Altus Financial

The Complete Guide

Retirement Planning

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Welcome

Retirement should be one of the most rewarding parts of life's journey – a time when we finally get to enjoy our achievements and spend more time with the people we love. And the plan for a better tomorrow starts today.

Thanks to advancements in medical technology and healthy lifestyles, we are living longer than ever before. This is great news! It means we have more time to spend with our families, pursue our goals, and enjoy the fruits of our labour. In fact, some people could spend one third of their lives not working.

Living past the age of 90 will be the norm for many Australians, and yet, most people still would like to retire at the traditional retirement age of 65 (or even young if their financial position allows it). As of 2012, MLC reported that current average life expectancies were 87 years for women and 84 years for men. In fact, for couples who are 60 years old today, there is a 50% chance that one of them will live to be older than 90 years old.

Author | **Matt Smith**

With so much time at your disposal during retirement, you can make big plans. This is the time you have worked for. It's a time to celebrate. But while longer retirements offer many benefits, they also offer financial challenges. The Australian Association of Superannuation Funds (ASFA) reports that there is a significant gap between the average super balance at retirement and the amount a couple actually needs for a comfortable retirement. Currently, that gap is over $510,000 for couples and $430,000 for singles.

In this Guide, we'll show you an outline for evaluating your retirement goals and making the plans that will help you to achieve them. In doing so, we'll look at the following:

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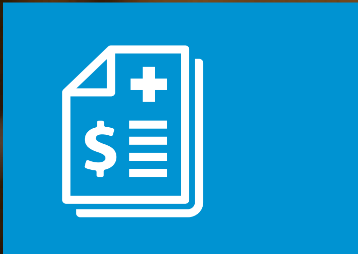
The Changing Definition of Retirement



Modern retirement certainly looks different than retirement looked for our grandparents. Years ago, people looked at retirement as a withdrawal or a retreat. It was a time for rocking chairs on porches and nostalgia for the good old days.

Today's retirement is different. The phrases, "third act," "evolution," and "transformation" come to mind. It's a time to start new interests or capitalise on the wealth of knowledge gained during your career. Retirement doesn't just mean the end of a career. With a well-planned retirement, you can turn your "third act" into a time of productivity, creativity, and leisure time. It can be a time to focus on your health and general well-being, especially if you've put these priorities off in the face of work and family responsibilities.

It's a time to start new interests or capitalise on the wealth of knowledge gained during your career.

Encore Job

Some people choose to keep a foot in the workplace by finding an encore job. While they provided for their families, they didn't have the flexibility of looking for a job they found fulfilling; they had to focus on a job that paid the bills.

Retirement can be a time to find a job that you've always wanted to try but didn't have the luxury of attempting. You may be able to cross over into a different industry, bringing the experience and wisdom of your years in the workplace during your "first career." Perhaps you've always wanted to start your own business but didn't have the luxury of taking the leap. Now may be the time.

Continue Learning

With decades ahead of you, why not continue learning and developing your skills and knowledge? Many retirees and pre-retirees find themselves back in school, not because they necessarily need to earn degrees or take classes but because it's satisfying and life-enriching to continue learning.

With local classes and online courses from around the world, it has never been easier to attain quality education. Your "third act" can certainly be more liberating when you spend some of your time in the lifelong pursuit of knowledge.

Leave a Legacy

With the skills and experience you've gained in your previous career and with your family and friends, you're in an ideal position to leave a legacy. Whether you volunteer on an ongoing basis or use your career knowledge to assist non-profit groups or charities, your community needs you, and you can make a real difference.

Enjoy a Liberated Leisure

Freedom may be the defining characteristic of retirement. With your finances in order, you are free from the daily demands of earning a wage. This freedom can allow you to be spontaneous in ways you never could while you were providing for yourself and your family. You're free to travel, to come and go as you please, and to make the most of your retirement years.

We Haven't Been Planning Ahead

The problem is that the planning for retirement has been postponed, and this time of our life is supposed to be our liberated leisure. Most Australians do not have a specific level they're saving for, and Australia has an estimated retirement savings gap of $1 trillion[1].

With careful planning, you can make sure that you are prepared to enjoy your retirement years to the fullest.

A collaborative study between researchers at Towers Watson and the University of Melbourne found that only 53% of couples and 22% of single people are on track to reach a comfortable level of income during their retirement years. Despite superannuation reforms dating back over two decades, inadequate retirement savings remains a big problem for a significant number of Australians. But you don't have be among those with a shortfall. With careful planning, you can make sure that you are prepared to enjoy your retirement years to the fullest.

