These are the direct copies of emails from Marcus Today Members answering the question:

WHAT IS YOUR RETIREMENT FORMULA?

Hopefully you will find some empathy with your own situation and obtain some objectivity that helps you with your own expectations. Maybe it'll put your own situation in perspective although, as you'll see, a "Normal" retirement is clearly a state of mind rather than a financial calculation applicable to all.

These are just some of the emails we received. The full article is available to Members on the Marcus Today website.

Thank you for all the contributions.

If you would like to contribute to the discussion with your wisdom please email marcus@marcustoday.com.au with the subject line "MY RETIREMENT FORMULA".

Regards

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Just some background and observations from my wife and I...(both Marcus and Henry fans)...on retirement. Not too many figures here... more about how we got there and what retirement means to us. Hope it's not too lengthy...

- I retired at 55... my wife at 49 (didn't she get a good deal??!!)
- Not high-income earners both had final average salaries of around $120k p.a. On retirement.
- I came from a poor family, grew up in housing commission estates, my wife was from a middle-income family. Only my dad worked while mum looked after 5 kids. Very low income. However, looking back... I think regardless of income, my folks really had no idea about building wealth... they didn't know about compound interest, borrowing for assets that decreased in value (eg cars), etc. So goes without saying... no inheritance (which I think was a good thing... will elaborate on that later...)
- I get a small military pension... (very small compared to other pension schemes and spending 20 years in uniform!)
- Both had similar views when we were young... to be self-funded retirees and to retire early enough to enjoy it. Having retirement goals and planning for those goals was key.
- Invested in real estate early in our marriage...even when interest rates were 18%-19%
- Sacrificed the 'nice to have' stuff in order to achieve our goals... ie I ran or rode to work to save on bus fare, always took my own lunch from home, never bought coffee shop coffees (just the International Roast from home!), went out to dinner once or maybe twice a year on special occasions), etc.... but it became the norm... we never had the FOMO !!

- Chose to buy a small, very basic 3 bedroom, 1 bathroom home, rather than most of our friends that went with 4 bed, two bathroom, double car garage etc (and hence they borrowed more initially.)
- In retirement, we own our own home and still have a few investment properties, in addition to our share portfolios. We holiday around Australia in my 4x4 and camper trailer for minimum 3 months per year (I'm a mad fresh and saltwater fly fisherman... so always looking for remote places to camp and wet a line). Also holiday once or twice a year overseas (pre-Covid of course).... these are usually around 4 weeks at a time and staying in nice places.... my wife is either a '5 Star' or a 'Billion Star' girl... it's either one or the other... luxury hotels or remote camping. When not holidaying, we still don't go out to dinner that often or have an extravagant lifestyle... so that helps.
- My wife still teaches fitness classes (a hobby.. not a job... she spends more on Lululemon and Asic runners than she earns!) and I try and keep fit as well.... doesn't matter how much money you have... you have to have health first to enjoy retirement.
- We live on about $60-$80k per year... There's obviously a bit more to it... but that's an estimate. We are super happy...
- We instilled the value of a hard-earned dollar into our children... one of which bought his first property on his 18th birthday and the other not too much later.... bought from the money they earned working in the local supermarket from around 15 years of age and other money they'd saved. They are also into shares nowadays. So we don't necessarily think about leaving them anything... it will be what it will be... but they are already well on the way to becoming financially secure without us.

In summary.. the key takeaways from our perspective:

- Plan early for retirement and try hard to stick to the plan.
- Calculate the amount you require for retirement based on the lifestyle you want to have in retirement.
- Work just as hard on your health as you will on your finances.
- At the end of the day, if people's discretionary spending during their working life is modest, then it sets them up for early retirement and once in retirement, there will be no significant difference in lifestyle.
- Unless you can really afford it... delay the nice-to-haves... it will be worth it in the long run, and there is plenty of time for nice-to-haves later on in life. (Don't have a champagne taste on a beer budget).
- As mentioned earlier, (just my personal experience...) I think growing up poor instilled the value of money... as opposed to some people that are just accustomed to 'money'.
- Unless we are holidaying, we don't spend a great deal 'living' or on our hobbies... and the older we get, the less we spend. (For example... I'd love to be bouncing on the bow of a guide's boat casting a fly to monster fish in some exotic location, or hiking through the wilderness when I'm 100 years old... but realistically, I can't see that happening... there's just some things as we get older that we will probably just have to forgo.... so inevitably... less expense).

Nevertheless... our income is more than ample for our lifestyle. I retired end of 2012 and my wife in 2010.

Burn these messages in your brain

- A happy retirement has much to do with how you approach life.
- Play play play, when young. Having regrets is a miserable retirement.
- Attitudes you develop when young determine your retirement outcome.
- Live within your income.
- Invest a portion of your income in Shares, Funds, &/or Property.
- Take a job that you like or enjoy, not because it's the highest paid.
- Aim to buy a house, push hard to pay it off.

Type them out & answer them, once every month

I was enthused by the Retirement Stories in this morning's newsletter. Here is a bit about ours if you want to add it to your list.

We began to plan for retirement in the early 1990s. We had no idea what we needed nor how we were going to get there. That is a case of running blind, but we got through that time quite well. Initially we paid off the house loan and began to use the now surplus funds to collect term deposits. At this time bank interest was reasonable and we did not understand anything further about investing. By good luck a person that my wife worked with asked whether we were going to get some Woolworths shares when they listed. We did not know about this or have any understanding of it, but we both bought a parcel as part of the IPO. The surprise came at a later time when we received a letter in the post that included a cheque (for dividends). This inspired us and we bought some Commonwealth Bank shares when they released their second release of shares. This caused us to take a yet higher interest in the share market and we contacted a stockbroker. We used this stockbroker's advice, but after a few years we recognised that they were recommending what they wanted to sell, not what we needed and many of their recommendations were failures. We then opened a Commsec trading account.

We had begun to accumulate what we thought was a reasonable portfolio and it was part of our retirement income. There was a scanty bit of information about SMSFs around and appeared to be useful to us. How to go about it was found to be difficult. However, we found a small local company that did SMSFs. We wanted to continue making our own investment choices, but the legal bits were too onerous for us. This was not a problem to them with us doing the investments while they attended to the legals. They set up the fund and it is working very well for us today after about twelve years.

Endeavouring to improve our knowledge of the subject, we took out subscriptions with several companies that provided investment advice. However, we found that most of them were no use, in some cases offering advice that did not work. Today we use only one, the Marcus Today newsletter. The education, tips, advice and stories given in this newsletter are the best and have given us a high level of confidence to continue to do our own investing.

The intention was to be able to live comfortably, which we have achieved. We have travelled extensively, mostly the UK and Europe, but that is all on hold now. With the internet we can continue to monitor our investments nearly anywhere and have made many trades away from home in Australia and overseas.

Our drawing requirements are 5%, but are soon to go to 6%. Your advice when evaluating a stock is to look for a ROE of 12% or better. We thus chose 12% as our investment goal and we have been achieving it mostly and our fund has grown accordingly. Our preference is for a stock that delivers a 5% grossed up dividend and make up the rest from capital growth. The success is mostly due to the tips and analysis that you and your staff contribute on a daily basis in the newsletter.

Our investments have been broken down into smaller packages so that we can measure the individual performances. Very many of these have performances that exceed the 12% requirement. This does require an active fund. A very large part of the knowledge that we use has been from the MT newsletter.

