

Planning retirement?

What you need to think about.....

Author: Wade Britnell, Director and Financial Adviser, Kite Financial Services

Planning for retirement can be an exciting, yet daunting journey. You have worked hard to be in a position to contemplate retirement, however you are not sure what is required and whether you are ready to take the next step.

Over the last 20 years of assisting retirees, we have found the following to be the most important considerations.

What does YOUR best retirement look like?

Understanding the things that are most important to you and the things you would like to do in retirement is vital. Ask yourself, what does my best retirement look like? Do you like to travel, would you like to downsize your family home, do you want a sea or tree-change, do you want to do some part-time or voluntary work to keep your body and mind active?

Understand how much retirement will cost

Once you have determined what YOUR best retirement looks like, you can start to focus on how much income you will need each year. Everyone has a different best retirement, and this will determine the annual income required – a general rule of thumb is around 60% of your pre-retirement income.

According to the Association of Superannuation Funds of Australia (ASFA) Retirement Standard benchmark, an individual seeking a comfortable lifestyle from age 67 needs a yearly income of \$45,962 (after tax) – for a couple, the amount is \$64,771 (December 2021 quarter).

To achieve a comfortable retirement lifestyle from age 67, an individual will need to have approximately \$545,000 in super at retirement – a couple will need to have \$640,000. This is based on today's dollars, and assumes a 6% annual investment return, and that you will drawdown all of your capital and receive a part Age Pension.

How will I pay for my retirement?

The money that you will rely on to fund your best retirement income may come from a variety of different sources. The most common and tax effective method is to draw an income from your accumulated superannuation via an account-based pension and/or annuity. In addition, you may also have other investments which can deliver a passive income such as an investment property, shares, managed funds or savings. An inheritance or proceeds from your family's estate may also help in your later years.

Depending on your circumstances and your income and assets, you may also be eligible for an Age Pension. The full Age Pension is currently \$25,155 a year for singles and \$37,924 for couples combined, so alone, this is unlikely to be enough to meet your lifestyle needs in retirement.

Plan for a long life

While we can't predict what is going to happen in the future, it is important to estimate the timeframe of your retirement. This will differ based on when you retire and your own health situation. It may also depend on the age difference with your spouse. The current life expectancy for a 67 year old is 85 for males and 88 for females (ABS Life Tables 2018-20).

The reality is that your spending patterns are likely to change throughout retirement. Most retirees will have a higher level of spending in their initial stages. It is important however, to factor in medical expenses and planning for aged care costs later in life.

How do I know if I am on track?

It is important to keep track of your superannuation and other savings. Engaging with your super via checking your latest statement or accessing your account details online will show your latest balance and how your funds are currently invested.

Your super fund may also have a calculator for you to use to see if you are on track to meeting your retirement goals. The ASIC Money Smart website has an online retirement planner calculator and other tools that can help you with this. It is important to consider your debts, including outstanding home loan, investment loans and credit card debts to work out your current net assets.

How do I address any shortfall?

There are a variety of strategies to help you bridge the gap to your retirement needs. These include reviewing your current investment strategy to ensure your funds are working best for you, considering additional super contributions, completing a budget and savings plan. You may also alter your planned retirement date.

Many pre-retirees also downsize their family home. Some move to a smaller home in their local area, while others make a lifestyle change and move regionally or into a lifestyle/retirement village. The capital released from downsizing your family home can be an effective way of bridging the retirement gap.

Important information

This article was written by Wade Britnell, Kite Financial Services Pty Ltd who are Authorised Representatives of Australian Unity Personal Financial Services Limited (ABN 26 098 725 145), AFS Licence no. 234459. Its contents are current to the date of publication only, and whilst all care has been taken in its preparation, Wade Britnell and Kite Financial Services Pty Ltd accepts no liability for errors or omissions. This article is general in nature and has been prepared without taking into account the objectives or circumstances of any particular individual or entity. It cannot be relied upon as a substitute for personal financial, taxation, or legal advice. Published: February 2022.

Why having a plan is important

It is crucial to develop a financial plan in preparation for and during retirement to get an understanding of where you are at and what steps need to be taken to put you in a better position to meeting YOUR retirement goals.

We are living longer and will spend nearly as many years in retirement as in the workforce – this requires a clear financial plan that is regularly reviewed and managed to navigate any changes in your lifestyle and give you peace of mind.

The actions required in order for you to achieve your best retirement possible come down to factors such as whether you own your home, the value of your super and other investments, the return you earn on those investments, income from other sources and your spending patterns.

The sooner you start your planning journey, the more likely you are to achieve YOUR best retirement possible.

If you want some help in the retirement planning process, do not hesitate to contact our office for a free initial consultation to discuss your situation.

The logo for Kite Financial Services, featuring the word "Kite" in a stylized, cursive script font.

FINANCIAL SERVICES

P: 1300 695 830

E: wade.britnell@kitefs.com.au

www.kitefs.com.au

A: 12 - 16 Parker St, Williamstown, VIC 3016