How Much is Enough?

> Some hope for the best rather than plan for the best. But with professional advice, retirement is just the beginning.

How much do you need?

Start with a ballpark calculation of your retirement needs. One rough rule of thumb is that you can retire comfortably on about 75% of your pre-retirement income. Another is that every $100,000 invested may provide a sustainable $5,000 per annum in income. This of course is dependent on the amount of income generated from the underlying assets that the $100,000 is invested in.

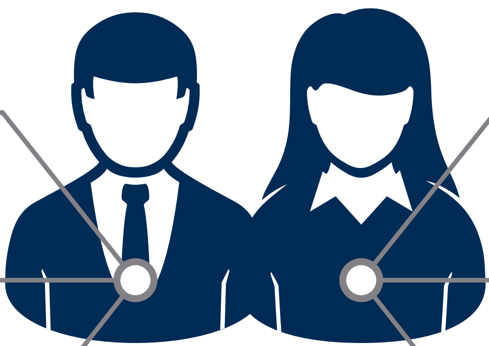
Based on the MLC Quarterly Australian Wealth Sentiment Survey[1], for a comfortable retirement, Australian men who are currently 30 years of age need around $1.58 million in super savings. Because Australian women live several years longer and retire several years earlier on average, they need significantly more savings in order to sustain an equally comfortable retirement, around $1.76 million (amounts assume no reliance on the age pension).

However, the average super balances of men ages 60 to 64 is $198,235, while for women of the same ages, the average is only $112,632.

$1.58m
(male currently 30yrs)
needed to retire comfortably[2]

$198,235
avg. super balance aged 60-64[2]

58.5
avg. age for retirement (2012-13)[3]



$1.76m
(female currently 30yrs)
needed to retire comfortably[2]

$112,632
avg. super balance aged 60-64[2]

50
avg. age for retirement (2012-13)[3]

continued

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Will you have a shortfall?

If you are an employee, your employer will contribute 9.5%pa into your super fund. A salary of say $100,000pa will provide net contributions of about $8,075pa (after superannuation contributions tax of 15%). If you are an employer, you too will benefit from paying yourself super.

We show in the table below savings that are needed to reach $1,600,000 in either 10, 20 or 30 years.

Investment earning rate	Annual savings required for each $1,600,000*		
	10 Years	20 Years	30 Years
6% pa	$123,840 pa	$44,400 pa	$20,640 pa
8% pa	$112,720 pa	$35,680 pa	$14,400 pa
10% pa	$102,400 pa	$28,480 pa	$9,920 pa

*The table assumes that the savings may attract an entry fee of 2% and ignores tax benefits, tax costs and market volatility. Note: Calculations are in today's dollars. There are limits to the amount you can invest tax effectively in super each year.

It is clear from the table that on a salary of $100,000pa, the employer contributions of $8,075pa are significantly less than what is required to achieve around $1,600,000 to live a comfortable retirement lifestyle. Even with the increase in employer contributions from 9.5%pa to 12%pa in the coming years, a significant super savings gap will still exist.

How to close the gap?

There is a wide spectrum of solutions to close the super savings gap. If you would like to find out more on how you may dramatically increase your superannuation nest egg using tax effective investment strategies, take advantage of our complimentary initial consultation with an Modoras Adviser. From maximising your super contribution cap to salary sacrificing and contribution splitting (just to name a few) treat yourself to peace of mind knowing you are on track to bridge your super savings gap.

The good news is, the sooner you start… the more you may have!

Need more information?

Contact us today: 1300 888 803

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Infographic Sources: 1. The Financial Services Council Longevity Savings Gap Report, Rice Warner September 2012. 2. ASFA Retirement Standard December 2013. 3. Retirement and Retirement Intentions, ABS, July 2012 to June 2013. 4. MLC Quarterly Australian Wealth Sentiment Survey December 2013.

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