

Superannuation shortfall for over-50s who want a comfortable retirement

While young Australians are set to retire well thanks to 12 per cent super contributions, their parents face a retirement funding crunch | SEE THE NUMBERS

By ANTHONY KEANE

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Compound interest grows superannuation balances strongly. Picture: iStock

Australians nearing retirement have a super problem.

Rising living costs have lifted the size of the superannuation lump sum required to retire in comfort, but a majority of people aged around 60 have less than half the nest egg they need.

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And it's not rosy for a lot of people in their 50s either.

New modelling by the Association of Superannuation Funds of Australia suggests people who have not benefited from a full career with higher employer contributions need to work on strategies to boost their retirement incomes.

How do you know if you're on track? New ASFA figures highlight whether you have the right amount of super right now to set you up for what it calls a "comfortable retirement".

ASFA says a single person now needs a lump sum of \$630,000 by age 67 to retire comfortably on a mixture of their super and a part age pension, while couples require \$730,000 combined. It says a 50-year-old, for example, should have \$262,200 today to hit that target if they are earning \$90,000 a year, while a 55-year-old needs \$352,100.

[ASFA lifted its targets by tens of thousands of dollars](#) last month – the first time it's done so in three years – because of the increasing cost of living and recent [deeming rate changes for Centrelink pension access](#). It says the target is a broad guide for savers.

Young adults are in much better shape – largely due to compulsory employer super contributions now sitting at 12 per cent – and may be pleasantly surprised by their progress.

The latest modelling suggests that a 30-year-old currently earning \$90,000 only requires a balance of \$9900 at age 30 to be able to [retire comfortably](#).

ASFA's modelling shows the balances needed for each year of age, and highlights how couples in their 30s and 40s are in the box seat to retire well because they will have two super balances growing over several decades.

However, a single 60-year-old today requires a current super balance of \$450,000 to retire comfortably, well above Australians' [average super balances](#) for 60- to 64-year-olds of \$395,000 for men and \$314,000 for women. Median super balances for people aged 60 to 64 are much more meagre – \$220,000 and \$163,000 for men and women respectively.

The super balance you should have now

Your age ▲	Earning a \$65,000 wage	Earning a \$90,000 wage
22	\$5,800	0
23	\$11,500	0
24	\$19,500	0
25	\$27,500 •	0

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Your age ▲	Earning a \$65,000 wage	Earning a \$90,000 wage
26	\$36,000	0
27	\$44,000	0
28	\$53,000	0
29	\$62,500	0
30	\$70,500	\$9,900
31	\$78,500	\$19,300
32	\$88,000	\$29,000
33	\$98,500	\$39,000
34	\$107,500	\$49,300
35	\$118,000	\$59,900
36	\$129,500	\$70,700
37	\$141,500	\$82,000
38	\$152,500	\$93,500
39	\$165,000	\$105,400
40	\$178,000	\$117,700
41	\$189,500	\$130,300
42	\$201,000	\$143,300
43	\$213,000	\$156,700
44	\$225,500	\$170,500
45	\$239,000	\$184,700
46	\$253,000	\$199,300
47	\$267,000	\$214,300
48	\$281,500	\$229,800

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Your age ▲	Earning a \$65,000 wage	Earning a \$90,000 wage
48	\$281,500	\$229,800
49	\$297,500	\$245,800
50	\$313,500	\$262,200
51	\$329,500	\$279,200
52	\$347,500	\$296,600
53	\$364,000	\$314,500
54	\$382,000	\$333,000
55	\$399,000	\$352,100
56	\$416,000	\$371,700
57	\$439,500	\$391,900
58	\$456,500	\$412,700
59	\$479,500	\$434,100
60	\$496,500	\$456,100
61	\$519,000	\$478,800
62	\$539,000	\$502,200
63	\$562,000	\$526,300
64	\$581,000	\$551,100
65	\$604,500	\$576,600
66	\$618,500	\$602,900
67	\$630,000	\$630,000

Source: ASFA (based on building a \$630,000 balance in today's dollars by age 67)

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ASFA chief policy and advocacy officer James Koval said the modelling was a handy guide that helped show people whether they were on track.

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“It’s a guide, not gospel,” he said.

“Going into retirement with more is always better than going in with less.

“Everyone’s retirement is different and personal. If people want something even better, it’s great to have that aspiration.”

The shift to 12 per cent compulsory employer super contributions from July 1 last year means many young adults will have richer retirements than their parents.

“People retiring today have only had super for the last 30 years, and even then it was only 3-4 per cent back in the 90s,” Mr Koval said.

ASFA’s latest Retirement Standard shows a single person can live comfortably on \$54,840 a year, while a couple requires \$77,375 annually.

Financial strategist Theo Marinis said he found most people seemed comfortable with a \$60,000-\$70,000 income range during retirement, especially as that was generally tax-free.

The [Australian Taxation Office’s tax calculator](#) shows that an after-tax income of \$72,000 for a retiree is the equivalent of a full-time younger worker earning \$90,000 a year before tax.

Mr Marinis said it was important to understand how your superannuation balance was tracking towards retirement.

“Even if you haven’t got an adviser, you should do it online, do it through your super fund, or go to [ASIC’s Moneysmart](#) site,” he said.

“Every single person I see come in thinks their situation is in disastrous shape, and it’s not.

“Whether they’ve got a fortune or not, they think they’re in a precarious situation and they don’t think they can retire.”

Mr Marinis said the biggest advantages of superannuation were its low-tax environment and long-term compound interest.

“The earlier you start contributing, the more compound interest will do the heavy lifting for you,” he said.

“If you start it as a regular direct debit or salary sacrifice, you don’t even notice it, and it will compound your returns. We’re human beings – the more we earn the more we spend.

“There’s no magic about super – it’s just those two things: low-tax environment and compound interest, Albert Einstein’s eighth wonder of the world.”

Mr Marinis said compounding also worked for the super system as a whole.

“This a big pool of money there that’s compounding, and then people are adding to it,” he said.

“They talk about Boomers drawing out more and more, but because 12 per cent’s going in for the kids and there’s already \$4.5 trillion in there, they’re expected to hit \$10 trillion in about 10 years. That’s a bucketload of money.

“You ain’t seen nothing yet, with the super system or Australians’ retirement.”

Australia’s total superannuation pool ranks behind only the US, Britain and Canada, and each of those countries has a significantly larger population.

Mr Koval described the nation’s super system as “the envy of the world”.

“We’re talking about a country that has 0.2 per cent of the global population but has the fourth-largest retirement savings pool in the world – and that’s not per capita, that’s full stop,” he said.

“We’re the 54th-largest country in terms of population. Australia will see the percentage of government spending on the pension decrease over the next few decades (from 2.4 per cent today to 2.2 per cent by 2060).

“It’s not bad from a government budget perspective.”

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