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THE

ULTIMATE...

GUIDE TO A HARD-EARNED RETIREMENT

BY MUIRFIELD FINANCIAL SERVICES

www.muirfieldfs.com.au

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Introduction

We are now living longer than ever thanks to the miracles of modern medicine and a new focus on healthy living. That's great news for all of us. But how to live longer without running out of money? This guide aims to address this issue and many others when it comes to planning for your retirement.

Living longer means we have more time to spend with our families, pursue a bucket-list of life-long goals and even take on a passion project. The possibilities are endless. But spending up to one-third of our lives not working is now a reality for anyone aged under 60.

Will your financial plan allow for three decades of odds and ends?

With so much time at your disposal during retirement, it is imperative to have a plan in place. It's different to the old days where you got by on a pension for a couple of years before entering eternal bliss. Yes, retirement is a period in your life you work hard for, and it's a time to celebrate. But with it comes a few challenges.

Take comfort, though. We've put this guide together to show you a safe and steady path to a secure retirement. We'll show you why you don't need a stockpile of gold bullion or three houses and a million-dollar share portfolio to retire. This is not a guide for corporate executives.

It's a guide for hard-working Australians who've saved enough for retirement and those who haven't due to difficult life circumstances. Rest assured; you don't have to work until you drop to enjoy a comfortable retirement. If you have any questions after reading this short guide, then feel free to speak with one of our friendly advisers for a chat.

We're a business with family values and three decades of experience guiding clients safely onto the retirement runway. Here's to a safe and healthy retirement and well-deserved break from a busy world.

Yours in retirement,

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When Should I Retire?

The decision about when to retire is rarely a decision made lightly. It's a significant life event and deserves careful thought and planning. Finances play a big part, but so does your health, your partner's circumstances and whether you still enjoy your work.

After a great deal of personal sacrifice, you might have the itch to leave the workplace earlier than anticipated. Or sometimes the choice is made for you, especially with companies reducing the size of their workforce by the day. Other factors like poor health and a lack of job opportunities might cause you to leave the workforce too.

For those who have a choice, the simple answer to when you can retire is 'whenever you please.' Yes, you can retire whenever you wish provided you have the financial resources to support the life you want to lead in retirement. There is no such thing as ‘retirement age’ in Australia after all, and no legal requirement to stop working.

But being ready to retire means more than being prepared to stop waking up at 6:00 am and putting in long hours at the office or worksite. If it were that simple, most of us would retire in our mid-twenties.

What it takes to retire is a detailed understanding of your budget, a carefully planned investment and spending pattern for your life savings, debt that's under control, and an exciting plan for your 'twilight' years.

Remember, your twilight years could be up to three decades. Here's a couple of factors to consider before you retire:

- Your financial situation should be stable,
- A detailed projection of your retirement income and expenses is critical,
- Understand how taxes, inflation, and healthcare will affect your nest egg, and
- If you're still happy working, don't let an arbitrary age determine when you retire.

Ultimately, retirement boils down to ample preparation and planning and having confidence in your decision making. Sitting down with a qualified financial adviser can help you answer the financial aspects of the retirement question. We can help you set up your retirement portfolio, re-balance it on a regular basis, re-assess your expenses and create a plan to pay down any outstanding debt.

Working with an adviser may even help you answer some emotional aspects of the retirement question. Experienced advisers can offer insights based on their experience working with hundreds of clients who have faced the same decision. Either way, deciding to retire is not a decision made overnight whether you go it alone or seek the guidance of a trusted adviser.

How Much Income Do I Need in Retirement?

This question is one of the most popular for would-be retirees. And the answer? Well, it depends. You could see that coming. But it's probably not as much as you think.

We see bold headlines quoting upwards of $1.5 million for a comfortable retirement. We're happy to tell you this is not the case though.

Sure, if you want a plush holiday apartment in Noosa and annual overseas trips to Europe then yes, maybe, you need a million bucks or more.

But for a modest retirement with holidays factored in—plus other costs—then the actual figure is far from $1.5 million. In fact, it is easier to focus on an annual income rather than a bulk sum.

