9 STEPS TO A BETTER RETIREMENT AT ANY AGE!

Do you have Plans?

In todays article we look at 9 simple ways to boost your retirement at any age, even if you're already retired

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Chances are your retirement will be a long one. According to the Australian Institute of Health and Welfare the current life expectancy is 84.5 years for a man; and for a woman it's 87.3 years. That means even if you only live to be the average age, and you retire on your 65th birthday, you will need your retirement savings to last between 20 to 23 years.

If you're near the end of your working life and the prospect of making your money last seems daunting, don't despair. There are ways you can ensure a more comfortable retirement, no matter how old you are, or even if you've already retired.

In your 40s: time to start planning

When you're in your 40s, and even your early 50s, planning for retirement often takes a back seat to more pressing financial commitments such as your mortgage, school fees, holidays, weddings, this list is not exhaustive. But the sooner you start planning for retirement, the easier it will be to live the retirement you want.

1. Work out what you'll need

If it seems difficult to work out how much you'll need in retirement, the Association of Superannuation Funds of Australia (ASFA)'s guides may help. ASFA estimates that to support a modest lifestyle, an individual who owns their own home will need an annual income of $24,506; and a couple will need $35,189.

If you're looking to enjoy some comforts in life, then plan on needing $44,011 and $60,457 a year, for singles and couples respectively.

ASFA also estimates that to provide the amount required to support a comfortable lifestyle in retirement, a couple would need at least $640,000 in assets outside their family home, while an individual would need $545,000. These amounts assume you'll also receive a partial age pension.

2. Sort out your super

Many Australians rely on their superannuation for their retirement income. So, if you haven't been taking super seriously, now is the time to start.

While your employer may already be making compulsory super contributions of 9.5% of your income, now is a good time to top that up through salary sacrificing.

You can contribute up to $25,000 a year to super, including your employer's compulsory super contributions, all of which is taxed at the concessional rate of 15%. If your partner earns less than $40,000 a year, you may be able boost their super by making a spouse contribution to their super fund and receive a spouse contribution tax offset of up to $540.

And, if you have multiple super accounts, now is the time to consolidate them into one fund to avoid paying multiple fees.

3. Manage your debt

If you're still making mortgage repayments or renting after you retire, it will eat into the amount of money you have to live on. It's often a good idea to pay off your home loan before you stop working. This may mean making extra contributions into your home loan above your minimum monthly repayments.

We can help you with a cost/benefit analysis on using extra money to pay off your home loan sooner, versus making extra super contributions or investing in other assets.

If you're aged between 55 and 65: transitioning to retirement

The good news is that for many people this age, the kids have now left home and become financially self-sufficient; the mortgage has been paid - or is nearing the end of its life - and there is more spare money to hand. That said, you’re probably spending more on travel and other hobbies, and chances are you’ll want to start working less as well.

4. Work out a practical retirement plan

Giving up work doesn’t always have to be all or nothing. Many people choose to ease into their retirement rather than making a clean break. If you’re between 55 and 65, a Transition to Retirement (TTR) pension could help you reduce your hours without reducing your income.

A TTR pension works by letting you transfer some of your super to a separate pension account and then withdraw a certain percentage of it as income, which will be either tax free or taxed at the rate of 15% less than your marginal rate.

We can help you work out a TTR strategy that delivers maximum income with minimum impact on your super savings.

5. Boost your super

Your late 50s and early 60s can be the best time to boost your super balance. That’s because until you turn 65, you can continue to make extra non-concessional (or post-tax) contributions of up to $100,000 a year.

If you have additional funds available to invest - for instance, if you’ve sold a property or another asset - you may be able to use the ‘bring forward’ rule to make up to three years of non-concessional contributions in one go.

This is generally available if your super balance is under $1.4 million and you’re under 65 at the beginning of the income year. After that, but before you are under 75, you’ll generally need to be working about 40 hours a month before you can make super contributions.

6. Take greater control

It’s at this stage of life that many people choose to move their super into a self-managed super fund (SMSF). By June 2017, there were over 1.1m SMSFs and, according to the ATO, the average age of an SMSF member age is 58 years.

An SMSF has the potential to give you greater control over your super, and maybe reduce fees. It also lets you invest directly in property and other assets often off-limits to a traditional super fund.

On the flipside, SMSFs are highly regulated and come with substantial responsibilities, which means they’re not for everybody. There are alternatives such as sophisticated Master Trust or Wrap-style super funds that may give you similar control without the same obligations. You should always seek professional advice on what’s right for you.

If you're over 65: time to act

Despite life expectancy climbing dramatically over the past few decades, 65 is still the age many people choose to retire. It's also the age when the super rules change dramatically.

7. Think long-term

Once you retire, you have three options for your super balance (and you can use a combination of all three):

a. taking it out as a lump sum
b. using it to start a super income stream (a pension)
c. or just leaving it in super.

Given that your money still needs to last a long time and earnings inside super are taxed at 15%, many people choose to leave much of their wealth inside their existing super accounts. But, if you choose to do so, you may decide to review your investment strategy.

After all, while the general trend may be for the value of shares and property to rise over time, your ability to weather any short-term volatility in their price diminishes when you stop working.

One option could be to channel some of your funds into more defensive assets, including holding some fixed income and cash investments, as well as shares and property.

8. Consider where you'll live

While contributing to super may have become more difficult than it once was, now you're over 65, there are still ways to do it.

The Federal Government has introduced a new measure that lets people over 65 contribute up to $300,000 to their super when they sell their own home. That's great news when you consider that now is often a sensible time to move, whether that's to a smaller place, or a retirement home. By your late 70s or 80s, you could also need extra care, so it helps to factor this into your decision making.

9. Leave a legacy

We may be living longer than ever, but it still always pays to plan for what will happen when you're no longer around. At the very least, that means having a valid will.

How to protect your loved ones after you're gone

Because your super will be dealt with separately to your estate, it also means **making sure your super death benefit nominations are current**. And, if you become seriously ill or incapable of making decisions for yourself, an enduring power of attorney can also make sure that someone you trust acts on your behalf.

And finally...

Retirement can be rewarding but planning for it can be complicated and complex. To make sure your family stays protected and you have the best retirement possible, you should always speak to us first.

If you enjoyed reading this article, why not share it?

We're here to "help you make confident financial decisions", give me a call on

0418 332 225 to discuss anything you find of interest or need financial help with.

Sincerely,

Rob

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Member of Association of Financial Advisers (AFA)

TFA Standard Member of the Tax Practitioners Board (TPB)

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Some changes this financial year to superannuation:

- Downsizer contributions to your super
- Tax incentives for first home buyers
- Low income earners are entitled to a superannuation tax offset
- Catch up contributions allow eligible Australians to put more into super
- Super co-contribution scheme threshold changes
- Eligible retirees can make super contributions if the first year of retirement
- Pension work bonus going up to $300 per fortnight
- Protecting superannuation reforms start from 1 July 2019.

In the past we have helped our superannuation clients, consolidate, re-invest, accumulate their superannuation, help retirees reaching retirement phase & into a pension. This may also include life insurance advice and structuring.

Our services now include:

Accumulation projections, investment risk assessment, goals-based accumulation & contribution strategies & review of your goals and performance. Estate planning & advice can save your estate thousands of dollars.

We also offer fixed fee remuneration service models away from the traditional % margin & commission-based structures. If you would like to discuss your transition to a fee for service model, please call me.