



**How much  
will you  
need in  
retirement?**



# How much will you need in retirement?

- ▶ Start with a ballpark estimate
- ▶ Retirement spending planners
- ▶ Challenger's retirement income model
- ▶ Seek help from an expert

The time you'll spend in retirement and the lifestyle you're planning both make a difference to the savings and income you'll need. Being realistic and getting clear about plans for your future can help you figure out the cost of your ideal retirement.

"I've always lived on a budget and live comfortably... I still believe in budgeting, wise spending, but I don't feel restricted. People who are retired re-evaluate priorities and where you are willing to spend the money".

**Donna, aged 66, retired for two years.**



# Start with a ballpark estimate

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Retirement Standard figures from The Association of Super Funds of Australia (ASFA) make a good starting point for estimating the income you might want or need. By comparing these calculations with your own spending plans, you'll get a rough idea of how your overall spending in retirement could add up.

The Retirement Standard estimates the total annual budget for either a comfortable or modest lifestyle for retired singles and couples. Figures are updated each quarter in line with the changing costs of living in retirement and include detailed budget breakdowns for all sorts of living costs. What they don't include is rent or home loan payments. Each estimate assumes an individual or couple live in their own home, mortgage free.

## ASFA Retirement Standard figures<sup>i</sup>

	Comfortable lifestyle budget p.a.	Modest lifestyle budget p.a.	Age Pension p.a. <sup>ii</sup>
Couples aged around 65	\$70,806	\$45,947	\$42,988
Single person aged around 65	\$50,207	\$31,867	\$28,514

<sup>i</sup> Association of Superannuation Funds of Australia (ASFA) – Retirement Standards, June quarter 2023.

<sup>ii</sup> Maximum Age Pension rates as at 20 September 2023, includes Pension Supplement and Energy Supplement.



# Retirement spending planners

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The retirement you'll be planning for will be as unique as you are. Maybe dining out isn't your thing but you couldn't bear to give up overseas travel. The things you need to make life more comfortable could be quite different from assumptions made for these estimates.

Online retirement spending planners such as Challenger's for singles and couples can help you figure out how much you may 'need' in retirement (essential spending) and how much you 'want' (discretionary spending).

## **How much can you safely spend?**

Figuring out how much you'll need to spend in retirement is a good start for your retirement planning. Knowing what you can afford to spend based on the savings you have will also help you by identifying any gaps between your expectations and reality.



# Challenger's retirement income model

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Challenger have a comprehensive retirement income model that they use in their research, tools and calculators.

This model calculates safe spending rates, taking into account the means tested Age Pension, as well as the three major risks to your retirement income (inflation, market and longevity).

By testing 2,000 simulations, they can calculate the degree of confidence that your savings balance could support a specific level of spending.

The tables on the next page show the 'safety' of different spending rates for couples and singles of different levels of wealth, retiring at age 67 today.

A spending level is considered to be 'safe' if the household has a high degree of confidence that they can continue spending their desired amount for at least as long as both spouses are expected to live (their life expectancy). You may have a different idea of the amount you can safely spend and still have confidence that your savings will last.



# Challenger's retirement income model

## Australian safe spending rates for a 67-year-old male (assuming spending keeps pace with inflation)

Total retirement savings <sup>1</sup>	Confidence of being able to spend \$50,000 p.a.	Confidence of being able to spend \$70,000 p.a.
\$200,000	0%	0%
\$400,000	36%	0%
\$600,000	81%	1%
\$800,000	96%	17%
\$1,000,000	100%	55%

## Australian safe spending rates for a 67-year- old female (assuming spending keeps pace with inflation)

Total retirement savings (per person) <sup>1</sup>	Confidence of being able to spend \$50,000 p.a.	Confidence of being able to spend \$70,000 p.a.
\$200,000	0%	0%
\$400,000	22%	0%
\$600,000	68%	0%
\$800,000	91%	8%
\$1,000,000	99%	39%

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# Challenger's retirement income model

**Australian safe spending rates for a 67-year-old male and female couple**  
(assuming spending keeps pace with inflation)

Total retirement savings <sup>1</sup>	Confidence of being able to spend \$50,000 p.a.	Confidence of being able to spend \$70,000 p.a.
\$200,000	99%	5%
\$400,000	100%	56%
\$600,000	100%	89%
\$800,000	100%	98%
\$1,000,000	100%	100%
\$1,200,000	100%	100%

<sup>1</sup> Excluding principal residence.