Our recommendation is for anyone that has an interest in running their own fund is to take an MT subscription and read it daily. The knowledge gained will grow over time.

So from us thanks for your newsletter and to all those that make it happen. Best wishes to you all.

Re your query “what is the financial formula for retirement”. I have read some of the comments you have received from members however unless I have missed something the most important issue has not been addressed.

The first issue to be addressed is to establish your net worth – assets vs liabilities.

The sooner in life you do this exercise, the sooner you will become aware of your wasteful spending habits and make adjustments so that you have sufficient funds to achieve your retirement goals. We taught our daughters while they were in their early 20's and then taught them how to set up a plan for retirement. Both are married, late 30's and doing very well …. their husbands are onboard and financial management is important.

It will probably surprise you but if you are sitting with a group of friends or associates who are currently working, whether they be employed as doctors, engineers, tradies, teachers, business owners, policemen, etc, and you ask them a simple question - do you know what your net worth is?

In most cases no-one will know …… when you explain what it means they will then ask you how do they go about establishing their net worth.

All they have to do is create a simple balance sheet – just take an A4 piece of paper, get a pencil and draw a vertical line down the middle of the A4 sheet and then list assets in descending order on the left-hand side of the page and list liabilities in descending order on the right-hand side of the page.

This can be done pretty quickly:-

a. Assets include the fair market value of any property, bank accounts, investment portfolio, superannuation, cars, boats, caravans, motorcycles, etc.
b. Liabilities include the mortgage on the property, credit card debt, school loans, car loans, personal loans, etc.

When they have done this exercise, if the liabilities are greater than the assets then the first thing that will become apparent is the requirement to drill down into the detail and get rid of the debt by either selling stuff, curbing wasteful spending and taking control of their finances, learn how to manage their money properly then they have a reasonable chance of achieving their retirement goals.

We live on acreage and we get together with our neighbours always on 26 Jan to celebrate Australia Day (except for the last 2 years)…..BBQ, a few drinks and friendly conversation. We swap notes on tractors, ride-on mowers, fences, animals etc.

The conversation came up about 3-4 years ago when my wife told somebody that I had retired at 62. The conversation then got around to … "how can you afford to retire" and that is when one of my neighbours who is a doctor (60 at the time) said that he needed to see a financial advisor. I asked him why and then explained the process beginning with "net worth" and how to complete it and then how to set a financial target for retirement.

It is great that you are taking the time to do this exercise …… it should be taught at high school ….. it isn't difficult.

Our Income in Retirement is very basic and simple.

- Amount of Capital required: $900,000 (combination of super and a share portfolio)
- How much Income per year: $63,000 (7% Dividends & Franking)
- Basic Living Expenses per Year : $48,000 (minimum)
- Domestic & Overseas Holidays : $10,000 (local or overseas every two years)
- Unknown Expenses: $5,000 (house & car repairs etc.)

Note: We rely on the information provided by the Marcus Today newsletter to determine what are the best options for income in our portfolios.

In my 60th year, a tradesman, my wife doesn't work. (will retire @63)

Very simple formula.

- Outside of the family home current assets = $1.4M (2 rental properties + investment in a unit trust + cash)
- Rental returns after expenses = $28K/year
- The unit trust will be treated as an annuity drawing down $40K /year (will be taxable)
- Income will be $68K/year any extra ($15K/year) will be drawn down from the cash, reducing the assets.
- Will hold the properties for 10 years, this is to offset inflation and transition more into dividend yielding shares ie banks. as we enter our final years.

Thanks for offering this service, the discussion around money with friends is as you described very much a taboo subject when it can be a chance to support, encourage and learn. Finally enjoy your self-effacing humour it is refreshing to hear people speaking honestly and with humility.

Great initiative and nice timing for us as we are probably 3 - 5 years out and trying to sort our plans. We are DINKS, ex Melb now living down the coast. You think we should be OK but there is work to do.

- Spending - 100k p.a. probably some periodic capital required for new car etc above this, but holidays etc included.
- Capital - 1.5M in SMSF - drawdown at 6.7% with earnings of 5%, inflation and costs of 1.5% total - so used to not factoring in inflation, probably need the groups thoughts on that.
- House - We keep it
- Do we rely on making money in the stock market. I'm hoping 5% p.a. over time is conservative and achievable, but yes, we need that 5% - otherwise we only get about 12 years out of super
- Kids - we don't have any, so our other relatives would benefit from the estate in the end.
- Surprises and mistakes, we haven't retired yet, but this is what we discuss;
- What are we going to do? We have some interesting hobbies and love travelling, probably no different to most, but our realisation is we want to keep participating and contributing to meaningful activities and organisations and I think realistically get paid for that (we will continue the voluntary stuff we currently do plus some). So some part-time or reduced hours work
- We don't want to budget heavily. Our mindset is we have been living on the above spending amount and investing the rest for a while now, so we just stop the investing part. Hopefully less arguments about money.
- We have a plan B. Under the above, we will still have a 1.5M ex PPR investment property outside of super which we could liquidate and put in super and then not worry about anything. Just the issue of getting the money in there with the relevant rules. Currently 2.0% yield that is taxed is not great, but it's the security of having a place in Melbourne we can return to when we are older.

This type of "BBQ chat 2.0" is really valuable. Our investing after all is largely about beating benchmarks. Sharing the summary response in the newsletter provides a benchmark or at least reality check for us. I think there would be other themes that could be raised in the future too.

Our journey

- We sold a small business in 2008, retiring at seventy.
- Fully invested by June 2008
- End of March 2009 had lost 26%
- At 31st Dec 2021
- Dollar Weighed Return PA since inception **11.14%**

- Time-Weighted Return PA (%) **11.45%**
- In this period a pension has been paid each year
- The pension rate currently 7.5% but because of Covid it is reduced by 50%
- Soon after retiring, we started a private share investment of $20k. We called it our Fun Fund.
- Whatever our yearly income we spent, Trips Tasmania, New Zealand, on the Ghan.
- Our income was always about $10K with at least $20k capital loss.
- After 10 years we have had $100k of fun & finished with $200k capital losses.
- Dollar Weighed Return PA since inception **12.66%**
- Time-Weighted Return PA (%) **-8.57%**

I'm sure Marcus can work out how one could do this.

Let's see if Chris can.

The lockdowns have crimped travelling.

But we are both in our early eighties & healthy.

Mine is probably not a normal situation but what is normal when it comes to retirement (apart from the odd golfing mates who spent 40+ years in the Public Service!). I also know of the odd one 'surviving' on a Govt. pension. How they pay their subs is anyone's guess?

I'm lucky in that I was introduced to the markets when I was 18 (initial investment $500!). I'm 70 this coming week so you would think I would have learned something in 52+ years. I guess I have but boy have I made some mistakes along the way (not so many as I grow wiser! You can take some credit for that).

Although I'd been dabbling here and there for a long time, the catalyst really for me was establishing an SMSF about 20 years ago. That made me consciously manage our money for the future and also our two kids super (once they entered the workforce). I continued to educate myself, newsletters etc. and still do.

I remember talking to a friend about 12 years ago and saying to him that in my view to have a comfortable retirement in Australia $2M would be a good figure. I was working on the basis of income-producing and not having to rely on the drawdown of capital. How that stacks up now I don't know.

