

[Lifestyle](#) > [Smart](#)

Wages and super: what you need now to retire comfortably

Your age and your wage can be used to project whether your super will be enough, but other vital factors also play a role.



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Australians seeking a richer retirement have two basic choices: earn more money or spend less money than they earn and invest the rest.

However, many workers blindly travel the long road to retirement without knowing whether their income and superannuation balance will be enough to deliver their desired lifestyle.

Financial advisers say it is often higher-income earners who suffer the biggest shock later in life, because the pension can be a big step backwards for them, so early planning is vital.

“People on lower incomes tend to budget better and save money – what they are used to is not as extravagant as somebody on a higher income level,” says financial strategist Theo Marinis.

“Even a person on a minimum wage can end up with a better outcome at retirement than someone who is blowing it all,” he says.

“Think about down the track. You probably should put away at least 20 per cent of your income – some to super and some invested outside super.”

SUPER CALCULATIONS

Compulsory superannuation already puts away 10.5 per cent of your income, rising to 12 per cent by 2025, and other investments can achieve the rest.

Ideas of wealth differ dramatically, but simple projections can show if you are on target. The Association of Superannuation Funds of Australia’s widely-used Retirement Standard suggests

a single retiree needs \$48,266 annually to live comfortably, requiring a super balance of \$545,000 combined with a part pension.



Age	Average super balance	Wage required
18-24	\$6,641	\$77,000
25-29	\$21,309	\$86,000
30-34	\$44,650	\$96,000
35-39	\$74,963	\$107,000
40-44	\$108,217	\$124,000
45-49	\$145,622	\$149,000
50-54	\$188,234	\$192,000
55-59	\$246,771	\$310,000
60-64	\$323,871	\$1,000,000

Source: ASFA, ATO, Moneysmart.gov.au superannuation calculator (wage needed to reach \$545,000 by age 67)

We plugged age data and average super balances into Moneysmart.gov.au's superannuation calculator, and came up with some confronting and sometimes unusual results.

If relying solely on compulsory super, a single worker in their 20s needs to earn up to \$86,000 a year to reach the \$545,000 target, adjusted for inflation, while someone in their 30s must earn up to \$107,000.

A person aged over 55 must earn a wage above \$310,000, the calculator shows, but the projections do not reflect other savings and investments a wage of that size should afford.

<https://www.adelaidenow.com.au/lifestyle/smart/wages-and-super-what-you-need-now-to-retire-comfortably/news-story/e3ef45b5cd29105eb99f56f56e62e8a7>

Marinis says the best way to build wealth is investing extra into super and other assets as soon as you can for as long as you can, which lets compound interest work its magic.

“If you don’t have the money, you don’t spend it,” he says.

Taking some investment risk is necessary, Marinis says, and do a risk profile to understand your comfort zone.

“There’s no point going all into shares, then the market drops and you say ‘I wish I never did that’,” he says.

“Don’t go chasing an extra 1 per cent of return if you have to take a lot more risk.”

CreationWealth senior financial adviser Andrew Zbik agrees that starting early is important.

He says people’s incomes, lifestyles and spending are “quite relative”.

DREAM TARGET

“You generally find lower income earners are quite accustomed to a lifestyle with a lower cost of living,” Zbik says.

“What for some people would be a want for others becomes a need.

“I have clients who are very happy as a couple on \$45,000 a year, but others struggling on \$100,000, because driving a Mercedes and flying business class is an expensive lifestyle.”

Seeking advice can help put people on track, Zbik says, and he suggests doing a budget of your current expenses.

Strip out things you won’t pay in retirement – such as school fees – but add in things that will deliver your desired lifestyle.

“If you dreamt of having a boat but don’t have one now, put it in,” he says.

“The more time you have to retirement, the more time you have to adjust if you want a particular lifestyle. Create your dream target and work backwards from that.”

Working couples have an easier path to retiring in comfort, with ASFA’s latest Retirement Standard finding they require \$68,014 to live comfortably and a combined super balance of \$640,000.



Sophie and Alex Savvas, pictured with their dog, Benji, have invested over many years while working. Picture: Matt Loxton

Alex Savvas and his wife Sophie have been working hard and investing for years to grow their nest egg.

Long-term property investment has helped provide extra money to pour into their super, and sacrifices made 10-15 years ago are bearing fruit.

“You have to do the hard work to afford yourself that passive income down the track,” Savvas says.

“Very early on it was instilled in me about saving money,” he says.

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