

FLASH

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Retirement Expenditure: Needs vs Wants

When planning retirement, anticipating expenditure can be difficult. Particularly, essential vs discretionary spend, or put more simply, needs vs. wants. A recent Milliman report reviewed the spending patterns, behavior and trends of Australian retirees over the past 20 years.



Retirement expenditure (continued)

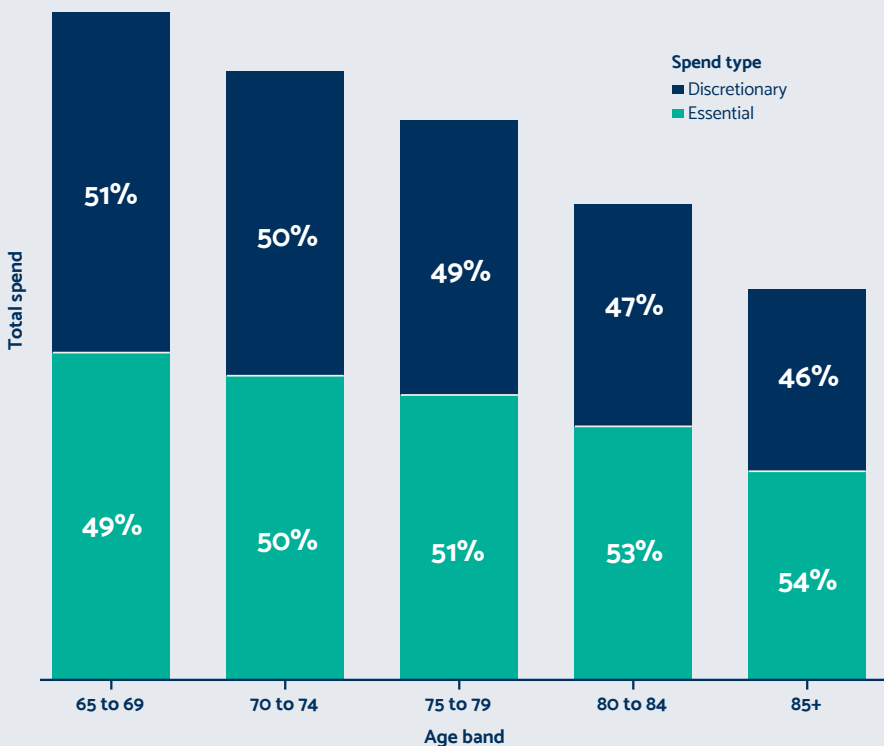
Needs vs Wants

50:50

average spend split throughout retirement.

The data shows that the percentage of expenditure between essential and discretionary items doesn't change drastically throughout the course of retirement, as shown in the graph below. The split is roughly 50:50 across the 20+ year period.

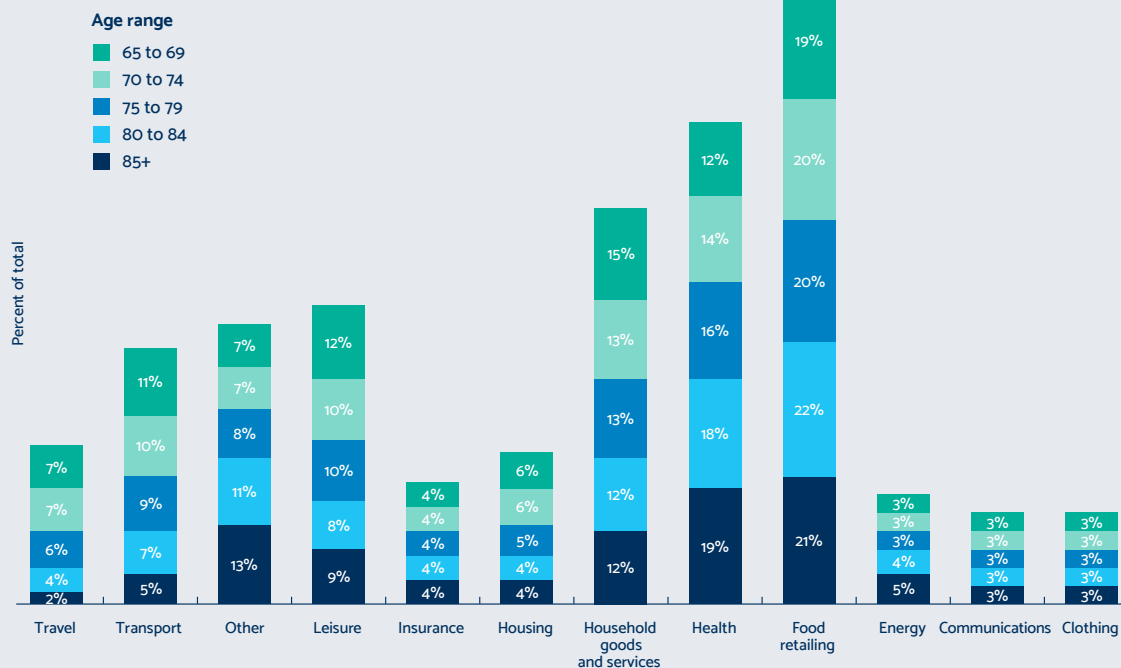
Discretionary vs Essential split



Source: Milliman Retirement ESP 2019

Retirement expenditure (continued)

Couples nationwide spend by category



Source: Milliman Retirement ESP 2019

In terms of how the spend on essential items changes over time, the graph above shows how retirees in the 70th percentile of wealth spend their money throughout their retirement. Spending on essentials like food, household goods, clothing and communications remain steady over time. As to be expected, travel, transport and leisure spending declines with increase in age.

It is important to understand as a retiree or soon to be retiree where your money will go. Depending on your interests and priorities, what will your needs vs wants split be? Understanding the common spending categories will help you plan your retirement spending and ensure your financial assets will see you through your retirement.

