
Regular leisure activities including club membership, cinema visits, exhibitions, dance/yoga classes.	Infrequent leisure activities, occasional trip to the cinema.	Rare trips to the cinema.

Changes in spending patterns as retirees age

As people age, their spending requirements change as they're often unable to engage in the same types of activities and require a higher level of care and support.

For example, older retirees tend to spend more on assistance in the home, including for cleaning services and meals, as well as contributions towards home and community care services. They also tend to have increased out-of-pocket expenses for major medical procedures and ongoing chemist and other medical expenses. On the other hand, they also tend to spend less on holidays and other leisure activities outside the home, most likely reflecting their reduced capacity for activity.

How do you know if you're on the right track?

There are lots of online tools out there that can help you see if you're heading in the right direction with your super. Firstly, log in to **Member Online** to find out what your super balance is now.

Next, head to moneysmart.gov.au and try MoneySmart's *Retirement planner*. This will help you answer two important questions:

- How much super am I likely to have at retirement?
- How long is my super likely to last in retirement?

Once you know where you're at and how much you're going to need at retirement, there are plenty of ways you can give your super a boost. You can make extra contributions, combine your super accounts, find any super you may have lost, and register your tax file number with your super fund.

There are limits to how much you contribute to super each financial year without incurring extra tax, and there are things you should consider before deciding to combine your super accounts. For more details, read our *How super works* fact sheet available at spiritsuper.com.au/pds.

We love helping you understand and maximise your super. That's why we provide access to general information, education and personal (intra-fund) advice on your Spirit Super account at no extra cost.

Go to spiritsuper.com.au/get-advice for more details.



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