



Understanding The Cost of Retirement

Your financial needs for retirement



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The Understanding the Cost of Retirement Workbook

CSC has partnered with FortyPlus to provide resources that help you plan ahead and create your best life.

Go through the online section on the Online Module and record your notes in the Workbook.



THE COST OF RETIREMENT

One of the biggest questions people have as they prepare for retirement is how much money they will need. Having enough money can also be a key factor in deciding when to retire.

In this Module we'll look at the ASFA estimates and what spending data tells us about retirement income needs. Then we'll look at how to do your own retirement budget, and the things you'll need to think about when you estimate your cost of retirement.

KEY REFERENCE POINTS

The Association of Superannuation Funds of Australia (ASFA) Standards

The best-known retirement income estimates are developed by the Association of Superannuation Funds of Australia (ASFA). The ASFA Standards estimate the cost of a **Modest** and **Comfortable** standard of living in retirement.

Note: These estimates don't include the cost of housing. If you don't own your own home, your costs would be higher.

The ASFA Modest Standard of living in retirement allows less spending than the ASFA Comfortable Standard of living on things like:

- Health insurance
- Meals out and takeaway food
- Car transport and running costs
- Household appliances, air conditioning and smart phones
- Home repairs

The Australian Bureau of Statistics (ABS)

We can also look at the spending data collected by the Australian Bureau of Statistics for older households. This data is collected on a per household basis, and doesn't distinguish between the spending patterns of individuals, couples and extended family households.

The Household, Income and Labour Dynamics (HILDA) Survey

The Household, Income and Labour Dynamics in Australia (HILDA) Survey is a household-based study that collects information about economic and social well-being in Australia, including expected weekly income needs for retirement.

Single (Per week)

Couple (Per week)

\$846.42	AFSA Comfortable Lifestyle	\$1,196.08
\$540.62	AFSA Modest Lifestyle	\$780.06
\$1,050.00	ABS (Per household)	\$1,050.00
\$829.00	HILDA	\$1,199.00

Australian Bureau of Statistics, Household Expenditure Survey, Australia: Summary of Results, 2015-16.
 The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 15, 2017.
 The Association of Superannuation Funds of Australia (ASFA), March 2020.





YOUR RETIREMENT BUDGET

The AFSA Standards, and the data collected by the HILDA and the ABS survey are useful reference points. However, your income needs for retirement will depend on a number of individual factors like where you live, the types of activities you enjoy and any lump sum purchases or expenses.

The best way to get an accurate picture of your financial needs is to create a Retirement Budget.

The Budget Planning Table on page 10 will help you get started.

Note: If you're not ready to get into the detail yet, you can start by just marking (with an ↑ arrow) the expenses you think will go up in retirement and marking (with a ↓ arrow) the expenses you think will go down in retirement.

As you go through each section of the retirement budget, consider the issues and questions on the following pages.

YOUR INDIVIDUAL NEEDS

DID YOU KNOW?

- Financial well-being isn't linked to expenditure.
- Financial satisfaction is lowest for households in their 40s and gradually increases with age from 50 years onwards.*

* Expenditure Patterns in Retirement, Australian Centre for Financial Studies and the Australian Institute of Superannuation Trustees, August 2016.



Your Retirement Lifestyle

There are some important keys to enjoying a fulfilling retirement

- ✓ Staying connected and in regular contact with the people who are important to you.
- ✓ Having things that are meaningful to you and give you a sense of purpose (including short and long-term goals), and
- ✓ An identity that will last beyond work.

Planning well financially means getting a clear picture of your retirement, and then thinking through the costs and expenses you will have.

Consider **who you** will be spending time with, **what will** you be doing (and **how often**), and the cost of those activities.

TIP: Think in terms of a weekly or monthly routine.

QUESTIONS TO ASK

Consider the following questions as you think through your retirement lifestyle

1. Will you need to set aside a lump sum for any major expenses or purchases (such as travel, renovations or a new car)?

2. Are there any hobbies or other interests that you would like to have money for in retirement?

3. How much money do you need to allow for the ongoing costs of social activities?

4. Do you have any important goals that will require financial resources?



Your Health Costs

Looking after your health in retirement includes focusing on three key areas –

- Getting enough mental and physical activity
- Maintaining a healthy diet, and
- Staying up to date with routine health checks.

