

# Updating and Extending Indicative Budget Standards for Older Australians: Final Report

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UPDATING AND EXTENDING  
INDICATIVE BUDGET  
STANDARDS FOR OLDER  
AUSTRALIANS

FINAL REPORT

PETER SAUNDERS, ROGER PATULNY  
AND ADELINE LEE

SPRC Report 2/04

Social Policy Research Centre  
University of New South Wales  
*January 2004*

**Updating and Extending Indicative Budget Standards  
for Older Australians**

Final Report

Peter Saunders, Roger Patulny and Adeline Lee

Report Prepared for the Association of Superannuation  
Funds Australia

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## EXECUTIVE SUMMARY

- This report provides estimates of a new comfortably affluent but sustainable (CAS) budget standard for older Australians.
- The CAS standard reflects a standard of living among older, healthy and fully active self-funded retired Australian that allows them to engage actively with a broad range of leisure and recreational activities without having to require a rapid or substantial disbursement of assets. It represents a lifestyle that is common amongst those in the top (income) quintile of the aged population.
- A budget standard estimates what is needed to attain a specific standard by a particular household living in a particular place at a particular time. This involves specifying the items required to achieve the standard and pricing them to arrive at the income level that would support the necessary level of consumption.
- Budget standards incorporate expert assessments of the level of consumption of goods and services and participation in different activities that can be supported by a given level of income. Among their many uses, budget standards can be used to benchmark the adequacy of government income support payments and the relativities between payments for different families.
- The CAS standard was developed in stages from the existing modest but adequate (MBA) budget standard developed in earlier research at the Social Policy Research Centre (SPRC).
- The MBA standard represents a standard that affords full opportunity to participate in contemporary Australian society and the basic options it offers. It is seen as lying between the standards of survival and decency and those of luxury as these are commonly understood, corresponding in round terms to the median standard of living in the community as a whole.
- The MBA standard was built up from detailed budgets developed in nine separate but inter-connected areas: housing; energy; food; clothing and footwear; household goods and services; health; transport; leisure; and personal care.
- The original SPRC research developed two MBA budget standards for older people, one for a 70 year-old single woman living alone and the other for a couple, both aged 70. Both standards assumed that the houses lived in were owned outright.
- This research develops separate CAS budgets for a single 70 year-old woman who is living in her own home which she owns outright, for a 70 year-old male homeowner, and for a couple of 70 year-olds who also own their own home. The new CAS budgets were developed as derivatives from the existing MBA budgets.
- The research was conducted in three stages. In the first stage, the existing MBA budgets were updated to the September Quarter 2003 in line with price

movements since 1997. The updated budgets were then modified upwards using expert judgments and in light of the actual expenditure patterns of the richest retired households. In the second stage, these modified budgets were shown to focus groups and feedback was obtained from relatively affluent older people. The third stage involved revising the preliminary budgets in light of the focus group feedback and any additional information this involved.

- The approach is designed to ensure that the new CAS standard is grounded in the attitudes and behavioural patterns of comfortably affluent older people whilst maintaining at its core the normative element that is the distinguishing feature of a budget standard.
- The budgets were initially updated using the published CPI headline index, a weighted average of price movements in the eight capital cities. A more sophisticated method, in which each main budget area is separately adjusted using the relevant CPI component index produces similar results.
- The updated MBA budgets were adjusted upwards using judgments and a variety of information from the latest Household Expenditure Survey (HES). The HES-based adjustments were based on the observed differences in the spending patterns of older households in the fifth and third expenditure quintiles of all older households. This implied that in overall terms, the CSA standard corresponds to a level of spending that lies between two and two-and-a-half times higher than that associated with the (updated) MBA standard.
- Provisional CAS standards were then developed by adding new items that are appropriate to conditions in the higher standard of living, and increasing the quality of existing items by changing the nature of the item, or by shortening the assumed lifetime over which it is used.
- This resulted in changes to 166 of the items in the updated MBA budgets, in three main budget areas: clothing and footwear, household goods and services, and leisure. A small number of minor changes were also made to the health, transport and personal care budgets.
- The provisional CAS budgets were then shown to three focus groups of older Australians, who were asked to assess their accuracy and relevance to their own experience. The participants were all self-funded retirees, between the ages of 61 and 76 years. Around three-quarter were in couple relationships, the rest were single.
- The focus groups were recruited with the assistance of community organisations with a membership of older Australians, and participants were asked to complete an expenditure diary before the meeting in order to provide an informed and reflective basis for the discussion.
- The focus group discussions highlighted a number of areas where the provisional budgets were seen as too high and others where important expenses had been omitted.

- The focus feedback was analysed and changes to the provisional budgets were made in a number of areas, with the most important changes occurring in the clothing and footwear, health and leisure budgets. The overall impact of the changes was to lower the provisional budgets somewhat.
- The revised CAS budget standard for a 70 year-old woman was \$611.50 a week in September 2003. The corresponding budget for a man of the same age was slightly lower, at \$597.50. For a couple of 70 year-olds, the CAS standard was \$795.20.
- The female and couple CAS budgets are 88 per cent and 76 per cent above the updated MBA budgets, respectively.
- Development of the new CAS standards has involved manipulation of a mass of data, as well as a series of judgments that have been both informed by data on the actual expenditure patterns of the wealthiest one-fifth of older households. The budgets have also benefited greatly from the valuable feedback provided by a series of focus group discussions among self-funded retirees.
- The focus group discussions indicate that many older Australians already enjoy a standard of living that is close to, or at least approximates, that which the CAS standard seeks to quantify. Over time, more and more older Australians will aspire to the CAS standard throughout their early retirement years.
- The challenge for public policy will be to ensure that together with private actions, it will provide future cohorts of Australians with the opportunity to acquire the resources that will support the actual achievement of such a standard of living in their retirement.

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## 1 Introduction and Background

Between 1995 and 1998, the Social Policy Research Centre (SPRC) developed and costed a series of indicative household budget standards under commission from the then Commonwealth Department of Social Security. The estimates covered a range of household types and identified the costs required to maintain either a *low cost* (LC) or a *modest but adequate* (MBA) standard of living.

A budget standard is derived from decisions regarding what is needed to attain a specific standard of living by specifying the items required to achieve that standard. The identified items are then priced to arrive at the income level that would support the necessary level of consumption.

The budget standards framework provides a transparent method for identifying and costing the consumption needs associated with a specific standard of living. Furthermore, it is straightforward to vary the items included in the budgets (by changing their quality and price, or by removing them altogether) and assess what difference this makes to the final budget estimate. In this way, the robustness of an estimated budget standard can be ascertained, along with its sensitivity to changes in the assumptions on which it is based.

Budget standards can be used to inform judgments about the adequacy of income levels, since they incorporate expert assessments of the level of consumption of goods and services and participation in different activities that can be supported by a given level of income.

Among their many uses, budget standards can be used to benchmark the adequacy of government income support payments and the relativities between payments for different families, according to their size and composition, location, age, and so on. Further, comparing a budget standard with actual consumption patterns can assist in making judgments about the appropriateness of the latter – as a guide to providing financial counselling advice, for example.

In relation to retirement incomes policy, a budget standard can contribute to discussions of the adequacy of pension levels, as well as helping to set standards for those who have access to superannuation and other forms of income in retirement – either as a supplement to, or replacement of, the age pension. In the Australian context, research on budget standards thus has a role to play in setting adequacy standards for those who are principally reliant on their own savings during retirement (self-funded retirees).

The SPRC study developed 46 household budgets, 26 at the MBA standard and 20 at the LC standard. The households varied according to overall size, the number of adults and children, housing status and the labour force status of adult members. They included an older woman (aged 70) living by herself in her own home and an older couple (both aged 70). Both older person standards assumed that the home is owned outright, while an additional LC standard was estimated on the assumption that the person(s) lived in public housing. All of the standards applied to households living in Sydney and were costed using prices prevailing in February 1997.

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Although budget standards have to date been used relatively rarely to inform decisions about the adequacy of pension and other income sources (e.g. superannuation), they are increasingly being used for this purpose in other countries. In the United Kingdom, for example, the leading non-government organisation Age Concern has argued that unless issues surrounding the adequacy of government social benefits are addressed in some way, it will not be possible to make definitive, evidence-based assessments about their adequacy.

In commenting on the Blair Government's pension reforms, for example, Age Concern noted that:

‘Since no British Government has ever carried out a scientifically based assessment of pensioner needs and living costs, the present government cannot demonstrate that its proposed reforms will produce sufficient sums of money for future pensioners to avoid poverty, let alone achieve a decent lifestyle.’ (Age Concern, 2000: 1)

Although it would not be appropriate to claim that budget standards alone can address all of the complex issues surrounding the determination of adequacy, the above quote indicates that these issues are important and need to be addressed. Budget standards research has a role to play – along with other methods – in undertaking this task.

Following discussions between the SPRC and the Association of Superannuation Funds of Australia (ASFA), it was agreed that further research, building on that already undertaken by SPRC (Saunders et al., 1998) would focus on developing new budget standards estimates for older people who are mainly reliant on income from superannuation rather than the age pension in their retirement.

Specifically, the research would address the following specific goals:

- Update the existing standards to reflect price movements between 1997 and 2003 following the procedures proposed in the original research;
- Review the methods proposed in the original study for adjusting the contents of the standards over time and to suggest ways of improving on these suggestions as they apply specifically to older households;
- Undertake, on a provisional basis, a revision of the existing modest but adequate standard so that it represents a more affluent standard of living for older households who are substantially reliant on income from superannuation rather than the pension;
- Test the new budgets using a small number of focus groups of older people (constituted with the assistance of ASFA and/or other relevant agencies) and to suggest areas where further improvements in the budgets should be targeted; and
- If possible, develop updated budgets for older people in capital cities other than Sydney.<sup>1</sup>

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<sup>1</sup> The latter task has not been attempted due to lack of time and resources.

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This report is a result of the work that has been done to fulfil the above objectives.

The report is organised as follows: Section 2 provides a brief overview of relevant sections of the previous SPRC research on budget standards, focusing on areas where amendments have been made. Section 3 describes how the existing modest but adequate standard was updated to reflect movements in prices over the period since 1997, and how this updated budget standard was modified to represent the new *comfortably affluent and sustainable* (CAS) standard that is relevant to the living standards of current and future cohorts of self-funded retirees. Section 4 describes how a series of focus groups were used to refine the preliminary CAS standards, and summarises the main findings that emerged from these discussions. Section 5 presents the revised CAS budgets and briefly summarises the main conclusions of the research. Two Appendices contain a range of supporting material.

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## 2 Overview of the Budget Standards Method

### 2.1 General Approach

A budget standard represents what is needed by a particular type of household, living in a particular place at a particular time, in order to achieve and maintain a specific standard of living, in terms of its consumption of goods and services. The development of a budget standard involves specifying in great detail the identity and nature of all of the items that appear in the typical basket in order for the household to be able to attain the specified standard of living.

This necessarily involves making a series of normative judgments about the nature of needs, along with a series of assumptions designed to operationalise them and overcome the limitations of data availability. Because of these two aspects, budget standards are not definitive statements of what it costs to meet a given standard of living, but are indicative estimates, based on a set of expert judgments and a series of assumptions designed to achieve the best results from existing data and research findings.

In the original SPRC research, budgets were developed at two distinct standards. The *modest but adequate standard* (MBA) is intended to reflect a standard that affords full opportunity to participate in contemporary Australian society and the basic options it offers. It is seen as lying between the standards of survival and decency and those of luxury as these are commonly understood, corresponding in round terms to the median standard of living in the community as a whole.

The *low cost standard* (LC) represents what may require frugal and careful management of resources but still allows social and economic participation consistent with community standards and enables the individual to fulfil community expectations in the workplace, at home and in the community. In round terms, it is seen as lying at about one-half of the overall median standard of living.

These two basic concepts have evolved from budget standards research conducted over the last thirty or so years in an increasing number of countries. Most of the industrial countries that have developed a budget standard (which now includes Canada, Denmark, Finland, Germany, Norway, Sweden, the UK and the US) have adopted a variant of one or both of the MBA and LC concepts. The original specifications of these two standards emerged from research undertaken by the US Department of Labour over 70 years ago and refined in the 1980s by the work of the Expert Committee on Family Budget Revisions chaired by Professor Harold Watts (Watts, 1980).

A budget standard incorporates both normative and behavioural factors. The former may have an official or quasi-official status if they take the form of official guidelines published by the relevant authorities. Many countries, for example, have nutritional guidelines developed and endorsed by such bodies as the National Health and Medical Research Council (NH&MRC) or its equivalent and these can be used to develop a nutritionally adequate food budget.

In other areas, where there are no established social norms available, budget standards are based on expert recommendations that have no official status, yet still represent an

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informed attempt to set a normative standard. The BSU housing budgets are based on a specification of housing needs derived using a normative occupancy standard that specifies the number of bedrooms required to house households of differing size and composition. Once the basic size and lay-out of the dwelling has been determined, this provides guidance for specifying the energy budget and the household furniture and whitegoods that enter into the household goods and services budget. The location of the dwelling will also determine the travel needs of household members, thus affecting the transport budget. These examples illustrate the important point that the different budget elements are inter-connected in many important, often obscure ways.

Another important feature of the SPRC budget standards was that they are assumed to apply to individuals who are healthy and live healthy lifestyles. This again helped in the construction of the budgets, and also led to more inter-connections. Allowance was made only for the out-of-pocket costs of visiting health services that would be expected for normally healthy people. This included an allowance for regular visits to the doctor and dentist that vary with age according to community usage patterns. In addition, allowance was made for items such as leisure wear and exercise activity designed to support a healthy lifestyle and maintain good health, and these in turn placed further constraints on the clothing, leisure and transport budgets.

The normative standards used to construct a budget standard also need to reflect – or at least be consistent with - the actual behavioural patterns of the population if their relevance is not to be severely circumscribed. In relation to the food budget, for example, a diet consisting mainly of lentils and brown rice may meet the NH&MRC dietary guidelines, but be of little relevance to the actual eating habits of the vast majority of Australians. It is thus necessary to modify budgets derived directly from the existing normative standards by using behavioural data that ground them in the reality of everyday experience and custom.

The challenge is how to achieve this without undermining the role of a budget standard as an adequacy benchmark: clearly, the more the standard reflects existing consumption patterns (and hence the factors that *constrain* consumption), the less validity it has as an independent benchmark of consumption *needs*, and hence income adequacy.

Achieving a balance between the use of normative (needs-based) and behavioural (resource-constrained) inputs into the development of a budget standard is a formidable task. Value judgments are required must be made at two distinct levels: first, in order to determine what is required to meet normative needs; and second, in deciding where and how to use behavioural inputs to modify these normative judgments.

Although it is often claimed that the use of judgments in such research results in it producing outcomes that are ‘arbitrary’, this is a highly misleading description. As US poverty expert Patricia Ruggles (1990) has pointed out, even though we cannot come up with purely ‘scientific’ determinations of needs, we can as experts eliminate a large number of clearly wrong answers and produce informed judgments that do not make our results arbitrary in the strict meaning of the word.

This brief account of the research approach highlights the complexity of the task involved in developing a budget standard and identifies a formidable list of obstacles

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that have to be overcome. The main value of this kind of research lies in its acknowledgment of these issues and the transparency with which they are addressed. Budget standards will always be open to criticism, but to expect otherwise is to misunderstand the role of research in the determination of adequacy and living standards generally.

## **2.2 Key Features of the SPRC Study**

In developing the SPRC budget standards, nine separate budget areas were identified: housing; energy; food; clothing and footwear; household goods and services; health; transport; leisure; and personal care. Of the nine areas, four of them (housing, energy, household goods and services, and transport) were developed for the household as a whole, while the remaining five were basically developed separately for each individual and then added up. However, some budget items that meet the needs of individuals can be purchased for the household as a whole (e.g. cookware, health insurance cover or a first aid box), so not too much should be made of the distinction between household and individual needs: all needs are ultimately relevant to individuals.

