ECLIPSE ADVISORY
Chartered Accountants

How much super should I have at my age?

Whether you're just starting out in the workforce or well into your working life, something almost everyone will want to know at some stage is whether their super balance is on track to fund a decent standard of living in retirement.

Average super balances by age

When you start to think about how much super you should have, you might wonder how your balance compares to other people your age.

Statistics from March 2024 reveal the following average super balances for members of funds regulated by APRA. It excludes members of self-managed funds (SMSFs) because they are regulated by the ATO.

Age	Average balance
Under 25	$7,000
25–29	$22,900
30–34	$45,600
35–39	$73,600
40–44	$101,300
45–49	$130,300
50–54	$163,400
55–59	$203,500
60–64	$234,400
65–69	$263,700
70–74	$282,500

Members of SMSFs tend to have much higher balances, with the latest available averages (from June 2021) shown below.

Age	Average balance
Under 25	$73,539
25–34	$116,183

35–44	$206,396
45–49	$309,263
50–54	$435,698
55–59	$650,432
60–64	$951,687
65–69	$1,155,463
70–74	$1,270,681

Comparing your balance to other people your age is interesting, but the comparison alone can't tell you whether you're on track to achieve the retirement you want. A balance that is plenty for one person could be far too small for another because we all have different ideas about the lifestyle we want in retirement and when we plan to retire.

Target retirement income

To find out if your balance is on track, the first step is to estimate the income you want in retirement. So how do you do that?

There is no 'one size fits all' answer to retirement income needs – what is enough for you might seem extravagant to someone else, but we can look at some useful rules of thumb to begin answering this question.

Standardised retirement

One of the more widely used benchmarks of retirement income adequacy in Australia is the ASFA Retirement Standard. Published by the Association of Superannuation Funds of Australia (ASFA) since 2004, the Retirement Standard uses a comprehensive budget to estimate the annual amount an individual or couple needs to afford either a modest or comfortable retirement.

The ASFA Retirement Standards for those aged 65 to 84 are currently as follows:

ASFA Retirement Standard	Single (per year)	Couple (per year)
Modest lifestyle	$32,915	$47,387
Comfortable lifestyle	$51,630	$72,663

The comfortable budget includes daily essentials, as well as private health insurance, a range of exercise and leisure activities, and the occasional restaurant meal. As for travel, an annual domestic holiday and an international holiday once every seven years are budgeted for.

The modest budget generally involves less spending across all key household expenditure areas, with no provision made for either vitamins and other over-the-counter medicines, or overseas holidays.

For comparison, Super Consumers Australia (SCA) publish figures based on data about retirees' actual spending that include annual income targets of $47,000 per year for singles and $69,000 per year for couples seeking a 'medium' level of comfort.

Both the ASFA and SCA figures assume you own your home without a mortgage in retirement.

ASFA estimates the savings required to achieve a comfortable retirement at age 67 is $595,000 for singles and $690,000 for couples. This is well above the current average balance for APRA funds (in the table above) of $263,700 for 65 to 69-year-olds, but well within reach for the average SMSF member balance at that age.

For a modest lifestyle, ASFA estimates singles and couples need a retirement balance of just $100,000. This may seem very low, but it acknowledges the fact that the principal source of income for low-income retirees will be a full Age Pension.

However, these balances are based on target retirement income that may not reflect your needs or wants.

Income replacement method

Rather than using the concept of household budgets and applying them to people with differing income levels and household expenses, other experts, including the Actuaries Institute Australia, prefer to use a percentage of working life income as a measure of retirement income needs. This method recognises that people who have higher income during their working lives tend to expect a correspondingly higher income in retirement to maintain their relative standard of living.

According to the Actuaries Institute, 65–75% of pre-retirement income is adequate for most people. The replacement rate is less than 100% because your income needs change in retirement – you no longer need to save, will likely have lower housing costs (assuming you own a home and have repaid your mortgage prior to retiring), retirement income from super is tax free and you don't generally have children to support.

If you're a very high or very low-income earner you may need to use a different replacement rate for your income. Those with a very low income usually need closer to 80–90% of pre-retirement income to maintain a reasonable standard of living because ondiscretionary household expenses such as food, utilities and housing tend to consume a higher percentage of total household income. Conversely, very high earners may be happy with significantly less than 65% of the income earned while working.

Super tip for renters – adjust your target

If you will be renting in retirement the picture can change significantly.

The government's Retirement Income Review, which was released in November 2020, found that renters over the age of 55spend 25–30% of their income on housing costs, while homeowners spend only 5–10%. The review also found financial stress generally declines as people approach and enter retirement, but this is not true for renters.

About one-quarter of retirees who rent privately are in financial stress, primarily because of high housing costs. It is reasonable to estimate that a person who rents in retirement may need up to 25% more annual income than a homeowner retiree to achieve the same relative lifestyle.

If your current balance is lagging where it needs to be for the retirement you want, all is not lost. You can boost your super by:

- Making additional contributions
- Switching investment options if appropriate. Options with a higher allocation to growth assets generate a higher long-termreturn, but you must also accept more fluctuations along the way.

Even small differences in the amount you contribute, and your investment return, can have a significant impact on your finalbalance.