My personal view hasn't changed in that I don't want to ever have to draw down on capital. Because of the excellent advice I've followed over recent years (not just Marcus Today but you are a significant contributor) we are now in a very comfortable position. I've structured things so that about 40% of our portfolios (SMSF & private) provide income (Banks & am a great fan of Geoff Wilson) which pays us more than enough to live on (about $200K), then 30% overall is in growth and trading and 30% speculative (mainly gold and metals). The bulk of speculative stuff is however outside of our SMSF. Stocks like AXE, CHN, LTR, NVX, CXO and AVZ have been dream time stuff having been in most of them very early.

We are so lucky to be active, able to travel (COVID aside) and basically do what we want to do. It did however take some considerable planning along with appropriate money management over a long period of time which I think is the key to where we are now. Too many leave it too late not to mention a high degree of apathy amongst the population. I guess anyone prepared to subscribe to your advice are obvious exceptions.

Look forward to your article next week.

How much do you need as spending money each year? (The first but maybe the wrong question everyone asks).

$65000 for a couple. This does not include medium to big holidays or capital expenses in the house (like replacing furniture, HWS, car, renovations, having crowns (in mouth), hearing aids, new curtain, painting the house, computer/tv upgrades etc)

How much more capital do you need?

On top of the yearly $65,000, you need to allow for the items/expenses excluded above. My estimate is $250,000 in today's costs.

My estimate is that you need $1.1M for 20 years of retirement where you do not have to rely on great returns on your investments.

What do you assume happens to the house?

You will use it to take care of old age (aged care etc). May have to downsize to reduce the burden – probably at age 80.

Do you rely on making money in the stock market?

Minimal, maybe to keep up with inflation if you have no "float" in your capital at retirement. Anything extra is a bonus that can be used on extra holidays

Do you plan for the kids to get anything?

That is not an objective. If anything remains – good luck to them. The only possibility is the house or aged care credit or if we kick the bucket early.

What caught you by surprise in retirement?

Nothing yet – just starting the journey. Also, maybe you do not need that much to retire

What are the big mistakes people make in budgeting for retirement?

As I see it: Don't allow for all the other items – mentioned above. Also, trying to build up too much of a fund which will end up going to the kids. Not spending the bulk of the saving in the first 10 years of retirement

Added question:

To what age should you budget? Is it the average life span or some other number?

i.e. to what age do I need to allow $65,000 per year and then how much less is needed after that. I am assuming that the first 10 to 15 years you live it up. After that you are probably not capable of doing much, so the money needed is not as high

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The formula I found most useful was the amount of cash or near cash to retain in my portfolio. I realised I had been far too conservative beforehand.

I keep 5 years of my average annual expenses in term deposits and invest the rest in the Aussie and overseas markets. If the market tanks I have a healthy buffer and should be able to avoid having to sell when I would prefer not to. As you say in your letter, it takes a lot of time and planning to build a nest egg in the first place.

This is the story of what I would consider to be one of the most sensible individuals that I know.

This person does not have a lot of money. He and his wife own a modest apartment in the eastern suburbs of Sydney. He and wife are in their early seventies, he is semi-retired, wife works part time at a good wage. At retirement in probably five years time, they will have a capital amount, excluding their home of approx. $2 million. They travel locally a couple of times a year and overseas every two to three years. They each own a mid-priced car and eat out once or twice a week. By far the most important point is that they cut their cloth to measure and although they are the opposite of wealthy, they are happy as larry. Compared to some people they would be classed as paupers and by many others as very well off.

As most of us know, having a lot of money may be nice but most definitely that does not automatically translate into a high level of happiness.

Plan to live off dividends, and also progressively draw down some capital each year. This way you need less capital when you retire. Still need to be actively investing to achieve better than standard market returns.

Better to use your capital/savings and gift some to help children when they are younger, than wait until you die when they have less need of the inheritance.

Always have a plan. During my working life I had lots of 5 year plans to pay off loans to family, to the bank, to save to build our house, etc. They didn't all happen in 5 years, but it gave a focus and a target to work to.

The short answer:

$100K p.a. for us as a couple to live our normal life with discretionary travel and home improvements, $60K without those extras. No real formula, just tracking and projecting based on actuals and trying to exceed the trajectory to allow some wriggle room. We have the advantage of no kids to support making it easier to save, and the disadvantage of no kids to look out for us in our dotage, so we need to be sure we'll have a comfortable excess of funds.

The long version:

It all started when we bought a little 1 bedroom unit with a bank loan of $29K, a family loan & savings. I was on a salary of $7K at the time and thought it would take more than a lifetime to repay. After the first year, I was shocked to discover the principal reduced by a minuscule amount and became the nuisance customer queuing up at lunchtime to repay an extra $50 every time I could (no online banking in those days). All those extra repayments came off the principal and we were on our way. Four years later we bought a block of land with a 2nd mortgage ($50K this time) and 5 years after that we were building with the help of another bank loan and several from family. Another 10 years and all our loans were repaid and we were using equity for investment loans for property and started tentatively with equities, which was happy timing as a spectator in the 2000 tech wreck.

So back to the planning, a few patchy attempts at budgeting and tracking expenditure eventually came down to looking at the credit card (everything goes on the card) and identifying discretionary vs basic living costs. Over 10 years this

started at $40-45K increasing to about $50-$55K p.a. base expenditure with the top line averaging $90K, but varying wildly depending on the level of extravagance on travel and home improvements, but I've got to say that the $100K we spent on an inclinator 5 years ago was our best indulgence yet and another similar amount on an elevator will keep us long term in our house on a steep block of land that we love gardening in. No, we don't plan to downsize to fund retirement, all the apartments I like cost as much as our house!

Since I expect based on my good choice of ancestors to make it to 100, I'm all about maximising our super and other investments, so we've been contributing to the max to super from earnings and investment proceeds and pretty much hit the income stream limits - that should last until I'm 115 on my projections. And compounding really does seem magical when you get to the point that your investment earnings considerably exceed wages. It's a happy place to be.

Marry someone much younger (12yrs) who is a career-driven professional earning a great salary...Happy days.

Great topic, thank you for collecting this valuable information and sharing it!

My experience is:

Financial Advisor told me 20 years ago, I/we (including wife) needed to:

- Ensure we own your own home
- Have no debt
- Have 12 times our annual expenditure in Super to retire comfortably

So back then I estimated we needed to pay off the mortgage and get $1mill into Super.

A few years ago, he said needed to have 15 times annual expenditure in Super.

So the goal was revised to - Get 1.5mill into Super and retire at 60.

I am currently 59, have no mortgage/debt and have over $1.5mill in Super.

Ready to retire when I turn 60 this year.

What I have learnt from both mine and my wife's parents are:

- They live very comfortably off the pension
- Best to do the overseas and adventure type travel in your 60's (whilst we have good health)

Here are my answers to your questions:

- How much do you need as spending money each year? (the first but maybe the wrong question everyone asks). $70k
- How much more capital do you need? $1.3mill
- What do you assume happens to the house? Sell and move into a retirement village (likely to have 500k plus over)
- Do you rely on making money in the stock market? I have relied on this and still plan to make 10% plus per annum -but have set things up that I have not reliant on it (Nor do I want a 20% loss)
- Do you plan for the kids to get anything? Yep, but we will live and travel well

- What caught you by surprise in retirement? I will tell you in 12 months' time
- What are the big mistakes people make in budgeting for retirement? Not paying off debt quickly enough and getting compounding growth from investments

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I'm a little embarrassed to tell you my retirement formula. As I planned for it in my twenties. Anyway here goes.