[1] The Financial Services Council Longevity Savings Gap Report, Rice Warner September 2012

How Much Do I Need For A Comfortable Retirement?

Basic Living Costs

A good place to start is to consider your basic living costs. How much do you need in order to cover your day-to-day expenses during retirement?

According to ASFA, a single retired person can live comfortably on $43,000 per year ($59,000 for a couple). Their calculations indicate that a comfortable lifestyle enables “an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things as; household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel.”

The problem is that the Age Pension doesn’t provide nearly enough for the “comfortable lifestyle” spelled out by ASFA. The Age Pension currently provides $22,365 for a single person and $33,717 for a couple, just slightly more than half of what’s need for the previously described comfortable lifestyle.

Cushion for Emergencies

Just as it’s wise to have an emergency savings account now to handle auto repairs, health emergencies, and other unplanned costs, it’s a good idea to provide yourself with a cushion during retirement.

You never know whether family members will need your help in the future, and it’s comforting to know that you have some back up funds if you need it so you won’t have to depend on the charity and goodwill of others. The size of your cushion depends on your level of comfort and your tolerance for risk.

It's impossible to know if you've saved enough for retirement without calculating how much you'll need. If this amount were the same for everyone, it would be very easy to calculate. But the truth is that everyone is different and everyone has different expectations as to what their ideal retirement looks like. You may need more or less money for retirement than your neighbour, depending on your goals, debts, lifestyle expectations, family situation, social life, and more.

Inflation

When we talk about retirement planning, we usually talk in terms of "today's dollars," which can be confusing when you're looking into the future 20 to 30 years. Let's say you want to live on $50,000 per year during your retirement. You're probably thinking about what $50,000 can buy you with today's dollars. However, if prices increase 20% over the next six years, then in six years' time you'll need $60,000 to match todays' spending of $50,000 per year.

The way to combat inflation is to invest your money in a range of investments that will keep up with inflation. At current interest rates, keeping your retirement money in a savings account is not very effective as you will be throwing some of your savings away each month.

In 20 years' time, your retirement savings will be worth about half in terms of what you can purchase with that money today. For this reason, it's important to keep inflation in mind when we're talking about retirement.

One of the best ways to provide for your future basic living costs, a reasonable cushion, and the demands of inflation is to invest regularly in your super. Your employer must contribute superannuation guarantee (SG) contributions to your super fund. The current SG rate is 9.5%, but you can contribute more than the mandated 9.5% if you so choose. Let's take a look at the benefits of super.

Benefits of Super

Superannuation is a method of saving for retirement, and it has multiple benefits for future retirees. As we mentioned before, your employer must contribute 9.5% to your super fund, and in the future this amount will gradually increase to 12%. In the meantime, you can contribute more with your own money, and this is wise, generally speaking, because you'll need more than the Aged Pension provides if you want to live comfortably during retirement.

Not only does your super help you to save for retirement and overcome the obstacles of inflation, but it also provides the following important benefits.

TAX ADVANTAGES

Money you invest in your super fund is taxed at three different stages:

- when your money enters your super (i.e. when you contribute to super)
- while it earns money (investment earnings)
- when it leaves your super (receiving your super benefits)

With an understanding of super taxation, you can take advantage of tax concessions that will help you to meet your retirement planning goals.

Taxes on Contributions

Not all super contributions are taxed equally. Employer and salary sacrificed contributions are usually taxed at a rate of 15%. However, if you earn less than $37,000 annually, the taxes you pay on super contributions will be added back into your super fund via the Low Income Super Contribution. On the other hand, if your annual income is more than $300,000**, your tax rate on super contributions will be more than 15%. Personal after-tax contributions are not taxed.

If you transfer money from one super fund to another (due to switching super funds or consolidating multiple supers), you don't have to pay any additional tax.

Taxes on Investment Earnings

Investment income earned in your super is taxed at a maximum rate of 15%. If you have capital gains on assets held for more than 12 months within your super fund, they will be taxed at 10%. Taxes on investment earnings can be a little complicated. For example, a growth fund within your super may only have to pay 7% tax because of a tax credit given to funds with dividend income. Your financial adviser can help you to navigate taxes on investment earnings.

