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Living the retirement you deserve



Retirement could be the best period of your life. It's also a time of great change.

You'll have more time on your hands and in most cases, you've received that last pay cheque and have some major decisions to make. The size of your retirement nest egg is often a major factor in determining your lifestyle. Regardless of your financial situation, you have choices. This LifeGuide is designed to provide a framework to help you consider your options.

Considering retiring?

You need to consider how much it's going to cost you to live your ideal retirement and also factor in any one-off expenses such as a major trip or a new car. Remember there will be some expenses that you will no longer have, for example the cost of travelling to work. You may decide to continue to work and begin a transition to retirement strategy, where you can help boost your superannuation to enhance your retirement nest egg or work less hours and draw from your existing super. You should seek professional financial advice to determine what's right for you.

Take stock

Now is a good time to take stock and find out where you are at financially.

List your assets: including your home, savings, cars (caravans, boat etc) and your investments; (managed funds, shares, property, cash management accounts, term deposits and superannuation).

Then list your liabilities: mortgage, credit cards and other debts.

Deducting your current liabilities from your current assets will give you some idea of your net worth. To help you'll also find some great tools and calculators at www.moneysmart.gov.au

How much disposable income will you have during your retirement? Some retirees are well off on paper, but don't have a lot of money. In other words, they're 'asset rich, cash poor'. They own their home and other non-liquid assets, yet may have to scrape together enough money to pay the bills and buy the weekly groceries.

However there are steps you can take that could help to maximise your retirement nest egg.

Here are some things to consider.

- If you're 50 or over, you may be able to make additional pre tax contributions. The minimum concessional tax rate of 15% is applicable. *For more details on superannuation contributions visit www.ato.gov.au
- There's also a limit on the after-tax superannuation contributions, from which no tax will be deducted in the fund. For the 2013/2014 financial year the limit on after-tax contributions is \$150,000.

- If you're 55 or over you may have the option of easing your way into retirement through a transition to retirement strategy. This means cutting back your working hours but maintaining your income level by taking a regular 'income' from your superannuation in the form of a non-commutable pension.
- If you are under age 65 at any time during the financial year, you can bring forward the next two years' non-concessional contributions caps (providing you haven't already done so in the two previous financial years). The cap for 2013/2014 financial year for brought forward amounts is \$450,000. This effectively creates a three-year block period where total non-concessional contributions cannot exceed three times the first financial year's non-concessional contributions cap.
- If you're still working after age 65 you may be eligible to continue making tax deductible superannuation contributions until age 75.
- If you're Age Pension age or over and still working you may qualify for a work bonus. Under the work bonus, the first \$250 earned per fortnight in employment income is excluded from the income test. Contact Centrelink for more information.

Have you just retired?

If you've just retired the decisions you make now may impact the rest of your life. Upon retirement, your accumulated super savings can be maintained in the superannuation environment while you consider your options. Before we go any further, some things to understand about superannuation upon retirement include the following:

- if you're 60 or over and receive either a lump sum or a regular income (such as annuity or pension) from a taxed source then it's tax free
- you're not required to include in your tax return any lump sum superannuation benefits and pensions paid from a taxed source after you reach age 60
- for every \$1,000 in assets over the assets test threshold you'll lose \$1.50 a fortnight in Age pension. Your pension entitlements could also be impacted under the income test.

If you haven't already done so, now could be the time to develop your post retirement strategy. Think about some of the points examined below and opposite.

Your ability to go it alone

With time on your hands, and the right skills, you may decide to manage your own financial affairs. Or this may be the last thing that suits or interests you. Either way, you should consider talking to a qualified financial planner.

The ideal financial planner will take a holistic view of your current circumstances, lifestyle and future goals now that you've retired. The right planner will work with you to develop a plan that is tailored to your specific needs.

These are likely to include:

- advice on the best use of your super
- calculating how to spend your income during retirement
- advice on investment solutions that will provide your retirement income.

Our LifeGuide to Investing for your future and Understanding financial planning can help you establish what's right for you and provide handy hints to help you find the right professional services.

Your budget

You should think long and hard about your budget and exactly what sort of income you may need now and in the future.

This can be a complex exercise, some experts suggest you can determine a ballpark figure by budgeting to have 75% of your current income to live on. However, this may not be suitable for you.

You also have to factor in one off costs such as a trip, a new car or home renovations, inflation and any tax you may be liable for. If you are going to want to take that trip or buy a new car the timing and size of your withdrawals from your savings need to be made with a view to your life expectancy and the possible need to buy into an aged care facility.