1. How much do you need as spending money/ year? We aim for seven figures but only need $100,000 (after tax) as we live relatively modestly and have no debt.

2 . How much capital do you need? At a 3.5% return, a minimum working capital is about $4,500,000.

3. What do you assume happens to the house? Keep house

4. Do you rely on making money in the stock market? No, but it is a bonus & interest

5. Do you plan for the kids to get anything? This is our point of difference. When is the right time for an inheritance?

As our children don't earn much money in their chosen professions our trust pays them a significant amount each month. We started doing this 7 years ago when they ranged in age from 27 to 32yrs. Not too young, not too old. We also contributed to their first house (approx $150,000 each). We tell our kids not to expect anymore, as instead, we could give the balance of our wealth to charity. They are aware that we have a Philanthropic Trust and we are active in local charities. In reality, (as a surprise) they will get a share of the remaining assets. We want them to make their own way and not count on us for an inheritance.

6. What caught you by surprise in retirement? The joy of freedom.

7. What are the big mistakes people make budgeting for retirement? As we have never made a budget I can only suggest living within your means.

Decide what lifestyle makes you happy and build up passive income to support that lifestyle (answer 1&2 above).

Hope this is useful to you.

Everyone talks about leaving money to the children. Let me improve everyone's retirement by a million dollars. Only in extreme cases would they factor in my calculations. I don't plan on giving mine anything. If I live until I'm 90 they will be retired. Assess your own children according to their own circumstances but most are not the vulnerable needy children we imagine them to be. I don't need to sacrifice my quality of retirement for them to have a better quality of retirement. And the grandkids will be thirty. They won't need it either.

Really interesting topic and comments/ideas, well done chaps! Here's another one for the pile on the subject of investment allocation.

When I was approaching retirement I read a lot of "expert advice" about how important it was to invest my super across diverse asset categories and set allocation limits based on my age to reflect my assumed low tolerance for risk, the contention being that I should automatically be risk-averse because my income-earning days were about to be behind me. Seemed a fair point in principle but also a bit conceptually odd because late in life you can think about increasing

your tolerance for risk given the period you need to fund is sadly reducing daily! One concept I found particularly annoying was a frequently recommended allocation basis set entirely on the basis of age - so in my case being 70 years of age, a portfolio comprising 70% fixed interest/bonds and only 30% equities. No rational basis was provided to support this formula, nor any empirical data to evidence its merit despite it being presented as a "proven method". Common sense screams that it's a hopelessly unreliable rule of thumb method because it has no regard for the size of the funds available for investment, nor what if any other assets are owned (eg property and other alternative classes), nor what one's expenditure needs are. Hence if your assets are sufficiently large to enable dividend income and franking credit refunds to be earned beyond your expenditure needs, investing with excessive conservatism out of fear alone is ridiculous and adopting this formula will have cost such retirees a small fortune over the past low-interest decade - and for no reason!

In short, my recommendation is to avoid slavishly following facile concepts like this one despite them being peddled by some high profile advisors. Naturally, Marcus Today would never publish such rubbish!

I realised I had not thought about how I would "exit" the workforce - after working for 30 years in increasingly senior roles, raising two children, and managing our busy lives in between - I had not considered how I would feel when my sources of identity (my job, along with young adult children) disappeared (the children are still around! - just- but increasingly they have their own lives to lead). I hadn't thought enough about who I am, what I want to do, and how I would be productive, healthy and challenged once "work" stopped.

I had no idea how many hours of my life I had sold to employers, and equally, no idea what to do once that time became my own.

I. hadn't considered how much our lifestyle costs (and therefore how much we would need to generate to maintain it), what our expenses are now (and will be in the future) and what changes could be made, whether we had an asset base sufficient to generate an income stream over potentially 30 years or more, as well as how much capital expenditure would be needed (how much will those future holidays cost? And what about replacing the car?). We are still working on deciding how much risk we are comfortable with (after our brutal experience with sequencing risk!), how much time and energy we want to spend researching and monitoring our portfolio (and making active investment decisions - or not), including a $3M SMSF that we'll call upon in the next few years. This is a work-in-progress and I'm sure it will change over time, especially if - in the distant future - we are able to put on those backpacks again and spend months travelling.

Some of these questions have been answered - some are still in progress.

We now have detailed spreadsheets that are updated daily, with projections of assets, income and expenses on a monthly basis, well into the future, using accurate information as it comes to hand (declared dividends, for example) and reasonably conservative assumptions about the future (4% growth and 3% yield pa), property maintenance costs, super contributions and future drawdowns, and on it goes. This information has been crucial to me - to build confidence in a future without income from "employment". Our "passive" income comes from various sources (predominantly rent from an investment property and franked dividends from shares) and is approximately $120,000 pa. This covers our expenses (including a child at university and an equally expensive dog). $100K is held separately in an emergency fund, and we have a contribution strategy to ensure we maximise super. We have deductible debt ($1.2M) that will be paid down when we sell our investment property in a few years' time. In the interim, we've closely reviewed expenses (including insurances), fixed the mortgage (interest only, for three years) - and invested more in the share market in mid-2020. To renegotiate debt of this magnitude (and to do more useful things during lockdowns!), we both took short-term contract roles. Banks didn't look favourably on our income sources!

I guess there will be enough left over for the children - but our aim is to enjoy life and help them, and others, when we can (in true "Die With Zero" style). Our "retirement" still feels very new; I have found the process confronting in a good

way. I'm not sure how "retired" life will unfold (I can't even use the term!) - but it's a privilege to have the time and resources to be able to work it out.

My best friend died of brain cancer at the age of 60. I'm her executor and the trustee for her 21-year-old son. She worked until her final few weeks (it was fear that kept her there) and we cared for her until she died. She never took her son back to her birthplace of Berlin. We can talk about our career journeys on LinkedIn all we like (it took me a long time to stop reading it!) - but in the end, I watched my friend's son play a guitar piece he composed for her, at her funeral.

Take a smaller amount and live overseas.

I settled on half the suggested amount and retired early. I work on 5 to 7%. $35000 is more than enough for a very comfortable life {including a young child at private school}..

I need a higher allocation to US assets as the local currency sails very close to the US Dollar, and there have been big swings involving the Oz Dollar..

Suggestion - it's better to retire at 62 and live off $70k p.a., than at 70 with $100k p.a..

I see a lot of people (I'm a financial adviser) afraid to retire in their 60s, who keep pushing the boulder up the hill till they're 70.

In their 70s they bitterly regret having put those years into work that could've been spent doing the Camino while they were young(er) and healthy(er). Money generally gets worth less when you're older.

My simple formula is

- Y = How much you spend a year.
- 3 times Y Cash in bank 0%.
- 20 times Y fully invested.

Assumptions: A 7% return on capital invested, you only spend 5% (Y) a year and reinvest the 2% to allow for inflation. When poor return's, average every 10 years (covid 2020, GFC 2008, etc), use cash so you are not selling good assets at depressed prices. When the good times return build back your cash buffer.

Firstly what a great idea to pool the collective wisdom of your membership, congratulations for thinking outside the square!

The first question is $200,000 per annum in 2020 dollars. We have for many years donated 30% of our gross income to third world charities, we believe that if you give you will receive, if nothing else we receive deep, long-lasting pleasure from assisting others less fortunate than ourselves. This leaves $140,000 for life travel etc, generous but not lavish? We will see in a few years whether the last statement is correct.