***Proposed Budget legislation would have the threshold reduced from $300,000 to $250,000 per annum, from 1 July 2017.*

Taxes on Super Withdrawals

When the time comes for withdrawing money from your super, you can take an income stream (regular income) or you can withdraw all or part of your money as a lump sum. However, if you collect your benefit as a super income stream and you are age 60 or over, the benefit payment will usually be tax-free.

Super Income Streams

Also known as pensions and annuities, super income streams can be account-based pensions that don't have a set time period or annuities, which are fixed for a specific time period.

The taxable components of your super income streams are employer contributions, salary-sacrificed contributions, and contributions by self-employed people who have claimed a tax deduction. The tax-free components consist of after-tax contributions and government co-contributions.

Once you're over the age of 60, the benefits you receive from a taxed super fund are tax-free. In other words, you've already paid your taxes up front, so you don't have to pay taxes again when you withdraw the money.

For people between the ages of 55 and 59, no tax is payable on the tax-free part of your income payment. The part of your income payment that is taxable will be added to your taxable income. A 15% rebate of tax may be available to people 55 years of age or over of superannuation pensions paid from a taxed fund. The rebate is available on the amount of the pension which is included in the recipient's assessable income.

People under the age of 55 generally have no access to their super. Rare cases may include instances in which someone becomes permanently disabled. In such cases, taxation would be similar to taxation for people between the ages of 55 and 59.

Concessional Contributions

Another benefit of contributing to your super is the use of concessional contributions. Concessional contributions are before-tax contributions made either by your employer or by you. These contributions are taxed at 15% when they enter your super fund. With the marginal tax rate as high as 49%, your money may be much better used as a concessional contribution to your super.

Super vs. Mortgage

People wonder if they'll be better off paying down their mortgage quickly or investing extra income in their super. If you have some extra income, you'll want to make good use of it. But what is the best use? There isn't a one-size-fits-all answer to this question, but there are some points for you to consider as you make your decision.

Liquidity

If you're looking for a way to access your money before you retire, you may want to consider paying down your mortgage. The money you send to your super will not be accessible until you retire or reach your preservation age. If liquidity is important for you, you may want to consider sending your extra cash to pay down your mortgage.

Liquidity aside, however, there are many good reasons to send your extra income to your super. All of those attractive benefits of retirement that we talked about earlier - freedom, new hobbies, social time with family and friends - depend on you having enough money to live comfortably during your retirement years. Contributing more to your super now is one of your best bets for reaching that goal.

The following are some other factors to consider when making your decision between investing in your super or your mortgage.

Advantages of Salary Sacrifice

If your marginal tax rate is higher than 15% (and this is the case for most working Australians), then making extra super contributions via salary sacrifice can help you to reduce your taxes. Let's say that you earn $80,000 a year and your marginal tax rate is 32.5%. If your salary sacrifice is just $100 per month ($1,200 per year) from your after tax income, you would contribute $1,557 to your super fund (the $1,200 equates to $1,832 before tax).

To make the comparison, you could pay down your mortgage with that $1,200, or you could put $1,557 into your super with the same amount of money. When you think of it this way, your money stretches farther when you contribute it to your super.

After Tax Contributions

When you make additional contributions to your super from your after-tax income, you don't receive the same tax benefits you derive from salary sacrifice. A $100 after tax contribution increases your super fund by $100, just like a $100 additional principal payment reduces your mortgage balance by $100. Deciding between after tax super contributions and mortgage payments is a toss-up and the right choice will ultimately be determined by the investment performance of your super fund verses the interest rate on your loan.

Government Co-Contribution

If you invest in your super, you could take advantage of the government co-contribution if you make an after-tax super contribution and you earn less than $50,454. It's not necessary to apply for the government co-contribution. If you're eligible for this benefit and the super fund has your tax file number (TFN), the government will automatically pay the co-contribution to your fund.

Super Considerations

As you develop your retirement strategy plan, there are several things you should take into consideration, such as contribution caps and accessibility.

Caps

Each year of your employment, you're entitled to make contributions to your super. If your contributions exceed certain amounts, however, you could be hit with a penalty tax. Therefore, it's important to keep these caps in mind.

Concessional Contributions Caps

Concessional contributions caps are relate to before-tax contributions. These include your employer's compulsory contributions (SG contributions), additional contributions made on your behalf by your employer, and salary sacrifice contributions. Salary sacrifice contributions are made through arrangements with your employer.

