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For your interest



Trusting you managed some chill time over the Xmas and New Year break. I spent mine in a literal “chill” in San Francisco, enjoying the headlines from home noting “melting roads” in Sydney and beyond!

In this newsletter we've featured an article on the topical “how much is enough super”, and hope you find it of interest.

On another topic, please don't hesitate to contact us if you'd like your mortgage reviewed, as in my 30+ years of working in the finance industry, I've never seen such a wide range of rates clients are paying, even with the same banks.

Wishing you all the best for a prosperous and happy 2018

Brett & the team

Brett



Busting the \$1m Retirement Myth

It's often said you'll need \$1million in superannuation to live a comfortable retirement. This is a daunting figure for most and has many Australians concerned about the retirement lifestyle they'll have. In reality, most Australian workers have nothing like this but report being satisfied and fulfilled in retirement. The Association of Superannuation Funds of Australia (ASFA) say average super balances at retirement are \$292,500 for men, \$138,150 for women and \$355,000 for households. Far less than \$1 million.*

*Superannuation account balances by age and gender, ASFA, December 2015. Source: MLC

SO HOW MUCH DO YOU REALLY NEED?

When thinking about retirement, we don't tend to think about our super balance. Instead, we think about a lifestyle we want in retirement and translate this into how much cash we will need to live this lifestyle. We also need to take into account our cash and investments outside of super. As a guide, ASFA has taken into consideration potential living expenses, excluding rental costs and calculated two retirement categories of 'comfortable' and 'modest'. While your needs may differ considerably it helps to put into perspective the overly-alarming \$1 million figure.

SAVINGS NEEDED TO SUPPORT A MODEST OR COMFORTABLE RETIREMENT FOR RETIREES AGED 65 – 85

	Savings needed at retirement	Annual spending in retirement
Comfortable lifestyle for a couple	\$640,000	\$59,808
Comfortable lifestyle for a single person	\$545,000	\$43,538
Modest lifestyle for a couple	\$35,000	\$34,687
Modest lifestyle for a single person	\$50,000	\$24,108

Source: ASFA Retirement Standard – December 2016. All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6%. Based on the current means test for the Age Pension in effect from 1 January 2017.

DON'T FORGET THE AGE PENSION

How can a couple retire with \$35,000 in super and still spend the 'modest' \$34,687 a year? Currently the age pension makes this possible and is sometimes overlooked when thinking about how much is needed to retire. This is why the lump sums needed for a modest lifestyle are relatively low as the age pension is sufficient to meet most expenditure needs. Currently the full annual Age Pension is approx. \$22,700 for an individual and \$34,250 for a couple.