Capital requirements I figured out using Noel Whittaker's book "Living well in retirement" arriving at about 2.8 million, using a return of 5% greater than inflation. Stock market returns are part of the strategy to generate that return.

Our view re what happens when we die is that the most important thing is not to leave the kids with a problem! Having worked for many years as a rural GP I have seen the damage a poorly structured will and consequent greed can do. So leave some but not enough to cause a fight, divided absolutely equally despite each child's financial position, let the kids' generosity solve the need of one sibling who may be in need. We are considering whether to establish some form of ongoing donation through a charitable trust or other vehicles, not sure whether there will be enough capital for this. The house will become part of the estate.

Having recently retired after many years of excessive working hours the biggest surprise, though it shouldn't have been, is what to do when your services are not in great demand. Not a financial dilemma at all really but still a challenge.

Hope this helps

Maximise government assistance. Despite (then Treasurer) ScMo slashing part age pension availability from 1.1.2017 by doubling the 'tapering rate,' some pension may still be available. Your assertion that a minimum $1.5m of capital is needed for retirement is a tad alarmist. Even half of this, i.e. $750k could potentially create $48,500 on income if invested at 5% as it would be assisted by an indexed $11,000 part pension for a homeowner couple. Should additional income be desired, drawing down 3% of capital would boost spending capacity to $71,000. Most retirees (me included) would prefer not to have to draw down capital, but 3% is modest, and as assets tested capital goes down, the age pension goes up!

Having retired only 18 months ago I have been through the process of working out the many things that you mentioned in the retirement calculator article.

The number 1 priority is to start thinking about and planning for retirement early enough to build wealth. I started in my mid 40's.

Leaving it to your mid 50's is probably too late!

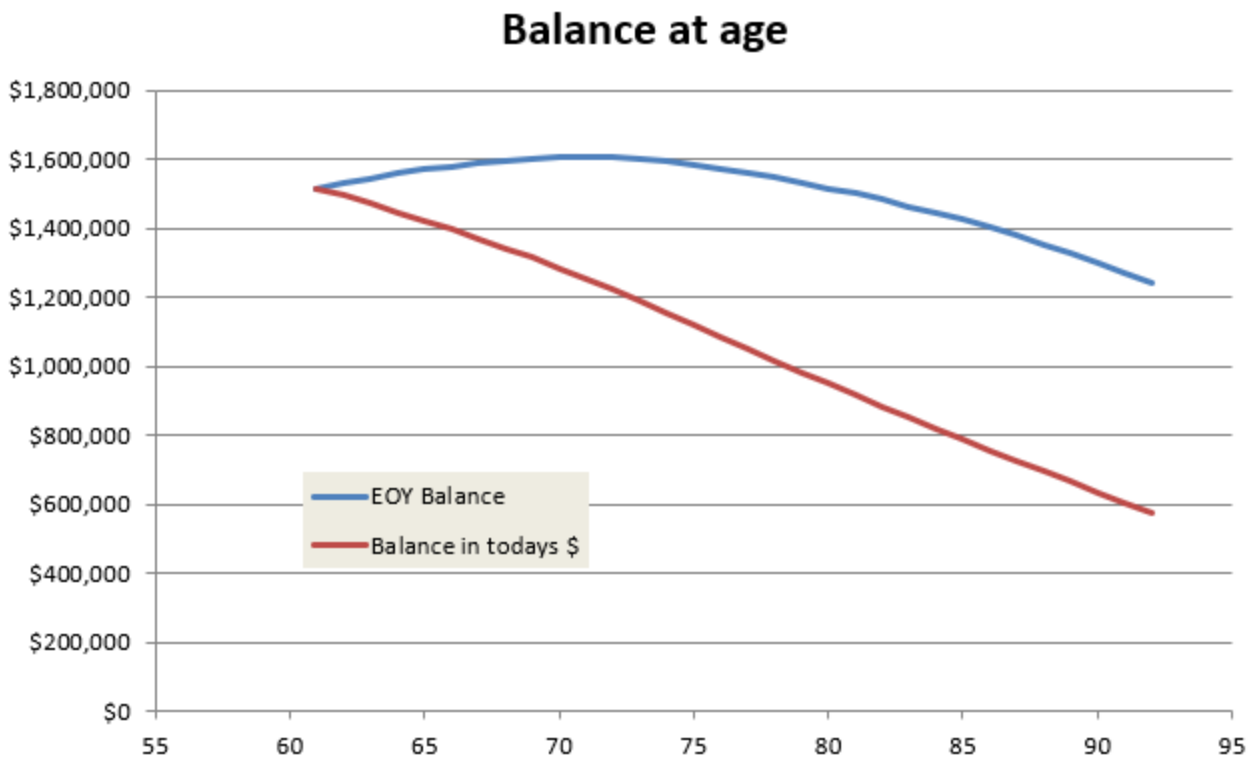
My overall approach in preparation was;

- Pay off the mortgage and clear debts.
- Accelerate and maximise superannuation contributions (or investments)

Working out how much spending money you need is a simple process of doing a detailed budget covering all your areas of spending then deciding what additional amount of discretionary spending money you want.

Leading up to retirement I started building a simple spreadsheet model (back in 2014), which if tweaked many times over the next 5 years.

A copy of the model is attached with some arbitrary input figures entered.



It is simply a year by year sequential calculation of earnings and indexed spending. Nothing very complicated and easy to understand.

- Basic calculation is: new balance = last years balance - spending + earnings.
- Each year spending is indexed by the CPI
- I have not factored in any government pension component - just assumed that I would be a self-funded retiree. That made things a lot simpler.
- I know there are calculators available like the one on the ASIC money smart website https://moneysmart.gov.au/retirement-income/retirement-planner.
- I tried using this but found it way too conservative, but it does cover part govt. pension scenarios.
- The spreadsheet model assumed living off a superannuation pension but could equally be applied to any investment type by entering the appropriate earnings %.
- By playing with the various input parameters it is possible to get an appreciation of the effect of each on the balance over time which helped me greatly in deciding how much I needed to accumulate before retiring.
- The most sensitive factor by far is the assumed earning%. Moves of 1% have a large effect on the balance over time as can be seen on the chart.
- In my case, I've been somewhat lucky with the timing of my retirement as I managed to establish a superannuation pension fund at the point of market recovery from the pandemic. I'm up 24%, not 6%.
- Probably could have worked for another 2 years and not been any better off!

Now a few numbers:

- How much do you need to spend each year? For us, it was about $70k which allows some saving.
- How much capital do you need? I reckon about $1.5m to be a self-funded retiree, but this depends on what you spend.
- For us, the house will be what the kids inherit
- The remaining super will go to the kids.
- I have a mate who has twice as much as me and he is planning on giving the lot to his 2 kids.
- His biggest problem has been how to slow down the pension drawdown at 67 as he has too much money coming in. (but he still chases the specials at Coles. I don't get it!)

- One surprise for me was how easy it was to withdraw money from super. A few clicks of the mouse and the money is in your bank account in 1 or 2 days – and it doesn't matter how much money.
- Putting after-tax money in is the same, it's just a BPay.
- So there is no real need to carry a sizeable cash float in case of emergencies.

The best bit in retirement is living a healthier lifestyle, being far more physical and not waking up to an alarm.

