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Is $1 million enough to retire on?

By Perpetual Private Insights

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Everyone who's approaching retirement wants to know how much money they need to save - how much is enough to leave work confidently and then live comfortably? In the past, an arbitrary figure of $1 million dollars was heralded as the magic number.

So, is $1 million enough?

Well, it depends. If you're a high-income earner and want to maintain a similar lifestyle when you retire, then $1 million might not stretch as far as you think. If you're happy to spend less, then it may be enough.

The Association of Super Funds of Australia (ASFA) calls this the difference between a 'modest' and a 'comfortable' retirement. It estimates that a couple needs an annual income of around $47,387 for a 'modest' lifestyle and $72,633 for a 'comfortable' lifestyle (based on March 2024 data).

Gold Coast or Amalfi Coast?

While ASFA recommends $72,663 for a 'comfortable' lifestyle, if you're used to a much higher income, then this probably won't keep you as *comfortable* as you'd like.

The Australian Securities and Investments Commission's Money Smart website has another approach. It suggests that if you'd like to maintain your current lifestyle when you retire, then assume you'll need two thirds of your pre-retirement income. So, if you're currently earning $150,000 you'll need $100,000 a year to live the life you're used to.

Now let's talk about you

While these calculations are useful *in general*, they're not going to perfectly suit *you*. The amount of money you'll need will vary a lot depending on your personal situation. Here are some of the most common variables:

- **Your home**
  If you own your home, you'll generally need less income in retirement. Retirees who own their homes outright will spend less than retirees who rent.
- **Your health.** You are likely to spend more on healthcare as you age. While Medicare should cover much of the increase, private healthcare costs are rising much faster than inflation.
- **Dependents**
  If you're supporting children, or parents - or both, you'll need to think about how their financial needs will affect *your* financial needs over the years.
- **Longevity**
  People are living longer and longer, which is fantastic, but it does make it harder to work out exactly how much money you'll need. Do you need to fund a retirement that lasts till you're 88 or 108?

Keeping the money flowing

When you've worked out roughly how much income you'll need, the next step is to work out how to get it. Here are some of the main ways:

- **Account-based pensions**
  You generate regular income payments by transferring some, or all, of your super to an account-based pension account. It's generally tax free (as it stays within super), but your income will fluctuate depending on how your investments perform.
- **Annuities**
  An annuity gives you a set income for a defined period, or for the rest of your life. It's great for reliability (you'll always receive the same income), but not so great if you need extra cash for an emergency or a one-off purchase. You may also get locked into whatever rate is available when you buy it – which may not be great if interest rates are low.
- **Dividend investing**
  Share dividends can be a great (and growing) source of income. While shares have potential for excellent returns, they also come with greater risk.
- **Government assistance**
  Even if you're reasonably well off, you may still be eligible for a part pension - 58.1% of retirees are[1] - and then there's the seniors healthcare cards, travel discounts and other concessions.
- **Term deposits**
  You receive a set rate of interest for the term of your investment. Great for security and guaranteed income, but often a lower rate of return than other investments and you normally pay a break fee and lose part of your interest if you withdraw early.
- **Rental property**
  Renting out an investment property is a common way to diversify your investments and gain a consistent income.

Difficulties can occur if you have problems with tenants, you need to make expensive repairs, or rents or the value of your property falls.

- **Work**
  Many people choose not to stop working entirely. They enjoy their work and it keeps them mentally active while giving them purpose, a sense of identity and time with friends. You could wind down slowly, keep working indefinitely, or flex your work depending on your needs.

It's never too late to get advice – or too early

As you can see, working out exactly how much money you'll need to retire is complex. The complexity starts with some big super decisions - whether to self-manage your superannuation (SMSF) is just one of them - and it gets more complicated from there.

An experienced financial adviser, like we have at Perpetual Wealth, can unravel the complexity for you and get you closer to your ideal retirement life. We can put together the appropriate mix of investments and investment structures to generate the right level of returns, minimise tax and remain within your risk appetite. We will also keep on top of any changes in regulations, or your personal life, and adjust your plan to meet the new reality.

In today's world, when the only constant is change, most people feel more comfortable having a guide on their side.

1. https://www.aihw.gov.au/reports/australias-welfare/income-support-older-australians#:~:text=However%2C%20the%20proportion%20of%20the,receiving%20Age%20Pension%20since%202017

Take your first step - contact us 1800 631 381

If you're looking for an expert view on where to invest in 2026 and beyond, our experienced financial advisers and investment specialists would love to help you. Contact your Perpetual Private adviser, submit the form below or call us on 1800 631 381.

Submit the form

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