The two main areas where the approach relied extensively on existing norms were in housing - where occupancy standards were used to determine the number of bedrooms on the basis of household size and composition - and in the areas of food, health and leisure, where as explained earlier, it was assumed that people were in 'good health' and live 'healthy lives'. This approach is consistent with the use of the NH&MRC dietary guidelines to develop the food budget and with the leisure budget, which allowed for regular forms of exercise, including swimming.<sup>2</sup>

Aside from housing and food, the remaining budgets were heavily influenced by behavioural patterns, as reported in publications released by the Australian Bureau of Statistics (ABS) and in related material from a range of sources, including research on living standards conducted by the Australian Institute of Family Studies (AIFS) and other empirical studies on energy usage and the leisure patterns of Australian households and individuals. The general approach used was to take the UK budgets as the starting point (Bradshaw, 1993), but to modify these where appropriate to better suit Australian conditions and data availability.

In determining which items (goods, services and activities) to include in the budgets, a rule of thumb 'ownership rule' was applied, under which only those items owned, services used or activities undertaken by at least 50 per cent of households were included in the modest but adequate budgets. The low cost standards were based on a corresponding 75 per cent rule, this being used in effect to identify which items, services and activities are 'necessities'.

Application of these ownership rules can, in some circumstances lead to an upward bias in the budget standards. Consider, for example, a situation in which 30 per cent

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<sup>2</sup> The assumptions about 'healthy' individuals, reinforced by the role of Medicare in restricting out-of-pocket health care expenses resulted in the health budget being quite low. However, the budget standards can be used as a benchmark for comparing the costs of those who are not healthy (e.g. those people with an on-going disability or other health condition) as a way of estimating the costs of disability or ill-health.

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of all families own both a stereo system and a home computer, with the remaining 70 per cent choosing equally between one or the other, but not both. In practice, around 65 per cent of the population will own a stereo system (30 per cent plus half of 70 per cent) and 65 per cent will own a home computer, so that application of the budget standard ownership rule would result in *both* items being included (at the modest but adequate standard), since both satisfy the 50 per cent rule. Yet the majority of the population (70 per cent) in fact choose *between* the two items rather than owning both.

The ownership rule is one example of how the budget standards were validated in the SPRC research using behavioural data that describe elements of the *actual* living standards of Australian households. Many aspects of such validation relied upon ABS data collected in the *Household Expenditure Survey* (HES). These data provide very detailed statistics on the spending patterns of different households, including on daily living items such as food, transport and visits to the doctor, as well as less frequently purchased items such as clothing, furniture, opera tickets and vacations. The first step in the validation process thus involved ensuring that the budget standards were broadly aligned with the HES expenditure patterns.

A second stage of validation involved showing the initial budgets to a series of focus groups comprised of people in households to which the budgets corresponded and getting their feedback on the relevance and accuracy of the preliminary budgets. This proved to be a very valuable exercise because it identified limitations in the estimates that could not have been identified using the HES comparisons. For example, many mothers indicated that the relatively cheap items included in the low cost budgets meant that they were not worth repairing, and the budgets were re-specified accordingly.

Other feedback provided the basis for revising the cost of some items, or for excluding others altogether. A clear lesson to emerge from this component of the research was how useful it was to expose the preliminary estimates to focus groups prior to finalisation. Not only were the estimates improved, the process provided support for the judgments and assumptions underlying them, adding credibility to the research findings.

The original budgets applied to households living in Sydney and reflected consumer prices (and any subsidies or consumer taxes) existing in February 1997. Wherever possible, items were identified and priced at leading retail outlets - so as to make it easier to apply the budgets to other areas or to re-price them in Sydney at a later date. The budgets applied to households living in the Hurstville Local Government Area (LGA) and house prices and rent levels were those applying in that area.<sup>3</sup>

The Hurstville LGA is reasonably representative of other LGAs in the Sydney metropolitan region in terms of its demographic and socio-economic profiles, but the same cannot be claimed for other parts of the country. These differences are likely to be of particular significance in relation to housing costs, as Saunders (1998: 2004) has

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<sup>3</sup> The term household is used for convenience throughout the discussion, although each household was assumed to consist of either a single individual or a nuclear family, so the term family is equally appropriate.



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demonstrated – although these are to some extent offset by other regional cost of living variations.

But having identified this as a weakness, it is not clear that any alternative method is any better at overcoming what is an obstacle facing all research on living standards, since it is not possible to simultaneously produce a budget that is both nationally representative but also incorporates the diverse circumstances of different locations. The approach adopted in the SPRC research was to develop a range of standards for different household types, a number of which were specific to older persons (see below). Although this does not overcome the specificity of housing costs, it does provide a basis for identifying how important they are and the extent to which they may be offset by expenditures in other budget areas.

### **2.3 The SPRC Budgets for Older People**

As noted earlier, the original SPRC research developed a total of six budget standards for older people, two at the MBA level and four at the LC level. Three of the standards relate to a 70 year-old single woman living alone, while the other three relate to a couple, both aged 70. The two MBA standards and two of the LC standards assumed that the houses lived in were owned outright; the remaining two LC standards were developed for an older single woman and an aged couple living in public housing.<sup>4</sup> This latter feature is important, since it implies that the main limitations of the SPRC private renter housing budgets (mentioned earlier) are not so relevant in the case of older home-owning households.

The primary focus of this research involves developing the new CAS budgets for a single 70 year-old woman and man each of whom live in their own home which they own outright, and for a couple of 70 year-olds who also own their own home. These new estimates are developed as derivatives from the existing MBA budget standard estimates for a single older woman and an older couple that are shown in Table 1 and Table 2, respectively. The original SPRC low cost budgets are also presented for completeness, and because these were derived from the MBA budgets in a similar way to that is used here to derive the new CAS budgets.

Several features of these estimates are worth drawing attention to, as they have a bearing on the methods used later in this research. First, the gap between the MBA standards generally exceed the LC standards by only around 30 per cent – a smaller amount than was intended given that they are supposed to lie around the median and one-half of the median, respectively. One reason for this is the fact that the LC budgets proved to be above half-median expenditure because more was needed to sustain the specified standard of living. In addition, both the LC and MBA budgets include the same type of housing (a three-bedroom bungalow) and thus embody similar housing costs.

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<sup>4</sup> As noted earlier, the standards assume that all older people are in reasonably ‘good health’ and thus only use health services for the standard treatments that apply to the average usage for the population of that age). They are thus not relevant to older people who reside in nursing homes or hospitals on a long-term basis or who belong to special needs categories such as those who experience some form of physical or mental disability.

In terms of budget shares, housing costs thus decline when moving from the LC to the MBA standards, while the main areas where budget shares increase with the standard of living are transport, leisure and personal care – all three representing ‘lifestyle’ items that are assumed to increase at the higher standard.

**Table 1: Budget Standards for a 70 Year-old Single Woman Home-Owner (February 1997 prices)**

Budget Area	Low Cost (LC) Budget Standard		Modest but Adequate (MBA) Budget Standard	
	\$	%	\$	%
Housing	46.1	21.4	46.1	16.5
Energy	8.2	3.8	8.7	3.1
Food	37.3	17.3	47.2	16.9
Clothing and Footwear	13.0	6.0	14.3	5.1
Household Goods and Services	37.2	17.3	45.1	16.1
Health	7.1	3.3	8.5	3.0
Transport	38.5	17.9	55.5	19.8
Leisure	22.1	10.3	38.6	13.8
Personal Care	5.5	2.6	16.1	5.7
<b>Total Budget</b>	<b>215.0</b>	<b>100.0</b>	<b>280.1</b>	<b>100.0</b>

**Note:** All figures have been rounded to the nearest 10 cents.

**Source:** Saunders et al., 1998, Tables 12.2 & 12.3.

The same general pattern can be seen when comparing the LC and MBA budgets for aged couples, where again housing costs remain more or less fixed in monetary terms and thus decline as a percentage of the total budget. In this case too, the main areas where the budget shares increase when moving from the LC to the MBA standard are transport, leisure and personal care.

**Table 2: Budget Standards for an Older Home-Owning Couple, both aged 70 years) (February 1997 prices)**

Budget Area	Low Cost (LC) Budget Standard		Modest but Adequate (MBA) Budget Standard	
	\$	%	\$	%
Housing	47.5	16.1	47.7	12.3
Energy	9.4	3.2	10.4	2.7
Food	75.8	25.6	95.5	24.6
Clothing and Footwear	21.9	7.4	24.6	6.3
Household Goods and Services	37.1	12.6	47.7	12.3
Health	13.1	4.4	16.0	4.1
Transport	39.2	13.3	56.2	14.5
Leisure	41.2	13.9	63.9	16.5
Personal Care	10.4	3.5	25.6	6.6
<b>Total Budget</b>	<b>295.6</b>	<b>100.0</b>	<b>387.6</b>	<b>100.0</b>

**Notes and Sources:** See Table 1.

When comparisons are made at a given standard between the budgets for the single woman and the couple, they indicate the extent to which there are economies of scale in consumption at the household level. Thus for example, the food budget for the couple is close to twice that of the single woman indicating that there are relatively

few economies of scale in regard to food consumption.<sup>5</sup> In contrast, in relation to the household goods and services share of the total budget, there is a significant decline when moving from the single to the couple household, because many of the items needed by the single woman are shared by the couple (who still only need one refrigerator and one set of lounge room furniture), implying that there are economies of scale in purchasing these items.

It has already been noted that one might expect the LC and MBA standards to be further apart than the 30 per cent differential implied by the estimates set out above. When combined with evidence on the actual incomes of older women, for example, the MBA standard seems to be too low to capture the living standards of self-funded retirees who are excluded from the pension by either the income or assets test.

In the case of women aged between 70 and 74 for example, Table 3 indicates that the pensioner to non-pensioner income ratio is just over 60 per cent, which implies that the *average* income of non-pensioner (self-funded retiree) women in this age group is around 67 per cent higher than that of pensioners. This is an average figure that conceals great variation among those in the non-pensioner group with very high incomes.

These results thus suggest that, relative to the LC standard, the existing MBA standard is too low to serve as a benchmark for the living standards of self-funded non-pensioner retired Australians. A higher standard is required to serve this purpose and the primary aim of this report is to develop such a standard.

**Table 3: Incomes of Pensioners as a Percentage of Non-Pensioners by Age Group, 1995-96**

Group	60 to 64 years	65 to 69 years	70 to 74years	75 years plus	Total
Couples	53.7	60.9	62.4	58.7	59.2
Single men	53.4	68.3	70.7	62.6	63.9
Single women	51.4	58.0	60.5	49.1	53.4
<b>All pensioners</b>	<b>53.0</b>	<b>61.0</b>	<b>62.7</b>	<b>54.6</b>	<b>57.6</b>

Source: Whiteford and Bond, 2000, Table 9.

## 2.4 Methodology Used in This Study

The methodology used here to develop the new CAS budget standard is shown diagrammatically in Figure 1, which identifies the various stages that form the basis of the research. The broad approach follows that used in the original SPRC study, involving the development of the budgets by the research team and their subsequent validation using data on actual spending patterns derived from the *Household Expenditure Survey* and the feedback provided by a series of focus groups of individuals for whom the budgets were designed to apply.

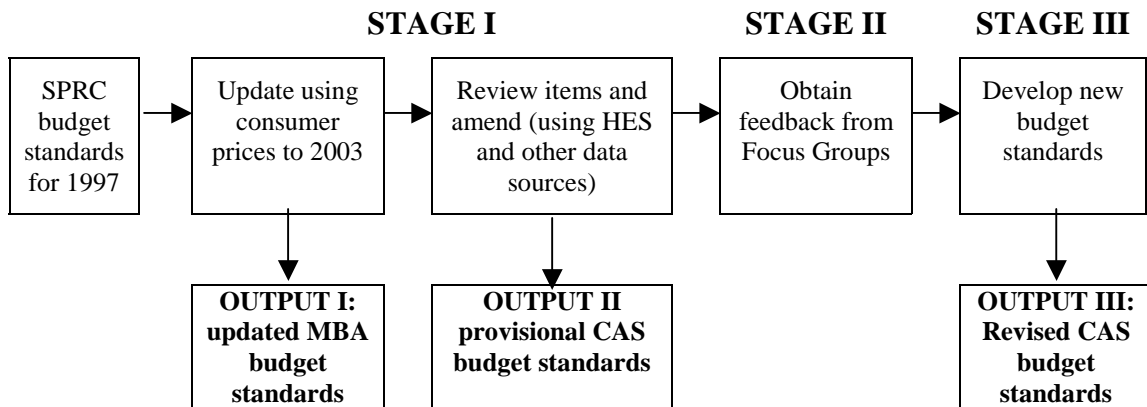
As indicated in Figure 1, the research has three principal stages, each of which produces a distinct output: a set of updated SPRC budget standards; a provisional set of CAS budgets; and a final set of budgets that represent the new comfortably affluent and sustainable standard for older people. The first of these three stages required the research team to update the existing MBA budgets in line with price movements since

<sup>5</sup> Most of the difference that does exist reflects the fact that the nutritional requirements of males exceed those of females at a given age.

they were constructed in 1997. The updated MBA budgets were then modified using expert judgments about the needs associated with the CAS standard and in light of the actual expenditure patterns of the richest retired households.

In the second stage, these modified budgets were shown to focus groups and feedback was obtained from older people whose own circumstances approximate those to whom the CAS standards are designed to apply. Finally, in the third stage, the budgets

**Figure 1: Diagrammatic Representation of the Budget Standards Methodology**



were again revised in light of the focus group feedback and any additional information this involved.

By drawing on a range of information in this way, the research is more grounded in the attitudes and behaviour patterns of comfortably affluent older people whilst maintaining at its core the normative element that is the distinguishing feature of the budget standards approach.

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### 3 Developing an Initial Comfortably Affluent and Sustainable Budget Standard for Older People

#### 3.1 Updating the SPRC Budgets to 2003

As noted earlier, the original SPRC budget standards were developed and priced in February 1997. In order for the standards to maintain their relevance, they need to be adjusted over time so that trends in adequacy can be monitored against income and other developments. How can this best be done? Given that a budget standard represents the income required to *purchase* a specific basket of goods and services corresponding to a given standard of living, the obvious way in which to adjust budget standards is in line with changes in the prices of goods and services.

However, this would provide only an approximate estimate of the current cost of obtaining the original standard because no account is taken of changes in the quality of the items that can be purchased from a constant budget, in terms of its purchasing power. Quality changes complicate the approach in two offsetting ways: first, technological change will reduce the cost of some items as the productivity with which they are produced increases; against this, the growing affluence of the general population will influence the benchmark against which a budget standard is set (by varying the implications of the ownership rule, for example), implying that better quality and/or new items should be included as time passes.

Trying to incorporate the effect of these changes into a budget standard requires going back and re-specifying it from the outset. Even re-pricing each of the items that appear in a given budget standard involves a considerable effort given the enormous range of items included in the budgets. For example, each of the original SPRC budgets contains over 850 items, each of which has to be identified, and priced.<sup>6</sup>

If the effort involved in re-pricing a budget standard is considered to be too onerous, it is possible to short-circuit this by adjusting the budgets in line with available information on changes in *aggregate* (as opposed to individual) prices. The most obvious candidate in this context is the Consumer Price Index (CPI), published quarterly by ABS (Catalogue No. 6401.0). Price indexation can be applied either to the total budget, or separately to each of the main budget areas.

