



# EVANS EDWARDS

FINANCIAL ADVISORS | WEALTH CREATORS



## How much do I need to Retire?

When you plan to retire will often be determined by whether you can afford to stop working and still have enough income to maintain your lifestyle. Latest figures from the Australian Bureau of Statistics show the majority of men (36%) and women (22%) chose to retire at the time when they became eligible to draw on their superannuation and/or age pension. And their average age at retirement was 63.5 years.

If you're planning to delay retirement until your super balance reaches an amount you can comfortably live on, just how do you determine what that target should be? There are a number of factors that will affect how far your money will go, including your life expectancy, how your money is invested and other choices you make for managing your income, but one of the most important steps to planning for a secure financial future in retirement is to be realistic about your living costs.

### How your living costs might change

As you stop working and have more time for yourself, your routine will change and you might save on some costs as a result. Spending on transport could fall as you no longer have to commute. If buying lunch and takeaway coffees has been a daily habit while working, you could also make significant savings by leaving these out of your retirement routine. Other living expenses, such as buying groceries and clothes and paying household bills are likely to be much the same before and after retirement.

Thinking about how you'll spend time in retirement and where you're planning to live will also give you clues about how your spending might go up or down. If a few trips overseas are on the cards, you'll need to allow for these occasional costs in your overall budget. If you're planning to limit travel to domestic holidays only, then you won't need to allow for these expenses in your financial plan.

### Start with a ballpark estimate

How much travel you plan to be doing is just one of the many daily and one-off costs taken into account in the Retirement Standard estimates for annual expenses. Updated every quarter by the Association of Superannuation Funds of Australia (ASFA), these figures can give you a rough idea of what you can expect to be spending day-to-day in retirement.

There are two estimates available, a higher one for a comfortable lifestyle and a lower amount for a modest lifestyle. As at December 2018, the amount you'd spend as a single person aged around 65 years enjoying a comfortable lifestyle is \$43,317 and for a modest lifestyle the annual budget is \$27,648. The estimate for couples is \$60,977 and \$39,775 for comfortable and modest lifestyles respectively.

To give you an idea of how differences between a modest and comfortable budget might impact on your retirement plans, the annual travel budget is a good place to start. A couple living modestly can expect to spend approximately \$2,500, with no allowance for overseas trips. On a comfortable budget, a couple can splash out more than \$5,000 each year on travel, with roughly a third going towards international travel.

### **The cost of lifestyle changes**

Although it's wise to build a budget based on what you expect to be doing in early retirement, your overall plan should also take into account potential for lifestyle changes as you age. Travelling for longer periods, dining out and entertainment and taking part in sports and hobbies could taper off as you grow older. Health and aged care costs, on the other hand, could make up a larger share of your budget in the later years of retirement.

### **A plan to see you through retirement**

Your expenses are just one side of the whole budget planning process. Taking a good look at all your retirement income options is just as important to figuring out how much you'll need and when you'll be ready to take that step. From the age pension to the equity in your home to retirement income products such as annuities and account based pensions, there are all sorts of ways to support yourself financially towards having the lifestyle you want. A qualified professional who specialises in retirement planning can support you in exploring these opportunities to manage your income for your whole retirement so you can make better choices for a secure financial future. Give Shaun or Vicky a call on 4927 4588 to see how they can help you.

*Source: FPA Money and Life, 02 April 2019*



**EVANS EDWARDS**

FINANCIAL ADVISORS | WEALTH CREATORS