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Years to Retirement

Everyone's dream of retirement is different, and no two peoples' retirement will be exactly the same. Of course, there may be some activities in common, such as where they choose to live or holiday, but everyone will 'retire' in their own way and will fill their days with activities that they personally enjoy. In fact, there is no 'ideal retirement'. Your 'ideal retirement' is the one that you want – you just need to find a way to create it.

Dreams and Goals

When you think about your retirement, what do you see? It is important to have an idea of what you will do to fill your days when work no longer takes up all your time. Who will you spend time with? How will you make that happen?

I like to think of this as the 'what', 'who' and 'how' of retirement.

• **What** are you doing?

- ☐ Holidaying and exploring?
- ☐ Eating out or eating at home?
- ☐ Playing sport such as golf, tennis or cycling?
- ☐ Working on a side project or hobby?
- ☐ Volunteering?
- ☐ Gardening?
- ☐ Some other activity?

GET INVOLVED

**IF YOU CAN, START A HOBBY
OR SPORTS NOW**

MASSEY
Financial Advice

• **Who** do you spend time with?

- ☐ Your husband/wife or partner?
- ☐ Family (children and grandchildren, brothers and sisters)?
- ☐ Lifetime friends?
- ☐ Former colleagues from work?
- ☐ Mates that you play sport with?
- ☐ New acquaintances?
- ☐ Your neighbours?

• **How** do you enjoy these activities?

- ☐ Do you travel economy class or first class (once you try business class, it's hard to go back)?
- ☐ Is dining out a cheap and cheerful affair, or a 5-star dining experience?
- ☐ Do you go to the theatre once a month, once a year or not at all?
- ☐ Do you play golf daily while sporting the latest set of high-performance golf clubs, or occasionally with your 30-year-old vintage set?
- ☐ Do you enjoy searching for second-hand items, or do you prefer to buy new?

Whatever your answers are, the key is to think about what you want your retirement to look like before you decide to hand in your notice. The more you think about what it is you really want, the more committed you will be to making it happen, and the easier it will be to know if you're on track. After all, it is better to know whether you're on track before you tell the boss you've had enough, rather than find out after, when it might be too late!

So, how do you know if you're on track? There are six key areas to consider: lending and banking, cashflow, superannuation, insurance, work and health and estate. Once you work through each of these areas, you're ready to seek out advice, and make a plan.

Lending and Banking

The first step is to review any loans you have and your capacity to repay them before retirement. The number and type of loans will determine the best order to clear them.

Consider the interest rates to determine which loans you should focus any spare cash towards clearing, as you'll want to pay off the highest first. Be sure to check for any early repayment penalties before proceeding.

If you have credit cards, develop a plan to use these effectively. 'Effective use' is typically using the bank's money for free on purchases and repaying the balance in full by the due date so you don't pay any interest. If you pay interest on your credit cards, create a plan to repay the debt and stop using the card.

If you have a personal loan, develop a plan to clear this by retirement, or sooner if possible.



If you have a mortgage, consider whether you will be able to clear this by retirement, based on your current incomes. You also need to balance this with being able to grow your retirement savings. If you will struggle to clear your debt by retirement, what other options do you have? Are you willing to sell property to clear debt before or after retirement? If so, what would be the best timing for this sale? Are you expecting some other sort of windfall that will help you clear the debt by retirement?

It is also important to consider your banking structure. Does it work efficiently? Is it effective for your money behaviour? Some people can be disciplined and use credit cards to their benefit by paying them off in full before the due date. Others need to structure their accounts with automated savings and bill paying and limit access to spending money. It is essential you understand how to manage your money behaviour to your advantage.

Cashflow

Next, work out how much you spend currently and how much you would like to be able to spend after retirement. The two amounts are not necessarily the same. Before retirement you will have work-related expenses, while after retirement these may be replaced with expenses for more activities, sport, travel and anything else you plan to spend time doing.

By understanding how much it costs you to live, you can better plan for how much you need to have in available savings in various forms. An additional valuable step when working out your current spending is to review things like phone plans, internet and insurances, and make sure you aren't paying too much.