My next-door neighbours lived in abject poverty on a decent block in a good suburb. At the age of 90 he died with a 1957 Holden FE in the garage (he was NOT a collector – it was his car). She was left alone and for some months we would see her walking alone to the local IGA two kilometres away. She could not drive the Holden. We all helped but she died soon after he did. Two months later their only daughter and her husband turned up in a BMW 7 Series and pocketed $999,999 from the auction of their house. Not sure what they got for the Holden. Something wrong there. Not all kids need you to look after them.

The really tricky question is the return on capital assumption. Real risk-free rates are negative. Aussie equities yield 3.5%, international yield 1.5%. Inflation running at 4%? My "model" assumes a post-tax return of 3%, my actual portfolio yields 2.5% pre-tax. My "benchmark" is cpi + 3 post-tax. Happily, the portfolio also provides income thru capital growth (but that is a pretty tough one to budget) which has helped me comfortably beat the benchmark. For what it is worth the portfolio is 18% cash / 13% credit / 13% infrastructure / 27% domestic equity / 20% international equity and 9% alternatives (hedge funds, vc funds). I sleep well but do worry about inflation….

"Retired" for 20+ years but not yet of pension age…. (When I retired back then, still young and with kids to educate, the formula we talked about was "10 and houses" but the return assumptions were 6-7% so the number would be higher today).

If you never had more than $50-60000 income per annum and the amount of super is less than $400000 you can't really expect to live a luxurious retirement unless you are able to supplement it with some work even after age 67. So keep learning new things and try to look after your health.

How much money one needs in retirement is a difficult question and the answer will vary amongst individuals/couples depending on their reference points or benchmarks. For my wife and I (both retired in the last fifteen months), our primary objective has been to maintain our pre-retirement lifestyle whilst maintaining our capital base. So far this has been achieved but a stock market correction of around 20% will see us dipping into capital.

Here are a few principles which have provided a framework for my retirement planning:

- Start as early as possible. I was fortunate to be in a super scheme from the time I started work in 1970. I also bought an investment property in 1976 which I still own.
- Diversify investments. Incrementally build a share portfolio. Negatively gear into direct property but ensure you have enough free cash to fund the deficit.
- Building wealth for retirement is a long term game so plan and act accordingly. Think of the 'magic of compounding'. The Richest Man In Babylon was an influential book I read 40 odd years ago.
- Retire debt-free.

- Don’t rely on the Govt for anything. Being a self-funded retiree gives me a great sense of freedom - worth having that instead of a Govt pension card with associated concessions.
- Ensure wills and estate planning are appropriately structured. Input from a lawyer well versed in estate planning is essential in my view. Testamentary Trusts are a very powerful element in estate planning - depending on one’s circumstances.

Regarding other elements you raised:

- We are not planning on leaving anything for the kids but equally, we are not intending to run our assets down to zero. If we live for another 20-25 years then our kids will be on the cusp of retiring themselves and hopefully they will be financially secure at that stage.
- No surprises in retirement so far but it is early days!
- I suspect one of the big mistakes people make when planning retirement is not factoring in the rising cost of living. It always outstrips the official CPI data. This issue is particularly relevant for those on indexed pensions or reliant on bonds, term deposits etc. Another oversight could be the increasing cost of medical treatment as one gets older.

Nothing else to add. I hope it’s helpful.

I'm not retired yet, so I can't offer that info, but I am planning for it, and would be interested to hear how my strategy stacks up to others.

Put simply, I'm looking to track our actual expenditure against our potential for passive income/capital growth.

We put most of our spending (where possible) on credit cards, which we pay off before any interest comes due. This allows us to track spending on a monthly basis and compare year on year (I've been doing this for enough years now that I can go back and compare to the pre-COVID world).

Then add the handful of items that have to go directly from the savings account + monthly cash (we like to shop for fresh food at markets)

That's an easy real-world picture of our spending patterns. Our children are now transitioning out of high school, so by the time we retire, they may or may not be on the family purse.

Against that, we have the retirement nest egg (no mortgage - lucky us). I plan to track how we perform over the coming few years (which is why I subscribe to your esteemed publication).

This will give us some real-world data to use when we decide on questions like home equity, lifestyle choices, big reno/maintenance decisions etc.

How have others planned for their retirement?

Cheers and thanks for asking the interesting question(s)

I am 80, my wife, who has Alzheimer’s, a year younger. We are childless and our experience will be less useful for that reason. One thing I would strongly suggest is that everyone should have a cash flow projection on a spreadsheet. Mine covers the next 20 years. That doesn’t mean I expect to live that long but it is comforting to know we will not die in poverty,

The spreadsheet includes everything I can think of which has a cash impact: income from all sources, expenditure on daily living, holidays and major items like cars etc. These projections allow for inflation. Obviously, that is one factor it is impossible to forecast accurately but the value of such a spreadsheet is that it can easily be amended and the impact of any change seen immediately.

At our age, in normal times, we don't seem to spend as much as before as our appetite for dining out, trips into Melbourne to the Arts Centre etc has declined. We live comfortably on $80,000 a year - less last year during Covid of course. This includes short trips within Australia but not those to Europe or other major items.

We hope to stay in our mortgage-free home on the Peninsula until our last breath but medical issues in old age can change one's plans dramatically. We have no living relatives anywhere in the world so if we do manage to stay put until the end, the house will be sold and the funds, along with all other realised assets, distributed to friends and charities.

I have a UK pension fund which I have been drawing down to cover our living expenses. We are each invested in the growth SMA with most of our funds in my wife's name for tax purposes. In my cash flow projection I am assuming the SMAs will grow at 6.00% pa - a conservative figure I thought but now I'm not so sure. The idea is to run down the pension fund at the maximum rate possible without putting myself into the 45% bracket meaning the fund will expire in about 8 years' time when we will need to start drawing on the SMAs. This might have been a big mistake as the pension fund has performed exceedingly well being globally invested including in tech companies like Apple. By contrast, the SMAs have disappointed or had until September. I must now reconsider the plan and decide whether to reverse it.

My biggest surprise in retirement is that we have not spent nearly as much as I had expected. We grew up in a time in England when life after the war was hard and we never, therefore, developed the habit of buying what we didn't need. Younger generations, used to spending more freely, may face a different problem.

I hope something above is of use.

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1. A strong personal relationship with your partner which includes a commitment to recognise that changes will occur. It takes a lot of money and goodwill to split after the kids are raised and the views down the road have diverged in different directions. We've been married sixty years and retired for 25. In many ways we live separate lives together, enjoy strong acceptance and don't have too high expectations of each other. I have many friends financially devastated by broken marriages.

2. Make good use of windfall income. Don't expect that it will happen and don't splash out if it does. Inheritance? Pay off the mortgage. Yes, interest rates are low but there is always a price for having one. We were lucky when the company superannuation fell over and the funds were distributed. Paid off the mortgage. An inheritance got us into an investment property (a townhouse for $35,000) and so on. Low debt, low expectations, high reward.

3. Own your own bolt hole. Always have a place where you can live free of any pressure if the world turns upside down. That $35,000 townhouse turned out to be ours. Not easy these days but they can be found ... the country shack.

4. Don't envy others. That can lead to bad financial decisions when trying to emulate others. Golf and yacht clubs are great for those who enjoy it. Don't get into it just to demonstrate success.

I was made redundant at 56, my wife the previous year. Outlook not quite bleak but certainly modest. As it turns out the best thing that could have happened. Lived within our means and never looked back. Best years of our lives and enjoyed all the extras we wanted. We are now very comfortable financially.