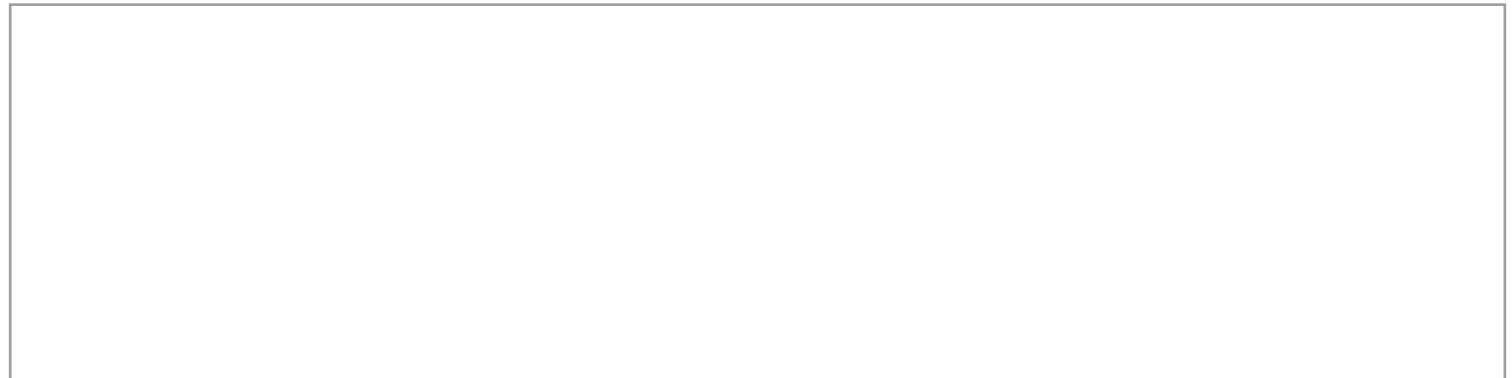
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# Seek help from an expert

Everyone's plans for retirement are unique. That's why it's worth getting the right financial advice before you retire, so you can relax and enjoy your golden years knowing your future is taken care of.

Contact your financial adviser to determine what mix of retirement income is right for you.

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**Disclaimer:**

These results are provided for illustrative purposes only. They are intended to be general information only and have been prepared without taking into account any person's objectives, financial situation or needs. They include calculations based on statements of opinion, forward looking statements, forecasts or predictions based on current expectations about future events and results. Actual results may be materially different from those shown.

Some of the key things to note about the calculations underlying the tables above are:

- the total retirement savings is assumed to be invested in an account-based pension and is available to be used to support that level of spending (there is no assumed bequest);
- the life expectancies used to generate longevity scenarios are based on the Australian Life Tables 2015-17 with allowance for the 25-year mortality improvement rates published by the Australian Government Actuary;
- the calculation models 2,000 simulations of retirement for the household and determines in what proportion of those scenarios the spending rate was achievable every year to life expectancy;
- the 2,000 scenarios of investment return and rates of inflation used have been generated by Moody's Analytics using their Scenario Generator;
- asset allocations are based on a 50% growth, 50% defensive asset mix in superannuation, with non-superannuation savings invested in cash;
- no allowance has been made for tax on non-superannuation savings, and all superannuation savings are assumed to be in tax-free retirement phase;
- the Age Pension is allowed for using Centrelink means testing rules applicable from 20 September 2022, i.e. we assume the person is eligible based on residency rules;
- if the minimum pension payment in any particular year, as required under the Superannuation Industry Supervision (SIS) regulations, plus the Age Pension and income earned on any cash balance, exceeds the household's spending, then this is added to the household's non-superannuation cash assets. This cash balance earns interest which is assumed to be available for spending;
- if the minimum pension payment and Age Pension is less than the spending rate then additional drawings are made from superannuation, and then from cash (if available), to fund spending;
- all Centrelink rates, bands and thresholds used are those current as at January 2023. All rates, bands and thresholds are assumed to change in line with inflation each year;
- Have allowed for the following fees and charges:
  - superannuation administrative fees 0.4%
  - superannuation investment fees of 0.8% on growth assets and 0.4% on defensive assets
  - no fees on non-superannuation cash savings

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