YOUR 7-POINT RETIREMENT PLANNING CHECKLIST

Confidence about retirement is on the slide. Here are some big points to consider to help you start planning.

Socialising with mates, enjoying leisurely activities and indulging in the odd trip away are all things that have likely crossed your mind when thinking about how you'll spend retirement.

Beyond that though, have you given much thought to the logistics and what it'll cost? If you haven't, you're not alone.

AMP's 2022 Financial Wellness report reveals that almost half (46%) of working Australians don't know how much they will need to have saved for retirement.

And perhaps this is because so few of us have set specific goals. Only 24% have a financial goal, with the rest of us yet to put pen to paper and flesh out what we'd like to achieve after we finish working.

Given all this, it's not surprising our confidence about retirement is on the slide. More than one in five (21%) of working Australians are not at all confident they will be able to achieve their desired standard of living in retirement. That's down four percentage points since the previous survey two years ago. And fewer than one in ten (9%) are very confident – down five percentage points.

So if you're thinking of getting on the front foot with your retirement planning, here's a useful checklist with the big points to consider.

Do I have to retire by a certain age?

The retirement age in Australia isn't set in stone. You can retire whenever you want to, but factors that could play a part might include:

- your health
- financial situation
- employment opportunities
- your (and your partner's) individual preferences
- the age you can access your super.

What's on my to-do list?

Think about what you may like to do in retirement and what the bigger and smaller priorities may be. Consider things such as:

- your social life and recreation
- staying active and healthy
- different retirement living options, which might include relocating to a new city
- helping the kids, if you have any.

How much money will I need?

According to the Association of Superannuation Funds of Australia's (ASFA) December 2022 figures, individuals and couples around age 65 who are looking to retire today would need an annual budget of around $49,462 or $69,691[i] respectively to fund a comfortable lifestyle.

To live a modest lifestyle, which is considered better than living on the age pension alone, individuals and couples would need an annual budget of around $31,323 or $45,106, respectively.

All these ASFA figures are based on the assumption people own their home outright and are relatively healthy[ii], and are compared to the Government's current maximum age pension rates below.[iii] (These rates assume the maximum pension supplement and the energy supplement).

Per fortnight	Single	Couple each	Couple combined	Couple apart due to ill health
Maximum basic rate	$971.50	$732.30	$1464.60	$971.50
Maximum Pension Supplement	$78.40	$59.10	$118.20	$78.40
Energy Supplement	$14.10	$10.60	$21.20	$14.10
Total	$1064.00	$802.00	$1604.00	$1064.00

Where will my money come from?

The money you use to fund your life in retirement will likely come from a range of different sources, such as:

Your super fund

Generally, you can start accessing super when you reach your preservation age, which will be between 55 and 60, depending on when you were born, and retire. Knowing your super balance is a crucial part of planning for retirement, as it's likely to form a substantial part of your savings.

If you've got more than one super account, there may also be advantages to rolling your accounts into one, such as paying one set of fees. However, there could be certain features lost in the process, such as insurance, so make sure you're across everything before you consolidate.

Investments, savings or an inheritance

You may be planning to sell or use income you're generating from shares or an investment property, or use money you've saved in a savings account or term deposit to contribute to your retirement. An inheritance or proceeds from your family's estate may also help in your later years.

Government benefits

Depending on your circumstances, as well as your income and assets, you may be eligible for a full or part age pension from age 65 to 67 onwards (depending on when you were born), or you mightn't be eligible at all.

Along with your savings, government benefits, such as the Age Pension, as well as Carer's Allowance and the Disability Support Pension, could be an important part of your retirement income.

Concession cards, which are provided if you receive certain government income support payments, or the Commonwealth Seniors Health Card could also help you access discounts on health care and other things.

How can I withdraw my super?

Depending on how you withdraw your super and at what age, there will be different tax implications worth investigating, which will depend on your individual circumstances.

In the meantime, some of the options you'll have around withdrawing your super include:

Transition to retirement pension

A transition to retirement pension enables you to access some of your super via regular payments (once you've reached your preservation age), whether you continue to work full-time, part-time or casually.

This may provide you with some financial flexibility in the lead up to retirement, but there will be things to consider, including that you'll generally only be able to access a limited amount each financial year.

Account-based pension

If you'd like to receive a regular income when you do retire from the workforce, an account-based pension (also known as an allocated pension) could be a tax-effective option, noting the value of it will be based on the super you've saved, so won't guarantee an income for life.

You also won't be limited in what you can take out, but each year you'll need to withdraw a minimum amount. Note, you can generally only transfer up to $1.7 million in super into this type of pension too.

Annuity

Another option is an annuity product, which generally provides guaranteed payments over a set number of years, or the rest of your life, depending on whether you opt for a fixed-term or lifetime annuity.