Given your change in lifestyle, your budget will often change and may need to be adjusted over time. Again, a qualified financial planner may be able to help.

Your 'bad' debt

This is debt that's not secured against investments that are producing income or growth. Generally it's advisable to clear your credit cards, personal loans and home loan as soon as you can.

Your time frame

Considering your mortality is not a fun exercise but it plays a part in your retirement planning.

According to Australian Institute of Health and Welfare figures the current life expectancy for women in Australia is 84, for men it's 79.

For tips to living a longer healthier retirement go to www.mylongevity.com.au

Your need for growth

Don't overlook the need for capital growth. Putting all of your money in secure but low growth investments may not provide the lifestyle you desire. Some exposure to growth investments over the long term could improve the longevity of your retirement nest egg. So consider looking for investments that provide regular income, as well as growth.

Your risk profile

Generally, the higher the potential returns, the greater the risk, and you don't want to spend your retirement worried about money. Some people wouldn't worry if part of their investment suffered short-term fluctuations. But they'd be a lot less comfortable if they invested in a highly speculative area and lost their entire nest egg. The key is to spread your investments, giving you a balance that allows you to reduce your exposure to short-term fluctuations.

You may decide to delay your retirement. There are government incentives to encourage you to stay in the workforce and top up your superannuation.

Your lump sum

This LifeGuide is meant to provide a general overview of some key areas. Space doesn't allow us to cover all the options for increasing and investing your lump sum. But we'll briefly examine a few common considerations.

Selling the family home

You can top up your retirement nest egg by selling the family home and buying something less expensive. If the home has been your principal place of residence as defined by the Australian Taxation Office (ATO), then it's likely any capital gain you make may be tax free. Think carefully, include seeking professional advice before taking this big step and work through all the pros and cons.

Making the most of your retirement includes not losing sleep over your finances.



Make sure you examine the costs of buying and selling property. Once you've paid agent's commissions, taxes, spent money renovating or altering the new home, purchased new furniture and so on, the final changeover mightn't leave you with as much extra cash as you'd hoped. For more information have a read of our LifeGuides to *Selling your home* and *Buying your new home*.

Also make sure you consider your lifestyle needs. Many people dream of making a sea or tree change, and for some, it's the ultimate retirement lifestyle escape. For others, moving away from family and friends proves difficult.

If you've sold your home in the city and purchased something cheaper in the country, you may find you're unable to afford to move back.

Reverse mortgages

One option is a reverse mortgage, where you can borrow money against the value of your home. In most cases, you don't have to make loan repayments until you move, sell or die.

You need to understand that you'll be eating into the value of your home. If you plan to use the proceeds from the eventual sale to buy into aged care or to leave an inheritance, this may be compromised.

Given the nature of compound interest and fluctuating house prices, there may be a risk of negative equity. Make sure you read the fine print carefully.

Investing your lump sum

As mentioned, you can use your nest egg to provide a regular income stream through a pension or annuity.

- **Account-based pensions** are only available from superannuation funds and can only be purchased with superannuation benefits.
- **Annuities** can be purchased from life insurance companies using superannuation benefits or, in some cases, other savings.

Understanding how long you may need your income to last will play a role in deciding where to invest. And remember to factor in the impact of inflation. If your after-tax income doesn't keep pace with inflation, your buying power and lifestyle could be compromised. You should also plan to set aside funds for one-off purchases such as a new car, holidays or eventually buying into an aged care facility.

In terms of a pension or annuity that delivers an ongoing income, there are any number of products to consider. You should do your research and get professional advice. As for the basics, your choices broadly include:

- an income to last for a specified term, which may leave you reliant on the age pension after the term ends
- an income that depends on the investments you select rather than a set term, which may leave you reliant on the age pension when your account is exhausted
- an income that's guaranteed for your life and/or your partner's life.

In determining their ongoing income, some people prefer to receive more money in their early retirement years when they're active and travelling. Others may enjoy the security of knowing that their income will last as long as they do and that they won't have to rely solely on the age pension.

Make sure you understand the costs and the different returns you may receive from the various options.

The Age Pension

Depending on your circumstances, you could be eligible to receive the Pension Supplement, which provides assistance with things such as prescription drugs, utility payments, your phone bill, travel and so on. You can obtain more information through Centrelink at www.humanservices.gov.au.

