



THE ASSOCIATION OF SUPERANNUATION
FUNDS OF AUSTRALIA LIMITED

New figures for ASFA Retirement Standard

New figures released today for the ASFA Retirement Standard show retirees will need more than \$600 extra to live comfortably each year during retirement compared to the last quarter.

A couple looking to achieve a comfortable retirement now need to spend \$54,562 a year, while those seeking a modest retirement lifestyle need to spend \$31,263 a year.

The aggregate costs for a couple living comfortably in retirement were up by 1.3 per cent in the March quarter 2011 from the December quarter 2010 (see Table 1 for budget breakdown).

For the first time, the Association of Superannuation Funds of Australia (ASFA) has also published a Retirement Standard for households where the retiree age is 90 (see Table 2).

The cost of food, fuel, and pharmaceuticals rose strongly over the quarter, while the price of audio-visual and computing equipment and overseas travel fell.

The largest increase in prices was recorded in Melbourne followed by Sydney and Adelaide.

Retiree households, on average, have somewhat different spending patterns to the rest of the population.

Along with generally owning their own home outright (so cost increases for housing are less important for retirees), they don't tend to spend much on education services.

In contrast, food, health, transportation and recreation spending form a large part of retiree budgets.

However, especially over the longer term, it is not unusual for the effects of the various differences to largely cancel out.

While the draft budgets for 90-year-olds have additional expenditure items, particularly in household services and health, the overall totals are lower than in the budgets for those aged 70.

This is because there is a reduction in transport costs (due to no motor vehicle expenses) and reduced expenditure on leisure (with elimination of an overseas holiday in the comfortable budget and a scaling back of certain other leisure items). See Table 2.

The percentage difference is not significant for 90-year-olds on the modest lifestyle budget as the various changes to the budget components largely offset each other. However, at the comfortable lifestyle level the impact of age is more significant, with an 8.4 per cent reduction in costs for a single and an 11.6 per cent reduction for a couple.

Table 1: Budgets for various households and living standards (March quarter 2011)

	Modest lifestyle - single	Modest lifestyle - couple	Comfortable lifestyle - single	Comfortable lifestyle - couple
Housing - ongoing only	\$56.67	\$54.40	\$65.68	\$76.14
Energy	\$32.19	\$42.76	\$32.67	\$44.31
Food	\$74.88	\$155.10	\$106.97	\$192.54
Clothing	\$17.49	\$28.39	\$37.86	\$56.79
Household goods and services	\$25.61	\$34.73	\$72.05	\$84.40
Health	\$34.41	\$66.41	\$68.27	\$120.49
Transport	\$90.98	\$93.56	\$135.58	\$138.16
Leisure	\$72.60	\$108.17	\$220.02	\$301.51
Communications	\$9.17	\$16.05	\$25.19	\$32.06
Total per week	\$414.00	\$599.56	\$764.28	\$1,046.39
Total per year	\$21,587	\$31,263	\$39,852	\$54,562

The figures in each case assume that the retiree(s) are aged 70 and own their own home. They relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement. Single calculations are based on female figures. All calculations are weekly, unless otherwise stated.

Between the December quarter 2010 and the March quarter 2011, retirees faced a 2.9 per cent increase in the cost of food, and over the year to the March quarter the increase was 4.3 per cent.

A significant contributor to the increase in the cost of food in the quarter was the rise in the price of fruit due to seasonal factors and adverse conditions in some growing areas, with an increase of 14.5 per cent. The price of vegetables rose by 16.0 per cent. The cost of bananas increased by around 100 per cent due to shortages created by Cyclone Yasi.

There was also a 3.9 per cent increase in the cost of health services between the December and March quarters (largely due to the cyclical effect of the Pharmaceutical Benefits Scheme safety net benefitting fewer people at the start of the calendar year).

There was a 2.7 per cent increase in transportation costs with an 8.8 per cent increase in petrol prices. Motor vehicles recorded a fall in prices.

A stronger Australian dollar kept prices down in a number of categories, including clothing and footwear, which are largely imported.

Table 2: Draft Budgets for various households and living standards, 90 year olds (March quarter 2011)

	Modest lifestyle - single	Modest lifestyle - couple	Comfortable lifestyle - single	Comfortable lifestyle - couple
Housing - ongoing only	\$56.67	\$54.40	\$65.68	\$76.14
Energy	\$32.19	\$42.76	\$32.67	\$44.31
Food	\$74.88	\$155.10	\$106.97	\$192.54
Clothing	\$17.49	\$28.39	\$37.86	\$56.79
Household goods and services	\$35.61	\$49.73	\$122.05	\$139.40
Health	\$74.25	\$107.09	\$117.82	\$178.26
Transport	\$37.58	\$45.16	\$42.58	\$49.16
Leisure	\$57.80	\$95.85	\$154.41	\$169.23
Communications	\$9.17	\$16.05	\$25.19	\$32.06
Total per week	\$395.64	\$594.53	\$705.23	\$937.89
Total per year for 90 year olds	\$20,630	\$31,000	\$36,770	\$48,900
Total per year for 70 year olds	\$21,587	\$31,263	\$39,852	\$54,562
Percentage difference	4.6%	0.8%	8.4%	11.6%

The figures in each case assume that the retiree(s) are aged 90 and own their own home. They relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement. Single calculations are based on female figures. All calculations are weekly, unless otherwise stated.

About the ASFA Retirement Standard

The ASFA Retirement Standard, formerly the Westpac-ASFA Retirement Standard, is now an independent initiative by the Association of Superannuation Funds of Australia (ASFA) benchmarking the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years.

It is updated quarterly to reflect inflation and provides detailed budgets of what singles and couples would need to spend to support their chosen lifestyle.

Modest lifestyle in retirement

Better than the Age Pension, but still only able to afford fairly basic activities.

Comfortable retirement lifestyle

Enabling an older, healthy retiree 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 as; household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel.

About ASFA - the voice of super

The Association of Superannuation Funds of Australia is the peak policy, research and advocacy body for Australia's superannuation and retirement industry. It is a not-for-profit, non-party political and non-sector aligned association representing fund members, corporate, industry, retail and public-sector funds, as well as service providers to the superannuation sector.