

## ▶ Retirement planning

What will you do for income when you stop working? Retirement planning is about preparing for this point in your life, and aiming to achieve financial freedom.

### How much is required at retirement?

It's generally thought that you'll need at least 65% of your pre-retirement income to afford a reasonable retirement. According to ASFA, the following lump sums\* would be required to achieve comfortable retirement:

 Couple  
**\$640,000**

 Single  
**\$545,000**

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

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

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### What's the Retirement Savings Gap?

The Retirement Savings Gap\* is, for the working population, the shortfall Australians will have in building an adequate or reasonable retirement benefit. In other words, it's the difference between actual super savings and the amount required to fund an adequate income in retirement.

The average Retirement Savings Gap per person (excluding the Age Pension) is estimated to be \$187,200, showing a sizable gap for those seeking retirement adequacy up to life expectancy. If we take into account the Age Pension this figure is much lower at \$70,100.

Interestingly, the savings gap is highest for those on middle incomes. Those on lower incomes receive a greater proportion of their income from the Age Pension (resulting in a reduced savings gap) and those on higher incomes typically have enough savings to provide themselves with an adequate retirement income.

\* Source: Rice Warner Actuaries Retirement Savings Gap Report at 30 June 2014.

### What's a comfortable retirement?

A comfortable retirement means different things to different people, and will ultimately depend on your current lifestyle and future lifestyle expectations.

According to ASFA, 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.

ASFA prepares a quarterly update known as the 'Retirement Standard' that looks at the latest spending habits of retirees. This will give you an estimate of the annual budget needed to fund either a comfortable or modest lifestyle in retirement, as defined by their research.

The most recent figures indicate that a couple aged between 65 and 85 years looking to achieve a comfortable retirement need around **\$62,828** a year, while those seeking a modest retirement lifestyle need around **\$40,829** a year.

These are of course indicative amounts, and you may need more (or less) to live comfortably in retirement, based on your personal circumstances.

For more information, refer to the *Funding a comfortable retirement fact sheet* which is available on our website.

## Starting the planning process

When you start planning for retirement, you want to start as early as possible so you have time to boost your super and accumulate investment returns over time.

To start the process, you need to work out what your savings gap is – which means working out how much you'll need in retirement, how much you've saved to date and how much you'll need to save before actually retiring.

### Retirement planning involves determining:

#### 1. Your retirement goals

The first thing you should do when planning for retirement is work out what you plan to do. What's the lifestyle you expect or dream of having? Do you long to travel, take up a sport, do volunteer work, dine out regularly, or head out to the theatre from time to time? Whatever your plans, they will all cost you money.

#### 2. Your income needs

Once you have a feel for what you plan to do in retirement, then you need to work out how much income you need to achieve your retirement goals. Preparing a personal budget will give you the best estimate of the income you'll need for your desired retirement lifestyle.

Once you've worked out how much income you will need in retirement, the next step is to find out if your savings are on track and what (if any) gaps you have.

### Have you tried our Calculators?

Our calculators are a great resource that can help you plan for, and make the most of, your retirement.

- **Contribution Calculator** – see how adjusting your contribution strategy could impact your super savings over time
- **Retirement Income Calculator** – see how adjusting variables such as investment strategy, target income and retirement age could impact your future retirement income
- **Pension Drawdown Calculator** – see how adjusting certain variables could impact how long your super may last

Explore them for yourself - just visit our website!



**Toll Free**  
1800 757 607



**Website**  
[www.maritimesuper.com.au](http://www.maritimesuper.com.au)



**Email**  
[info@maritimesuper.com.au](mailto:info@maritimesuper.com.au)

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