There are eleven major groups for which a separate CPI is published: food; alcohol and tobacco; clothing and footwear; housing; household furnishings, supplies and services; health; transportation; communication; recreation; education; and miscellaneous. These correspond broadly to the nine major budget components around which the BSU budget standards have been developed, and although the two groups do not coincide exactly, adjusting the budget standard categories in line with movements in the most adjacent CPI component provides a reasonable (and cost effective) basis for adjusting the budget standards – at least over the short-term.<sup>7</sup>

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<sup>6</sup> The task is, however, manageable and can be done regularly (every one or two years) as is current practice with budget standards agencies in countries like Denmark and Norway.

<sup>7</sup> As Saunders (2004) has recently demonstrated, these two updating methods produce similar results over short periods.

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Over the medium- to longer-term, it is necessary to revise the budget standards to reflect changes in *quantities* as well as changes in *prices*. This, along with changes that reflect variations in existing community norms (e.g. in relation to community standards of ownership of new consumer items such as home computers or mobile phones) would involve repeating the entire budget standards exercise, if they are not to drift away from the normative basis on which they were originally developed.

The SPRC budget standards report (Saunders et al., 1998: Chapter 14) suggested that an appropriate updating adjustment strategy would consist of the following steps:

- i. Adjust the budget standards over the short-term (up to three, and certainly no more than five years) by movements in the (adjusted) CPI group indices that correspond to each component budget area.
- ii. At least every five years (and more frequently if possible) the budget standards would need to be re-priced using the same pricing methods as those on which they were originally developed.
- iii. Over the medium-term term (no less frequently than every seven to ten years) a new set of budget standards would have to be derived to ensure that they remain consistent with community norms, values and patterns of behaviour.

It was argued that this strategy should ensure that the budget standards retain their relevance, but at a cost that is affordable given the complexities surrounding the task.

It is now almost six years since the original budget standards report was published and seven years since the budgets themselves were developed and priced. The limits of acceptability of the pure price adjustment method (i) have thus been reached, and enough time has elapsed to suggest that a complete re-pricing of the budgets (method (ii)) is now required. However, this approach is, as noted, very expensive and this study has therefore been restricted to the more manageable task of implementing several variations of the price-only adjustment approach (method (i)), as a precursor to a limited application of method (iii) to a small range of older person households.

### **3.2 Developing the Updated Budgets**

The initial budget standards were set up on a multiple spreadsheet basis for ease of manipulation and transparency. These spreadsheets contain the basic building blocks of the budget standards, including details of the nature, price and quantity and (where relevant) the assumed lifetime of each item, as well as interactive and feedback criteria – such as insurance costs for housing contents, or rebates for child-care costs or utility charges. Customising the standards for any particular purpose requires updating one or several of these items, sometimes in a complex and inter-connected way.

The budgets were initially updated by simply multiplying all prices by the change in consumer prices between 1997 (March Quarter) and 2003 (September Quarter). Two different price indexes were used for this purpose, both published by the Australian Bureau of Statistics (ABS).

The first of these was *the CPI headline index*, a weighted average of price movements in the eight capital cities. The second involved adjusting the budget standards using a

slightly more sophisticated method, in which each budget area was separately adjusted using the relevant CPI component index. The CPI component indexes and budget standards categories were matched on the basis of the similarity of the coverage of each. Details of the resulting concordance are provided in Table 4.

**Table 4: Concordance Between the Budget Standard and CPI categories**

Budget Standards Component	CPI category	Index value in September 2003 (March 1997 = 1.000)
Housing	Housing	1.18663
Energy	Housing	1.18663
Food	Food	1.24210
Clothing and Footwear	Clothing and Footwear	1.05888
Household Goods & Services (general)	Household furnishings, supplies and services	1.07048
Household Goods & Services (telephone/postal)	Communication	1.03102
Household Goods & Services (pre-school, primary and secondary fees)	Education	1.33769
Health	Health	1.16873
Transport	Transportation	1.12859
Leisure	Recreation	1.12263
Personal Care	Miscellaneous	1.35768
Total budget	Headline CPI	1.17925

**Sources:** Saunders et al, 1998; ABS, *Consumer Price Index, Australia* Catalogue No. 6401.0, various issues.

It should be noted that both methods for updating the budget standards produce only approximate results, since they each assume that the cost of all items in the original budgets increase by the same amount (in total, or within each budget area). They differ in that the latter approach incorporates changes in relative prices (at least at an aggregative level) whereas the former method does not.

While the assumption of only limited movements in relative prices may be reasonable for most of the actual items included in each budget area (at least over relatively short periods), it is less appropriate where public policies affect the price of certain items (e.g. public transport or other concessions). Where these exist, the updating should ideally reflect changes in the way that the policies themselves have changed in their impact, rather than through the use of the published CPI data. However, no attempt has been made to replace the 1997 estimates of such concessions by their value in 2003 and this should be borne in mind when assessing the updated budgets.

The results of applying each of the two updating methods to the original SPRC budget standards for older people are shown in Table 5. Updated (price-indexed) budget standard estimates are presented for aged single people (AS) and aged couples (AC), at both the modest but adequate (MBA) and low cost (LC) standards. All of the estimates in Table 5 assume that all individuals own their own homes outright.

**Table 5: Updated MBA and LC Budget Standards for Older Home-Owner Households, September Quarter 2003**

Household Type	Headline CPI Measure:				CPI Components Measure:			
	Feb-97	Sept-03	\$ Change	Ratio	Feb-97	Sept-03	\$ Change	Ratio
<b>Housing</b>								
AS, MBA	46.13	54.40	8.27	1.18	46.13	56.15	10.02	1.22
AS, LC	46.13	54.40	8.27	1.18	46.13	56.15	10.02	1.22
AC, MBA	47.72	56.27	8.55	1.18	47.72	58.07	10.35	1.22
AC, LC	47.53	56.05	8.52	1.18	47.53	57.81	10.28	1.22
<b>Energy</b>								
AS, MBA	8.69	10.25	1.56	1.18	8.69	10.31	1.62	1.19
AS, LC	8.20	9.67	1.47	1.18	8.20	9.73	1.53	1.19
AC, MBA	10.36	12.21	1.86	1.18	10.36	12.29	1.93	1.19
AC, LC	9.37	11.05	1.68	1.18	9.37	11.12	1.75	1.19
<b>Food</b>								
AS, MBA	47.16	55.61	8.45	1.18	47.16	58.57	11.42	1.24
AS, LC	37.27	43.95	6.68	1.18	37.27	46.29	9.02	1.24
AC, MBA	94.51	111.45	16.94	1.18	94.51	117.39	22.88	1.24
AC, LC	73.78	87.00	13.23	1.18	73.78	91.64	17.86	1.24
<b>Clothing and Footwear</b>								
AS, MBA	14.27	16.83	2.56	1.18	14.27	15.11	0.84	1.06
AS, LC	13.03	15.36	2.34	1.18	13.03	13.80	0.77	1.06
AC, MBA	24.61	29.02	4.41	1.18	24.61	26.06	1.45	1.06
AC, LC	21.93	25.86	3.93	1.18	21.93	23.22	1.29	1.06
<b>Household Goods and Services</b>								
AS, MBA	44.93	52.87	7.94	1.18	44.93	47.85	2.92	1.07
AS, LC	37.13	43.71	6.58	1.18	37.13	39.52	2.39	1.06
AC, MBA	47.72	56.04	8.32	1.17	47.72	50.69	2.97	1.06
AC, LC	37.04	43.49	6.45	1.17	37.04	39.28	2.24	1.06
<b>Health Care</b>								
AS, MBA	8.49	10.01	1.52	1.18	8.49	9.92	1.43	1.17
AS, LC	7.05	8.32	1.26	1.18	7.05	8.24	1.19	1.17
AC, MBA	16.00	18.87	2.87	1.18	16.00	18.70	2.70	1.17
AC, LC	13.12	15.48	2.35	1.18	13.12	15.34	2.21	1.17
<b>Transport</b>								
AS, MBA	55.53	65.26	9.72	1.18	55.53	62.51	6.98	1.13
AS, LC	38.48	45.22	6.74	1.18	38.48	43.31	4.83	1.13
AC, MBA	56.15	65.98	9.83	1.18	56.15	63.20	7.05	1.13
AC, LC	39.21	46.07	6.87	1.18	39.21	44.13	4.93	1.13
<b>Leisure</b>								
AS, MBA	38.63	45.48	6.84	1.18	38.63	43.31	4.68	1.12
AS, LC	22.15	26.12	3.97	1.18	22.15	24.86	2.72	1.12
AC, MBA	63.93	75.31	11.38	1.18	63.93	71.72	7.78	1.12
AC, LC	41.16	48.54	7.38	1.18	41.16	46.21	5.05	1.12
<b>Personal Care</b>								
AS, MBA	16.09	18.97	2.88	1.18	16.09	21.84	5.75	1.36
AS, LC	5.52	6.51	0.99	1.18	5.52	7.49	1.97	1.36
AC, MBA	25.59	30.18	4.59	1.18	25.59	34.75	9.15	1.36
AC, LC	10.41	12.28	1.87	1.18	10.41	14.14	3.72	1.36
<b>Total</b>								
AS, MBA	279.92	329.67	49.75	1.18	279.92	325.59	45.67	1.16
AS, LC	214.95	253.25	38.29	1.18	214.95	249.40	34.45	1.16
AC, MBA	386.59	455.34	68.75	1.18	386.59	452.87	66.28	1.17
AC, LC	293.55	345.82	52.26	1.18	293.55	342.89	49.34	1.17

**Notes:** AS = aged single; AC = aged couple; MBA = modest but adequate; LC = low cost.

**Sources:** Saunders et al, 1998; ABS, *Consumer Price Index, Australia* (Cat. No. 6401.0), September Quarter 2003.



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As can be seen, the total change in the value of the budget standards is slightly lower when the CPI components series are used to update each budget area separately. This reflects how each of the component-level price indexes has changed over the period under examination, combined with the composition of the budget standards, plus the fact that some of the areas that have experienced the greatest increase in prices do not correspond to one of the budget standard areas and thus do not in practice method of indexation.

Even so, looking at the two sets of updated budgets in Table 5, it is clear that the two methods produce similar results. For example, when the budgets are adjusted in line with movements in the headline CPI, the low cost budgets in the September Quarter 2003 become \$253.2 (single) and \$345.8 (couple). The corresponding MBA budgets are \$329.7 (single) and \$455.3 (couple). In contrast, when the budgets are adjusted using the separate CPI indexes and then aggregated, the corresponding low cost figures are \$249.4 (single) and \$342.9 (couple), while the corresponding MBA budgets are \$325.6 (single) and \$452.9 (couple).

These four estimates differ only marginally - by 1.54 per cent, 0.85 per cent, 1.25 per cent and 0.55 per cent, respectively - illustrating how little difference there is between the two methods in terms of results. In light of this, and given the ease with which the former (headline CPI-based) can be applied, this has been used as the basis for the further work described below.

### **3.3 Alternative Updating Indicators**

The price-adjusted changes in the budget standards presented above are better understood in comparison with the changes that would result if a number of other possible indexation variables were used instead of the CPI. For this purpose, movements in the two CPI-based measures described above and in four alternative indicators have been compared. Each variable has been indexed to a value of 100 in March 1997 (with the exception of the Pensioner Living Cost Index, information for which is only available from June 1998) to aid the comparison between the different movements.

The six measures are:

- i. The published CPI Headline Indicator, described above.
- ii. The SPRC MBA budget for an aged female, updated by applying the relevant CPI component changes separately to each budget standard category, as described above.
- iii. An earnings-based measure, average weekly full-time adult total earnings (AWFATE) (Source: ABS, *Average Weekly Earnings Of Employees, Australia*, ABS Catalogue No. 6302.0, various issues).
- iv. A broader measure of movements in household income, seasonally adjusted household disposable income per capita (HDYC) (Source: Melbourne Institute, *Poverty Lines: Australia*, various issues)
- v. The standard pension rate (SPR) (Source: Department of Family and Community Services).
- vi. The pensioner living cost index (PLCI) recently developed by ABS (Source: Special Article: 'Analytical Living Cost Indexes for Selected

Australian Household types: Update to June 2003', *Australian Economic Indicators, 2003*, ABS Catalogue No. 1350.0.)

The movements over the period in each of these measures are summarised in Table 6 and illustrated in Figure 2.

**Table 6: Movements in Alternative Budget Standards Updating Indicators, 1997-2003**

	CPI	Index	MBA	Index	AWE	Index	HDI	Index	SPR	Index	LCI	Index
			Budget									
MQ 1997	120.5	100.0	\$279.9	100.0	\$732.8	100.0	\$350.1	100.0	\$347.8	100.0	100.0	100.0
JQ 2003	141.3	117.3	\$324.0	115.7	\$959.1	130.9	\$441.3	126.0	\$452.8	130.2	117.2	117.2

**Notes:** MQ = March quarter; JQ = June quarter. The 2003 estimates for the CPI, SPR, and MBA Budget refer to the September Quarter. SPR = Standard pension rate (single) per fortnight. The LCI series commences in June 1998 and is indexed to 100.0 at that point.

**Figure 2: Movements in Alternative Budget Standards Updating Indicators, 1997-2003**

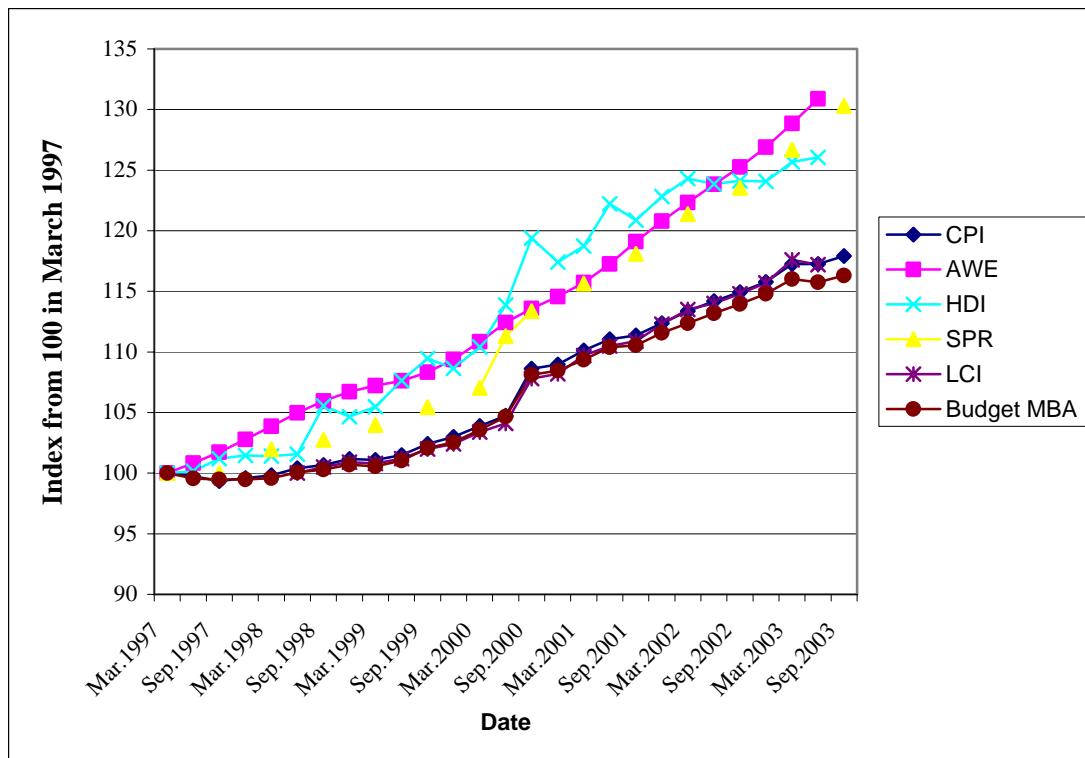


Figure 2 shows clearly that all of the income-based adjustment variables increased faster than either of the two CPI-based measures over the period. This is not surprising, since the period under examination was one in which a strongly performing Australian economy delivered rising real incomes to the majority of Australians, particularly those in employment.

