PREPARE FOR LIFE

Spring 2020

IN THIS ISSUE

- The Super Question. How much is enough?
- Planning for Retirement? 3 things to consider at each age.
- Dementia – a fact of life?

THE SUPER QUESTION – HOW MUCH IS ENOUGH?

The COVID-19 pandemic has significantly impacted the superannuation savings of most Australians.

Firstly, the economic downturn resulted in investment markets heading south. Asset values have fallen, so superannuation balances have fallen, impacting both people saving for retirement and current retirees.

The second trigger is the ability for Australians to withdraw up to $10,000 of their superannuation in the 2019-20 financial year, and a further $10,000 between 1 July and 31 December 2020, upon meeting certain requirements.

While investment markets go through cycles that are as predictable as day following night, intentionally withdrawing money from superannuation early can have a more damaging effect.

Whether allowing people early access to their superannuation to help them weather financial hardship brought about by COVID-19 was right or not, is a question that gets emotions running high.

There is one school of thought – generally driven by the industry superannuation funds, and even former Prime Minister Paul Keating - that argues allowing people early access to their super is a bad thing. Their case is argued on the basis that withdrawing money from super means that less will be available for retirement when that eventually arrives.

The other side of the debate is driven by groups like the thinktank, the Grattan Institute, that argues the early release of superannuation should not really have any significant bearing on the superannuation savings when retirement comes around.

Whichever side is right, only time will tell.

There is, however, a bigger question to be considered. Perhaps it is the elephant in the room!

And that question is, "How much is enough?"

Does a person need a million dollars in super to be able to retire, or is the superannuation "sweet spot" somewhere closer to $300,000? What is the right answer?

Ultimately, how much a person needs for their retirement will depend on:

1. How much income they need for their preferred retirement lifestyle.
2. If they want a lump sum to replace their car, renovate their home, or undertake extended travel.
3. If they qualify for income support from the government such as the age, or a service pension.
4. Whether they are single or a member of a couple.
5. Their state of health.
6. How long the income will be needed for – a polite way of estimating life expectancy.
7. Whether they plan to leave funds in their will, or run their money down during their retirement.
8. If they take on some form of paid work in retirement.
9. If they are likely to receive an inheritance.
10. If there are other assets – e.g. a holiday home, investment property or a business.

By considering these factors, a retirement income profile can be constructed.

Importantly, once the preferred level of income is known, and some assumptions made around how long it is to likely to be paid for, it is possible to start to put together a plan that will test the likelihood of the preferred level of income being achieved.

Designing a retirement income plan is not something that should be left to the eve of retirement. Starting work on a retirement income plan some years before actual retirement will provide a much greater chance of success.

A financial planner is a great resource to be used to help you get your retirement plans into order. Planning will not guarantee success, but it will help to minimise the risk of failing to have the retirement you have always dreamed of.

1. Australian Financial Review, "Early Release of Super's Retirement Hit Exaggerated", 7 August 2020

PLANNING FOR RETIREMENT?
3 THINGS TO CONSIDER AT EACH AGE

Financial planning is a lifelong endeavour, and it's important to be putting in place the strategies that suit your lifestyle, but with one eye on the future.

As you move through different life stages, your resources and risk tolerance will change. Saving for your retirement looks very different at age 30 compared to age 60.

Whether you are starting out or closer to retirement, here are three things to consider at each life stage to help you plan for a comfortable retirement.

In your 20s: **START SAVING**

Retirement may seem a lifetime away when you are starting out in your career, but compound interest makes this decade the best time for you to set up the foundations of your retirement.

While your earning ability may be at its lowest, there are some ways that you can add extra into your superannuation account, which will pay off later down the track.

1. Get into good habits by setting a budget and following it. A financial adviser can help you develop a budget based on your goals and income.
2. Consider salary sacrificing a small amount each month into your superannuation. Even an extra $100 a month will have a big impact over the next 40 years.
3. There are lots of 'roundup' apps that you can download that will help you to invest the rounded-up cents of a purchase into either investments or into your super account

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In your 30s: **RAMP UP YOUR SUPER INVESTMENTS**

Now is a good time to focus on your superannuation investments.