So How Much Income Do You Need to Retire?

Your retirement income today will depend on three main factors:

1. How long you live
2. How much you plan to spend in retirement
3. How much your money grows during retirement

And the only factor you can quantify from the list above is number two: *how much you plan to spend in retirement?*

A peak body called the **Association of Superannuation Funds of Australia (ASFA)** has a 'Retirement Standard' to help you answer this question.

The ASFA Retirement Standard lumps retiree's lifestyle needs into two buckets:

Bucket 1 – A Modest Retirement lifestyle shows expense requirements just above the amount provided to Age Pension recipients. This is for retirees wishing to enjoy necessary leisure activities and incorporates household expenses, clothing, living costs, transport, and medical services.

Bucket 2 – A Comfortable Retirement lifestyle suitable for those seeking to enjoy a broad range of leisure and recreational activities. This budget allows for the purchase of household goods, private health insurance, a decent car, clothes, a range of electronic equipment, domestic and occasional international holiday travel.

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Choosing Bucket 1 or 2 will depend on how much you've saved for retirement or your personal preferences. But here are ASFA's budget estimates in today's dollars:

Budgets for various households and living standards for those AGED AROUND 65 (June Quarter 2020, National)*				
	Modest Lifestyle		Comfortable Lifestyle	
	Single	Couple	Single	Couple
Total per Year	$27,902	$40,380	$43,687	$61,909

Budgets for various households and living standards for those AGED AROUND 85 (June Quarter 2020, National)*				
	Modest Lifestyle		Comfortable Lifestyle	
	Single	Couple	Single	Couple
Total per Year	$26,714	$38,225	$42,121	$58,477

> * **NOTE:** *The figures in each case assume that retirees own their own home and relate to expenditure by the household.*

Remember This Too

As average life expectancies continue to increase, most older Australians will require BOTH superannuation savings and financial support from the government to support their spending needs.

But overall, you can see the cost of living decreases ever so slightly with age. Older retirees tend to spend less on eating out and less on lifestyle purchases and holidays as they direct more money towards healthcare.

Take comfort knowing these numbers are subjective too. It should only serve as an indicative measure. In our experience, it is not unusual to see retirees with costs well under the Retirement Standard from ASFA.

In general, if you have lived a financially conservative life, chances are high you won't overspend in retirement. The adage 'a leopard doesn't change its' rings true.

And remember…

Money doesn't create happiness. It gives you choices. The more you have, the broader your options tend to be. Either way, as Advisers we spend more time encouraging clients to enjoy their wealth than we do reigning them in. Take that holiday you've dreamed about, and then take another!

We are not suggesting you become financially irresponsible, but we do suggest enjoying what you've worked hard to build. Because, over time you can lose your passion for travel, pampering and adventure, or worse still, your ability to do so.

> ***DISCLOSURE:** *The ASFA Retirement Standard methodology was last updated in June 2020, and figures are updated quarterly to reflect changes to the Consumer Price Index (CPI). More information on the calculation of Retirement Standards is* **available here**. *The ASFA Retirement Standard for those aged 85 and over started in 2015. More details on the calculation of Retirement Standards for those aged 85 and over is* **available here**.

How Much Super Will I Need to Retire?

The amount of super YOU need to retire will depend on your personal circumstances, financial resources both inside and outside super, and your lifestyle. So, before you set an arbitrary super target, block out the fear mongers and think about the big picture.

To work out how much super you need, here's a checklist of **10 Factors You Should Consider**:

1. Years in retirement
2. Whether you are in a couple
3. Whether you plan to keep working
4. How much you spend
5. Whether you own your home
6. Where you live
7. What other assets or income you have
8. Whether you are eligible for the Age Pension
9. How much your super grows in retirement
10. Whether you want to help the kids.

10 factors you should consider

1. Years in Retirement

If you've worked hard and planned for retirement, then you will get to choose the day you retire. But none of us has any way of knowing how long we will live. This is the known-unknown of retirement planning. You know you will pass some day but when exactly is unknown. Not knowing is a major reason why many retirees are reluctant to spend as much as they could possibly afford.