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However, this study is focusing on older Australians who are no longer in the workforce and this group may have experienced a lower rate of income growth over the period than Figure 2 indicates has occurred for those in paid work. Declining interest rates may have lowered the growth of the incomes of those fully reliant on private savings in retirement, and although the maximum rate of age pension has been indexed to earnings since 1996, those with only a part-pension will have experienced lower growth than this because the parameters of the income and assets tests have not been indexed in the same way that maximum payment rates have been. The CPI method of adjustment may thus be appropriate for the group that is the subject of this research.

### **3.4 Comparing the Updated Budgets with Household Expenditure Data**

Having updated the original SPRC MBA budget standards to September 2003, the next step involves identifying which items in these budgets need to be changed to reflect the higher standard of living associated with the new comfortably affluent and sustainable (CAS) standard.

This process, like that used to construct the original budgets, involved both normative and behavioural elements. Judgments were made by the research team about the changes required to bring the MBA standard up to the CAS standard. This was combined with a detailed examination of actual (behavioural) expenditure patterns of affluent older Australians in order to identify the main areas where the updated MBA and the new CAS standards were likely to differ.

In order to facilitate this latter exercise, a sub-sample of the confidentialised unit record file (CURF) based on the *1998-99 Household Expenditure Survey* (HES) was created. The sample consisted of single females aged 60 and older, single males aged 65 and older, and couples where either the female was aged 60 and older or the male was aged 65 and older. To ease the comparisons that were based on the HES data, the newly constructed sub-sample was standardised by deflating all of the couples' expenditures (and incomes) by 1.6, this approximating the ratio of what an aged couple needs relative to the resources of a single older person in order to achieve the same living standard.<sup>8</sup>

The latest HES data refer to 1998-99 and therefore had to be updated to 2003 in order to be used to adjust the budget standards that had been updated to that period. All HES amounts were thus updated to reflect price and income changes between 1998-99 by applying a ratio of the estimated value of Household Final Consumption Expenditure in the September Quarter of 2003 to its average value in the financial year 1998-99. This produced an adjustment factor of 1.31, which was applied to all of the expenditure items contained on the HES CURF. The HES income figures were similarly update by applying an adjustment factor equal to the ratio of household disposable income in the September Quarter 2003 to the average figure for the 1998-99 financial year. This produced a slightly lower adjustment factor of 1.28.

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<sup>8</sup> This ratio is equal to the equivalence scale that expresses the relative needs of single-person and couple families. It is also close to the relative values of the single and combined couple standard rates of age pension.

Finally, all negative expenditures recorded in the HES was converted to zero, since they reflect revenue from the sales of items that are not relevant to the construction of household budgets. Once the data on the HES sub-sample described above had been adjusted in this way, the distributions of expenditure and (disposable) income for all older person households (as defined above) were constructed and separated into quintiles (or fifths).

The expenditure measure used was total goods and services expenditure (TGSE), which excludes items such as income tax payments, principal mortgage repayments, other capital and housing costs, superannuation and life insurance. The income measure used was household disposable income (HDI), an ‘after-tax’ measure being selected ahead of other measures because tax is treated as an expenditure item within the HES survey (though not in the budget standards framework itself).

Having made the above adjustments to the HES data, expenditure and income quintiles were derived and the quintile cut-offs and mean values for each variable were derived. This produced the estimates shown in Table 7. These quintiles are used later to identify those older households who are living at the MBA and CAS standards, respectively.

These two standards were assumed to approximate the circumstances of older people located in the third and fifth (top) quintiles of the entire distribution of expenditure, as reported in the HES. The differential in the living standards of these two groups is approximated by the ratio of their expenditures and disposable incomes, which Table 7 implies are equal to  $742.7/288.9 = 2.57$  and  $614.6/281.6 = 2.18$ , respectively. Thus in overall terms, the CSA standard corresponds to a level of spending that lies between two and two-and-a-half times higher than that associated with the MBA standard.

**Table 7: Adjusted Expenditure and Income Quintiles in 2003 (\$ per week)**

Quintile	Total Goods & Services Expenditure		Household Disposable Income	
	Cut-off (upper bound)	Mean	Cut-off (upper bound)	Mean
1	194.0	151.1	233.9	190.7
2	255.9	222.9	258.0	243.1
3	3293	288.9	309.9	281.6
4	447.5	378.8	383.4	340.0
5	-	742.7	-	614.6
<b>Total</b>	-	<b>356.9</b>	-	<b>334.0</b>

### 3.5 Towards a Comfortably Affluent and Sustainable (CAS) Standard

In developing a new budget standard that is more generous than the existing MBA standard, the existing standards (updated to 2003 prices as explained earlier) were

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used as the point of departure.<sup>9</sup> The approach involves modifying the updated MBA standard through a combination of:

- Adding new items that are appropriate to conditions in the new (higher) CAS standard of living; and
- Increasing the quality of existing items by changing the nature of the item (to reflect improved quality) or by shortening the assumed lifetime over which the item is used.

Each adjustment involves an increase in either the quantity of items included in the budget (from zero in the case of newly added items), or an increase in the price that applies to each item (either at the point of purchase, or as imputed over the shorter assumed lifetime).

In order to guide decisions about where to make these adjustments, it is necessary to have an articulation of the standard to which the new CAS budget standards apply to older (post-retirement) Australians. The following articulation of the CAS standard was used to guide development of the amended budgets:

*The **comfortably affluent and sustainable** (CAS) standard is intended to reflect a standard of living among older, healthy and fully active self-funded retired Australian that allows them to engage actively with a broad range of leisure and recreational activities without having to forego the consumption levels expected by other comfortably affluent people, or to require a rapid or substantial disbursement of any financial or other assets. It is in this latter sense that the CAS standard is sustainable. While falling short of the affluence associated with the most wealthiest Australians, the CAS standard corresponds to a lifestyle that is common amongst those in the top (income) quintile of the aged population, a group that predominantly self-funds their own retirement.*

In developing the standard, attention is focused mainly on the leisure, transport and personal care budget areas, with a smaller number of consequent amendments made to the clothing and footwear, household goods and services, health and food (eating out) budgets.

### **3.6 Adding and Altering the Quantity and Quality of Items**

In order to create a ‘comfortably affluent’ standard using the SPRC budget standards, it was necessary to alter the existing MBA standard by adding additional items and/or including more expensive (better quality) varieties. This involved the following two-stage process:

- Detailed expenditure patterns in the HES data summarised in Table 7 were analysed to see which budget areas were likely to be most affected, using as a guide the ratio of the mean fifth-to-third quintile reported expenditures:

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<sup>9</sup> The same basic approach was used in the original SPRC research to develop the LC budgets from the MBA budgets.

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- Expert normative decisions were made independently of the HES analysis concerning which broad budget areas and specific items should be revised. Once the areas had been determined, new items were identified and their prices were ascertained, either from existing data or by searching for the relevant prices in stores. It was not always possible to identify new prices accurately, because of lack of reliable data - e.g. in the case of vacation frequency and expenditures among the aged, or where store items reflected only the prevailing seasonal patterns (clothing). In these instances, the actual ratio of expenditure on the item in the fifth to third quintiles of the adjusted HES data was used to inflate the existing entries in the price-adjusted MBA budgets.

### **Analysis of the HES data: methodology**

The above procedures were applied to the (updated) HES data and the expenditure quintile means were examined. As Table 8 indicates, the overall quintile mean expenditure ratio was equal to 2.57. Any major expenditure group for which the ratio of the fifth-to-third quintile mean exceeded 2.6 was thus selected for further examination. This was initially undertaken at the broad major HES commodity expenditure group (shown in Table 8) and followed up by a more thorough examination of detailed expenditure items within each selected commodity group.

As can be seen from Table 8, there were five broad commodity areas where the fifth-to-third quintile mean exceeded the average across all commodities. These five areas are: clothing and footwear; household furnishings and equipment; medical care and expenses; transport; and recreation. These five areas were thus subjected to more detailed examination of the quintile ratios at a lower level of commodity aggregation in order to better identify the source of the differences.

There are limits to how detailed such analysis can become without running into problems of small sample size. There was thus a need to combine the purely statistical analysis of the data with a series of judgments about the consequences of the observed expenditure differences for the development of the new CAS budgets. While this leaves open the potential for error and a degree of arbitrariness (as always, when judgment is used), the resulting estimates were examined thoroughly by the research team and, as explained further below, were also subject to scrutiny by focus groups (see Section 4).

In short, while the methods used to identify where the CAS budgets should diverge from the MBA budgets are not perfect, they build on the most reliable data that can be used for such an exercise and employ techniques that involve several different approaches and a means of identifying major errors or inconsistencies. In the circumstances, it is difficult to envisage how the methods that have been used could have been improved upon given existing data and methodological constraints.

### **Analysis of the HES data: identification of new/updated items**

As a result of the analysis described above, a total of 166 items in the existing MBA budgets were either replaced or supplemented to reflect the higher CAS standard.

These are briefly described below, with more detail provided in Appendix B.

**Table 8: Updated HES Expenditures by Expenditure Quintiles (\$ per week, September 2003)**

HES Major Commodity Group	Corresponding Budget Standard Component	Quintile:					Q5/Q3 Ratio
		Q1	Q2	Q3	Q4	Q5	
Current Housing Costs	Housing	31.85	32.60	42.48	48.18	64.14	1.51
Domestic Fuel and Power	Energy	11.43	12.75	13.14	13.33	15.65	1.19
Food and Non Alcoholic Beverages	Food	42.93	62.14	66.59	75.11	96.51	1.45
Alcoholic Beverages	Food	1.89	4.39	8.25	10.04	13.37	1.62
Tobacco Products	Food	2.10	4.67	4.08	2.52	2.65	0.65
Clothing and Footwear	Clothing & Footwear	2.59	6.61	9.70	16.90	32.42	<u>3.34</u>
Household Furnishings and Equipment	Household Goods & Services	2.62	8.85	12.83	26.11	69.04	<u>5.38</u>
Household Services and Operation	Household Goods & Services	14.78	21.25	22.89	27.10	45.92	2.01
Medical Care and Health Expenses	Health	10.19	14.83	20.23	29.87	53.68	2.65
Transport	Transport	12.72	19.83	31.55	48.34	162.65	<u>5.15</u>
Recreation	Leisure	10.88	22.26	34.47	52.39	122.40	<u>3.55</u>
Personal Care	Personal Care	3.11	5.38	8.25	8.65	14.53	1.76
Miscellaneous Goods and Services	Personal Care	4.02	7.32	14.42	20.30	49.72	3.45
<b>Total (mean expenditure)</b>	<b>Total Budget</b>	<b>151.11</b>	<b>222.88</b>	<b>288.89</b>	<b>378.83</b>	<b>742.68</b>	<b>2.57</b>

**Notes and Sources:** See main text.

In three broad commodity areas - *Housing*, *Energy* and *Food* - no changes were made to the existing budgets on the basis of the HES analysis of expenditure patterns, nor were any changes deemed necessary by expert opinion. This is not surprising since all three areas cover basic necessities where expenditure is generally expected to decline as a proportion of total budget as the standard of living increases. Where there might be a case for an increase, as in relation to spending on housing, for example, it has in effect been assumed that more affluent families increase the quality of their dwelling before they retire (although they may renovate it afterwards – see below).

In relation to expenditure on *Clothing and Footwear*, the analysis of HES data indicates that some changes were necessary to the clothing component. In response, the decision was made to upgrade the store from which clothes were purchased from K-Mart (used principally in the original SPRC study) to David Jones, at which a range of clothing items were identified and priced at existing shelf prices in the store. This procedure allowed a more expensive wardrobe, whilst retaining the use of a generic retail outlet that facilitates later updating or application in other locations. Each item in the existing MBA clothing budget was repriced, although where certain (mainly seasonal) items were unavailable for pricing an imputed price was calculated by

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applying the average ratio of observable to existing prices of those items that could be re-priced. This process was applied to all of the 125 items in the MBA clothing and footwear and these changes represented the bulk of all the changes made in developing the new CAS budget standard.

The HES analysis also indicated a need to revise the existing budget for *Household Goods and Services*. In particular, there is a need to upgrade a number of 'whitegoods' items and prices for the new CAS standard. This again involved collecting information on items and prices of white-goods relevant to the new standard by observing showroom prices in retail outlets. New prices were also obtained for landline phones, and a mobile phone was added to the budgets. An allowance was made for spending on 'institutional fees', which was based on HES data, although a lack of information concerning rates of payment and the amounts spent by self-funded retirees meant that an estimate of the amount spent on such fees was based directly on the actual average amounts spent on each type of fee by those in the fifth quintile. In total, 17 items in the existing MBA budgets were either added or revised when deriving this component of the CAS budgets.

In relation to spending on *Health*, while the HES data did not support drastic changes to the health budget, it was assumed that the more affluent retirees would have top-grade private health insurance coverage and the budgets were amended accordingly. The cost of subscribing to 'Medibank Premier Plus' private health insurance was thus added to the MBA health budget.

The HES analysis indicated that an increase in the *Transport* budget was warranted, and consequently a newer model of car was assigned - a year 2000 model Holden Commodore in place of the existing Toyota Corolla. Two other items were suggested by HES analysis as requiring adjustment: expenditure on removalists and on non-holiday air-transport. However, the HES estimates in these areas were dominated by a small number of outlying observations, and it was therefore decided not to adjust the budgets. The inclusion of the newer car was thus the only addition to the MBA transport budget (aside from the increases in leisure-related travel described below).

In relation to spending on *Leisure*, the HES analysis indicated a need for substantial change in both leisure goods and leisure time. A number of electrical goods were upgraded in quality, increased in number, and re-priced accordingly. Spending on holiday travel was also increased considerably. Travel agency data on the number of trips and average costs could not be obtained in the form required (i.e. referring to older travellers only), and estimates were thus derived directly from the HES data, by taking the fifth-to-third quintile ratios of reported spending on international and domestic holidays. In this case, the quintile spending ratios were based on median as opposed to mean amounts, because the variation in amounts spent on holidays (international holidays in particular) was sufficiently large to cause concern over the effects of outlying observations. In total, 18 items were either added or revised to the existing MBA leisure budget.

Finally, in the area of *Personal Care*, although the HES analysis indicated that no changes were warranted, a few personal items were selected and re-priced to reflect the higher, CAS standard. In all, 4 items were affected.



Once the various adjustments described above had been implemented, an initial version of the new CAS budgets was derived. The methodology used to derive the new budget standards implies that they apply to a single older person, but a simple method was used to estimate a corresponding budget for an older couple. This involved applying the ratio of the existing SPRC MBA couple to single person budgets to the estimate of the new single person CAS budget. These derived CAS couple budgets were then used as the basis for the focus group discussions described in the following Section, as most focus group participants were from a couple.

Although, the budgets that resulted from the processes described above were subsequently revised in the light of the feedback provided by the focus groups, it is useful to present them as the first step in developing the new CAS budget standards. This is done, for single people and couples, in Table 9. It is important to emphasise that the estimates shown in Table 9 are *provisional* and have not been tested against the actual budgeting experience of older Australians. This important input into the development of the final CAS standards was obtained through the focus group discussions that are now described.

