

Retirement: What's Your Magic Number?



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According to a recent survey, Australians tend to underestimate the amount of money needed in our retirement years by as much as 20%.

Survey ¹ respondents, including active Australian investors, revealed a disconnect between income amounts believed to be needed in retirement, versus their real cost of living. Pre-retiree Australians foresee their base line living expenses will consume up to 40% of their retirement income, whilst in real terms it is closer to almost 60% of their expenditure, a significant gap.....

Looking northwards to our Asian neighbours (who were far more accurate in their estimations on their expectations), pre-retirees on average estimated they needed around 32%, with actual retirees reporting a need of 38%.

However, Australians are far from alone in our [inability to project realistic expenditure in retirement](#),

with our American friends also underestimating their retirement income needs. Pre-retiree Americans expect a need of 32% of their income for essential spending, in contrast to current retirees reporting a needed spend of 53%.

The survey results depict a real danger that most Australians will underestimate basic living expenses and income levels needed to live comfortably in retirement, let alone achieve additional goals or lifestyle choices.

What does this all mean for us in preparing for life, post receipt of an income derived from our work efforts?

Working Australians are currently saving on average 12% per cent of income towards retirement goals, but consciously acknowledge 15% as more appropriate. A few calculations show that postponing saving for retirement until nearing our 50s or 60s is unlikely to see any savings gap met.

So, the earlier we start, even with smaller amounts, the better!

With all that in mind, what level of spending in retirement is enough? What's your magic number?

According to a benchmark set by ASFA Retirement Standard, single Australians need more than \$42,764 per annum to fund a comfortable lifestyle in retirement, and a couple \$60,264. However, the definition of 'comfortable' is far from what most of us envision for our later years, in that it "enables older, healthy retirees to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things."

These figures assume home ownership is secured and good health is maintained, but where does the annual overseas or interstate holiday, or being able to assist family members fit into this equation?

Whilst there is no silver bullet available to avoid financial challenges in retirement, engaging a qualified and trusted [professional](#) to help you focus on the elements that can be controlled would be a significant step. A financial adviser can assist you with:

- Incorporating your goals and desired level of [retirement lifestyle](#) into a plan of action;
- Quantifying how much needs to be allocated to retirement savings to make your vision a reality;
- Structuring your portfolio to provide you the best possible outcomes, whilst taking on an appropriate mix of growth and defensive assets; and
- Monitoring your progress towards achieving your goals, keeping you accountable in honouring them and navigating required adjustments to your plan along the way.

If you want to explore what is possible for your retirement, please contact Capital Partners via our website contact form or by calling 6163 6100.

Damon Sugden is a Wealth Adviser with Capital Partners, 2017 [FPA Professional Practice of the Year](#) and 2018 IFA Boutique Advice Firm of the Year, and is committed to helping people live richer, happier lives. Damon's retirement podcast, The Good Life, Redefining Retirement will be available to stream on your favourite podcast platform soon. Search Capital Partners Private Wealth in your podcast app to stay in touch.

¹ Schroders Global Investor Study; Savings for a comfortable retirement 2018.



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Damon works with families and individuals to structure their wealth in a way that helps them lead happier, more fulfilling lives.

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