If you're self-employed or unemployed, you can declare concessional contributions on your individual tax return. In order to do this, you have to lodge a notice of intention to claim a tax deduction with your super. Concessional contributions caps depend on your age. Currently, the cap is $30,000 for people aged 48 or under, and $35,000 for people aged 49 years or over. **

Keep in mind that the cap includes both SG contributions and salary sacrifice contributions. Coordinate with your employer to make sure you stay under the cap.

***From 1 July 2017, this concessional contributions limit is proposed to be reduced to $25,000.*

Non-Concessional Contributions Caps

Also known as after-tax contributions, non-concessional contributions are also subject to a yearly cap. The current cap for after-tax contributions is $180,000. If you're under the age of 65, you can bring forward up to two years' worth of non-concessional contributions in a single year. Using today's cap that would mean you could "bring forward" $540,000 in one year.

Please be aware of the proposed $500,000 lifetime non-concessional contributions cap. For more detailed information relevant to your situtation, please contact your Financial adviser.

Super Funds Are Not Accessible Until You Reach Your Preservation Age

As you make your plans, keep in mind that you will not have access to your super funds until you reach your preservation age.

What is my preservation age?

Date of Birth	Preservation Age
Before 1/6/1960	55
1/7/1960- 30/6/1961	56
1/7/1961- 30/6/1962	57
1/7/1962- 30/6/1963	58
1/7/1963- 30/6/1964	59
From 1/7/1964	60

For most people, it's very helpful that these funds are not accessible until your preservation age (or you meet another "condition of release"). It helps us to resist the temptation of using our savings for something other than their originally intended purpose.

Benefits of Transition To Retirement Strategies (TTR)

Talk with your financial adviser and family to discuss whether or not TTR is right for you. It's a great option to have. Let's talk about some of the many benefits of TTR.

Employment Flexibility

You never know what twists and turns your employment will take. Perhaps you've been planning on retiring at 65, but you're suddenly offered a once-in-a-lifetime position at the age of 64. Giving up your employment suddenly doesn't look as attractive as it once did. With TTR, you can maintain your flexibility - keep your options open. In a scenario like this one, you can continue to contribute to your super while you enjoy a position that crowns your career.

Another speed bump of life may lead to increased family responsibilities. You may find yourself caring for aging parents or children or grandchildren. With the TTR pension, you can scale back your working hours so you can have time for other obligations. In order to make up for the lost wages, you can start drawing on your super. Again, the flexibility available through TTR can be very helpful during this dynamic stage of life.

Extra Income

If you haven't saved as much as you wanted to during your younger years, you can make up some ground during the transition between working full-time and retiring. If you continue to work full-time and contribute to your super, you'll gain peace of mind knowing you're still contributing to your future.

Maximising Your Retirement Income

The longer you put off collecting benefits from your super, the longer your money will last. Therefore, if you can continue to contribute to your super as you transition to retirement, you'll be in a better financial position later on when you're fully retired.

Pay Less Tax

You may be able to save thousands of dollars in taxes by using a TTR pension during your working years after the age of 55. Since you don't have to pay taxes on the money you receive from your TTR pension after age 60, and since you receive tax free investment earnings on your pension account, this is a great time to use your earnings to really work for you - instead of paying those earnings in taxes.**

*** Under proposed budget measures, from 1 July 2017 all TTR pensions are expected to be taxed at a maximum of 15%.*

Ease Into Retirement

The move from full-time work to retirement can be difficult. If you make that transition overnight, you may face some of the emotional difficulties of retirement: irritability, emotional stress, or feelings of loss.

Many people find that a gradual change works much better for them than a sudden change. Socially, it can be helpful to still see your co-workers while you're building new relationships during retirement. Financially, you can keep your peace of mind, knowing that you're still contributing to your super while you're testing the waters of your new financial situation.

FAQs About The TTR Pension

Can I Keep Working?

Depending on your age, income cap, and tax situation, you may or may not be able to keep working. This is a key question to discuss with your financial adviser. In some cases you might need to keep working in order to meet your retirement goals. In other cases, you may need to scale back.

Does TTR Affect Future Financial Decisions?

Every financial move you make will affect future financial decisions, and this is certainly the case with TTR. When you use TTR to leave your money in your super fund a while longer, you'll have more time in the long run to make decisions and allow your money to grow. You can keep contributing to your super if you feel you need more money to reach your retirement goals. Also, this will help you avoid selling any investments during a downturn in the economic markets; which can make a huge difference in your standard of living.