**Table 9: Provisional Weekly Comfortably Affluent and Sustainable Budget Standards for Older People (September 2003)**

Budget Area	Number of changed items	Single Older Person:		Older Couple:	
		Weekly	Annual	Weekl y	Annual
Housing	-	\$55	\$2860	\$60	\$3120
Energy	-	\$10	\$130 (quarterly) \$520 (annually)	\$15	\$195 (quarterly) \$780 (annually)
Food	-	\$59	\$3068	\$130	\$6760
Clothing & Footwear	125	\$52	\$2704	\$95	\$4940
Household Goods & Services	17	\$79	\$4108	\$95	\$4940
Health Care	1	\$37	\$1924	\$74	\$3848
Transport	1	\$103	\$5356	\$120	\$6240
Leisure	18	\$227	\$11,804	\$454	\$23,608
Personal Care	4	\$28	\$1456	\$59	\$3068
<b>Total Budget</b>	<b>166</b>	<b>\$650</b>	<b>\$33,800</b>	<b>\$1102</b>	<b>\$57,304</b>

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## 4 Validation Using Focus Group Feedback<sup>10</sup>

### 4.1 Role of Focus Groups in the Budget Standards Project

The rationale for using focus groups to revise and improve the provisional budget standards estimates presented in Table 9 is provided in the original SPRC study (Saunders et al., 1998). Briefly, focus group discussions provide an effective way of obtaining feedback on the relevance of the level of the budgets and, building on this, an opportunity to validate the underlying judgments and assumptions from those whose own circumstances approximate the conditions that the standards purport to describe.

The use of focus groups is particularly important in the current context, as this is the first systematic attempt to derive a budget standard that corresponds to a standard of living that is situated towards the top (as opposed to the bottom or middle) of the overall distribution of living standards. The feedback obtained from the focus groups is thus a crucial component of the research.

The specific aim is thus to test the provisional comfortably affluent and sustainable (CAS) budget standards on a small group of the increasing numbers of older persons who are substantially reliant on superannuation for income in retirement. The research asked a small number of predominantly self-funded retirees to review the provisional budgets (presented in Table 9) and suggest areas where further improvements – additions or reductions - should be targeted.

The use of focus groups to validate the provisional CAS budget standards has proved to be a fruitful exercise. The views provided by participants enlightened the research team in three key areas:

- i) Confirmation of the items and associated costs provisionally ascribed;
- ii) Identification of items and associated costs that needed to be adjusted upwards or downwards; and
- iii) Identification of a number of additional items and associated costs for inclusion in the budgets.

The suggestions provided by the focus groups have played an important role in shaping the final budget standard estimates that are better grounded in everyday experience and knowledge.

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<sup>10</sup> The authors would like to acknowledge the assistance provided by the following people who helped in the organisation of the focus groups: Marilyn McHugh – as assistant moderator, Brenda Bailey (COTA), Megan Lee (CPSA), Ronald Wood (NSA), Keith Baker, Brian Penhall, Brian Spacey, Morris Coleman and Alan Bullot of A.I.R., Bernard Ruben (ARPA), John Webb (U3A) and David Stern (DBBC) – in the recruitment of volunteers, Ruth Anstice (COTA) and Julie Sibbald (Grandview Bowling & Recreation Club Ltd) – in organising the venues. Special thanks are also due to all the participants of the various focus groups, without whose active involvement and insights it would not have been possible to produce the valuable information summarised here.

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## 4.2 Organisational and Procedural Issues

In order to facilitate the recruitment of the focus groups participants, a list of organisations with a membership of older Australians was drawn up. Correspondence with relevant personnel in each of the organisations listed in Table 10 commenced in mid-June 2003, when a letter was sent stating the details of the project and their proposed role in it. Those who were contacted were asked to assist by disseminating a letter of invitation to members of their organization who met the research criteria in terms of their age, income, household status and place of residence. Where possible, each organisation was also asked to assist in constituting a group of persons who had expressed an interest in participating.

**Table 10: List of Organisations Contacted**

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National Seniors Association (NSA): Maroubra/Randwick; Chatswood & Region; Lower North Shore; St George Combined Pensioners and Superannuants Association of NSW (CPSA) Association of Independent Retirees (AIR): Sydney Eastern Suburbs; Sydney Northern Beaches; Sydney Northern District; St. George; Hills District Australian Retired Persons Association over-50's Association Sydney (ARPA) Sydney U3A University of the Third Age Council on the Ageing (NSW) Inc. Human Resources Department, University of New South Wales Senior Citizens Clubs Probus Club Computer Clubs: Sydney PC Users Group; Manly, Computer pals for Seniors; Kensington, Computer pals for Seniors; Kensington, Computer pals for Seniors; Kogarah, Seniors Computer Club; Hurstville, Senior Computer Club Golf Clubs: Manly Golf Club; Warringah Golf Club; Balgowlah Golf Club; Mona Vale Golf Club; Bayview Golf Club; Palm Beach Golf Club Yacht Clubs: Australian Sailing and Cruising Club; Balmain Sailing Club; Botany Bay Yacht Club; Botany Bay Yacht Club; Cruising Yacht Club of Australia; Kogarah Bay Sailing Club; Manly Yacht Club; Middle Harbour Yacht Club; Parramatta River Sailing Club; Royal Sydney Yacht Squadron; Vaucluse Yacht Club; Woollahra Sailing Club Bridge Clubs: New South Wales Bridge Association; Double Bay Bridge Centre; The Lindfield Bridge Club Inc.
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The following organisations responded favourably to the request to be involved: National Seniors Associations (Maroubra/Randwick, Chatswood & Region, Lower North Shore and St George branches); The Combined Pensioners and Superannuants Association of NSW (CPSA); The Association of Independent Retirees (Sydney Eastern Suburbs and Sydney Northern Beaches Branches); Australian Retired Persons Association Over 50's Association Sydney (ARPA); Sydney University of the Third Age (U3A); The Council on the Ageing NSW (COTA); and the Human Resources Department of the University of New South Wales.

These organisations agreed to raise the request for assistance with members through a variety of channels, including at regular member meetings, through Newsletters, and in the form of flyers posted on noticeboards and left on information counters. Additionally, the invitation letter was disseminated in the form of a Participant

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Information Sheet and Consent Form to members. Interested persons were asked to ring the researchers to register their interest in participating in the research.

Initially, recruitment of participants sought volunteers who were single (female or male) and aged between 65 and 70 years old (plus or minus 2 years). In addition, they should be self-funded retirees who were residing in Sydney or surrounding suburbs. The response to the initial recruitment process indicated that most of the volunteers who fell within the proposed age range were partnered. However, the research was seeking feedback views on preliminary CAS budget standard developed for a single older person. Another problem faced was that the age of most potential participants fell outside the identified age range. It was thus decided to extend the age range to people who were between their early 60s and late 70s, thus including some who had not attained formal pension eligibility age.

Prior to conducting the focus groups, a short expenditure diary was sent to participants, along with a covering letter explaining that the main purpose of the diary was to prepare them for the focus group discussion by giving them an opportunity to think concretely about their own expenses as they completed it.<sup>11</sup> The letter also explained that they would be asked to compare their own costs as recorded in the diary with those in the initial CAS budgets provided to them when the groups met. Participants were specifically advised that it was important to complete the diary prior to the meeting, so that the best possible discussion on the day could be achieved.

A total of three focus groups were conducted in late September in Sydney suburbs. The precise venue and timing of the discussions were arranged at the convenience of participants. Two groups of participants were currently married and one group were single (i.e., never married, divorced or widowed). A total of twenty-one participants took part, of whom fifteen were married and six were single. For those who were married, either one of the spouses was asked to represent his/her household.<sup>12</sup>

The age of participants ranged between 61 and 76 years, and the focus groups ranged in size from six to eight participants. Each of the one-off discussions lasted between an hour and a half and two hours, and a small monetary incentive and reimbursement of transport costs of up to \$45 was provided to participants for their participation.<sup>13</sup>

Discussion began with an introduction to the nature and purpose of the study and participant confidentiality was reiterated. At the meeting, each participant was given an information sheet that identified the nine main budget areas and the weekly and annual amounts for each that were included in the preliminary budgets (as set out in Table 9). Several of the comments reported below refer specifically to the amounts provided in these budgets.

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<sup>11</sup> This process mirrored that used in the original SPRC budget standards study (see Saunders et al., 1998, Chapter 13).

<sup>12</sup> For married participants, it was assumed that the spouse who took part had discussed the entries with his/her partner prior to the meeting.

<sup>13</sup> All three focus group sessions were moderated by Adeline Lee, assisted by Marilyn McHugh who moderated most of the focus group discussions in the original budget standards study.

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Participants were asked to focus their discussion on the following issues:

- The relevance of the provisional CSA budget standards and suggestions on areas where further improvements in the budgets should be targeted;
- How close the level and composition of the budget was to their own consumption patterns;
- The size of any gap between their own expenditures and incomes;
- The types of consumption constraints they faced (if any); and
- Perceptions about current living standards and living costs.

The moderators worked systematically through each budget area with the participants, starting with housing costs. All sessions were tape-recorded and the tapes were subsequently transcribed.<sup>14</sup>

### **4.3 Focus Groups Outcomes**

On the question of whether or not participants exercise constraints in their expenditure, there was a general view that most spend within their means. Participants expressed the view that they were consciously aware that they no longer earn a regular income upon retirement and that they have to spend within budget. Their income is drawn from a pool of funds they have accumulated during their employment years, including earnings from investments. Most said that they did not explicitly exercise constraint, but that their current expenditure patterns reflect the kind of lifestyle they have grown accustomed to.

Surprisingly, the expenditure patterns of single persons did not appear to vary much from those of married persons. The main difference was that single persons tended to have more meals out of home, whereas most married people tended to prepare most of their meals at home.

The following sections detail the main comments received in each of the main budget areas, focusing on aspects where the discussions indicated that adjustments to the provisional CAS estimates were needed.<sup>15</sup>

#### **Housing**

It became apparent that participants spent a considerable amount of their retirement funds on renovating their houses upon retirement. Renovation was mainly carried out on the kitchen and/or the bathroom. Money was also spent on interior and exterior painting, and on installing new fences and gates. A common explanation given was a felt need to replace old fixtures and at the same time to update the quality of the dwelling. In the view of participants, such major forms of renovation could only be

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<sup>14</sup> Transcription was provided by Margaret Hardman from Secretaries Extraordinaire.

<sup>15</sup> Each quotation shown below has been assigned a number which indicates the date that the focus group met (e.g. FG240903), and whether the person cited was single (S) or in a couple (C). Where reference was made to the name of another person, the names have been replaced by square brackets [.]

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carried out upon retirement, when they had received a lump-sum payout from superannuation and had the time to supervise (or conduct) the renovation process.

The following two quotes provide excellent examples of these views:

I thought that \$60K was fairly realistic really. We went to a house back in 1980 that did need to have some updating but we didn't have the cash until we retired, we had a bit of money from long service leave and so...we were able to spend some \$60,000 renovating the back of the place, that sort of thing. By the time you take that into account over some 20 years, it really had to be done, and it meant that you do have a certain amount of renovating and upgrading and all this sort of thing you have to do to your home to sort of bring it up from the 1926 or 1940 standard to 1990 standard, or 2000 even. (FG240903C)

Sometimes as people do retire, I know the man next door to us did his eaves, and I thought that was a good example and some 10-15 years later I painted our eaves, they certainly needed to be done then. The old 1926 style eaves with the rafters showing out. It was great having that time to think about, to plan the new extension instead of having to be at work, because you could be on the job and get ideas and feed it into your builder and then he'd come back with better ideas that would suit your needs. So I was certainly glad to be around and to be able to concentrate on it whereas I wouldn't if I'd have been at work. (FG240903C)

Several participants indicated that they had a swimming pool at their residence that involved considerable maintenance and cost associated in particular with servicing of the pool filter. The following comments are typical of those made by pool-owners:

In my case for example, I had to get a new pool filter and part of a new fence. (FG260903C)

Mine's not air conditioning but it's the pool filter. (FG260903C)

One thing about the water, we've got a swimming pool in our complex and I don't think that \$90 is like the water bill would go in with probably my rates or something like that. I think that's my personal \$90. (FG250903S)

## **Energy**

In contrast to the findings that emerged from the analysis of HES data discussed earlier, which suggested that no change to the energy budget was deemed necessary, the views provided by the focus groups indicated otherwise. While a split air conditioning system was included in the provisional household goods and services budget, the increase in energy use that resulted was not budgeted for. Yet as one participant commented:

Well, mine's \$223 and \$15 quarterly for gas, but we've only got one item for gas, that's the cook top. But I thought \$223 was reasonably

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high for the quarter, but we've got ducted air conditioning and it takes a fair bit of money. (FG260903C)

## **Food**

Discussion of expenditure on food suggested that older couples eat most of their meals at home. This form of meal arrangement is practised as a chosen lifestyle, rather than reflecting any financial constraints. The following comment illustrates the kind of meal arrangement that older couples typically have:

We spend about \$160 weekly on food. We don't go out very much, about 4 times a year and snacks we only put down about \$20 weekly. Not going out is our choice, we're just home people. (FG260903C)

By contrast, single persons indicated that they undertook, and spent more on, meals out than couples. Comments on this aspect include:

Oh yes, I didn't put my beer costs. I drink three schooners a night, that's \$1.90 each. Don't drink wine. Club meals about \$10 a meal, and you get some for \$7 and some as high as \$20 but mostly around \$10 .....and we do that 3 times a week. (FG250903S)

I might spend \$20 on takeaway, eating out at the most \$40 a week, snacks and treats and lunches, it could be \$47.60 a week, that's having lunch out 3 days a week, but I don't always have it 3 days, and wine and beer, including buying a couple of 6 packs of light beer and wine and soda at the club, so that's probably my main enjoyment in life. (FG250903S)

... eating out at restaurants I don't belong to clubs so I do eat at fair dinkum restaurants, mainly at lunchtime, but that would average about \$10 a week, of course it's not every week. This week I got lucky and next week I probably won't. Snacks and treats, lunches when I'm in the city, would be about \$10 a week, couple of sandwiches, and coffee or whatever, and wine and beer about \$5 a week. (FG250903S)

Eating out, well after Independent Retirees, after that meeting we have lunch down the club and I just generally have a bowl of soup, so that's around \$5. I go out with my disabled people for lunch occasionally, but that doesn't cost me much and I don't drink. (FG250903S)

Eating out at restaurants, well we eat at the Independent Retirees once a month and sometimes at the Souths Juniors. I might have a coffee or something, so I put down \$12. (FG250903S)

It is obvious from these comments from single older people that wine and beer are items that constitute part of their expenses. In fact, a common comment among quite a number of participants from all discussion groups was that they regularly consume modest amounts of wine and/or beer.

