RETIREMENT READINESS

Retirement on your own terms

Planning your life beyond the daily work routine

We all look forward to a time when we no longer have to work. Whether it's a gradual transition or a definitive date, retirement is a milestone that you can, ideally, achieve on your own terms. Unfortunately, if you put off retirement planning until later years or worse, you don't plan at all, it is unlikely that you can achieve a retirement on your terms. The earlier you plan, the greater the chance of achieving your retirement lifestyle goals.

Have a plan for a new life, not a plan to stop work

Going into retirement is not just about stopping work. It's a transition with very significant changes so planning is essential.

Retirement requires a number of adjustments to our lives:

Personal

Reshaping our identities beyond our occupation, role or title at work

Social

Evolution of social networks beyond that of the workplace

Financial

Generating income from other sources rather than from our own time and exertion

Viewing retirement as a process of change rather than a milestone date will help you appreciate and manage the potential significant impacts on your financial, mental and social well-being.

Our plans at a glance

Saving for Retirement Plan	Transition to Retirement Plan	Living in Retirement Plan
Ensure you accumulate enough savings to fund your new life in retirement.	Map out a transition from your working life to your retirement plan.	Ensure you have a sustainable income to fund your retirement life.

1. Visualise your retirement
2. Retirement budgeting
3. Setting savings targets
4. Preserving asset longevity
5. Selecting the right products

1. Visualise your retirement

So what does your desired retirement look like? Not sure? Start by visualising what it could look like by answering the following questions:

When would you like to retire?

On reaching a certain age?
When you have enough money?
Do you want to continue working?
When your health declines?

Where will you live?

Your current home?
Time to downsize?
Divide between different locations?
Live overseas?

What will you do?

More time with friends?
Providing support to family?
Pursue new hobbies?
Explore new places?

Whatever your retirement picture looks like, we can help you paint it. While the picture may change over time, having a picture makes it easier to turn into reality.

2. Retirement budgeting

Using your retirement picture as a guide, we can begin fleshing out how much it will cost.

Starting points can be:

- Looking at your current spending patterns and then anticipate whether they will continue unchanged or whether modifications are required.
- Using the ASFA Retirement Standard which benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years. Below are sample budgets for various households and living standards – for retirees aged 65-85 (December quarter, 2020).

	Modest lifestyle - single	Comfortable lifestyle - single	Modest lifestyle - couple	Comfortable lifestyle - couple
Total weekly	$539.84	$847.20	$780.43	$1,198.51
Total per year	$28,179	$44,224	$40,739	$62,562

You can then make adjustments to each expense category based on your own retirement plan.

3. Setting savings targets

Based on the desired cost of living in retirement, the next step is to convert this into a lump sum target. We help clients work out this retirement savings target with reference to the following considerations:

- How long is the money expected to last?
- Are you leaving an estate to beneficiaries and if so, how much?
- What is your risk profile as it will determine the type of investments you make?

Once a lump sum target has been determined, then put in place a regular savings plan to reach your desired savings goal. As the case study below shows, the earlier you start the more time your savings have to work harder for you.

Bronwyn

Bronwyn starts her retirement planning at the age of 30. Based on her budget, she worked out she can save $200 per month into her retirement savings plan. If she saved every month until age 65 she would put in a total of $84,000 of her own money. If the rate of return on her investments is 7% per annum (compounded monthly), she will accumulate a total of $360,210.92 at age 65.

$84K → 35 years → $360K

Brenda

Brenda, on the other hand delays her retirement planning until age 55. She budgets to save $1,000 per month into her retirement savings plan. If she does this until age 65 she would contribute a total of $120,000 of her own money. If the rate of return on her investments is 7% per annum (compounded monthly), she will accumulate a total of $173,084.81 at age 65.

$120K → 10 years → $173K

Even though Brenda is investing a higher monthly amount and a higher total amount, her accumulated savings at age 65 is less than half of Bronwyn's. The key difference here is the power of compounding. By starting earlier, Bronwyn has allowed her money to be invested for longer and therefore working much harder for her. It therefore pays to start earlier – quite literally.

4. Preserving asset longevity

As people are living longer, it becomes crucial that your accumulated savings is enough to fund your retirement for an extended period of time. So what are the important risks that you will encounter and need to manage?

Drawing too much income or making ad hoc withdrawals

This risk can manifest in a number of ways but in essence, it means you are withdrawing money at a rate that cannot be supported by your accumulated savings.

This can arise if:

1. You draw an income amount that is too high to start with
2. You make ad hoc withdrawals to pay for expenses
3. Your accumulated savings suffers a significant decline due to a market downturn

We can help manage this risk by working out what is a sustainable income rate based on your accumulated savings and adjusting this on a periodic basis.

We also review how the money is invested to ensure you don't take excessive risks
and the portfolio is diversified and resilient.

You live much longer than what you budgeted for

The Australian Bureau of Statistics (ABS) publishes life tables that are commonly used as a measure of life expectancy. Since they are based on historical data only and don't take into account improvements in mortality resulting from things like healthier diets and medical advances, it is likely the data underestimates your life expectancy.

Living longer than expected is a gift but also a source of risk, which requires more savings to give greater confidence that your money will last the distance. By planning just for your estimated life expectancy, you take on the risk that you will live longer , and therefore run out of money.

We can help manage this risk by add ing a buffer to your life expectancy calculations to ensure you don't outlive your retirement savings.

5. Selecting the right products

Whether it's to save for retirement, transitioning to retirement or providing retirement income, there is a broad range of financial products available. But knowing which products are the best to use can be difficult and confusing.

We have access to a research database incorporating a wide range of products to help you work out which ones are suitable for you. When recommending the right retirement product, we consider the type of vehicle or ownership structure to hold your funds as well as how the money is to be invested.

Retirement products can include such things as:

Superannuation	Account-based Pensions	Annuities	Insurance bonds
A special type of trust with very generous tax concessions to encourage people to save for their retirement but the rules on how the money can be contributed and withdrawn can be quite complex.	Provides tax effective income using funds from your accumulated superannuation savings. There is an ability to make lump sum withdrawals	An income stream for a fixed term or lifetime which can be funded from superannuation or ordinary monies. The money is locked in for a set period and lump sum withdrawals are not available during this period.	A special type of savings vehicle with the tax rate set at 30%. While the money is not locked away, if you hold it for 10 years or more, the capital growth becomes tax free.

Criteria for choosing which product

Accessibility
Some structures provide ready access to your funds while others restrict access for a period of time.

Tax
Tax rates can vary significantly depending on the type of vehicle or structure. From 0% to as high as 47%.

Estate planning
Different retirement products have different rules on how the money will transferred to your beneficiaries or estate once you pass away.

Investment options
Some products provide access to a wide range of investment options while others provide a very limited range only.

Fees and charges
It's important to understand the various fees charged and the level of fees to determine which is value for money.

Get in touch with Tribel

Contacting Tribel is easy. Call to speak to one of our advisors, or you can email us of find more information on our website.

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