

# HOW MUCH DO I NEED TO RETIRE?

AS AT FEBRUARY 2016

How much money you will need to live on each year when you retire depends on two key things:

## 1. WHAT KIND OF RETIREMENT LIFESTYLE YOU WANT TO LEAD

As a starting point, consider if you would like to lead a modest or comfortable lifestyle in retirement. You can use the table below as a guide to see how much you will need to achieve this.

- ➔ **Modest Lifestyle** - A modest lifestyle only allows for the basics. This lifestyle does not allow for major food or leisure costs or other non-essential spending on things like alcohol or gifts for family and friends.
- ➔ **Comfortable Lifestyle** - A comfortable lifestyle provides an average standard of living and covers a wider range of leisure activities. It could include things like owning a reasonable car, having private health insurance, buying alcohol, gifts and the occasional overseas trip.

A comfortable lifestyle may not provide the same lifestyle you are familiar with if you come from a two income household. You may need to consider having more money available each year to accommodate the lifestyle you enjoyed in the past.

## 2. WHAT ASSETS AND LIABILITIES YOU HAVE

These are important things to consider when planning your life after retirement. You may have assets you can sell like an investment property to help fund your retirement. You may also have liabilities and expenses like a mortgage, or children still living at home, that you need to consider.

The costs outlined in the table below assume that you have no major liabilities and you own your own home outright.

**"I'M NOT PLANNING ON WORKING FOREVER."**

COLIN BEVAN, BUSSQ MEMBER

### RETIREMENT LIFESTYLES MODEST VS. COMFORTABLE

	Modest Lifestyle (per week)		Comfortable Lifestyle (per week)	
	Single	Couple	Single	Couple
Housing - ongoing only	\$71.63	\$68.76	\$83.02	\$96.24
Electricity and gas	\$41.04	\$54.51	\$41.65	\$56.48
Food	\$77.20	\$159.92	\$110.29	\$198.52
Clothing	\$17.49	\$28.39	\$37.86	\$56.78
Household goods and services	\$27.04	\$36.67	\$76.07	\$89.11
Health	\$42.58	\$82.18	\$84.48	\$149.11
Transport	\$93.92	\$96.58	\$139.96	\$142.62
Leisure	\$74.58	\$111.11	\$226.01	\$309.72
Communications	\$8.95	\$15.67	\$24.60	\$31.31
<b>TOTAL PER WEEK</b>	<b>\$454.43</b>	<b>\$653.79</b>	<b>\$823.94</b>	<b>\$1,129.89</b>
<b>TOTAL PER YEAR</b>	<b>\$23,630.36</b>	<b>\$33,997.08</b>	<b>\$42,844.88</b>	<b>\$58,754.28</b>

The figures in each case assume that the retirees own their own home and relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement. Single calculations are based on female figures. Weekly expenditure figures are for retirees aged 65-85. All calculations are weekly, unless otherwise stated. Based on Westpac - ASFA Retirement Standard, September 2015. For more information refer to [www.superannuation.asn.au](http://www.superannuation.asn.au).

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## HOW MUCH IN SAVINGS WILL YOU NEED WHEN YOU RETIRE TO ACHIEVE YOUR LIFESTYLE GOALS?

Once you work out the sort of retirement lifestyle you would like to lead (modest or comfortable) and factor in your assets and liabilities, you need to work out how much savings you need to achieve your retirement goals.

The information in the example below is a guide only. It helps calculate the lump sum you might need if you want a Comfortable Retirement Lifestyle and you live to age 85.

The calculation in the example assumes that your money will stay invested in a superannuation retirement pension once you retire, and you receive an average return of 6% per annum after costs.

How you invest your money in a retirement pension (i.e. in conservative or more growth based investment option/s), will also affect your retirement savings.

To work out how much savings you require, you also need to consider your life expectancy. In Australia the average life expectancy for men is 81 years and for women it is 85 years. It's a good idea to consider your family history too, as this may have an impact.