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Other than expenditure on food for personal consumption, several participants highlighted the fact that family entertainment constituted part of their food costs. As one participant said:

We do a fair amount of entertaining of our family and grandchildren so our total comes to \$245. (FG260903C)

### **Clothing and Footwear**

Participants indicated that they did not spend significantly on clothing and footwear. On those occasions when they did shop for clothing and footwear, these self-funded retirees patronised a variety of departmental stores, boutiques and op-shops, including: Kmart, Target, Big W, Grace Bros, David Jones, Fletcher Jones, Millers, Dmart, etc. According to two participants:

I'm way way down on that. We don't buy clothes very much anyway, and my wife's very keen on zipping into St Vincents de Paul, that's probably where all this stuff came from, so we'd end up at about \$2 a week. (FG240903C)

I would normally buy things like that from Big W or Grace Bros. If I wanted to get something a bit better, say Grace Brothers (FG260903C)

However, some were required to spend more on quality footwear for medical reasons or for regular walking exercise. Thus:

I buy better shoes now than I used to because of a back problem, I'm conscious of that and I'm a walker so I do buy joggers, walking shoes and things like that, the better ones. My shoe expenses are probably quite expensive but they're just the basic walking shoes. (FG240903C)

... yes, we formed a walking group and bought good quality walkers. (FG250903S)

I spend about \$400 a year on shoes and that's only on average 2 pairs of shoes, because I have a spur on my left foot and I go to an expensive shop where I buy shoes that don't give me any trouble whatsoever. (FG250903S)

I used to wear suits at work. I don't wear them now very often. We estimated this, we found it very difficult as well, but our expenses are rather high because my wife has to have special shoes and I also wear orthopaedic shoes. So my costs were \$1100 and my wife's were about \$1500 ... (FG260903C)

### **Household Goods and Services**

Ownership of a mobile phone was common amongst participants. However, most owned a pre-paid one and hence did not incur regular subscription fees. The following comment is an excellent example of reported mobile phone consumption patterns:



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We do have a mobile but we never have it turned on, just use it for emergency and it's pre-paid, we pay \$30 and it lasts for 6 months ... (FG260903C)

A home security system was one item that contributes significantly to the household goods and services budget. Participants who live in houses own this form of home protection, and several indicated that theirs was a back-to-base system. At the same time, they regularly paid monitoring subscription fees to security companies. Comments here include:

You haven't mentioned security, for instance we've got a back to base alarm. That's \$65 a month. (FG240903C)

... well mine was just the original cost plus any maintenance. Maintenance maybe, let's say once a year and it might be say \$200. (FG240903C)

... also our security is monitored and at some stage during the night there is a call that goes back to the base to say that everything is working okay, so every day there is a call there. (FG260903C)

Pest control service was another item used by participants living in houses that involved additional costs. As one participant remarked:

For major household costs I've got pest service and I just recently paid \$210 for eradication of various pests. (FG240903C)

Being self-funded retirees, there were some participants who engaged the service of a financial advisor to advise them on their financial (and other) investment. However, the cost incurred by those who highlighted this item varied greatly. Examples of the comments received include:

Yeah, I did. My wife put quite a bit actually. Our major cost is our financial advisor and he's \$10,000 a year ... (FG260903C)

Advisor, about 8 grand a year. (FG260903C)

I've got an advisor, a retire-invest advisor for \$385 a year. (FG260903C)

The cost of long distance domestic and overseas telephone calls was also mentioned, although only a few single seniors indicated that they made such calls. As one single female participant said:

I make a lot of STD calls, I'm very lonely, I'm living by myself, I did have a partner and he died 11 years ago and I call my father a great deal and my sister and that's STD. So my phone bill's \$410 quarterly. (FG250903S)

The use of dry cleaning and laundry services was not popular among the seniors, and the comments of two participants are good examples:

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We don't get much dry cleaning or ironing or laundry services done so we just put down \$20 for that in the last fortnight. (FG260903C)

... we get practically no dry cleaning, probably about 50 cents a week I suppose and no ironing or laundry costs ... (FG260903C)

## **Health**

It became clear in the discussion on health care costs that seniors spend a considerable sum on vitamin supplements to maintain better health conditions, although the types of vitamin each individual regularly took varied. Examples of vitamin supplements these seniors have been taking are provided in the following comments:

Yes, my wife likes the naturopath, what is it calcium oretate or magnesium oretate, about \$50 every time you buy a box of...she says it's the most economical way of doing it. I'd put down for all these sort of things about \$960 per annum. (FG240903C)

My wife has arthritis and she uses Glucosomate ... (FG240903C)

My naturopath stuff includes magnesium and calcium and ginkgo biloba and the memory thing. I put that in the cost. (FG250903S)

Pharmaceuticals, there won't be much in the way of lotions and creams and things like that but we both take calcium regularly and [...] takes a thing for high cholesterol. I would guess it's something around about \$40 a month for the cost of those. (FG260903C)

Another health related item that was mentioned in the discussion was blood pressure monitors. Although not all participants said that they spent on that item, it is worth the mention implied by the following quotes:

The only major items we had were a new television and a blood pressure monitor. My wife got a thing called Atrial fibrillation which means that every now and again your heart suddenly goes at a hell of a speed and unfortunately the doctors don't seem to be able to do very much about it, but the blood pressure was very handy for telling us that she actually was having an attack. (FG240903C)

We have a blood pressure machine because we both suffer from high blood pressure; we have tablets for it. But we only got it because the doctor said get one and keep a track of it for a few months. That was \$170, we bought it last year. That wasn't included anywhere. (FG260903C)

## **Transport**

While the cost of transport was significant amongst self-funded retirees, it was mainly associated with the use of their cars as opposed to public transport. Most participants relied on their cars to move around and to travel on trips within the State. Although the use of taxis was raised in the discussions, this service was only utilised on occasions when they went on overseas trips or when there was a pressing need. Most

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participants indicated that they hardly catch a public bus or take the train. The following descriptions illustrate their public transport usage:

We only catch taxis to the airport and home. (FG240903C)

Probably we average about \$7 or \$8 a week between us and we don't use taxis unless we're going on an overseas trip. (FG260903C)

But that's very rare that I use a taxi. (FG250903S)

Yes, I get taxis, because I do not own a car so I figured it's worth the expense to have a taxi every now and then for your safety....and people tell me it's much cheaper than owning a car. (FG250903S)

The heavy reliance on the use of a private car for transport purposes evidently implies that car ownership amongst this group of seniors is high. While there were a couple of participants who did not own a car, there were also a few who owned two cars. The age of the vehicle owned ranged from almost thirty years to virtually brand new. There was no one particular car brand that was purchased. Rather, the car brands reflected general preferences in Australia, including Toyota (Corolla, Camry, RAV4, Starlet), Holden (Commodore, Equip), Ford (Falcon, Ghia), Honda Civic, Mitsubishi Lancer, Mazda 323, Liberty and Jensen Interceptor. All owned their cars outright.

### **Leisure**

When asked about their spending on leisure pursuits, most participants indicated that they spend a good deal of their free time on holidays. The number of trips taken varied greatly, from occasional to frequent. Local trips within the State were frequent, and they would usually stay with relatives or friends on such trips. Overseas or inter-State trips also varied in frequency, from once a year to once every five years.

Those who took organised overseas or inter-State trips, indicated that they would either stay in quality accommodation (e.g., hotel, motel, self-contained bedroom unit) or with friends or relatives. Narrative examples of reported traveling patterns include:

Well my holiday trips, I've had a number but they're not all that expensive because I have a place in the country and a house in Jindabyne so most of my time is spent, [.] and I spend a lot of time going backwards and forwards, so my costs there would basically be for petrol and food. So it wouldn't ...I suppose for the 3 trips I've had to the country the last 12 months and the last 2 years down to Jindabyne, I've had about 11 I suppose, so that total was about \$4000 if you take into account petrol and food and bits and pieces that you spend there....Prior to that I have had overseas trips but that wasn't in the last 2 years. So that's' about what I pay. But I'm lucky. (FG250903S)

Travel's my passion and I've always promised myself to budget for it once I retired and I have and so far I've been able to go overseas once per year and the costs are getting greater so I've got to decide

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if it might be once every two years, and I would certainly agree with that figure of \$454. (FG240903C)

We've had one short trip and about 5 bigger trips, costing about \$12,000 for those short trips and going through all the sums and everything it averages out at about \$310 a week. I'd like to make a comment and that is, as we get older, when we go away we look for slightly better quality accommodation now than we did when we were younger. (FG240903C)

Contrary to the research team's original projections, self-funded retirees did not spend significantly on technological advanced electronic goods and services. Most were content with a conventional television set and a simple video recorder (VCR). Although only one participant had a digital video player (DVD), the majority expected that they would one day upgrade to replace their current VCRs. While most also advised that they owned computers, they subscribed to the normal Internet Service Provider (ISP). As one participant commented:

I'm not on broadband. I just pay \$17.95 a month and it gives me so many hours, which I usually try and stay within. (FG260903C)

### **Personal Care**

Expenditure on personal care did not raise much controversy in the discussions. However, there was a sense that the provisional weekly budgets shown to participants of \$59 for couples and \$28 for single people (see Table 9) were on the high side. Comments from two participants aptly summarise these observations:

That to me seemed a lot. Well for soaps, toothpastes etc., I put down \$40. Make up; I put \$50, I don't buy very expensive make up. Hairdresser; for the last 12 months, I put down \$400 and jewellery watches over the last 2 years, I tend to wait till somebody gives me something as a present, but very occasionally when I'm overseas I might see something I like. I put \$150 for the last two years, but it was really only a 'guestimate'. (FG240903C)

Soaps and toothpastes I suppose about \$8.50 a month, make up in the last 12 months I suppose about \$50, I'm about to get a new lot. Hairdresser, I go to Just Cuts and that's \$72 a year, I do the seniors and I have it cut Monday or Tuesday, \$10 for watch batteries, and the handbags are gifts. (FG250903S)

### **Overall budgets**

In summary, the views of self-funded retirees indicated that the provisional budget standards were somewhat beyond their current expenditure patterns in many respects suggested in particular that the budgets for clothing and footwear and personal care, in particular, needed to be adjusted downwards.

Several areas of additional cost were also identified in the areas of home appliances, financial advisor fees and overseas travel. However, each of these was subject to considerable variation (not surprisingly, as they reflect the preferences of different

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people) – with some reporting very high spending levels and others much less, or zero.

On the whole, couples and singles share broadly similar lifestyles, with the exception of eating out, which is understandably for common among single people than among couples.

How the feedback provided by the focus groups influenced the provisional budgets described earlier, and what consequences it had for the final estimates, is discussed in Section 5.

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## **5 A New Comfortably Affluent and Sustainable Budget Standard for Self-Funded Retirees**

### **5.1 Revisions to the Provisional Budget Standards and their Rationales**

This section describes how the provisional budget standard estimates presented in Table 9 were revised in the light of the focus group feedback summarised in the previous section. The views provided by the focus groups of self-funded retirees indicated the need to adjust several elements included in the provisional CSA budget standards, and adjustments were made to all nine main budget component areas.

The following sub-sections describe in detail the adjustments that were made in each area and provide the primary reasons that were used to justify each modification. This is followed by a presentation and analysis of the revised new CAS budget standards.

#### **Housing**

The research team acknowledges that renovation of kitchen and/or bathroom is a major cost that many Australians who can afford it, incur in their early retirement years. While some focus group participants indicated that they either renovated their kitchen or their bathroom, while others renovated both kitchen and bathroom, a decision was made to take the average cost of renovating a (large) kitchen and a bathroom.

The associated cost was obtained from Reed Construction Data (NSW figures), and it was amortised across the projected remaining lifetime (estimated to be 20 years) for a single person aged 65 years, derived from ABS life expectancy data (ABS, 2002).

While some focus group participants indicated that they had a swimming pool that involved (sometimes considerable) costs, to regularly maintain their pool and filter for example, this does not appear to be a common item for this group of individuals and these costs were not therefore included.

All other items and associated costs in the provisional CAS housing budget shown in Table 9 remained unchanged.

#### **Energy**

No provision was made for the cost of air conditioning use in the provisional energy budget, which needed to be adjusted upwards to reflect this in light of the focus group feedback obtained in this area. In the original SPRC research, the researchers developed coefficient estimates from OLS regression of annual electricity consumption for households with standard and off-peak water heating (Saunders et al., 1998: Table 4.3).

An estimate for the cost of air conditioning use was included in the model, and the relevant coefficient estimate from the original model was used to calculate the cost of air conditioning a medium-size house and this was incorporated into the budgets.

#### **Food**

Given that many older people consume wine and/or beer regularly (as indicated in the focus group discussions), it was decided to increase the alcohol component of the

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food budget by a modest amount. However, only wine was included, the consumption of which is consistent with the current dietary intake recommendations for the maintenance of good health. The cost of two bottles of wine a week was thus included in the budgets, although no change was made to the consumption of beer, which is not included in the published NH&MRC nutritional guidelines.

### **Clothing and Footwear**

The clothing prices used in the provisional budget standards were initially updated and revised based on shelf prices observed in David Jones. The general consensus to emerge from the focus group discussions was, however, that the provisional clothing budgets were too generous and it was thus decided to revise the clothing and footwear budget downwards. The decision was made to revise the prices of the amended clothing items, based on an amount falling between those found in Kmart (used in the original SPRC research) and David Jones (used to develop the provisional CAS budgets). These prices are most likely to be close to those existing in Grace Brothers.

### **Household Goods and Services**

The budget for household goods and services is an area that needed comparatively more adjustments to be made to the provisional CAS budgets. First among these items was the cost of using a pest control service annually on a medium-sized dwelling. Second, a home security system with a back-to-base monitoring subscription was added. Given that NRMA is the most recognised organisation for insurance and home protection services, a cost quotation was obtained from that organisation and included in the budgets. The price relates to the cost for a standard three-bedroom, single-level, freestanding, 10 year-old brick house, without pets and located in the suburb of Kensington. The third extra item included in this budget category was a Telstra subscription plan for making STD calls. Provision was allowed for five calls per week, with the cost of each call capped at \$1.50.

It was also decided to downgrade from a contract mobile phone subscription to a pre-paid mobile phone plan, which most focus group participants indicated they used. A standard pre-paid mobile phone package (Nokia 2210), available in Telstra shops was assigned, at an annual cost of \$60. This figure was based on a standard credit amount of \$30 that has a six-month life span for each minimum top-up.

Although many focus group participants indicated that they incurred considerable cost in engaging a financial advisor, the HES data indicate that the amounts spent vary considerably. On this account, it was decided to maintain the amount that had been apportioned to fees in the provisional budget.

Finally, the cost of using dry cleaning and laundry services were removed from the provisional budgets.

### **Health**

The focus group feedback indicated that spending on non-prescription drugs and health aids, particularly vitamin supplements and a blood pressure monitor are important to seniors in maintaining and/or improving their health status. Reflecting this, the health budget should include allowance for spending on multi-vitamins and glucosamine sulphate: multi-vitamins were chosen because they cater to a range of different needs, while glucosamine sulphate is widely used. In line with recommended

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daily dosage intake, one tablet of each type was apportioned. In addition, an (average-price) blood pressure monitor that automatically and digitally checks blood pressure level was also included.

### **Transport**

The provisional CAS budgets included the depreciation cost on a Holden Commodore for self-funded retirees. According to Roads & traffic Authority (RTA), this make and model was the most popular in NSW at March 2003.<sup>16</sup> However, contrary to this trend, most focus group participants revealed that they were more likely to own a Toyota Camry than a Commodore, and the Camry was thus selected for inclusion in the budget. However, with a heavy reliance on the use of a private car for transport needs revealed by focus group participants, the provisional budget for taxi trips was reduced.

### **Leisure**

The provisional CAS budgets made a significant provision for holidays (local, inter-State and overseas), yet the travel patterns and expenditure levels of focus group seniors contradicted this projection. This pointed to the need to revise downwards the expenses per trip on local and inter-State trips in particular, without changing the number of trips made. The frequency of overseas holidays was also regarded as far too high by the focus group participants, and the frequency of such trips was adjusted to one trip every five years, instead of one every year. Given the cost of such trips, this adjustment resulted in a considerable reduction in the provisional CAS budgets.

It has already been noted that focus group participants indicated that they were generally content with the budget standard allocations of standard electronic products. This implies that items such as a stereo sound system and a digital video camera were excluded from the budget. The cost of Internet subscription was also downgraded from broadband to ISP. On copyright ownership of computer software, the decision was also made to replace Photoshop with Norton Antivirus 2004, given that virus protection for the computer was seen as a greater necessity.

The majority of older focus group couples indicated that their decision to eat mainly at home was a lifestyle choice, so it was decided not to include meals out for couples. However, an eating-out component was included in the budget for single people who found eating at home (alone) a less attractive option. An average of three eat-out lunches per week was included, with prices set at those existing in RSL clubs or their equivalent.

### **Personal Care**

Since the focus group participants thought that the allocation of spending in this area was excessive, the provisional budget was revised downwards. These adjustments involved revising downwards the prices of such items as a bracelet, necklace, earrings and a bottle of perfume (and cologne for men) so that they conformed more closely to the amounts included in the (updated) MBA budgets.

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<sup>16</sup> Source: RTA Road User Research Section.



