

How much will you need for retirement?



One of the most important superannuation questions is how much you'll need for a 'comfortable' retirement. Of course, this will vary depending on your own personal situation but to give you an idea, you can use these three basic steps as guide.

It's important to remember that this is only a guide and you may need more or less than this amount to fund your retirement.

Step 1: Apply the '60% rule'

As a guide, a 'comfortable' retirement for most people means receiving at least **60% of their current annual income in retirement**. Naturally, this will vary from person to person but it's a reasonable rule of thumb. The table shows what the '60% rule' means at various salary levels.

Current income	60% of current income
\$90,000	\$54,000
\$70,000	\$42,000
\$50,000	\$30,000

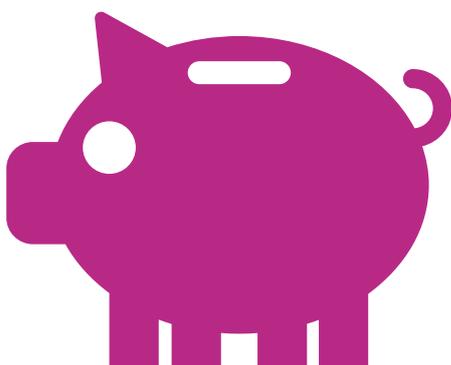
Step 2: Convert this figure to an equivalent lump sum

So how much do you need as a lump sum to produce an annual income in retirement of, say, \$42,000? Well, Mercer Human Resource Consulting¹ has calculated that for a 60 year-old male, every \$100,000 of after-tax superannuation lump sum benefits produces a fixed annual income of \$8,794 for 20 years. So looking at the table, you can see that a 60-year old male will need a **lump sum of almost \$500,000** to provide an annual income in retirement of \$42,000 for 20 years.

These calculations are based on a 20-year time frame because the approximate life expectancy for Australian males is 84 years and 88 for females. So if you plan to retire at 65, you should plan for your retirement savings to last around 20 years if you're a male and longer if you're a female. Naturally, the more lump sum savings you have, the higher annual income can be provided.

Lump sum savings	Annual income	Timeframe
\$100,000	\$8,794	20 years
\$200,000	\$17,588	20 years
\$300,000	\$26,382	20 years
\$400,000	\$35,176	20 years
\$500,000	\$43,970	20 years

A little **bit extra now** can make a **big difference** in your retirement



¹ Note: These amounts are indicative only. They have been calculated by Mercer Human Resource Consulting Pty Ltd (Mercer) ABN 32 005 315 917 based on an expected investment return of 6.5% pa. No allowance has been made for fees. The allowance made for CPI is 2.5% pa.

Of course, many Australians are able to supplement their superannuation with a part or full age pension. This means that a combination of a superannuation income stream and an age pension entitlement will still enable a reasonable life style in retirement even if you don't have a lump sum of this size. The important thing is to make your retirement savings a priority.

Step 3: Bridge the gap

Step 3 is to calculate how much you'll need to save to close this gap. The answer depends on things like your salary, how much you've saved already, your age, and the performance of your investments. To give you an idea, we've used the superannuation calculator on the Australian Securities and Investments Commission (ASIC) website to show how much you may accumulate after 20 years at certain contribution levels based on the assumptions shown.

These examples use the superannuation calculator on ASIC's MoneySmart website at www.moneysmart.gov.au.

The graph shows how contributing a bit extra can make a big difference to your final lump sum



Assumptions

- Salary: \$65,000 pa
- Starting balance: \$40,000
- Investment term: 30 years
- Management and investment costs: 50 + 1.2%
- Investment earnings: 5.0% pa
- Earnings tax: 6.5%
- Insurance premiums: \$100 pa
- Rise in cost of living: 2.0%

The examples rely on the default information shown on the Money Smart website at www.moneysmart.gov.au/tools-and-resources/calculators-and-tools/superannuation-calculator. The assumptions do not reflect the returns or fees and costs for First State Super and the fees for First State Super differ from the amounts used in these examples. Please see the current Product Disclosure Statement for the First State Super product you currently hold for more details. You should also click 'How it works' when you are using the Money Smart superannuation calculator for information about the calculator and the underlying assumptions. The examples are illustrative only and are based on the assumptions listed. They should not be taken as an estimate or guarantee of the superannuation benefits you may receive from First State Super nor are they intended to convey any forecasts of future performance of the fund or its investment options.

Getting your super on track

Now that you've established where you need to be, the next step is to make it happen. If you think you might have a shortfall, there are some simple things you can do now to get back on track.

Think about how your money is invested. Over the longer term, more conservative investment options like fixed interest and cash tend to earn lower returns than growth assets like shares and property. Of course, your investment **timeframe** is also very important, so you need to think carefully about your investment decision. It might help to seek financial advice.

Another way to build your super is to add some of your own money. If you are employed, and earning more than \$450 per month, your employer will already be making the required contributions to your super, but this might not be enough. Depending on when you retire, your savings may need to last 20 years or more!

How do I make a contribution to my super?

If you would like to make an after-tax or salary sacrifice contribution, simply complete the *Contributions by payroll deduction* form and give it to your employer. You can download this form from our website or call us on **1300 650 873** to request a copy.

! Tip

If you're uncertain about how much or what type of contribution you should make, use our **contributions calculator** to see the difference between making salary sacrifice and personal after-tax contributions. Go to firststatesuper.com.au/ContributionCalculator

Here to help!

Super can be quite complicated and sometimes you just want to know that you're making the right decisions. Because the right decisions about your super can make a real difference to your financial future.

So if you've got any questions, or you just want the comfort of knowing you're on the right track, getting some advice can help. StatePlus is our financial planning business and is wholly owned by us. The team at StatePlus can answer simple questions about your super over the phone, or if your situation is more complex, prepare a full financial plan for you. It's all up to you, no obligation. Book online at firststatesuper.com.au/advice or call **1800 620 305** (Monday to Friday 8.15 am to 8.15 pm AEST/AEDT) to arrange an appointment.

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