They tend to be a more secure option as they provide a guaranteed income regardless of what might happen in financial markets. However, you'll be sacrificing some flexibility as you can't usually make lump sum withdrawals and your life expectancy may also be a consideration.

Lump sum

Taking some or all of your super savings as a lump sum can be tempting, particularly if you want to pay off debt, assist the kids, or go on a holiday. However, it might not be the best option for everyone, as you'll need to consider how you fund your lifestyle after the money is gone.

While you may be eligible for government entitlements, such as the Age Pension, it might not cover the type of lifestyle you'd like to have after you finish working.

What other matters will I need to address?

Existing debt

When planning retirement, you may want to consider what outstanding debt you have and ways you may be able to reduce it while you're still earning an income.

Talk to us about reducing your debts before you retire and remember, if you're experiencing financial hardship talk to your providers, as most can assess your situation and help you find alternative payment plans.

Insurance

You might have personal insurance, possibly tied to your super fund, but it's worth checking you have the right type and that it's appropriate for you. After all, what you require in retirement could be quite different to when you're working.

Investment preferences

Investments are part of many retirement planning strategies, and when you're retiring, it's worth reviewing your investment style and the options you've chosen.

For instance, in retirement, you might consider a more conservative approach with less risk, as when you're younger you generally have more time to ride out market highs and lows.

Estate planning, including your will

It's important to think about your estate planning needs. For instance, have you documented how you want your assets to be distributed after you're gone and how you want to be looked after if you can't make decisions later in life?

Do I want to make any final super contributions?

The more you can put into super before retiring, the more money you're likely to have when you retire.

However, there are annual concessional and non-concessional super caps in place and if you exceed them, additional tax and penalties may apply.

You may also be interested to know that when you reach age 55 or over, you can make a voluntary contribution to your super of up to $300,000 using the proceeds from the sale of your main residence.

For couples, both people can take advantage of this opportunity, which means up to $600,000 per couple can be contributed toward super. There are however, downsizer contribution rules you'll want to be across.

Whatever stage of life you're at, your super will probably become the cornerstone of your retirement strategy. Super rules do start to get a bit trickier as you get older and if you're keen to know more, contact us.

i https://www.superannuation.asn.au/resources/retirement-standard
ii https://www.superannuation.asn.au/resources/retirement-standard
iii Services Australia – Age Pension – How much you can get – December 2022 figures

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HILLROSS

9 WAYS TO BOOST YOUR SUPER SAVINGS

Check out what you could do while you're still earning an income and have time on your side.

Many of us turn a bit of a blind eye to super. We hope it'll be enough when the time comes and believe the government's age pension is available if we fall short.

Not everyone is eligible for the age pension, and we may live a less than modest lifestyle if we rely on it in our later years[i].

How much super do you need?

According to the Association of Superannuation Funds of Australia's (ASFA) December 2022 figures, individuals and couples, around age 67, looking to retire today would need an annual budget of around $46,462 or $69,691 respectively to fund a comfortable lifestyle, assuming they own their own home[ii].

To live a modest lifestyle, individuals and couples would need an annual budget of around $31,323 or $45,106 respectively[iii].

Super contributions with benefits

1. Tax-deductible contributions

These are voluntary contributions you may make on top of what your employer might pay you under the super guarantee, if you're eligible.

You make these contributions using after-tax dollars and then claim a tax deduction when doing your tax return.

If you receive extra income or sold an asset you have to pay capital gains tax on, you may decide to contribute some or all of that money into super and claim it as a tax deduction. This could help reduce or even eliminate the capital gains tax that's owing.

2. Co-contributions from the government

If you're a low to middle-income earner and made an after-tax contribution to your super fund, which you don't claim a tax deduction for, you might be eligible for a government co-contribution of up to $500.

If you earn less than $57,016 per year in the 2022/23 financial year and make at least one voluntary, after-tax contribution to your super fund, you'll receive the maximum co-contribution of $500.

If your total income is between $42,016 and $57,016 in the 2022/23 financial year, your maximum entitlement will reduce progressively as your income rises.

If your income is equal to or greater than the higher income threshold $57,016 in the 2022/23 financial year, you will not receive any co-contribution.

3. Spouse contributions

If you earn more than your partner and would like to top up their retirement savings, or vice versa, you may consider making spouse contributions.

If eligible, you can generally contribute to your spouse's super and claim an 18% tax offset of up to $3,000 through your tax return.

To be eligible for the maximum $540 tax offset, you need to contribute a minimum of $3,000 and your partner's annual income needs to be $37,000 or less.

If their income exceeds $37,000, you're still eligible for a partial offset. However, once their income reaches $40,000, you're not eligible for any offset, but can still make contributions on their behalf.

4. Salary sacrifice contributions

This is where you choose to have some of your before-tax income paid into your super by your employer, on top of what they might pay you under the super guarantee.