If possible, try to invest the maximum extra amount that you can.

1. Review your superannuation investment strategy with your financial adviser
2. As you get pay rises, consider putting part (or all) as an extra contribution into your superannuation account
3. Build an emergency fund to help you should there be changes in your family or career

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In your 40s: **MAXIMIZE YOUR RETIREMENT CONTRIBUTIONS**

By the time you reach your 40s, you need to be saving as much as possible for your retirement.

1. Talk to your financial adviser to quantify what and how you need to save to reach your retirement goals
2. Your financial adviser can help you identify strategies for maximising your superannuation contributions
3. Review the ideal investment mix for you to help you achieve your savings goals while maintaining an acceptable risk level

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In your 50s and 60s: **START PREPARING FOR RETIREMENT**

Now your retirement is becoming more than an abstract concept. If you haven't already created an emergency fund, consider having one to help you meet any unexpected medical expenses and other costs in retirement.

1. It's time to again review your current superannuation investment strategy
2. Where possible, trim debt and quantify your savings as you prepare for the next stage of your life
3. A financial adviser can help you compile a comprehensive financial profile, assessing all your funding sources to figure out your ideal investment mix to provide income throughout your retirement

These are only starting point recommendations for saving for retirement through your life stages. Even in these disruptive times, everyone can benefit from a personalised retirement plan. No matter where you are in your life stage, speaking to a professional financial planner can help you figure out the ideal program for you to achieve your retirement plans.

DEMENTIA – A FACT OF LIFE?

Dementia is not a single disease; it's an all-encompassing term describing a range of symptoms.

Dementia affects memory, perception, behaviour, language and personality. Alzheimers is the most common and well-known form of dementia.

I am not going to attempt to outline the medical causes and the reasons in this article – I am not a doctor.

I do however understand the statistics and they are frightening – 1 in 10 Australians over the age of 65 will be affected and, even worse, if you make it to 85 your chances are increased threefold.

So how do you recognise if you or someone you care about is being impacted by dementia?

While the early stages of dementia are not easy to identify, be aware of:

Judgement: Decreasing or poor judgement calls

Memory: Frequent memory loss affecting daily activities

Thinking: Increasing inability with abstract thinking

Language: Forgetting simple words

Initiative: Demotivation and loss of initiative

Losing things: Misplacing items or leaving them in inappropriate places

Tasks: Difficulty performing familiar tasks

Personality: Changes in personality, mood or behaviour

Disorientation: With time and place

As we age, what can we do to minimize the risk factors?

Areas you can control include:

Physical activity: Remember to move

Mental stimulation: Read, do puzzles, learn new skills

Social isolation: Do not lock yourself away

Relaxation and sleep: Try to get a regular good night's sleep

Diet: Poor diet can affect your overall health, not just dementia

Smoking and excess alcohol: To be avoided.

Unfortunately, we can't control age and genetics.

One more area that we can have some control over is decisions about our financial circumstances.

It's important that you prepare for the possibility that you may require someone to make decisions on your behalf sometime in the future. Think about:

Power of Attorney: Who would you appoint? What type should they have? It's important that you appoint someone you trust, who is aware of your wishes, and has the competence to look after your financial affairs.

Will: Ensure your will is up to date and relevant to your circumstances. Your nominated executor of your estate should be competent, trustworthy and able to carry out your wishes.

Advanced Health Directives: These provide directions about how you wish to be cared for in certain circumstances.

It's important to have these difficult discussions with your family. Ensure they're aware of your wishes, and what you have put in place to manage your finances and your health. If you have a financial adviser, be sure your family knows who they are and, of course, make sure people know where your important documents are stored.

Waiting until your health starts to deteriorate is too late. If you are deemed not competent, a guardian could be appointed to look after your affairs with a family member operating as an administrator. *

*This can be different in every state.

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