What are the tax implications?

You should also consider the way TTR may affect your taxes. While your money remains in your super, your investment earnings will be taxed at a rate up to 15%, which may be more than you would be charged in a traditional retirement income stream.

Is my current super fund compatible with TTR?

This is a great question for your financial adviser, and it's an important one. Not all super funds offer transition-to-retirement pensions, so you'll need to find out if this option is available to you.

Does TTR affect my SMSF?

If you're over the age of 55, you might consider accessing your super via a lump sum payment, or you might consider instigating cash-based pension payments from your SMSF. However, in order to do these things, you need to meet certain criteria.

First, you need to make sure you meet a "condition of release" before your fund can start paying you super benefits. Some of the appropriate "conditions" include your age , incapacity, financial hardship, retirement from the workforce, or death. If you haven't yet retired and you're over the age of 60, super benefits withdrawn from your TTR are tax-free, even if you're still employed.

The Trustee(s) of your SMSF must decide what type of pension to pay the member: an account-based pension or a transition to retirement (TTR) pension. There are more restrictions on using a TTR pension than an account-based pension, so you'll need to sort through the details and see if the TTR option would work for you. Generally speaking, with a TTR, a minimum pension payment has to be paid each year, but no more than 10% of the balance can be paid in any given year. Also, you can't convert your TTR to a lump sum. You can, however, commute the pension and cash out, but you have to have reached your preservation age. Contribution caps still apply.

TTR Case Study

Mark is 60 years old and has worked at a consulting firm for 20 years. Before he retires in a few years, he wants to boost his super savings. He currently earns a salary of $80,000, and he doesn't want to sacrifice his lifestyle while he boosts his super fund.

He already has $300,000 in his super fund, so he begins to draw down on that amount with a TTR pension. At the same time, he salary sacrifices $27,600 into his super in the first year.

	Before TTR Strategy	After TTR Strategy
Taxable Salary	$80,000	$52,400
TTR Pension Payments	Nil	$18,002
Tax and Medicare	($18,747)	$9,149
Net Annual Income	$61,253	$61,253
Contributions to Super	$7,400	$35,000
Tax on Contributions	($1,110)	($5,250)
Net Funds	$67,543	$73,001
First Year Gain from Strategy		$5,458

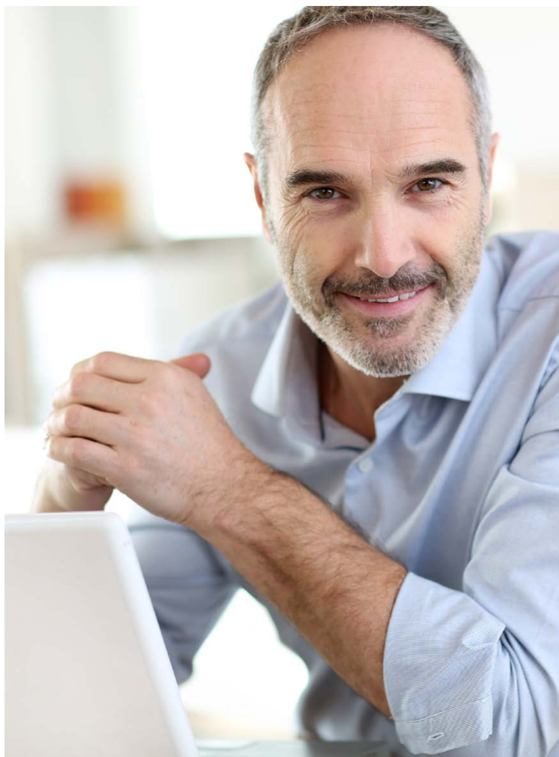
As you can see, Mark's TTR strategy pays off, with more than $5,000 extra going into his super fund.

Other Super Strategies

As you make important decisions regarding your future retirement and your long-term financial goals, you'll want to consider as many options as possible. The following super strategies can help you to explore all of your options.

Consolidate Your Super

If you've been employed at more than one company during your career, chances are that you have more than one super account, particularly if you usually opt for your employer's default super fund. Consolidating your various super funds has several important advantages.



Stay Informed

With everything going on in your life, it's hard to stay informed about your super account, but if you have several super accounts, this task becomes nearly impossible. When you consolidate your super, you make it much easier to manage, and it's more likely that you'll stay informed.