It does mean a reduction in your take-home pay; however, you'll only be taxed 15% on the money you salary sacrifice (or 30% if your total income exceeds $250,000).

5. Downsizer contributions

People aged 55 and over can make a voluntary contribution to their super of up to $300,000 using the proceeds from the sale of their home (if it's their main residence) – regardless of their work status, super balance, or contributions history.

Couples can take advantage of this and contribute up to $600,000 per couple. There are things to consider first.

Additional pointers

6. Find your lost super

If you've changed jobs, your name or address over the years, there's a chance you may have lost track of some of your super and you may be paying multiple fees.

The ATO may also be holding some unclaimed super on your behalf. This happens when super funds transfer the balance of small, inactive accounts directly to the ATO.

7. Consolidating your super

When rolling multiple accounts into one, some funds may charge exit or withdrawal fees, or have possible tax implications and changes to benefits such as Insurance.

8. Are you eligible for the low-income super tax offset?

If you earn $37,000 or less annually, and your employer makes super contributions on your behalf, the government may refund the tax that was paid on those contributions back into your super account, up to a $500 per year.

If you're eligible for the low-income super tax offset, it will be automatically calculated by the ATO and deposited in your super account after you lodge your tax return.

9. Other important aspects to consider

Your super should be working for you, so it's important to review it at least once a year and check:

- Fund performance (noting, past performance isn't an indicator of future performance)
- Fees you might be paying
- Insurance inside super and whether it suits your current needs.
- Limits on how much you can contribute. If you exceed super contribution caps, additional tax and penalties may apply.
- The value of your investment in super can go up and down. Before making extra contributions, make sure you understand and are comfortable with any potential risk you might be taking on.
- The government sets general rules around when you can access your super, which typically won't be until you reach your preservation age and meet a condition of release, such as retirement.

Contact us today to find out more.

i,ii,iii Association of Superannuation Funds of Australia's Retirement Standard December 2022 figures

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HOW TO TRICK YOURSELF INTO SAVING MONEY

Impulse purchases and buyer's remorse often go hand in hand. But if you take a week (or a month) to reflect on your spending, you could see a noticeable boost in the funds accumulating in your savings account. Enter, the Seven-day Rule.

Don't reply to text messages after you've had a glass of wine and take a deep breath before confronting someone when you're upset. These are both common social strategies relied upon to make you think – with reflection and clarity – before making a rash decision that could cost you something you value. Think of the 'Seven-day Rule' as the financial equivalent of pressing pause on your reply or putting your phone down before hitting send.

Impulse purchases

Most of us have been in a situation where we spot something shiny and expensive that we'd really like to have: a new phone, some make-up, an expensive outfit, or maybe a new pair of skis. But in these impulse situations we often spend money based on emotions, rather than our budgeting goals. We get swept up in the excitement of having a new toy.

Many of us go ahead and make the purchase. In fact, 84% of all shoppers have made impulse purchases, with this equating to almost 40% of all money spent on e-commerce.[i]

Research also shows that about half of us regret the purchase almost as soon as we've made it.[ii]

Delay gratification

The goal of the 'Seven-day Rule' is to stop impulse purchasing and give yourself a 'cooling-off' period to think about how much joy the item will bring to your life. You're not denying yourself – you're just delaying the potential gratification.

The idea is surprisingly simple: If you see something you want to buy, but haven't budgeted for it, walk away for a week.

Over this time, ask yourself if you really need the item. If, after seven days, the answer is yes, you can go back and buy it. If you've forgotten about it, then your time away from the stores has saved you from facing buyer's remorse.

Cooling-off period

When you've put the item back on the shelf (or closed that online shopping browser), do a few things:

- Write what you want to buy on a piece of paper, along with the price, date and store name.
- Stick the note on your fridge, so you can re-address it in a week.
- Do some further research online – chances are you can find significant discounts or better models elsewhere.
- You could then consider transferring the cost of the item from your everyday bank account to your savings account.
- Do you really want to buy that jacket in a week and spend money that is now going toward a larger savings goal, like purchasing a new car?

The '30-day rule'

The Seven-day Rule concept won't work for every purchase you make, so set yourself a financial hurdle – say, walk away if the item in question costs more than $100. Then make this hurdle scalable: if your potential purchase is $300 or more, elevate the cooling-off period to 30 days.

Giving yourself a month to evaluate your spending also means you have the time to set yourself a financial challenge. Say you have your heart set on a pair of shoes that costs $350. Rather than taking the money from your savings account, why not see if you can save that amount from scratch?

For example, you'd need to set aside around $12 a day for 30 days to save $350.

For more budgeting tips, contact us today, we're here to help.

i,ii https://www.invespcro.com/blog/impulse-buying/
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