Build up a cash reserve through disciplined saving. This can be useful in case of:

- *an unexpected loss of income, for example via redundancy or illness;*
- *a change in circumstances;*
- *major household repairs or maintenance, or a replacement car; or*
- *a medical issue which requires funding and time off work.*

If you have recently been paying private school or university fees for your children, make sure you have a plan to save the money that becomes available once the fees have finished. If you feel like you deserve to splurge, save a portion of the fees you were paying by automatic deduction from your income, and spend the rest.

Superannuation

You also need to understand what superannuation accounts you have. If you have multiple accounts, consider why and whether it would be better to combine them, being aware of any benefits you may lose. Find out how the money is invested within your super and make sure this suits your preference and time frame. Do a balance projection (there might be one on your statement) and work out whether this will be enough to fund your retirement.

Determine which contributions you should be making and the best time to make them. If you are considering selling an asset (such as your business), and this is going to form part of your retirement savings, make sure you think about the timing. This can affect both tax and the ability to contribute the proceeds to your super.

When the time is right, consider the benefits of a 'transition to retirement' strategy, where you keep working while drawing down some of your retirement benefits. This could help you reduce your working hours and still have the same after tax income. Or, if you continue working full time, it could help you boost your super balance and save on tax.

Insurance

Personal insurance premiums, such as for death, total and permanent disability, trauma and income protection insurances, typically increase as you get older. It is important to review your cover regularly to ensure it is still appropriate given your changing circumstances. This includes considering whether you have appropriate levels of cover. For example, as your mortgage reduces and your children have finished school and are (hopefully) less reliant on you, you might not require as much cover as previously. Any cost saving on the premiums you pay could reduce the amount paid from your superannuation (for insurance via super) or be used towards other retirement saving strategies.

Be aware that as you age it can become more difficult to increase or get new personal insurance cover, so always carefully consider any benefits you may lose before reducing your levels of cover.

Work

Start thinking about the next 10 years of work. Do you intend to work full time until you stop, or change to part time at some stage? Consider the impact a change to your work will have on your ability to save for retirement, and whether you are in a position to fund your retirement if you stop working earlier than expected. It is always best to have a planned end to your working life that happens on your terms, rather than a forced end via redundancy or due to ill health. While the potential for a redundancy can be a positive, you also need to consider the likelihood of finding another role.

Some people even continue to work beyond 'retirement' to keep busy and involved. If this is for you, consider whether you would like to work in the same role as currently, move on to a different role, or even pursue a hobby for income. If you are keen to pursue a new line of work, research what training you might require and commence this before you finish work, if you can. If the different role is available with the same employer, see if they are open to you working in this area to get some experience. As an added benefit, if they know you are interested you might be considered if a position becomes available.

Health and Estate

It is important to retain balance in your life through exercise, socialising and work. This ensures you stay healthy and happy. There is no point in working yourself into bad health so you are unable to enjoy retirement when you finally get there. Balance really is the key to life, both during your working days and in retirement.

You never know when tragedy might strike, so it is also important to consider your estate plan. Your estate plan is what happens if you are injured or pass away. You want to make sure your partner is left in a position such that they can enjoy the rest of their life without money worries.

Plan and Advice

The key theme from all of the areas above is to develop a plan. Ideally you would look at this 10 years or more prior to your planned retirement date. If you are closer to retirement than 10 years, then the time to act is now. And if you are more than 10 years from retirement, it is still a good idea to start planning. The earlier you start the easier it will be!

Whether you are five, 10 or 20 years away from handing in your final notice, the biggest risk to the quality of your retirement is to do nothing. It is much better to embrace this life-changing event and put a solid retirement plan in place so you can maximise your potential to have the retirement of your dreams.

About **Massey Financial Advice**



We specialise in helping professionals create a plan so they can achieve their goals and enjoy their retirement. We typically work with people from around 10 years before their retirement to help them make the most of their current position, make better financial decisions and maximise their retirement savings. Adam has a down-to-earth approach and tells it how it is. There is no judgement or benchmarking against others. The process is designed to help you move from where you are to where you want to be. The initial discussions are at our cost so you can get to know us and how we can help you. We then charge fees on an annual basis to guide you to a better financial position for your retirement, and beyond, so you can focus on enjoying your lifestyle.

Call now to arrange a convenient time to speak with an experienced Massey Financial Advice adviser.



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