A Fortunate Life, the book by Australian Albert Facey, has always struck me as showing an outlook that can breed nothing but reward.

Anyway, that’s how I see it.

$110,000 was total annual spending pre-covid.

Capital $3,275,000 to fund retirement.

Ages both 62 both retired.

It's a very interesting point you've raised about the discussion of finance. In the past, I would often say to my wife when some friends or colleagues would comment on how poorly they were doing, or how well we were doing (later in life - I don't think anyone envied our position early!)... "why don't people just ask us how we do it and try to learn (or at minimum hear what we do and choose to do something similar or choose to disregard).. rather than just complain about things or tell us how lucky we are?"

We're still not sure of the answer. It's almost a taboo subject.... perhaps people don't want to publicise their position (can't blame anyone for that), don't want to - or are afraid to change, or perhaps they do know the answer but prefer not to put in the work prior to actually retiring?

Just like vaccination, I guess... everyone has their individual views (and there sure are some strange views! 🙄)

Thanks again and don't forget to take a break to go fishing....you know those days in our life don't get counted! 🎧

Keep up the great work... it is very much appreciated.

What a great topic, and yes we do need a forum to share information, Blogspot or whatever, where is it??

HOW MUCH INCOME IS NEEDED TO RETIRE?

It depends of course, on:

- Do you own your house? Rent is a killer.
- Are you married? Two live cheaper than one.
- What age are you?

…and the answer will be different every time. It can be income from assets or pensions.

I have been single and married while retired. In my own case, over 80 and homeowner, my best guess is $35-40 K for a single and $60K for a couple for a comfortable retirement.

HOW MUCH CAPITAL IS NEEDED FOR THIS?

I have been told I could not afford to retire as I did not have a million dollars, and that was nonsense. It depends on how it’s invested, the rate of return, and whether it is supplemented by a pension. But advice is needed as to what is the most productive mix of assets and age pension to give an optimal result, and this info is not easy to find. Maybe MT could help with a spreadsheet.

HOW DO YOU GATHER CAPITAL?

Salaried work gets you nowhere in my experience. I know only three ways - a successful business, shares, or property. A home is an excellent start - I know it's not at all easy - and an additional investment property will set you on the road to wealth. But the first step is - keep your spending less than your income, and invest the balance.

HOW DO YOU INVEST TO GET A SAFE INCOME?

Firstly, an investment property. Second, shares, but be very very careful. Keep your purpose clear. I invest 80% in the very best businesses I can find (many thanks MT!!!), the rest in specs that might just possibly improve my life - thanks Henry. The biggest need here is how to identify the end of a bull market. Third, choose only the best super to invest in.

BIGGEST PROBLEM FOR RETIREES

It's obvious. How to get a safe, consistent income with a good return. The Government hands us control of our own super, regardless of how much we know or care about financial markets or investment. No wonder so many people end up on the age pension, is it, Mr Treasurer? What is needed above all are inflation-linked bonds, guaranteed by the Federal Government, and therefore able to offer a god stable return, available to buy in small amounts. I suggest an ESG and an infrastructure bond to start. Is that too hard? Please take note, Labor Party.

Thanks for the opportunity

Well..... let's say $100k is sufficient to live on - you will need to draw down capital for new cars and bigger holidays.

Fully Franked Dividends are say 5%.

So you need $1.5M in CBA shares.

If you planned it and had invested in CBA, even only over the last 10 years, you may get away with $1M to $1.2M in CBA shares (having bought them cheaper) so the dividends are paying say 8% in today's money.

Trouble is.....if you need more than $100k - franked dividends don't cover the tax - but if it's invested through a Super Fund then your clear.

Kid's - no plans, besides trying to financially educate - we made it, so can they. Besides, they will get the house and any capital that's left - but really they shouldn't need it at age 65 plus. (I'm living till 90).

Outstanding topic, thank you for raising it.

I am some 11 years away from getting access to my own money (Super) and I am constantly having that debate in my life. I'll throw down some of the questions I am asking myself and I hope some of our senior members can shed some light and wisdom.

In the red corner is my bride some 8 years younger than I and is in the fortunate (unfortunate) position of having her military super for life as a percentage of income thanks to injuries when she served. So, at a pinch, we could live on her money albeit in my definition of poverty. She would love me to stop earlier than 60 to which my response is, "as soon as the house is paid off, we can talk."

In the blue corner, the last of my darling children will leave the fold (turn 18) the same year my super becomes available. I'll be 60 and hopefully only working because I want to not because I have to.

So questions in my mind for my retirement:

- How long to let my super run? In theory with another 11 years to go, I have at least another cycle before I gain access. I have no intention of dropping dead so there is (hopefully) another 40 years of making my money work for me before I leave this mortal coil.
    - Do I continue to invest and clip a bit along the way?
    - Do I do an Annuity? (Boring!)
- I intend for us to be debt-free (half a house to go) I can't see retirement being fun if I still must fund loans.
- I joke about any money left at the end for the children is merely an 'oversight' but in all seriousness, if I can leave the children and future offspring a trust situation to help them along the way it would be ideal. Does the capacity to create 'old' money even exist anymore?
- What calculator works because from what I can tell the standard retirement calculators are useless and work on a fixed death date.

As you say probably more questions than answers but that is what occupies my thoughts.

My plan for retirement was to continue to live the same life I had pre-retirement i.e. no cutting back on entertainment, dinners, travel etc. (in fact some of these might increase as my wife and I had more time to do them). Based on that and with the home loan paid off our budget is $165 K pa which does include a healthy $60k pa budget for travel (if we ever get to do any post-Covid). I then assumed we wanted this in real terms for the future with a 10% reduction at ages 70, 80, 90, 100 - trying to predict we won't be travelling or getting out as much in later years

I don't want to run down our capital so we needed to ensure there is enough capital to generate returns sufficient to fund that budget assuming say a 6% return on the capital (4% real return assuming 2% long term inflation) so $3M at age 63 allows us to live to 110 before the capital runs out (in nominal terms), in real terms we lose capital value from day 1 so alternatively $3.6M preserves the real $ capital value - not sure why I would be doing this other than to leave a large inheritance to our kids.

Fortunately for us we had the benefit of a generous defined benefit corporate super fund (for me) which along with some savings put us in a position to achieve this.

I have looked at the ASFA comfortable retirement numbers and obviously, my plan is well in excess, key areas are "leisure" (travel - every year not just every few years and not basic either, meals, alcohol, entertainment), "health" assume highest insurance, "transport" (assume running two cars and plenty of day and week trips), "food" (based on past history and we're not skimping on that in retirement)

Hope this is helpful

Like you I am a member of a private golf club with a high number of retirees. I have had a few chats with different members who have retired. Without discussing specific amounts some common themes.

1. You don't need as much as you think.
2. The financial uncertainty of future returns is the biggest concern.
3. Some are happy to offset that risk with very secure low return investments.

4. I am 60. My wife is 61. We both do a bit of part time work when it suits. A large portion of our assets are with Australian Super (70%). I didn't want the responsibility and stress of a SMSF, with the other 30% being managed by myself investing in ASX equities.

I like to think I am "financially savvy" and we have utilised the services of a financial planner.

We are on track to achieve the Super "limit" of $1.7M each as an allocated pension with a bit left for me to play with on ASX Equities. Own our house which we will downsize in a few years with no additional funds required.