These benefits are why many people organise their finances to allow them to receive at least some pension. How much (if any) pension you're entitled to depends on these criteria:

- your assets
- your income
- single/married
- homeowner/non homeowner.

Each person's situation is different, but to illustrate the point, our examples on the next page are based on a couple living together and owning their own home. Your home isn't included in the assets test.

The assets test

Assets can include cars, boats, home contents, savings and investments. Any money owed on these assets is taken into account.

The age pension is scaled back until the asset level reaches \$1,092,000 after which there's no entitlement to any age pension.

If you're travelling within Australia, the best place to start is often the relevant state or territory tourist bureau.

The income test

Income can include any income generated by working or from investments – we'll discuss this further when looking at 'deeming'. Once a couple earns more than \$276 (per fortnight, combined) their government pension will be gradually reduced to \$0 once their income reaches \$2,713.60 (per fortnight, combined).

The test that gives the lowest pension rate is the one that applies. For example, this couple is entitled to a full age pension of \$1218.80 (includes pension supplement) per fortnight (combined). But if they earn \$276 per fortnight (combined), they're entitled to a slightly reduced pension.

The income level triggers the lower pension rate under the income test. The figures above for the Assets test and Income test apply to homeowner couples from 1 July 2013. Different rates apply for singles and non-homeowners. You can check your rates at www.humanservices.gov.au

Deeming

Pensioner's income from financial investments is assessed under a set of rules called 'deeming'. This is a system where the government deems you to be earning a certain rate of return on your investments.

- For a couple, the rate is 2.5% for the first \$77,400 invested and 4% for anything above.
- For a single person, the rate is 2.5% for the first \$46,600 invested and 4% for anything above.

Deeming may work to your advantage. Consider the example of a single person with \$50,000 invested and earning 6.00% per annum. Under deeming, the income would be assessed as follows:

- the first \$46,600 is deemed to be earning 2.5%, or \$1,165.00 per year
- the remaining \$3,400.00 is deemed to be earning 4%, or \$136.00 per year
- the total income deemed to be generated equals \$1,751.00
- the actual amount earned is 6.00%, or \$3,000.00 per year
- the benefit to this person is \$1,249.00.

Note: The figures regarding pensions and deeming quoted are current as at 1 July 2013.

Enjoying your retirement

We're now living longer than we've ever done, so why not enjoy it? There are many options for retirees.

Take advantage of all benefits

As we've already mentioned, there are a number of benefits available to pensioners. Even if you don't receive a pension, there's other assistance available.

The **Commonwealth Seniors Health Card** is provided by the Federal Government and gives older Australians (who pass an income test) concessions on prescription medicines through the Pharmaceutical Benefits Scheme. Other benefits may also apply.

The **Seniors Card** isn't means tested and is available to any Australian resident who is 60 and over and not working full-time. This card can give you access to discounted travel on public transport, concessions at major sporting and cultural events, free access to selected museums and a variety of other discounts from the private sector. Different discounts apply in each state and territory.

Travelling

If it's time to see the world, then your first destination should be the Federal Government website www.smartraveller.gov.au. It's packed with helpful information for Australians travelling overseas. You can also download a booklet called HINTS for Australian Travellers or obtain a copy by calling 1300 139 281.

You may also like to read our LifeGuide to **Travelling**, which is packed with information to help you plan a safe and happy trip.

Along with all of the popular travel magazines and websites, other destinations of interest may include:

- www.seniorstravelguide.com
- www.getupandgo.net.au

Learning

Many people use their time to learn something new. There are all sorts of opportunities, and you may find some inspiration from the following:

- Adult Learning Australia www.ala.asn.au (02) 6215 9500 is the peak body representing organisations and adults in learning
- Adult Learners Week www.adultlearnersweek.org is held in the first week of September each year and the website provides contact details for adult and community education organisations across the country
- www.courses.com.au is a directory providing information on a wide range of short courses available within Australia.

Working

If you want to continue working in retirement but are looking for a new challenge, the Federal Government employment website www.jobwise.gov.au has a host of information designed specifically for the mature worker.

Volunteering

Australians love being involved in the community and there are plenty of chances for you to put your free time to good use and enjoy the rewards that volunteering has to offer. The following contacts may help.