## WHAT ABOUT THE CENTRELINK AGE PENSION?

Many people receive the Centrelink Age Pension after they reach 65, providing they satisfy Department of Human Services incomes and assets tests. The maximum Centrelink Age Pension today is about \$22,542 a year for singles and \$33,982 a year for a couple, including the Pension supplement. If you want more than this basic amount, you will need to rely on your own retirement savings. Please note, Centrelink revises Age Pension rates in March and September each year and the figures quoted are based on Centrelink payment rates, effective September 2015.

For current figures, go to the Department of Human Services website [www.humanservices.gov.au](http://www.humanservices.gov.au) or contact the Department of Human Services on 13 23 00.

You need to also consider that the Centrelink Age Pension legislation will change over time. You can't rely on the rules remaining the same, so it is always a good idea to have a Super Health Check every two years to make sure you are still on track for retirement.

## 3 TIPS TO GET YOUR RETIREMENT PLANS ON TRACK

### 1 Roll your super into one account to SAVE

- If you have more than one super account, chances are you will be paying more than you need in fees and charges.
- Save money and keep things simple by rolling your super into one account, which you can keep, no matter how often you move jobs.
- Go to [bussq.com.au](http://bussq.com.au), log into BUSSQ MemberAccess and click on the 'Rollover Super' tab. Enter your other fund(s) details and complete the roll-in request. It's that simple!
- Make sure you address the points in section 2 below before you take any action.

### 2 Choose the right fund

When comparing funds you should consider:

- Is the fund an industry fund where profits go to members or a retail fund that pays shareholder dividends?
- What are the total fees payable, including exit fees?
- What are the long-term investment returns?
- Does the fund have additional services like access to financial advice?
- What insurance does the fund offer?
- Will I retain my current level of insurance cover?

### 3 Find your super

Most people have more than one super account, many of which may be lost or forgotten. There's just under \$16 billion\* in lost and ATO held super accounts out there. Some of it could be yours.

To find out if you have any lost super, which you could rollover into your BUSSQ account:

- Give BUSSQ consent to search for your super on the ATO registers - email your details to [findmysuper@bussq.com.au](mailto:findmysuper@bussq.com.au) or text your name and date of birth to 0429 558 006, or
- Call the ATO on 13 10 20

\*As at 31 December 2014, [www.ato.gov.au](http://www.ato.gov.au).

## ESTIMATED SAVINGS NEEDED TO ACHIEVE A COMFORTABLE RETIREMENT LIFESTYLE UNTIL AGE 85 AS A SINGLE OR AS A COUPLE

If you want an annual income of \$42,500 as a single or \$58,000 as a couple and you are retiring now at:	Multiply \$42,500 income for a single or \$58,000 income for a couple by:	Estimated savings needed for a single based on an annual income of \$42,500:	Estimated savings needed for a couple based on an annual income of \$58,000:
Age 55	19	\$807,500	\$1,102,000
Age 60	17	\$722,500	\$986,000
Age 65	14	\$595,000	\$812,000

Based on principles from ASIC, MoneySmart.

Work through these four easy steps to estimate how much you may need.

## STEP 1. HOW MUCH DO I WANT TO SPEND IN RETIREMENT?

Insert your costs into the table below.

YOUR LIFESTYLE (COSTS PER WEEK)		
	Single	Couple
Housing – ongoing maintenance	\$ <input type="text"/>	\$ <input type="text"/>
Rent	\$ <input type="text"/>	\$ <input type="text"/>
Energy (electricity and gas)	\$ <input type="text"/>	\$ <input type="text"/>
Food	\$ <input type="text"/>	\$ <input type="text"/>
Clothing	\$ <input type="text"/>	\$ <input type="text"/>
Household goods and services	\$ <input type="text"/>	\$ <input type="text"/>
Insurance (house, car, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
Health (doctor, health fund premiums, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
Transport (car maintenance, public transport, taxis, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
Communications (home phone, mobile, internet, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
Leisure (holidays, eating out, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
Personal care (haircuts, massages, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
Gifts and/or alcohol and tobacco	\$ <input type="text"/>	\$ <input type="text"/>
Other purchases (car, caravan, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
<b>TOTAL PER WEEK =</b> <b>A</b>	\$ <input type="text"/>	\$ <input type="text"/>
<b>TOTAL COSTS PER YEAR</b> (A×52) = <b>B</b>	\$ <input type="text"/>	\$ <input type="text"/>