Based on a 3% annual return and spending about $180k p.a. we will still have about $500k by the time I am in my nineties. Hopefully plenty of enough.

I currently have ~1.5 million cash/equities at age 54 (and a mortgage of 350 K owing on a property valued at 700 K). No other debts. I reckon I need 2 million cash/equities at age 60 (my super preservation age), to then retire on 100 k per annum (and cover all living costs, including mortgage repayments). Assuming 7% return p.a. and 2% indexation rates, 2 million in cash/equities would hopefully last me 40 years, till I'm 100 (below).

Year	Opening Balance	Expenses	Earnings	Closing Balance
1	$2,000,000	$102,000	$120,000	$2,018,000
2	$2,018,000	$104,040	$121,080	$2,035,040
3	$2,035,040	$106,121	$122,102	$2,051,021
4	$2,051,021	$108,243	$123,061	$2,065,839
5	$2,065,839	$110,408	$123,950	$2,079,381
6	$2,079,381	$112,616	$124,763	$2,091,528
7	$2,091,528	$114,868	$125,492	$2,102,152
8	$2,102,152	$117,165	$126,129	$2,111,116
9	$2,111,116	$119,508	$126,667	$2,118,275
10	$2,118,275	$121,898	$127,097	$2,123,474
11	$2,123,474	$124,336	$127,408	$2,126,546
12	$2,126,546	$126,823	$127,593	$2,127,316
13	$2,127,316	$129,359	$127,639	$2,125,596
14	$2,125,596	$131,946	$127,536	$2,121,186
15	$2,121,186	$134,585	$127,271	$2,113,872
16	$2,113,872	$137,277	$126,832	$2,103,427
17	$2,103,427	$140,023	$126,206	$2,089,610
18	$2,089,610	$142,823	$125,377	$2,072,164
19	$2,072,164	$145,679	$124,330	$2,050,815
20	$2,050,815	$148,593	$123,049	$2,025,271
21	$2,025,271	$151,565	$121,516	$1,995,222
22	$1,995,222	$154,596	$119,713	$1,960,339
23	$1,960,339	$157,688	$117,620	$1,920,271
24	$1,920,271	$160,842	$115,216	$1,874,645
25	$1,874,645	$164,059	$112,479	$1,823,065
26	$1,823,065	$167,340	$109,384	$1,765,109
27	$1,765,109	$170,687	$105,907	$1,700,329
28	$1,700,329	$174,101	$102,020	$1,628,248
29	$1,628,248	$177,583	$97,695	$1,548,360
30	$1,548,360	$181,135	$92,902	$1,460,127
31	$1,460,127	$184,758	$87,608	$1,362,977
32	$1,362,977	$188,453	$81,779	$1,256,303
33	$1,256,303	$192,222	$75,378	$1,139,459
34	$1,139,459	$196,066	$68,368	$1,011,761
35	$1,011,761	$199,987	$60,706	$872,480
36	$872,480	$203,987	$52,349	$720,842
37	$720,842	$208,067	$43,251	$556,026
38	$556,026	$212,228	$33,362	$377,160
39	$377,160	$216,473	$22,630	$183,317
40	$183,317	$220,802	$10,999	$0

About retirement - I reckon you would need to own your own home & have at least $1million in super returning 10% per annum which would keep me in the same lifestyle I have whilst still working. That's what a friend achieved when he retired @ 50 & he's never looked back - not a flash lifestyle but very comfortable & enjoying life. I'm turning 60 soon & I

believe I'll achieve my goal in the next year or two when I sell some investment properties & put the proceeds into my super currently sitting @ $500 thousand. Looking forward to reading other people's goals & achievements.

I wound back at 49 by working a lot less at two days a week, I'm 67 now and still enjoying my two days a week. Meanwhile, contributing the maximum to a self-managed super fund since 1984, all invested in equities, has worked well for me.

I am now retired at age 70, but as a former Chartered Accountant and financial planner advising my clients on retirement, my view on a comfortable retirement was to have a house, no debts and $2 million invested, earning 5% net of tax per year.

Considering I had that view more than 10 years ago, I could say it should be indexed up to, say, $3 million invested, but I still think $2 million is probably enough.

Previously these funds would probably be mainly in bank deposits but these days more reliance would be put on fully franked dividends for the net 5% return.

Great idea and one that we Baby Boomers think about a lot. I also agree with you regarding the "Comfortable Retirement" comment. When I see the number they provide I think we must be wasting money and living like royalty (which we are not).

So here goes, here are my thoughts:

- With a fully paid house, we need $70-80k to cover annual living costs. Then we allow a further $20k for annual luxuries (i.e. new car, an overseas holiday, house reno, etc). This gives a total annual cost of around $100k.
- To fund this I work on a long term market total return of 7%. This is based on most of my investments still being in equities.
- To cover inflation I am assuming 2% of this growth needs to go back into the portfolio. This leaves 5% for living.
- So to cover our annual costs we need $2,0m in investments ($2,0 x 5% = $100k)
- I years of poor market returns I plan to draw use the cash buffer of $100k I keep on the sidelines.
- Depending on market returns, we also are happy to let our portfolio slowly wind down. It's nice to leave the kids some money but our needs take priority.

I do have a fancy spreadsheet but the above is the basic summary of my thinking. So add on the value of your house (we live in Perth so relatively cheap housing) and I can't see a couple retiring with a reasonable lifestyle unless they have $3.0-3.5m in total assets.

How much one needs in retirement is very relative to the standard of living that one is accustomed to while working.

I was earning about $125K a year before taking redundancy at 48 and getting a lifetime pension of $680 a week.

I knew I could live on that amount comfortably as I had set my life around living modestly so while I was working, I made sure to live on roughly that amount and invest the rest of my earnings.

Now nearly 6 years later, I am happy with my decision, living quite comfortably.

My share portfolio is my rainy-day money and I don't use it for daily expenses.

Everyone is different though but the rule of thumb for me was to work out how I wanted to live while working then budget accordingly.

The common suggestions around necessary retirement income are not necessarily true! The first time I "retired" in 1999, I said to the financial adviser I consulted that thinking you needed half your pre-retirement income was not acceptable, and I regarded maintaining one's income as a minimum standard.

With a reasonably modest professional income, I had barely enough to justify setting up an SMSF in 2005, after ditching that original investment advice, but it has now grown to an amount which I trust will be sufficient to provide that income, and sufficient capital, if one of us hears the dreaded "need to move into assisted care".

The increase was due to saving my earnings, post 2005 straight into super, assisted by a couple of small inheritances, and only ever withdrawing the minimum amount. This was facilitated by having a small defined benefit pension income.

Continuing part-time work, after a second "retirement " in 2008 has proved interesting and enabled continued saving into super. Sadly, it has been some years since I passed the "can't contribute any more" point, but minimum pensions have been reduced the last few years anyway.

The fund has been primarily a long term investment fund not a traded fund, although clearly there have been relevant sales and purchases. What Marcus would call a "sleep at night" fund, although I have some risk tolerance.

Like most super funds, good advice has led to some "wins" and some "losses", but overall the savings structure enabled by Australian Super regulations plus the increases in value from the "wins" has led to the prospect of what I can call a comfortable retirement.

Thank you for all your contributions. If you would like to contribute to the discussion with your wisdom please email marcus@marcustoday.com.au with the subject line "MY RETIREMENT FORMULA".

Regards

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