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# Retirement costs rise sharply, and so does the lump sum needed

Surging food, fuel, travel and electricity expenses have pushed up the price of retiring comfortably. Here's how much money you now need.



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Inflation has dramatically increased the cost of a comfortable retirement, and a senior couple needs an extra \$50,000 in their nest egg to afford it.

Australia's surging food, fuel, travel and electricity expenses have pushed up the price of retiring comfortably to \$69,691 a year for a couple aged around 65, while a single needs to find \$49,462, the Association of Superannuation Funds of Australia says.

Its latest ASFA Retirement Standard says the assets needed to achieve this level of income through a combination of superannuation and the age pension means a couple now requires \$690,000 combined while a single needs \$595,000. Both lump sums have been revised higher by \$50,000 to reflect inflation and changes in spending habits.

During the final three months of 2022, retiree costs rose 2.5 per cent, above the official CPI inflation figure of 1.9 per cent, the report says.

ASFA chief executive Martin Fahy said retirees usually spent a greater proportion of their income on staples, and the research shows these costs have climbed the sharpest.

“Food's up by 9.2 per cent, bread's up 13.4, anything to do with imported oils and fats 20 per cent, electricity is up by 12, and travel if you are doing it is up by 20 per cent,” he said.

“In the face of inflation we need to be saving for retirement.”

Pensions and other government payments increased by 3.7 per cent from Monday as part of their twice-yearly indexation to inflation and other data.



Household type	Single modest	Couple modest	Single comfortable	Couple comfortable
Housing – ongoing only	\$109.85	\$123.38	\$129.23	\$134.78
Energy	\$38.07	\$51.13	\$48.23	\$59.81
Food	\$104.96	\$194.59	\$135.71	\$235.87
Clothing	\$21.40	\$40.66	\$28.58	\$53.23
Household goods and services	\$38.29	\$44.80	\$84.42	\$104.08
Health	\$53.56	\$103.57	\$109.37	\$204.94
Transport	\$105.71	\$112.54	\$172.78	\$187.07
Leisure	\$110.32	\$173.27	\$216.85	\$326.16
Communications	\$17.90	\$20.16	\$22.38	\$29.13
<b>Total per week</b>	<b>\$600.05</b>	<b>\$864.11</b>	<b>\$947.56</b>	<b>\$1,335.08</b>
<b>Total per year</b>	<b>\$31,323</b>	<b>\$45,106</b>	<b>\$49,462</b>	<b>\$69,691</b>

Source: ASFA Retirement Standard (costs based on 65-year-olds)

Almost 1.8 million Australians receive a full age pension, while 782,000 are on a part pension because they are impacted by the assets test or income test.

Dr Fahy said the increase in compulsory super contributions to 12 per cent by mid-2025 – including rising from 10.5 to 11 per cent in July this year – would support a majority of Australians to have a comfortable retirement.

“It reinforces the need to save for retirement, the importance of the 12 per cent and the importance of being able to continue to provide the safety net of the age pension,” he said.

“If we haven’t got 12 I think we will have more and more people leaning on the age pension.”



ASFA's Martin Fahy says retirement saving helps fight inflation. Picture: Hollie Adams

Financial strategist Theo Marinis said everybody was noticing rising living costs “and certainly retirees are feeling the pressure”.

“Inflation makes life more expensive – it can make people feel that they will never be able to retire,” he said.

“It comes down to your standard of living.”

Accumulating almost \$600,000 super may seem impossible for many Australians nearing retirement, with the median super balance for 60-64 year olds sitting at \$181,000 for men and \$139,000 for women. Average super balances are \$358,000 and \$288,000 respectively.

Mr Marinis said pre-retirees should not lose heart, as many were used to more basic lifestyles based on their wage income, while others were now benefiting from higher interest on their bank deposits.

“Don't get caught up by averages,” he said.

“It's good to have aspirations to get to that level, but you shouldn't feel dejected if you don't.”



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