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## 5.2 Revised Comfortably Affluent and Sustainable Budget Standards

The adjustments outlined to the provisional budget standard estimates described above are summarised in Table 11. Although this appears to be rather modest set of adjustments, the number of alterations to the provisional budgets is more substantial; when viewed in the context of the relatively small number of changes that were made to derive the provisional CAS budgets in the first place (see Table 9).

Furthermore, the cost implications of some of the changes shown in Table 11 are considerable. All in all, the feedback provided by the focus groups has proved to be invaluable, not only because the amended budgets better reflect the actual experience and circumstances of older, more affluent Australians, but also because the estimates have greater credibility as a result of their implicit endorsement by those whose standards of living they seek to represent.

**Table 11: Summary Description of Principal Changes to the Provisional Budget Estimates Guided by the Focus Groups**

Budget Component	Description
Housing	Inclusion of the cost of new kitchen or bathroom renovation, averaged over the expected lifetime at retirement
Energy	(Small) increase in energy use associated with an air conditioner
Food	Broadly unchanged, except for inclusion of two bottles of wine per week
Clothing	Some items were originally re-priced upwards, but the increase has been scaled back after receiving feedback from the focus groups
Household Goods & Services	Improved quality and higher prices for whitegoods; higher telephone charges and fees plus the addition of the costs of a domestic security system
Health	Improved (top grade) private health insurance cover; plus extra vitamins and blood pressure monitor
Transport	Quality and price of car downgraded after feedback from focus groups; taxi fares reduced
Leisure	Increased frequency and cost of domestic holidays, but number of overseas holidays scaled back after feedback from focus groups; meals out at local club for single people
Personal Care	Upgrade of selected items

Revisions to the provisional budgets presented in Table 9 were made on the basis of the changes summarised in Table 11. This resulted in the revised (final) estimates shown in Table 12, which presents the final budgets for older women, and older couples, with the CAS budgets for an older man also shown in the final column. For comparative purposes Table 12 also shows (for the female and couples only) the original MBA budgets, updated to the September Quarter 2003 by movements in the CPI since they were originally developed in 1997 (March Quarter). Full details of all of the changes made to the updated MBA budgets in deriving the CAS budgets are set out in Appendix B.

The new CAS budget standard estimates imply that it would require a single older person living alone around \$611 a week (for a female) or (\$597 a week (for a male) to

attain the comfortably affluent and sustainable standard. The corresponding amount required by an older couple is \$795 a week or around one-third (30.1 per cent) more than that for the single woman. The new CAS budgets are well above the updated MBA budgets, being 88 per cent higher for a single woman and 76 per cent higher for a couple.

The three areas where the CSA budgets most exceed the MBA budgets are clothing and footwear, health care and leisure. The former area (where the provisional CAS estimates were revised downwards in light of the focus group feedback) reflects the increased quality of clothing associated with the change in the store where they are bought. The increased spending on health care reflects the greater priority accorded to this area by older people themselves: even given that most of their health care costs are automatically covered by Medicare, most affluent older people choose to commit additional resources to health-related items not covered under Medicare. Finally, the increased importance of spending on leisure relates to the lifestyle choices of older people, in terms of both the ownership and use of leisure-related consumer items, and the frequency and cost of vacations.

**Table 12: Final Comfortably Affluent and Sustainable CAS) Budget Standard Estimates for Older Australians, \$ per week, September 2003**

Budget Area	Older Female:			Older Couple:			Older male:
	MBA, 2003 <sup>(a)</sup>	CAS, 2003 <sup>(b)</sup>	CAS to MBA ratio	MBA, 2003 <sup>(a)</sup>	CAS, 2003 <sup>(b)</sup>	CAS to MBA ratio	CAS 2003 <sup>(b)</sup>
Housing	56.1	74.6	1.33	58.1	76.5	1.32	74.6
Energy	10.3	11.3	1.10	12.3	13.3	1.08	11.3
Food	58.6	110.9	1.89	117.4	156.0	1.33	111.1
Clothing & Footwear	15.1	31.9	2.11	26.1	59.2	2.27	27.3
Household goods & services	47.8	85.2	1.78	50.7	78.3	1.54	85.2
Health	9.9	41.8	4.22	18.7	82.2	4.40	40.7
Transport	62.5	95.4	1.53	63.2	96.1	1.52	95.4
Leisure	43.3	138.6	3.20	71.7	198.9	2.77	138.6
Personal Care	21.8	21.8	1.00	34.7	34.8	1.00	13.3
Total weekly budget	325.6	611.5	1.88	452.9	795.2	1.76	597.5
<b>Total annual budget</b>	<b>16,930.7</b>	<b>31,796.6</b>	<b>1.88</b>	<b>23,549.1</b>	<b>41,348.5</b>	<b>1.76</b>	<b>31,068.4</b>

**Notes:** (a) Original MBA Standard, updated to September Quarter 2003 consumer prices; (b) New Comfortably Affluent and Sustainable (CAS) Standard, September Quarter 2003. All estimates have been rounded to the nearest ten cents; totals may not add exactly due to rounding.

**Source:** See main text.

### 5.3 Summary

Overall, the new comfortably affluent and sustainable (CAS) budget standards developed here represent a standard of living that the most affluent 20 per cent or so of older Australians currently aspire to. As indicated in the articulation of the CAS standard provided earlier, it attempts to represent 'a standard of living among older, healthy and fully active self-funded retired Australian that allows them to engage actively with a broad range of leisure and recreational activities without having to

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forego the consumption levels expected by other comfortably affluent people, or to require a rapid or substantial disbursement of any financial or other assets’.

The research reported here has attempted to use a budget standards approach to translate this articulation into a set of household budgets that can support such a standard of living in contemporary Australia. The research demonstrates that the budget standards method is capable of producing a budget corresponding to such a standard – as a modification to the existing modest but adequate (MBA) standard.

Development of the new CAS standard has involved detail manipulation of a mass of data, as well as a series of judgments about what constitutes a CAS standard. These judgments have been both informed by and to some degree validated by, ABS data on the actual expenditure patterns of the wealthiest one-fifth of older households.

The budgets themselves have also benefited greatly from the feedback provided by participants in a series of focus groups on the relevance and accuracy of the provisional estimates. These comments have resulted in a set of final estimates that are more robust and thus more enduring. This is not to deny that further improvement is not possible, but this will require more and better data.

It is clear from the comments provided by the focus groups, that many older Australians already enjoy a standard of living that is close to, or at least approximates, that which the CAS standard seeks to quantify. Over time, more and more older Australians will reach retirement while aspiring to maintain a standard of living that corresponds in broad terms to the CAS standard throughout their early retirement years.

The challenge for public policy will be to ensure that together with private actions, it will provide future cohorts of Australians with the opportunity to acquire the resources that will support the actual achievement of such a standard of living in their retirement.

## Appendix A Example of BSU Focus Group Expenditure Diary

Household Expenses Form		
	<i>Instructions and Examples Only</i>	<b>Your household costs (\$)</b>
<b>*** Enter your family costs but if single, fill in your costs only ***</b>		
<b>HOUSING COSTS</b>		
(a) <b>Weekly</b> household rent—if sharing rent costs record only your contribution to the cost	(fill in either a, b, or c) (a)	(Weekly)
(b) <b>Monthly</b> mortgage cost	(b)	(Monthly)
(c) Own home fully— <b>tick the box</b> — <input checked="" type="checkbox"/>	(c) <input checked="" type="checkbox"/>	
Record an estimate and details of your maintenance and/or repair costs for home/unit/flat for the <b>last 12 months</b>	<i>e.g. all rooms painted, some roof tiles replaced, dead tree cut down, new screen doors, etc.</i>	(Last 12 months)
House (building only) insurance costs for <b>last 12 months</b>	<i>insurance premium</i>	(Last 12 months)
Home contents insurance for <b>last 12 months</b>	<i>insurance premium</i>	(Last 12 months)
<b>Or</b> Combined house/contents insurance for <b>last 12 months</b>	<i>insurance premium</i>	(Last 12 months)
<b>FOOD COSTS</b>		
Supermarket and other food stores— <b>weekly</b> cost groceries meat fruit and vegetables	<i>You will be asked for <b>other</b> costs (e.g. soaps, toothpastes, cleaning products) bought at the supermarket further on in the form.</i>	(Weekly) groceries meat fruit and vegetables
Take-away—fast food, pizza, KFC, etc.)— <b>weekly</b> cost	<i>If a <b>family</b>, don't forget this includes your partner.</i>	(Weekly)
Eating out—(restaurants only)— <b>weekly</b> costs	<i>e.g. 2 adults—dinner with wine. If <b>BYO</b>, include costs of beer/wine</i>	(Weekly)
Snacks and treats—(eating out, lunches, etc.)— <b>weekly</b> costs	<i>If a <b>family</b>, don't forget this includes your partner.</i>	(Weekly)
Wine and beer— <b>weekly</b> costs		(Weekly)
<b>COST OF UTILITIES</b>		
Electricity— <b>last quarterly account</b>	<i>If utility bills are not paid quarterly, write down the time period the account covers and the amount.</i>	(Quarterly account)
Gas— <b>last quarterly account</b>		(Quarterly account)
Water— <b>last quarterly account</b>		(Quarterly account)
Telephone— <b>last quarterly account</b>		(Quarterly account)
Council rates— <b>Yearly amount</b>		(Last 12 months)
<b>CLOTHING AND FOOTWEAR COSTS</b>		
Self— <b>last 12 months</b>		(Last 12 months)
Partner— <b>last 12 months</b>		(Last 12 months)
Regular dry cleaning, laundry, ironing service costs— <b>last fortnight</b>		(Last fortnight)

TRANSPORT COSTS		
Motor vehicle— <b>weekly</b> petrol	<i>If more than one car, note separate amounts for all motor vehicle questions.</i>	<b>(Weekly)</b>
Motor vehicle—maintenance costs— <b>latest service</b>	<i>Oil change/service costs</i>	<b>(Latest service)</b>
Motor vehicle—repairs, replacement— <b>last 12 months</b>	<i>e.g. new clutch, replacement tyres/retreads, seat covers, etc.</i>	<b>(Last 12 months)</b>
Car insurance— <b>last 12 months</b>	<i>comprehensive, third party, green slip, etc.</i>	<b>(Last 12 months)</b>
Registration— <b>last 12 months</b>		<b>(Last 12 months)</b>
Licences— <b>last 12 months</b>		<b>(Last 12 months)</b>
Bus costs— <b>weekly</b>	<i>If a family, don't forget this includes your partner</i>	<b>(Weekly)</b>
Train costs— <b>weekly</b>		<b>(Weekly)</b>
Taxi costs— <b>last month</b>		<b>(Last month)</b>
HEALTH COSTS		
G.P. visits— <b>last 12 months</b>	<i>Note gap fee per visit OR Bulk-Billing arrangement—include costs for your partner</i>	<b>(Last 12 months)</b>
Dentist— <b>last 12 months</b>	<i>Include your partner</i>	<b>(Last 12 months)</b>
Medical specialists— <b>last 12 months</b>	<i>Note gap fee per visit OR Bulk-Billing arrangement—include costs for your partner.</i>	<b>(Last 12 months)</b>
Physiotherapist—(or any other therapist, e.g. podiatrist) <b>last 12 months</b>	<i>Note cost per visit</i>	<b>(Last 12 months)</b>
Other alternative health care— <b>last 12 months</b>	<i>e.g. chiropractor, naturopath, acupuncture—note type and cost</i>	<b>(Last 12 months)</b>
Private Health Insurance— <b>fortnightly, monthly, or annual costs</b>	<i>Note cost and type of cover</i>	<b>(Fortnightly, monthly, or annual)</b>
Pharmaceutical—prescriptions and non-prescriptions <b>monthly</b>	<i>e.g. doctor's prescriptions, other medicines, tablets, creams, lotions, inhalations, hiring equipment, e.g. nebuliser</i>	<b>(Monthly)</b>
PERSONAL CARE PRODUCT COSTS		
Soaps, toothpastes, shampoo, conditioner, moisturiser, hair products, aftershave, razors, etc. — <b>monthly</b> costs	<i>If bought at supermarket with other items such as food, etc., please estimate the cost.</i>	<b>(Monthly)</b>
Make-up— <b>last 12 months</b>	<i>lipstick, foundation, eyeliner, eye shadow, blusher, etc.</i>	<b>(Last 12 months)</b>
Hairdresser— <b>last 2 months</b>	<i>If a family, don't forget to include your partner</i>	<b>(Last 2 months)</b>
Jewellery, watches— <b>last 2 years</b>	<i>e.g. watches, rings, earrings, chains, bracelets, bangles, brooches, etc.</i>	<b>(Last 2 years)</b>
Bags of any description— <b>last 2 years</b>	<i>e.g. wallets, suitcases, briefcases, purses, etc.</i>	<b>(Last 2 years)</b>
HOUSEHOLD GOODS AND SERVICES COSTS		
Major Electrical or Gas Appliances—either purchase, rental costs or repairs for the <b>last 12 months</b>	<i>e.g. fridge, stove, microwave, air conditioner, heater, TV, video, DVD player, CD player, computer, printer, hot water tank, etc.</i>	<b>(Last 12 months)</b>
Minor Electrical Appliances—either purchase or repairs for the <b>last 12 months</b>	<i>e.g. iron, toaster, electric jug, blender, mixer, juicer, razor, hair dryer, etc.</i>	<b>(Last 12 months)</b>
Large Furniture Items— <b>last 12 months</b>	<i>e.g. bed mattress, desk, table, chairs, sofas, lounge suite, sofa bed, bookcase, storage module,</i>	<b>(Last 12 months)</b>

	<i>coffee table, etc.</i>	
Small Furniture Items— <b>last 12 months</b>	<i>e.g. lamps, mats of any description, baskets of any description, tidy bin, small pot plants, etc.</i>	<b>(Last 12 months)</b>
Household linen— <b>last 12 months</b>	<i>e.g. sheets, towels, pillowcases, blankets, doonas, doona cover, bedspread, tablecloths, tea towels, etc.</i>	<b>(Last 12 months)</b>
Crockery or cutlery— <b>last 12 months</b>	<i>e.g. cutlery, coffee mugs, chopping board, glasses, kitchen utensils, etc.</i>	<b>(Last 12 months)</b>
Household cleaning agents—costs <b>last month</b>	<i>e.g. detergents, soap, soap powder or liquid, bleach, scouring pads, powders and liquid cleaning agents, polish, wettex, chux, broom, mop, bucket, etc. If bought at supermarket with other items such as food, etc., please <b>estimate</b> the cost.</i>	<b>(Last month)</b>
<b>LEISURE AND RECREATION COSTS</b>		
Club membership— <b>weekly participation costs or joining fee for the season</b>	<i>If a <b>family</b>, don't forget this includes your partner.</i>	<b>(Weekly)</b>
Outings— <b>most recent costs (include food and transport)</b>	<i>e.g. movies, concerts, etc.</i>	<b>(Most recent costs)</b>
Holidays (less than 5 days)— <b>number of trips in last 12 months and total cost</b>		<b>(Number of trips in last 12 months and total cost)</b>
Holidays (more than 5 days)— <b>number of trips in last 2 years and total cost</b>		<b>(Number of trips in last 2 years and total cost)</b>
Postage— <b>monthly costs</b>	<i>e.g. stamps, parcels, postal orders, etc.</i>	<b>(Monthly)</b>
Newspapers and magazines— <b>weekly costs</b>	<i>If a <b>family</b>, don't forget to include your partner.</i>	<b>(Weekly)</b>
Books, videos, CDs, DVDs and tapes— <b>monthly costs</b>	<i>Paperbacks, hard backs, rented and bought videos, music tapes, CDs, DVDs, etc.</i>	<b>(Monthly)</b>
<b>Any other major household costs in last 12 months</b>	<i>e.g. new/second-hand car, curtains, floor coverings, renovations, lawn mover, tools, pests service, mobile phone, etc.</i>	<b>(Details of costs)</b>