## STEP 2. AT WHAT AGE WOULD YOU LIKE TO RETIRE?

Tick one of the ages from the list below.

55 years old = your 'factor' is 19     60 years old = your 'factor' is 17     65 years old = your 'factor' is 14

This does not take into consideration any Centrelink Age Pension amount you may be eligible for. Assumes current market rates for buying a retirement income (an account-based Pension), with your retirement savings earning 6% after costs. Based on principles from ASIC – *Your Money* brochure, July 2008.

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## STEP 3. HOW MUCH SUPER WILL YOU NEED WHEN YOU RETIRE TO ACHIEVE YOUR CHOSEN LIFESTYLE?

The earlier you retire, the longer you will have to live on your retirement savings. Depending on how long you live, you might have to support yourself for more than 30 years. As a **rough** guide, use the method below to work out how much super you'll need to save to achieve the lifestyle you want in retirement (based on you living to age 85).

<b>YOUR LIFESTYLE:</b> Total costs per year (insert <b>B</b> from Step 1)		<b>FACTOR</b> (insert your factor from Step 2)		Estimated savings needed on <b>RETIREMENT</b>
\$ <input type="text"/>	×	<input type="text"/>	=	\$ <input type="text"/>
<p><b>OR</b> If you're planning to retire in the near future, you can work backwards by inserting the savings you have now and divide it by the factor to calculate how much you will have to spend each year in retirement. Don't forget to add in any savings you think you might generate in the future from selling assets (i.e. an investment property or shares, etc).</p>				
Savings you have <b>NOW</b>		<b>FACTOR</b> (insert your factor from Step 2)		<b>YOUR LIFESTYLE:</b> Total costs per year
\$ <input type="text"/>	÷	<input type="text"/>	=	\$ <input type="text"/>

## STEP 4. BUSSQ FINANCIAL ADVICE

Whether you're looking for ways to reduce tax, boost your super or top up your income, getting the right advice can help. It doesn't matter if you're on the road to retirement or there already, now's a good time to talk to a BUSSQ Financial Planner to work out what's best for you.

- 1 COME ALONG TO A FREE RETIREMENT PLANNING SESSION** - These sessions are held throughout the year at different locations. Search 'Retirement Planning Sessions' at [bussq.com.au](http://bussq.com.au) or call **1800 MY BUSSQ (1800 629 877)** to find a session near you.
- 2 SPEAK TO A FINANCIAL PLANNER** - give us a call on **1800 MY BUSSQ (1800 629 877)**. BUSSQ's own in-house Financial Planning Team offers advice about your super. This can be simple, straightforward advice about choosing investments, insurance and salary sacrifice at no extra cost to members\*. They also offer more complex advice that is competitively priced on a fee for service basis.

### Our fees are low intentionally

We are a super fund regulated by APRA, and are therefore required by law to charge you (as a member) a fee for delivering complex financial advice. We've worked hard to ensure our fees are low, structured purely for cost recovery, to make sure you have access to the advice you need to get your super sorted. Better still, the fees can be deducted from your BUSSQ account, so you won't be out of pocket.

Our fee for complex advice is charged at \$150<sup>^</sup> per hour. It is expected that most complex advice will cost between \$300<sup>^</sup> and \$750<sup>^</sup>, depending on the complexity and the time required by the Financial Planners. This is an extremely competitive rate.

**At BUSSQ, we're always happy to help. Call us on 1800 MY BUSSQ (1800 692 877) with any questions you have and we'll help you get it sorted!**



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