As you plan financially, you will need to consider –

- ✓ New or ongoing expenses for things that help you stay active. For example, sports equipment, gym memberships or exercise classes.
- ✓ How eating well will impact your food budget, and
- ✓ The cost of unexpected medical procedures, tests or gap payments for doctors and specialists.

TIP: Don't forget the cost of routine prescriptions and dental costs.



QUESTIONS TO ASK

Ask yourself the following questions –

1. Do you have any medical or dental issues that require ongoing treatment?

2. Based on your medical history, are there any likely medical tests or procedures you may need?

3. Do you need to allow money for routine prescriptions? If so, what are the approximate ongoing costs?

4. How will you stay physically active in retirement? Note any costs involved.

5. Will you need to allow more money for healthy eating? If so, how much more?



Where you Live and your Accommodation

If you don't own your own home your cost of living in retirement will be higher and will be impacted by the future cost of rent or real estate prices.

Keep in Mind: If you do own your own home you will also need to consider –

- Whether you plan to downsize
- The cost of moving, and
- Whether you plan to access the capital in your home to fund your retirement.

Note: You may want to seek financial advice if you plan to downsize or use the capital in your home to help fund your retirement.

If you live in a capital city your cost of living may be higher.



Your level of income during your working life

Many people find they enjoy their retirement more if the amount of money they have available is similar to the amount they had during their working life. This may be higher or lower than average depending on what your income has been.



EXPENSES		Current Spending	Expected Spending in Retirement
	Circle one	Week / Month / Fortnight	Week / Month / Fortnight
Food	Supermarket		
	Butcher		
	Fruit & Vegetable Market		
	Bakery		
	Pet Food		
	Other		
Home & Utilities	Mortgage or Rent		
	Body Corporate Fees		
	Council Rates		
	Electricity		
	Gas		
	Water		
	Home Phone		
	Mobile Phone(s)		
	Internet		
	Streaming Services (like Stan or Netflix)		
	Home Maintenance & Repairs		
	Appliances		
	Other		
Medical	Doctors & Specialists		
	Prescriptions & Pharmacy		
	Dental		
	Glasses/Contact Lenses & Eyecare		
	Vet Care for Pets		
	Other		

EXPENSES		Current Spending	Expected Spending in Retirement
Personal	Cosmetics & Toiletries		
	Hair & Beauty		
	Sports Equipment		
	Hobbies & Club Memberships		
	Education		
	Other		
Clothes	Clothes		
	Shoes		
	Jewellery & Accessories		
	Other		
Entertainment	Restaurants		
	Cafes		
	Takeaway Meals		
	Bought Lunches and Snack Food		
	Newspapers, Books & Magazines		
	Movies		
	Gadgets		
	Drinks & Alcohol		
	Holidays		
	Gifts		
	Other		
Transport	Bus, Train & Ferry		
	Petrol		
	Tolls & Parking		
	Car Repairs & Maintenance		
	Licence & Registration		
	Other		

EXPENSES		Current Spending	Expected Spending in Retirement
Insurance	Health Insurance		
	Home & Contents Insurance		
	Personal & Life Insurance		
	Car Insurance		
Giving	Charitable Donations		
	Financial gifts for loved ones		
Savings	Investments & extra Superannuation contributions		
	Major Purchases (eg. car, boat, renovations, holidays)		
	Rainy Day		





NEXT STEPS

Once you understand your retirement income needs, the next step is to calculate what your income from Super and any Age Pension is likely to be. This will help you understand whether you will have enough money or whether you will need to grow your nest egg or adjust your retirement lifestyle.

FIND OUT MORE

Find out more about

Calculating your **Age Pension** at

<https://moneysmart.gov.au/retirement-income/super-and-pension-age-calculator>

Calculate your **CSC Super Benefit** at

<https://www.csc.gov.au/Log-in/pss/>

The **AFSA Modest and Comfortable Standard of living** at

<https://www.superannuation.asn.au/ArticleDocuments/269/ASFA-RetirementStandard-Summary-2018.pdf>

Financial advice at

<https://www.csc.gov.au/Members/Advice-and-resources/Financial-planning/>

Retirement income at

<https://moneysmart.gov.au/retirement-income>

Preparing financially for retirement at

<https://retirementready.com.au/commonwealth-superannuation-corporation-new/>

Budgeting at

<https://moneysmart.gov.au/budgeting/budget-planner>



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