Reduce Fees

If you have five different super accounts, you're paying fees to five different companies. Over decades of management, you could be racking up tens of thousands of dollars in fees. By consolidating, you reduce the amount of fees and insurance you have to pay. Use your hard-earned dollars in financial growth, not in management fees.

Make Personal After Tax Contributions

Personal after-tax contributions are in addition to your employer's compulsory 9.5% contribution and do no not include salary sacrifice contributions. You may want to make these after-tax contributions if you have already met your concessional cap and want to contribute even more to your super. Remember that there is a non-concessional cap, but it's $180,000, so you have plenty of room to play with. **

** Please be aware of the proposed $500,000 lifetime non-concessional contributions cap.

Make a Spouse Contribution

If your spouse doesn't work or earns a low income (less than $13,800), you can make a spouse contribution, which offers an 18% tax offset (up to $540). Certain conditions apply between the ages of 65 and 69, but if you qualify for this contribution, it can be a great way to build your spouse's super fund while taking advantage of tax benefits. Superfund members are able to split up to 85% of their concessional contributions to their spouse. These contributions could have the impact of balancing out spouse member accounts. This becomes particularly beneficial given the proposed $1.6M cap on the amount that can be transferred into a tax free retirement income stream.

Consider Capital Gains Taxes

If you're cashing out other investments, you'll need to consider how capital gains taxes will affect your overall retirement plans. Capital gains taxes can quickly eat up your profits if you're not careful. This becomes a big concern when you take a lump sum payment from your super fund.

If your lump sum withdrawal from your super involves the sale of fund assets, then any capital gains from the sale are subject to earnings tax, but they will be tax-exempt in the pension phase.

To Be Advised or Not To Be Advised?

Do you need a financial adviser to help you through these decisions and transitions? That's up to you. If you're well-versed and comfortable with investing, and you are well-informed about recent legislative and legal issues surrounding Australian retirement issues, you may do very well on your own.

Our experience has been that advice that is properly tailored to your own particular situation and optimised for taxation will yield results that have a far better chance to take you toward your goals. This may involve combinations of strategic investment advice, structuring, superannuation, risk management, disciplined and regular review etc – all of that is available here at Altus.

Make the Most of Your Super When You Retire

After working hard and salary sacrificing all this time, you really should make the most of your super when you retire. After all, once you retire it's time to reap the harvest you've been storing away all these years. If you start planning early, and are prepared, your plans will come to fruition.

Start a Pension

It's not necessary to be receiving a super pension (also known as a superannuation income stream) in order to reach your super benefits. The advantage of starting a pension is that you get access to tax benefits you wouldn't have without your pension.

Money your super earns during the accumulation phase is taxed at 15%, but when your super account is in its pension phase, earnings are exempt from tax. Therefore, starting a pension means tax-free earnings. If you're under the age of 65 and you want to access your super benefits, look into a TTR pension. Please note, that the proposal in the 2016 budget will mean TTR strategies may incur a maximum of 15% income tax.

Protect Your Family

At this phase in your life, you may feel sandwiched between the generations. If your parents are still around, they probably need your assistance in some way or another. Likewise, if you have children, they may still need your support and guidance. Consider your current financial obligations as a prelude to thinking about how to protect your family

Obligations

In order for your family to live the life they're used to and to be financially prepared for the future, you really should consider the following:

- Mortgage or rent
- Current and future debt
- Living expenses
- Super contributions
- Current and future wealth
- Children buying homes

If you have planned well and your life continues on its pre-planned course, all will be well. But we all know that unexpected things happen. People lose their jobs, accidents happen, and the best-laid plans can be thrown off-track. It's much easier to enjoy the present when you know you have plans in place to cover possible future problems. The best place to start in creating those plans is to assess risk.

Assess risk

If something were to happen to you while you're in this "sandwich" phase of your life, have you considered how your family continue on? What about the consequences of you becoming incapacitated? As awful as it sounds, would they be able to continue to survive financially if you were to die suddenly?
Think carefully about what would happen in your current financial state:

- Would your family need to sell or downsize the family home?
- Would your non-working spouse need to return to work?
- Would your working spouse have to find a second job?
- Would your spouse have to delay retirement?
- Would your family have to cut back on luxuries like holidays?
- Would they be able to pay off the mortgage?

These are difficult, uncomfortable questions, but hopefully they will help you analyse your current situation and see where you could improve your family protection plan. Instead of relying on your family to take extra jobs and cut back on their standard of living, seek a better alternative.

