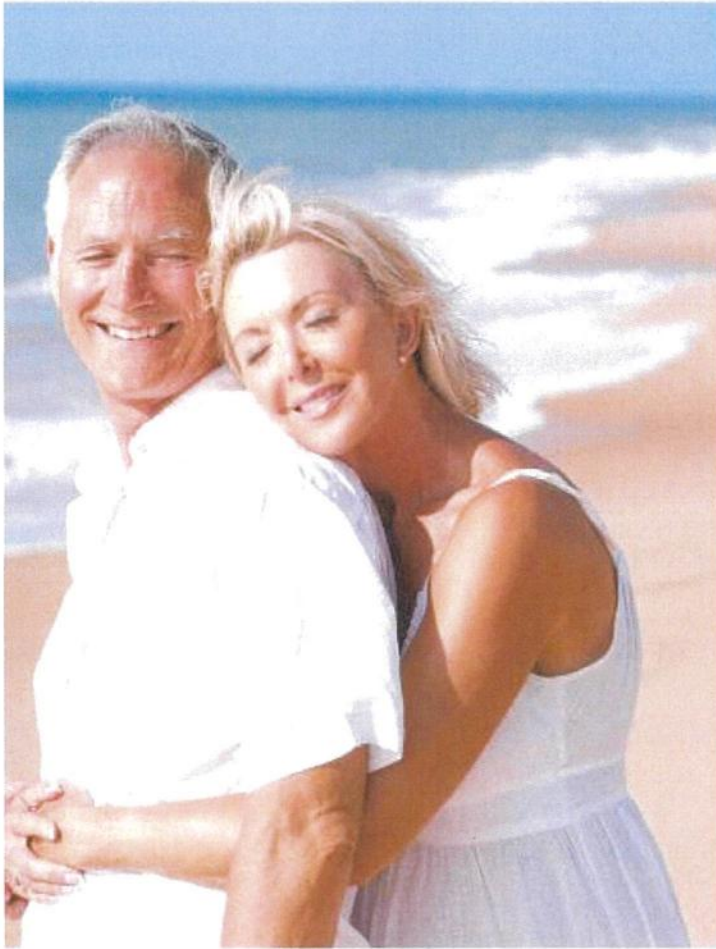


How much you need to retire

Anthony Keane



BY THE NUMBERS

\$400,000 is the superannuation balance of a typical couple starting retirement today.

25% of new retirees draw a full age pension

20% of new retirees access a part age pension.

80% of 80 year olds get some age pension.

Source: Challenger

A nest egg of \$1.3 million is the goal

SUPERANNUATION is reducing our reliance on the age pension but many Baby Boomers are heading towards retirement with little idea of how much money they will need.

Some avoid financial advice because of the damning financial services royal commission, while others fail to forecast travel costs and other big future expenses.

The good news for many is that superannuation is taking up the slack, and they will retire relatively comfortably on a combination of private savings and the age pension.

A recent report from investment management group Challenger found that "super is working on a mass scale", with only 45 per cent of 66 year olds accessing a full or part age pension as of December 2018.

Among all retirees, 42 per cent are drawing a full age pension, the report says, but this includes people aged in their 90s who never had super.

"Recent retirees are much less likely to be on the full age pension," it says.

Financial strategist Theo Marinis said the answer to the question of how much money a retiree would need was "how long is a piece of string", because everyone was different.

But, as a general guide, someone wanting to be fully self-funded would require a nest egg of about \$1.3 million, he said. "Not everybody can get to \$1.3 million, but you don't need that much because of Centrelink."

The Association of Superannuation Funds of Australia (ASFA) produces a quarterly retirement standard – a popular benchmark for seniors' cost of living – which says couples wanting a comfortable retirement would need a \$640,000 lump sum.

This money, combined with a part age pension, would produce income of \$61,000 a year, ASFA says. A single person would need \$545,000 for a comfortable annual income of \$43,000.

Clearly it pays to be partnered up. It also pays to know whether you're on the right track.

MoneySmart.gov.au has calculators to help project your balance, as do many super fund websites. You plug in your age, super balance, income and super contributions and the calculators do the rest.

Mr Marinis said retirees who got good advice ended up better off.

"Find a good adviser," he said. "Because of the Hayne royal commission, advisers are even more like lepers but there's good advisers and bad advisers."

Mr Marinis said a good strategy for current retirees was to only take the minimum withdrawals prescribed by the government from their account-based pensions.

"That way you won't run out of money," he said.

Wealth on Track principal Steve Greatrex said online retirement calculators did not factor in future costs such as overseas travel, upgrading the car or renovating the kitchen.

"These things you can't put into simplified models," he said.

Mr Greatrex said retirees' holiday spending should be planned in a sensible way.

"Some do it more sensibly than others," he said.

"You can't put the date of your death in your diary, therefore you can't plan for the money to run out, but a lot of people are going to live a lot longer than they expect."