Key things to consider about different retirement living options

CORNERSTONE
WEALTH MANAGEMENT

1. 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 your health, financial situation, employment opportunities, individual preferences, superannuation plans and partner's needs could play a big part.

2. How much money will I need for retirement and where will I get it?

Saving for retirement can help you prepare financially for the future. Industry figures show that individuals and couples around age 65 who are looking to retire today need an annual budget of $43,317 and $60,977 respectively to fund a comfortable lifestyle (assuming they own their home outright and are in relatively good health)[2].

To live a modest lifestyle in retirement, which is considered better than living on the age pension, an individual would need an annual budget of $27,648, and a couple an annual budget of $39,775[3].

These figures are helpful when thinking of retirement planning strategies. Think about how you want to live your life in retirement and add up any potential income sources you may have to support yourself. This could include things such as a superannuation fund, government entitlements, investments, savings or an expected inheritance.

3. What recreational activities are on my to-do list?

When you retire, you'll likely have more time for the things you enjoy most. Australians are living and remaining active for a lot longer – in your financial planning for retirement, spare a thought for your physical and mental wellbeing, and whether you'll need a bit of extra money to do the things you enjoy, such as various sports and hobbies, travel and eating out.

4. How and when will I access my super?

Your superannuation plan can make a big difference to your financial planning for retirement, so it's handy to have an idea of when you can (and will) access your super.

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. As for what you do with your super - which from age 60 is typically accessible tax free - you'll have a few options.

If you want more financial flexibility, you could access a portion of your super balance via a transition to retirement pension (TTR), while continuing to work full-time, part-time or casually.

Alternatively, if you want to retire, you can choose to take your super as a lump sum, or move it into an account-based pension or annuity, if you want a regular income stream. There will be different tax implications for different people, and your super doesn't guarantee an income for life, so it can be valuable to seek professional advice on superannuation.

5. Will I be eligible for government entitlements?

If you're thinking about retirement planning in Australia, there are some government payments that you may be eligible for. Along with your savings, government benefits, such as the age pension, Carer's Allowance and Disability Support Pension, could be an important part of your retirement income.

6. Will I be entering retirement debt-free?

An AMP.NATSEM report found nearly four in five people aged 50 to 65 have household debt[4]. When planning retirement, you may want to consider if you'll be carrying debt into retirement, and think about ways to reduce it sooner rather than later.

Some things that could help reduce debt:

- Work out your debts and what they total
- Do a comparison of what you earn, owe and spend
- Look into whether you might benefit from rolling your debts into one
- Pay your debts on time to avoid additional charges
- Try to pay the full amount rather than the minimum owing
- Look at whether you can afford to make extra repayments
- Shop around for providers with lower interest rates and no annual fee.

7. Do I have other matters that need addressing?

- **Insurance** - You might have insurance, but it's worth checking you have the right type and enough of it for your retirement planning. After all, what you require in retirement could be quite different to when you are 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. In retirement, you might also consider a more conservative approach, as when you're younger you generally have more time to ride out market highs and lows.
- **Estate planning** - On top of that, think about your estate planning needs. 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?

8. Will I relocate or downsize?

Your living arrangements in retirement should be based on more than just your finances. Your health, partner, family and what activities you decide to pursue once you stop work will all play a part.

If you're thinking of downsizing to release money from your property, planning ahead can help you feel more in control and provide greater peace of mind as you can assess any out-of-pocket costs in advance.

9. 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. And, if you invest some of your before-tax income into super (known as salary sacrifice), these amounts will generally be taxed at 15%, which is lower than the tax most people pay on their employment income. Keep in mind that even if you're 65 or over, you may still be able to continue to make contributions to your super to fund your future retirement as well.

Whatever your goals and future plans happen to be, remember that even a little bit of planning today could go a long way tomorrow.

DISCLAIMER: