

ASFA Retirement Standard

ASFA Research and Resource Centre

The Association of Superannuation Funds of Australia

The Association of Superannuation Funds of Australia Limited (ASFA)

Level 11, 77 Castlereagh Street, Sydney NSW 2000

PO Box 1485, Sydney NSW 2001

T +61 2 9264 9300

1800 812 798 (outside Sydney)

F 1300 926 484

W www.superannuation.asn.au

ABN 29 002 786 290

ACN 002 786 290

This material is copyright. Apart from any fair dealing for the purpose of private study, research, criticism or review as permitted under the Copyright Act, no part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission.

Enquiries are to be made to The Association of Superannuation Funds of Australia Limited.

© ASFA 2016

What is the ASFA Retirement Standard?

One of the most important steps in planning to save for your retirement is figuring how much you will need to spend each year to live a comfortable lifestyle. However, many people struggle when it comes to developing a budget for their future needs, particularly when their retirement is many years away.

The ASFA Retirement Standard has been developed to help solve this problem by objectively outlining the annual budget needed by the average Australian to fund a comfortable standard of living in their post-work years. It provides benchmarks for both a comfortable and modest standard of living, for both singles and couples, and is updated quarterly to reflect changes to the Consumer Price Index (CPI).

First launched in 2004, the Standard has been enhanced over the past 10 years to increasingly provide a more comprehensive picture of retiree's spending requirements. It has also been revised to reflect changes in living standards, retirees' lifestyle expectations and their evolving spending patterns.











In 2015, ASFA launched a new Retirement Standard for older retirees, designed to provide a picture of how spending requirements change as people enter their late 80s and early 90s. Like the original standard, it provides benchmarks for both a comfortable and modest standard of living, for both singles and couples, and is updated quarterly to reflect changes to the CPI.

What is considered a modest and comfortable retirement lifestyle for younger retirees?

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.

	Comfortable retirement	Modest retirement	Age Pension
	One annual holiday in Australia	One or two short breaks in Australia near where you live each year	Even shorter breaks or day trips in your own city
	Regularly eat out at restaurants. Good range and quality of food	Infrequently eat out at restaurants that have cheap food. Cheaper and less food than a 'comfortable' lifestyle standard	Only club special meals or inexpensive takeaway
	Owning a reasonable car	Owning an older, less reliable car	No car or, if you have a car, it will be a struggle to afford repairs
	Afford bottled wine	Afford cask wine	Home brew beer or no alcohol at all
	Good clothes	Reasonable clothes	Basic clothes
	Afford regular hair cuts at a good hairdresser	Afford regular hair cuts only at a basic salon or pensioner special day	Less frequent hair cuts or getting a friend to cut your hair
	Take part in a range of regular leisure activities	Take part in one paid leisure activity infrequently. Some trips to the cinema	Only taking part in no cost or very low cost leisure activities. Rare trips to the cinema
	A range of electronic equipment	Not much scope to run air conditioner	Less heating in winter
	Replace kitchen and bathroom over 20 years	No budget for home improvements. Can do repairs, but can't replace kitchen or bathroom	No budget to fix home problems like a leaky roof
	Private health insurance	Private health insurance	No private health insurance

Changes in spending patterns as retirees age

As people age, their spending requirements change as they are often unable to engage in the same types of activities and require a higher level of care and support. This has an impact on their budget and expenditure requirements. 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.

The net impact of these various factors is that the annual budgets for older retirees are slightly lower overall at the 'modest' standard, by around \$1,000 a year. At the 'comfortable' standard, expenditure is about 10 per cent lower in total, or around \$5,000 a year, largely due to the elimination of relatively costly leisure activities for those in that age group and at that standard of living.

Superannuation balances required to achieve a comfortable retirement

The lump sums required for a comfortable retirement assume that the retiree/s will draw down all their capital, and receive a part Age Pension.

Category	Savings required at retirement
Comfortable lifestyle for a couple	\$640,000
Comfortable lifestyle for a single person	\$545,000

All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6 per cent. They are based on the means test for the Age Pension in effect from 1 January 2017.

Superannuation balances required to achieve a modest retirement

The lump sums needed for a modest lifestyle are relatively low due to the fact that the base rate of the Age Pension (plus various pension supplements) is sufficient to meet the expenditure required at this budget level.

Category	Savings required at retirement
Modest lifestyle for a couple	\$35,000
Modest lifestyle for a single person	\$50,000

All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6 per cent. They are based on the current means test for the Age Pension in effect from 1 January 2017.

Super Guru website

www.superguru.com.au

Information on the ASFA Retirement Standard can be found on ASFA's consumer website, Super Guru.

Super Guru is an independent website that helps people understand and maximise their superannuation. Super Guru draws on a large amount of original ASFA research and translates it into easy-to-understand, consumer language.

It includes:

- » Budget, contribution and insurance calculators
- » Retirement projector
- » Hints and tips to help maximise people's super
- » Frequently asked questions.