**Appendix B Detailed Changes to the Modest but Adequate (MBA) Budget for a  
70-Year-Old Single Person Used to Derive the Comfortably  
Affluent and Sustainable (CSA) Budget <sup>(a)</sup>**

**FOOD**

Item	Description	Unit price (\$)	Weekly cost (\$)
Roast dinner*	one family dinner every two weeks	40.00	20.00
Wine	7 glasses per week	9.32	10.35
Meals out*	RSL club—3 meals per week	7.50	22.50

**CLOTHING AND FOOTWEAR – FEMALE**

Main clothing items	Description	Fibre content	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
Parka	3/4 length, buttoned front, pockets lining, hood	polyester cotton, cotton lining	1	6	164.97	0.53
Rain coat	full length, fold-up, pockets, buttoned front	plastic	1	5	28.69	0.11
Winter slacks - smart	part fitted/part elasticised waist, pockets	poly/knit	1	5	71.61	0.28
Winter slacks - casual	elasticised waist, straight leg	poly/knit	1	5	59.65	0.23
Winter dress, smart	long sleeve, fitted top, soft,	polyester viscose	1	4	131.50	0.63
Winter dress, casual	long sleeve belted, soft	polyester viscose	2	4	100.41	0.97
Winter skirt, smart	elasticised waist, pleated	polyester viscose	2	4	100.41	0.97
Winter skirt, casual	elasticised waist, soft	poly/knit	2	4	93.24	0.90
Winter top and skirt	lightweight, jumper top, flared skirt	polyester visc/knit	2	4	95.51	0.92
Winter jumper,	long sleeve crew neck	angora	1	5	141.06	0.54
Winter jumper, light	long sleeve crew neck	acrylic/wool	1	3	85.50	0.55
Winter cardigan	v-neck, buttoned front	acrylic	2	3	59.48	0.76
Skivvy	long sleeve, high neck, cotton knit	cotton knit	2	4	23.91	0.23
Special occasion dress	short sleeve, collar, waisted with belt	rayon	1	5	95.51	0.37
Long sleeve blouse	long sleeves, collar, buttoned front	cotton/poly	2	4	34.95	0.34
Smart blouse	long sleeve, rever collar, padded shoulders	polyester	2	5	71.61	0.55
Tracksuit bottoms	elasticised waist and hems,	poly/cotton	2	3	34.48	0.44
Tracksuit tops	sweatshirt style, long sleeve	poly/cotton	1	3	31.98	0.20
Summer dress, casual	short sleeves, fitted top, gathered skirt	cotton	4	4	108.48	2.09
Summer skirt	full, elastic waist, cotton	cotton	3	4	80.98	1.17
Summer slacks, smart	part fitted/part elasticised waist, straight leg	polyester/ viscose	2	5	49.95	0.38
Shorts, smart	part fitted/part elasticised waist, zippered front, knee length, pockets	polyester/ viscose	1	4	52.45	0.25
Summer sweater	long sleeve, crew neck	med. weight cotton	1	4	49.48	0.24

## CLOTHING AND FOOTWEAR – FEMALE continued

Main clothing items	Description	Fibre content	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
Summer sweater	short sleeve, patterned knit	cotton/visc/ rayon	1	4	44.48	0.21
Summer cardigan	v-neck, buttoned front, long sleeve	cotton/ acrylic	1	3	54.48	0.35
Summer cardigan	crew neck, buttoned front, short sleeve	acrylic/ nylon	1	2	69.33	0.67
Summer blouse	short sleeve, buttoned front, collar	cotton	2	4	52.48	0.50
Summer blouse, smart	sh. slve., round neck, no collar, padd. shld.	polyester	2	5	27.45	0.21
Polo t-shirt	short sleeve, round neck, 3 buttons	cotton knit	2	4	26.45	0.25
Swim suit	all in one suit, padded bra, patterned, skirt	nylon/lycra	1	3	79.48	0.51
<b>UNDERWEAR/NIGHTWEAR</b>						
Briefs	full, plain	light weight cotton,	8	2	6.73	0.52
Briefs, control	medium control	polyester/ elastin	2	2	19.98	0.38
Bra	firm control, support, lined	cotton/ elastin	5	3	28.48	0.91
Waist slip	elasticised waist	nylon	2	4	28.69	0.28
Full length slip	fitted bodice, lace trimmed	nylon	3	4	41.98	0.61
Singlet	sleeveless, scoop neck	cotton	3	3	21.73	0.42
Spencer	long sleeve, long length, round neck	cotton	3	3	24.73	0.48
Winter nightie	long sleeve, 3/4 length, pull-on	cotton	2	3	74.00	0.95
Winter pyjamas	long sleeves and legs	cotton knit	2	3	61.50	0.79
Summer nightie	sleeveless, scoop neck, 3/4 length	cotton	2	3	29.98	0.38
Summer pyjamas	short sleeve top, long leg	cotton	2	3	35.98	0.46
Winter dressing gown	full length, long sleeve, buttoned through	acrylic	1	8	44.48	0.11
Summer dressing gown	short sleeve, 3/4 length, buttoned through	cotton	1	5	37.48	0.14
Stockings	Hilton 'Razza Matazz' pantyhose	nylon/lycra/c otton	15	1	8.01	2.31
Stockings	knee-highs, med weight	nylon	4	1	3.59	0.28
Stockings	panty hose, support	nylon/lycra	2	1	8.97	0.34
Winter tights	soft winter tights, support	nylon/lycra	1	2	23.91	0.23
Socks	ankle length	cotton	3	3	9.13	0.18
Walking socks	mid shin length, cushioned foot	cotton blend	3	3	8.48	0.16
<b>ACCESSORIES</b>						
Sun hat	wide brimmed	straw	2	4	40.98	0.39
Swim goggles		plastic/ rubber	1	1	19.13	0.37
Swim cap	pull-on	rubber	1	1	11.95	0.23
Scarf, smart	patterned, square, large	poly/silk	1	6	18.98	0.06
Belt, smart	narrow, buckle	leather	2	6	26.98	0.17
Gloves	warm	knitted acrylic	1	2	11.85	0.11



## CLOTHING AND FOOTWEAR – FEMALE continued

Main clothing items	Description	Fibre content	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
Handkerchiefs	plain	cotton	10	2	4.35	0.42
Handbag	small	leather	1	5	215.00	0.83
Casual bag	medium/large	canvas or straw	1	5	52.48	0.20
Wallet/purse	multi compartments	leather	1	5	36.48	0.14
Umbrella	fold up	nylon	1	8	19.98	0.05
<b>SHOES</b>						
Shoes, court	slip-on, 'Dr Scholl's'	leather uppers	2	6	122.50	0.79
Loafer	heeled loafer, 'Dr Scholls'	leather uppers	3	5	82.48	0.95
Sandals	buckle fastening, low heel, sturdy	leather uppers	1	3	87.00	0.56
Joggers/walking shoes	lace-up, 'Scholl's' Victor	leather	1	4	85.00	0.41
Slippers, winter	slip-on, ankle high, zipper		1	2	38.00	0.37
Shoe repairs	heel replacement	resin	2	1	28.57	1.10

## CLOTHING AND FOOTWEAR – MALE

Main clothing items	Description	Fibre content	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
Sports jacket, smart	buttoned front	poly/visc, viscose lining	1	6	212.78	0.68
Parka	3/4 length, buttoned front, roll up hood, pockets, shower resistant	polyester cotton, cotton lining	1	6	188.88	0.61
Rain coat	full length, fold-up, pockets, buttoned front	plastic	1	6	35.86	0.11
Suit	single breasted jacket, fitted pants,	poly/wool, poly lining	2	8	643.50	3.09
Trousers/slacks - smart	pleated, belt, no cuffs	poly/viscose	2	4	79.48	0.76
Jeans	fitted waist, pockets	denim	2	3	62.48	0.80
Tracksuit bottoms	elasticised waist and ribbed hems	poly/cotton	3	2	47.82	1.38
Tracksuit tops	sweatshirt style, long sleeve	poly/cotton	2	2	47.82	0.92
Winter long sleeve shirt	buttoned, front, collar	flannelette	1	2	23.79	0.23
Long sleeve shirt, business	buttoned front, collar	poly/cotton	4	3	50.98	1.31
Long sleeve shirt, casual	buttoned front, soft collar	cotton knit	2	3	74.50	0.96
Rugby shirt	long sleeve, collar, 3 buttons	cotton knit	2	3	49.50	0.63
Sweat shirt	sweatshirt style, long sleeve	poly/cotton	1	3	76.51	0.49
Winter knitted vest	sleeveless, V-neck, 4 buttons	wool/acrylic	1	4	93.24	0.45
Winter jumper	long sleeve crew neck	wool	1	5	59.48	0.23
Winter cardigan	v-neck, buttoned front	wool/acrylic	1	4	95.63	0.46
Summer casual jacket	lightweight, long sleeve, zip front, elasticised hem and cuffs	poly/cotton	1	8	107.59	0.26
Summer trousers, smart	pleated waist, straight leg, belt	poly/viscose	1	5	117.15	0.45
Summer trousers casual	elasticised waist, straight leg	cotton	2	4	83.68	0.80
Shorts, smart	fitted waist, zippered front, pockets, belt	poly/viscose	1	4	44.98	0.22

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**CLOTHING AND FOOTWEAR – MALE continued**

Main clothing items	Description	Fibre content	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
Shorts, casual	elasticised waist, drill	cotton	1	3	32.48	0.21
Summer sweater	long sleeve, crew neck	acrylic	1	4	35.86	0.17
Short sleeve shirt	short sleeve, buttoned front and collar	cotton	2	3	72.00	0.92
Short sleeve shirt, casual	short sleeve, buttoned front and soft collar	cotton	2	3	49.98	0.64
Summer knitted vest	sleeveless, V-neck, 4 buttons	med weight cotton	1	5	93.24	0.36
T-shirt	short sleeve, crew neck, pocket	cotton	5	3	19.98	0.64
Polo t-shirt	short sleeve, rever collar, 3 buttons	cotton	2	4	39.48	0.38
Swim suit	boxer style, elasticised/drawstring	cotton, nylon lining	1	5	35.86	0.14
<b>UNDERWEAR/NIGHTWEAR</b>						
Briefs	briefs, hipsters, cotton	cotton	8	2	10.37	0.80
Briefs	boxer style	cotton/poly	2	2	13.48	0.26
Singlet	sleeveless, 'Chesty Bond' style	woven cotton	4	3	13.15	0.34
Singlet	T-shirt style	tight cotton weave	2	4	11.95	0.11
Winter pyjamas	buttoned top, drawstring long pants	flannelette	1	4	38.25	0.18
Summer pyjamas	long sleeve top, long leg pants, cotton	cotton	1	3	28.69	0.18
Winter dressing gown	full length, long sleeve	towelling	1	8	141.06	0.34
Socks	ankle length	cotton blend	5	3	10.75	0.34
Socks, walking	3/4 length	acrylic	4	3	10.98	0.28
Sport socks	mid shin length, cushioned foot	cotton/lycra	3	3	5.57	0.11
<b>ACCESSORIES</b>						
Sun hat	medium brim	straw	1	3	22.48	0.14
Sun hat	sports' cap with sun visor	cotton/poly	1	3	24.98	0.16
Belt, smart	narrow width, buckle	leather	1	8	35.98	0.09
Belt, casual	medium width, buckle	leather	2	8	32.48	0.16
Tie	plain	synthetic fabric	4	7	37.48	0.41
Tie	patterned	synthetic fabric	3	7	53.48	0.44
Wallet	money/card compartments	pigskin	1	6	39.98	0.13
Bag	back pack	poly/pvc	1	5	49.50	0.19
Umbrella	fold up	nylon	1	5	22.48	0.09
Handkerchiefs	plain	cotton	9	2	4.30	0.37
Swim cap	pull-on	rubber	1	3	11.95	0.08
Swim goggles		plastic/rubber	1	3	19.13	0.12

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## CLOTHING AND FOOTWEAR – MALE continued

Main clothing items	Description	Fibre content	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
<b>FOOTWEAR</b>						
Shoes,	lace ups	leather uppers	2	6	92.00	0.59
Shoes, casual	soft, slip-on,	leather	1	3	139.50	0.89
Sandals	ankle strap	synthetic	1	4	64.00	0.31
Joggers/trainers	lace-up, 'Dr Scholl's'	leather	1	4	131.50	0.63
Sandshoes	lace up, canvas	canvas	1	3	38.25	0.25
Slippers	slip-on, lined	synthetic	1	2	38.25	0.37
Shoe repairs	heel replacement	resin	2	1	33.35	1.28
Dry cleaning	suit and sports jacket	polyester/viscose	2	1	18.65	0.72

## HOUSEHOLD GOODS AND SERVICES

Item	Description	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
Home security system*	NRMA—back to base monitoring	1	20	1606.00	1.54
Stove	Harvey Norman—Simpson, gas	1	20	2299.00	2.21
Refrigerator	Harvey Norman—LG, 619lt double door, water filter	1	15	3999.00	5.13
Microwave oven	Harvey Norman—Sharp 28L	1	15	913.00	1.17
Washing machine	Harvey Norman—Whirlpool, 7kg	1	15	1299.00	1.67
Clothes dryer	Harvey Norman—Simpson Siracco	1	15	499.00	0.64
Dishwasher*	Harvey Norman—Fisher and Paykal	1	15	1699.00	2.18
Air conditioning unit*	Harvey Norman—LG, reverse cycle, split system	1	15	2999.00	3.84
Air conditioning installation*		1	15	550.00	0.71
Pest control service*	Rentokil	1	1	240.00	4.62
Telephone (set)	David Jones—Panasonic, cordless, answering machine	1	15	399.00	0.51
Mobile phone*	Telstra—Nokia 2100, pre-paid set	1	5	159.00	0.61
Mobile phone pre-paid plan*	Telstra	1	1	60.00	1.15
STD phone calls*	Telstra	5	1	1.50	7.50
Magazines*	yearly subscriptions	3	1	61.33	3.54

## HEALTH

Item	Description	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
Private health insurance	Medibank—Premier Plus Single, assume joined at age 40, 20% price hike	1	1	1618.03	31.12
Blood pressure monitor*	Omron T—digital	1	20	257.95	0.25
Vitamins*	Blackmores—Glucosamine, 90 pack	1	1	31.95	0.25
	Blackmores—Multivitamins, 200 pack	1	1	62.75	0.55

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**LEISURE**

Item	Description	Quantity	Life time (yrs)	Unit price (\$)	Weekly cost (\$)
<b>HOME AND SOCIAL ACTIVITIES</b>					
TV	Sony, Triniton, 51 cm	1	15	549.00	0.70
Combined video and DVD player	Pioneer	1	10	349.00	0.67
DVDs*		10	1	30.00	5.77
Stereo/music centre	Onkyo	1	15	999.00	1.28
Compact discs (music)		10	1	30.00	5.77
Personal computer	HP Pentium Pavillion A240A	1	6	2999.00	9.61
PC display monitor, 17 inch	HP Pentium Pavillion A240A	1	6	350.00	1.12
Colour printer	Canon	1	6	395.00	1.27
Computer software	MS Office, Norton Anti-virus	1	6	1199.95	3.85
Digital camera*	Sony	1	10	849.00	1.63
<b>HOLIDAYS*</b>					
Domestic trips	Flight Centre	10	1	195.79	37.65
International holiday*	Flight Centre—one in five years	1	5	1015.69	3.91

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**Notes:** (a) The changes to energy usage associated with the air conditioner and to the type of car owned are not included. These are described in the main report.

\* Indicates new items added to the existing (MBA) budget.

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