Today's retirees can expect to live to an average age of 84.9 years for men and 87.6 for women, or roughly 20 and 22 years respectively after age 65. And that's just an average. Half will live longer, many into their 90s.

2. Whether you are in a couple

It's often said that two can live cheaper than one. That's because couples can share the costs of everything from rent, home maintenance and utilities, to the running costs of a car and the replacement of white goods and home furnishings. Even travel is cheaper for couples because they can share a room or a cabin, whereas singles pay a supplement premium.

Couples may also be able to do without the cost of home help or garden maintenance for longer than a single person living alone.

3. Whether you plan to keep working

By working part time or doing occasional consulting in the early years of retirement, you may be able to afford a better lifestyle or make your super last a few years longer. Not to mention the non-financial benefits such as social interaction and intellectual stimulation that can come with keeping a foot in the workforce.

4. How much you spend

To maintain your current lifestyle, it is suggested by the OECD and others that you need around 70% of your pre-retirement income. (This is based on mortgage costs amounting to around 30% of income and your home being paid off before you retire). If you don't own your home or you hope to do significantly more overseas travel or take up expensive hobbies, you may need more. Frugal homebodies may need less.

Refer to the previous chapter on **'How Much Income Do I Need For Retirement?'**. See more information on **ASFA's Retirement Standards here**.

5. Whether you own your home

Owning your home outright by the time you retire not only provides you with somewhere to live rent-free, but also insulates you from rising housing costs.

If you find you are asset rich and income poor in retirement, you may be able to tap into your home equity by downsizing to a smaller property. You may also be able to contribute up to $300,000 into your super account ($600,000 for couples).

6. Where you live

Whether you own your home or rent has a big impact on retirement spending, but so does the location of your home irrespective of whether you own or rent. We all intuitively suspect country living is cheaper than city living and, it turns out, we're right.

So, if you are considering a sea or tree change in retirement or selling a rural property to move to the Big Smoke, you need to factor in more than the cost of real estate or rent. The cost of living, and even what is deemed a necessity, can vary widely from region to region and even from suburb to suburb.

7. What other assets or income you have

Australia's retirement income system is based on three pillars – the Age Pension, compulsory employer super guarantee contributions and voluntary private savings inside and outside super. Make that four pillars if you include home ownership. It's savings outside super that tend to be overlooked in discussions about the size and adequacy of your super nest egg. Assets held outside super might include investments in property, shares or term deposits, business assets and trusts.

See **'Investing Outside Super'** for more information.

8. Whether you are eligible for the Age Pension

Most Australian retirees receive a full or part Age Pension, so check with Centrelink to find out if you are likely to be eligible and how much you might receive.

See **'How to Maximise My Age Pension in Retirement'** for more information.

9. How much your super grows in retirement

The amount you have in super at retirement is, happily, not the end of the story.

Once you retire and start drawing on your savings, the value of the investments in your super pension account should continue to grow. The higher the return you earn on your investments (after fees and other costs), the longer your savings will last.

Against this, you need to remember that higher returns come with higher risk. So, the return you seek should consider your tolerance for risk and the value you place on peace of mind.

See this article on our website: **'You Might Stop Working But Your Money Doesn't'** for more information on this topic.

10. Whether you want to help the kids

Super is designed to provide income in retirement, not to leave as an inheritance. Even so, it's common for parents to want to help their adult kids and grandkids with money for a home deposit, school fees or to start a business.

It's also common for retirees to hold onto the family home so it can be handed down as an inheritance, which limits their ability to downsize, borrow against their home equity or fund aged care down the track. If you want to earmark funds to give to the family, or to charity, make allowances for this when doing your sums. You don't want to short change your retirement years.

So, how much Super do I need for retirement?

Unfortunately, there is no generic answer so advice should be tailored to your personal situation. While it might be helpful to know the amount you might need to retire comfortably, the reality is there are too many unknowns for any reliable prediction.

It's hard when Advisers don't have all the answers. But great advisers do know one thing – it's not appropriate to use a retirement model, calculator, or someone else's retirement journey to work out what's best for you.