Retiring With Debt

The average Australian has $50,000 in debt when they retire. Have you considered how your debts will affect your retirement? Will a sizable percentage of your super distributions go to paying down your debt?

Let's take a look at some strategies for dealing with debt during retirement.

Retain the Debt

If you don't plan on paying off your debts before you retire, you'll want to think about how you can stop incurring additional debts in the future. In this way, you can begin paying down your debts a little at a time, starting with your highest-interest debts. Once you pay off your highest-interest debts, begin on the next highest. In this way, you'll pay off your debts in a fiscally smart way. The key is to resist the temptation to incur more debt while you're paying off your old debts.

Repay the Debt

If you want to start retirement with a clean slate and no debt, you may want to consider paying off your debts with a lump sum from your super. Depending on how much debt you have, this can take quite a chunk of your super, which reduces your future earnings on your savings. On the other hand, you will save a lot of money on debt interest, which you would end up paying later with funds from your super.

Estate Planning

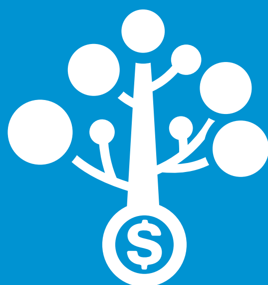
Finally, as you're finalising your retirement planning strategy, this is a great time to look at estate planning. With your retirement plan and your family's immediate needs taken care of, you're in a great position to dive into the kind of planning that puts the last few puzzle pieces into the puzzle.

Which Assets Form an Estate

What exactly is an estate? This is a great question - it's one that many people find confusing, especially because some assets could be a part of the estate or not, depending on action taken before the owner dies. The following table should help.

Estate Assets	Non-Estate Assets	Depends on Action Taken Pre-Death
Personally owned bank accounts, term deposits, listed securities, and managed funds	Assets held in a discretionary family trust	Superannuation
Interest in a private company or unit trust	Interests in assets owned via a "Joint Tenancy" arrangement	Life Insurance
Interests in assets owned via a "Tenants in Common" arrangement		

Dealing with Estate Assets



Identifying estate assets is the first step, but once you've done so, you need to figure out what to do with them.

- Think about who you would like these assets to pass to
- Seek legal and financial advice
- Decide on what type of Will is most suitable for you

If you don't nominate a beneficiary for your super, it will be out of your hands. These cases rarely turn out like their owners would have wished.

A beneficiary nomination is basically a will for your super account. The important thing to understand is who you can nominate. You can nominate your spouse, your child, someone who is financially dependent on you, or who you are in an interdependent relationship with. This means for most of you, you can't nominate your parents, or siblings.

If you don't have one of these individuals to nominate, we suggest you nominate your 'Legal Personal Representative' which means your estate will receive the funds.

You've worked so hard to care for your family and take care of their needs. Don't neglect to finish the details of this prepara ion. Dealing with estate assets ahead of time, while you have a comprehensive plan for your financial future, is one of the best investments you can make for your family.

Discuss with an adviser what kind of Will you should use: a Standard Will, in which ownership and control of assets passes to your beneficiaries, or a Testamentary Trust Will, in which ownership and control of assets pass to Trustees. The Trustees manage distribution of income and capital amongst your beneficiaries.

You should also make arrangements for your superannuation pensions and any insurance policies you have that exist outside of our super fund. And last but not least, include in your Will your wishes regarding powers of attorney, guardianship, and advance health directives.

Conclusion

We're living longer than ever before, and when you're well-prepared and financially secure in your future plans, it's possible to live better than ever before as well. We've touched on the changing definition of retirement, the many possibilities ahead, and how to plan for our later years. We've talked about many different strategies for easing into retirement, for maximising contributions to superannuation accounts, and for reducing overall tax burden. We've also, discussed ways you can care for your family's well-being in cases of emergencies and unexpected twists and turns in life.

The next step is up to you. Like we mentioned earlier, there's no one-size-fits-all answer for retirement. Your life is uniquely your own, and as such, your retirement plan needs to be uniquely fitted, just to you.

We at Altus Financial are here to help you. If you have specific questions about superannuation, taxes, or insurance, give us a call. Or if you would like to sit down and have someone discuss your personal financial goals with you and help you make a plan, we can do that, too. We look forward to talking with you.

Are you ready to maximise your retirement goals?

Altus Financial can help you put your plan in place.

CONTACT US TODAY

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