- **Volunteering AUSTRALIA** www.volunteeringaustralia.org (03) 9820 4100 is the national peak body for volunteering in Australia.
- **GoVolunteer** www.govolunteer.com.au is an initiative of Volunteering Australia and is Australia's first national volunteer recruitment website. It's a not-for-profit site that provides FREE internet advertising for not-for-profit community organisations looking for volunteers.
- **Australian Business Volunteers** www.abv.org.au (02) 6285 1686 provides Australian expert volunteers who share skills and experience to assist businesses and organisations in developing countries.
- **Australian Volunteers International** www.australianvolunteers.com 1800 331 292 is an Australian non-government organisation that provides opportunities for Australians to live alongside, learn from and share skills with people in developing communities www.volunteersearch.gov.au is a database of thousands of volunteering opportunities across the country.
- **Seek – Volunteering** www.volunteer.com.au is a database of volunteering opportunities run by job search company SEEK.

Charities

Along with donating their time and energy to a worthy cause, many people decide to make donations or perhaps a bequest through their Will. An alternative is establishing a charitable trust. Money is invested by the trust (in most cases donations are tax deductible) and the investment earnings are distributed to the charitable organisations the trust supports. This step isn't difficult and an advisor or financial institution can help.

If you'd like more information about various charities, you may like to access [Australian Charities www.auscharity.org](http://www.auscharity.org) which is a gateway to the major charitable organisations in Australia.

Evaluating retirement villages

Moving to a retirement village is like no other move you've ever made. Buying a retirement apartment or villa isn't so much buying real estate as buying a new lifestyle.

Choosing a village

Think about your needs, especially your health and other special needs when deciding on your village and its location.

- Is the village registered with the Retirement Village Association?
- Is there care available if needed?
- What facilities are available? If you're going to pay for them, will you use them?
- If you don't drive, is there a bus service?
- Plan ahead, because you won't always have your licence.
- You'll be paying for the replacement of facilities, so make a note of what looks tattered or worn.
- Are the doorways and entrances wide enough for wheelchairs?
- Are there stairs? Will they be a problem?
- Are there 24-hour call buttons with access to emergency staff? Is there a charge when you use them?
- Are the footpaths even? Small obstacles can become big if you find walking a problem. Can they fit two people side-by-side?
- If the village isn't completed, check that there's a promised finish date. Ask what recourse you have if this timeframe isn't met.
- Find out if the village has a disputes committee for arbitrating between residents and the management and between individual residents.
- Check the quality of the food.
- Will you still require insurance for any personal contents you take with you, or does the retirement village cover this?

There are many misconceptions about retirement villages. Even if there are two tiers of care, it's not necessarily easy to move from one to another. It may require terminating the original agreement and buying in again.

If you're considering a village, make sure the contract is checked by a solicitor with suitable experience examining this type of contract.

The Federal Government produces a helpful booklet called *Accommodation choices for older Australians and their families*. You can obtain a copy from Centrelink or by calling 1800 050 009.

Difficulty managing your debts?

Unexpected things can happen in life and you might not be financially prepared to cope. For example, losing your job, getting sick, or a relationship breaking down may cause some people to experience temporary financial hardship. If this happens to you and you're finding it hard to keep up with your utility bills (electricity, gas, phone, water), credit cards, loan repayments or other expenses, there are some steps you could consider to help provide you some relief while you try to get your finances back on track.

1. Check whether you have any income or debt protection insurance policies that will help pay the bills and cover your repayments if you can't work. Remember that some superannuation funds incorporate an income protection/trauma policy, or you may be ahead in loan repayments that could enable you to simply take a break from making regular payments.
2. Talk to your credit and service providers and tell them how your circumstances have changed and the impact on your ability to meet payments. They may have specialised hardship departments who could talk to you about temporary assistance measures such as altering repayments, establishing instalment payments or varying your loan terms.
3. Keep a working budget so you know all of your income, expenses, assets and debts. When you contact your credit and service providers you may be asked for this information so they can offer you some assistance to help you deal with the financial difficulties you're facing. It could be helpful to think about how and when you will be in a position to return to your regular repayments down the track. Check out ANZ's budget tracker on anz.com to help establish good saving and spending habits.
4. If you think your changed circumstances mean it's unlikely you'll return to a financial position where you can afford to meet your bills and repay your loans or credit cards, you don't need to deal with that alone. You could talk to a free, independent and confidential community-based financial counsellor or legal centres who will be able to talk you through your options. Financial counsellors can be reached Australia-wide on 1800 007 007.

Remember that once your creditors understand your difficulties and the reasons behind them, they may be able to tailor a solution which could help you overcome temporary difficulties. For more information, visit anz.com/hardship.

