

Want to live the dream in retirement? Take a retirement reality test

Step 1: Work out what you and your partner are dreaming of

Cruising the Pacific for six months will require a vastly different sum of money than, say, towing a camper trailer round the state for a month or so. This means you and your partner (if you have one) may need to have some serious money conversations in order to make retirement a team effort.

This does not necessarily mean having difficult conversations with your spouse. It can be fun dreaming about how you're going to spend your retirement years with your partner. Once you've narrowed down your desires, then you can ease into the nitty-gritty financial decisions that will have to be made.

Step 2: Visualise your preferred retirement

Nail down some time when you and your partner can relax, perhaps over a bottle of wine, to ask each other questions like, 'What would you like retirement to look like?'

You might need to talk with your spouse if you see your current backyard and your spouse sees shopping in Paris or visiting a daughter in a city at the other end of Australia. Another approach is to look at how older friends and relatives are doing in retirement. Can you visualise having a lifestyle like them or do you want something quite different for you?

Step 3: Look at the detailed ASFA Retirement Standard budgets at both the modest and comfortable levels

ASFA regularly publishes detailed budgets setting out what retirees might need to spend to achieve either a modest or a comfortable lifestyle in retirement. Have a good look at those budgets and see how well they align with your plans and circumstances.

If you want to travel a lot, particularly to faraway places, or to pursue a range of recreational activities or hobbies, you might need to spend more than is in the standard budgets. Adjust the relevant amounts in the most applicable budget for you and add up what you would need to spend to achieve the retirement lifestyle you and your partner want.

Step 4: Do your sums and budget to meet your retirement goals

Take a good look at whether you are on track to achieve your retirement goals. This could start with looking at the account balance you would need to be on track at your current age and compare it with what you actually have in super.

Super Guru, most funds and also the Moneysmart website have calculators that allow you to project what your retirement income will be, based on your current super balance and the level of compulsory contributions and voluntary super contributions you are making. A financial planner might also be able to assist you in working out whether you are on track.

Step 5: Take action

If your retirement income falls short of what is needed to support your dream retirement, either start contributing more to super or adjust your expectations. You might also want to think about delaying retirement if your health and your employment arrangements permit this.

Step 6: Review how you are going

Planning for retirement is not a set and forget activity. It makes sense to have a regular retirement reality check. One approach might be to have an annual retirement health check-up to see if you are on track. It can also make sense to dream again about what you want in retirement and adjust your goals if necessary in line with that.