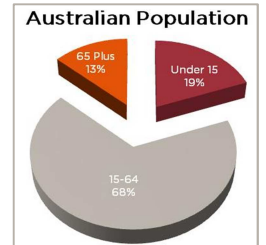


Rising \$57T Cost of Australia's Retirement

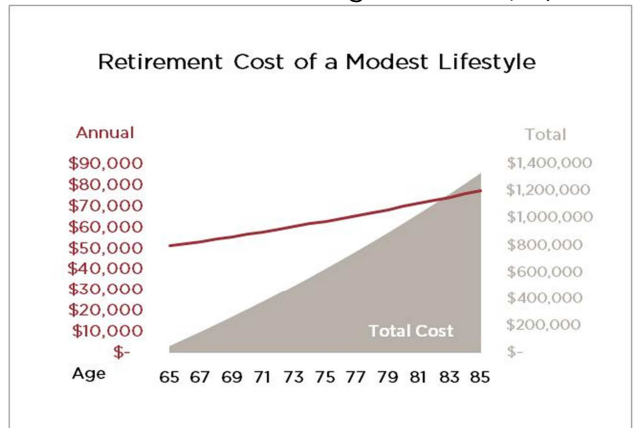
Aviivid estimates the current cost of Australia's retirement to be \$57 trillion dollars and growing at \$108.73 per second.

Based on data provided by the *Australian Bureau of Statistics*^I, the size of the Australian population at the time of this publication is projected to be 22,063,076 persons. By applying data obtained in census reports, we calculate the age '65 Plus' cohort to be approximately 2.9 million persons (or 13.2% of the total population).



The general population is projected to be increasing by one new person every 72 seconds (or 1.9-2.0% p.a.) while the 65 Plus cohort is growing nearly twice as fast as the 15-64 age group.

The current annual cost of a 'modest lifestyle' for an individual at the age of 65 is \$51,132 as per the *Westpac ASFA Retirement Standard*^{II}. This standard basket of retirement costs has been increasing between 2.1-2.4% per annum. If we assume continued growth at the lower end of recent inflation levels, the cost of retiring will increase to \$77,483 over 20-years. By computing the sum of each of the twenty annual outgoing amounts, we can estimate the \$1.3 million Australian dollar total cost of living a modest lifestyle for an individual retiring at today at the age of 65 and living to the age of 85.



It is also possible to estimate the \$57,392,886,547 cost of retirement for the portion of the population aged 65 Plus. In this calculation we apply the \$51,113 annual cost of living a modest lifestyle to the 2,915,416 Australians who are 65 Plus.

When we adjust the above \$57T estimate by the population growth rate for the 65 Plus cohort and the inflation forecast for the cost of living a modest retirement lifestyle, we yield a 5.9% forecast increase over the next 12-months to \$60.8 trillion. This equates to a \$108.70 per second increase in the cost of Australia's retirement during the next year.

The above analysis is based on a number of assumptions including (i.) the continued linear inflation of retirement costs and (ii.) the relevance of the modest lifestyle cost barometer pertaining to those aged 65 to the lifestyle costs for the older portion of the population.

Sources

- I ABS <http://www.abs.gov.au/Ausstats/abs@.nsf/0/1647509ef7e25faaca2568a900154b63?OpenDocument>
- II ASFA/Westpac <http://www.superannuation.asn.au/mr091106/default.aspx>

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