Estate planning

Wills

Making a Will is the best way to ensure your assets will be distributed after your death according to your wishes.

If you die without a Will, you're said to have died intestate, and your estate will be distributed according to the laws, that vary from State to State. So if you don't have a Will you should consider seeking professional advice to prepare one. If you do have a Will, ask yourself whether it needs to be updated.

Estate planning is much more than just making a Will. The development of an estate plan involves a review of your financial affairs and your personal circumstances, combined with your objectives, to ensure that when you die, your wealth is passed on to the right people at the right time.

Powers of Attorney

A Power of Attorney can be a very useful tool to help you organise your affairs. Put simply, a Power of Attorney is a legal document by which you appoint another person to make decisions on your behalf. There are various types of Powers of Attorney and you should seek advice from a qualified professional to establish what's right for you.

Joint accounts

If you have a partner it's a good idea to have your banking in joint accounts, that way if one of you becomes incapacitated the partner will still be able to access money.

Getting help

You're sure to find some of the following contacts useful.

General:

- www.seniors.gov.au is the Federal Government's premier source of information for Australians over 50. You can call The Aged and Community Care InfoLine 1800 500 853
- **Centrelink** www.humanservices.gov.au 13 63 57 provides a free financial information service, including one-on-one consultations

State and territory government portals

ACT	–	www.act.gov.au
NSW	–	www.nsw.gov.au
Northern Territory	–	www.nt.gov.au
Queensland	–	www.qld.gov.au
South Australia	–	www.sa.gov.au
Tasmania	–	www.tas.gov.au
Victoria	–	www.vic.gov.au
Western Australia	–	www.wa.gov.au

If you need a solicitor and don't have one the Law Society can help you find a specialist in your area.

You may also like to read our LifeGuide to *Protecting your wealth*.

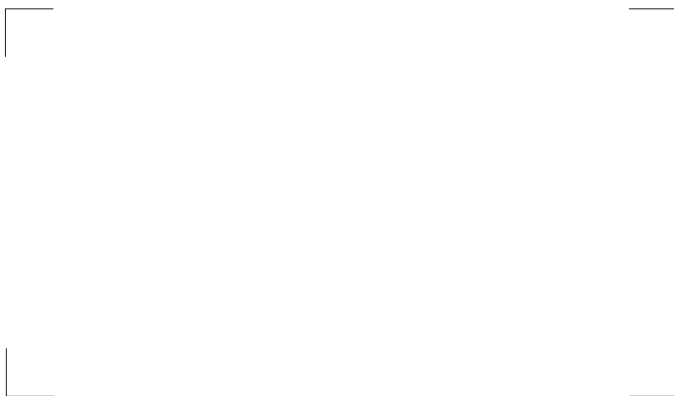
- **Australian Retired Persons Association (ARPA)** www.over50sonline.com.au is an independent, national, non-profit organisation for seniors.
- **The Association of Independent Retirees** www.independentretirees.com is a non-political advocacy group.
- **The Council on the Ageing (COTA)** www.cota.org.au is one of Australia's leading seniors' organisations.
- **National Seniors** www.nationalseniors.com.au is a membership based not-for-profit community organisation.
- **Health Direct Australia** www.healthinsite.gov.au is a Federal Government initiative providing easy access to quality information about your health.

Help for your finances.

- **The Australian Taxation Office** provides a host of helpful information and free booklets concerning tax issues at www.ato.gov.au For superannuation go to www.ato.gov.au/super or call the Super Infoline 13 10 20.
- **The Australian Securities and Investments Commission (ASIC)** consumer website is www.moneySMART.gov.au or you can call 1300 300 630.
- **The Treasury website** www.simplersuper.treasury.gov.au has a detailed explanation of the recent changes to superannuation.
- **The Financial Planning Association of Australia** www.fpa.asn.au 1300 626 393 can provide advice on choosing a financial planner.
- **The National Information Centre on Retirement Investments (NICRI)** www.nicri.org.au 1800 020 110 is a not-for-profit organisation providing free information over the phone and fact sheets.
- **CANNEX** www.canstar.com.au is an independent organisation providing both information and comparisons of various financial products.

For more assistance

Contact your local branch



Phone or visit anz.com

General Enquiries

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24 hrs / 7 days

ANZ Trustees

P. 1800 011 147
9am – 5:30pm (AEST) Weekdays

ANZ Financial Planning

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