

How much do you need to spend to have a comfortable standard of living in retirement?

Most people save for their retirement, but relatively few have a good idea of exactly how much money needs to be spent per year to fund a comfortable lifestyle in retirement. New research, released in February 2004, commissioned by Westpac from ASFA (the Association of Superannuation Funds of Australia) for the first time in Australia provides a clear and objective answer to this question.

The level of the Age Pension tells you what people can survive on, but most Australians want and need more than the Age Pension. The **Westpac/ASFA Retirement Living Standard** provides detailed budgets of what singles and couples would need to spend to be able to have either:

- A modest lifestyle in retirement, better than the lifestyle on just the Age Pension but still only being able to afford fairly basic activities; or
- A more comfortable lifestyle in retirement, enabling an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through purchase of such things as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel.

Budgets for singles and couples

The Table below sets out budgets for retired single persons and couples for both the Modest and Comfortable retirement living standards in the major capital cities as at September 2003.

For some items, two can live as cheaply as one, but for other items costs go up with the size of the household.

To have a comfortable lifestyle, the research showed that retired singles need to spend \$32,800 a year and couples around \$43,350 a year. This assumes the retiree owns their home.

	Modest lifestyle - single <i>(cost per week)</i>	Modest lifestyle - couple <i>(cost per week)</i>	Comfortable lifestyle - single <i>(cost per week)</i>	Comfortable lifestyle - couple <i>(cost per week)</i>
Housing - ongoing only	\$56.20	\$58.10	\$74.60	\$76.50
Energy	\$10.30	\$12.30	\$11.30	\$13.30
Food	\$58.60	\$117.40	\$110.90	\$156.00
Clothing	\$15.10	\$26.10	\$31.90	\$58.20
Household goods and services	\$47.90	\$50.70	\$85.20	\$78.30
Health	\$9.90	\$18.70	\$41.80	\$82.20
Transport	\$62.50	\$63.20	\$95.40	\$96.10
Leisure	\$43.30	\$71.70	\$138.60	\$199.00
Personal care	\$21.80	\$34.80	\$21.80	\$34.80
Gifts and/or alcohol and tobacco			\$19.20	\$38.40
Total per week	\$325.60	\$452.90	\$630.70	\$833.60
Total per year	\$16,930.00	\$23,550.00	\$32,800.00	\$43,350.00

What extra things are in the comfortable budget?

The extra items in the comfortable budget are things like being able to update the kitchen or bathroom at some stage, some wine, eating out from time to time, being able to entertain family or friends at home, better clothes from more upmarket stores, improved quality whitegoods and a range of computer and home entertainment items, private health insurance at the top rate, a better car, purchase of magazines and CDs, increased frequency and cost of holidays, including an occasional overseas holiday, and being able to afford additional alcohol, or purchase tobacco or make gifts and donations if this is desired.

What about the detail and differences in costs between regions?

The budgets in the table on the previous page apply to retirees in the major capital cities as at September 2003. Costs for certain budget items are more expensive in regional areas (and some are cheaper). More detailed information available from the Westpac website (www.westpac.com.au) provides estimates for regions of Western Australia and Queensland, the two largest States. There is also more detailed information on the items that make up the various categories of expenditure, and for males and females. Males are slightly cheaper to run in retirement due to lower clothing and hairdressing costs.

The budgets will be updated every three months to reflect price changes in each State, Territory and region covered. This means that the budget estimates will remain relevant for Australians.

How were the budgets put together?

The budgets were put together by looking at what retired Australians spend their money on, and then going out and getting precise costs for the items covered. The draft budgets were then tested by getting focus groups of retired people enjoying a comfortable lifestyle to say what was reasonable and what was less relevant. The final budgets reflected these comments. Much of this work was undertaken by the Social Policy Research Centre of the University of New South Wales, an organisation which is a world leader in such research.

Will your current superannuation and investments be enough to fund your preferred retirement lifestyle?

Westpac offers an obligation-free Retirement Income Gap test. Using our unique Gap Analyser, one of our Financial Planners can examine what you're putting towards your nest egg to identify whether you're on track to meet your retirement needs. If there is a gap, Westpac can show you ways which could help close it – even if you have as little as seven years to go before retiring.

To make an appointment for an obligation-free Retirement Income Gap test, visit www.westpac.com.au, call 131 817 or ask at any branch.