Feel free to speak with one of our qualified experts to talk about your unique situation. Also, see **ASIC's Retirement Planner** for a comprehensive guide on how much annual income you need to retire.

How Do I Choose the Right Super Fund?

It’s never too late to choose the right super fund. And remember, you could still have your money invested for up to 30 years when you enter retirement.

Most people can choose which super fund they'd like their super contributions paid. You can go with your employer's fund or select your own.

To find out if you can choose your super fund, check with your employer. Your employer will give you a 'standard choice form' when you start a new job outlining your options. If you’re self-employed then the choice is yours from the beginning.

What to Look For in A Super Fund

When you're comparing super funds, weigh up fund performance and the fees you'll pay against other factors such as risk, investment choice, services, and insurance. Following is a short summary of these items:

Low Fees

All super funds charge fees. Fees are either a dollar amount or a percentage, or both: either way, low fees can help. But like most things in life, you get what you pay for so you shouldn’t just look at fees in isolation.

As well as administration fees, there are also investment fees to consider and typically these are the largest cost within a super fund.

Insurance

Super funds typically have three types of insurance for members:

- Life (also known as death cover)
- Total and permanent disability (TPD)
- Income protection

When comparing the default insurance offered by super funds, look for:

- The premium rates (these increase with age and can eat away at your balance)
- The amount of cover in the case of the situations above
- Any exclusions or definitions that might affect you

Investment Choice

Most super funds let you choose from a range of investment options and most often include diversified options like balanced, growth, income, or ethical investments. Some funds will let you choose the weighting of different asset types or direct investments so you can build a personalised investment portfolio. If you don’t choose an investment option, then your money will under up in the default MySuper investment option of your super fund.

Investment Performance

Compare your fund's investment performance over the last five years at least. Consider the impact of fees and tax. And compare like with like. For example, only compare a balanced option with another balanced option, and try to use the same timescale as a comparison.

Services

Super funds may offer other services which attract additional fees. These can be things like financial advice or arranging to split your super following a separation.

Compare Super Funds

You can find out about and compare super funds by:

- Talking to a financial adviser
- Using the product disclosure statement (PDS) for each fund, and
- Use super Comparison websites

The major super comparison websites include:

- Canstar
- Chant West
- Morningstar
- RateCity
- SelectingSuper
- SuperRatings

All these sites have some information for free. Some of them also offer more detailed information for a fee. Comparison websites can be useful, but don’t forget they are a business and may make money using promoted links. They may not cover all your options and don't choose a super fund based on its website rating alone.

How Does Superannuation Work Before Retirement?

There are two broad categories of investment to consider in the pre-retirement phase:

1. Investing through super,
2. And investing outside your super.

Each has different benefits aligning with other goals beyond money. We'll start with investing in your super and then look at investing outside super.

Investing Through Super

1. **Super 101: Back to Basics**

   Superannuation may only be one part of your retirement savings, but it's an important one. We want to help you understand why super matters, how much you may need and how to make the most of it. Here's what you need to know about some of the basics:

   - Super generally consists of contributions from your employer, your own contributions, and earnings from investments.
   - Through your working life, you invest in your super. But remember, access to your super is generally restricted until you retire after reaching **preservation age** (see table below).

Date of Birth	Preservation Age*
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
From 1 July 1964	60

*Preservation age is not the same as Age Pension Age. See **'How to Maximise My Age Pension in Retirement.' See also: Age Pension information on the Services Australia website**.

2. Tax Advantages of Super

What makes super tax effective are the tax concessions that apply to income generated in super, personal deductible contributions, and employer contributions. There are also tax offsets available to reduce the tax you or your super fund pays. The government may also contribute to your super through a government co-contribution if you're a low or middle-income earner. Here's the good tax news:

- If you make (after-tax) contributions to your super fund, the government may contribute up to $500 – depending on your income and how much you contribute.
- During 'accumulation' phase when you add to your super before you retire - the income or earnings in your super are taxed at up to 15%.
- Concessional contributions, including employer contributions and personal contributions you claim as a tax deduction, are also taxed at up to 15% (or up to 30% if your income is higher than $250,000).
- This rate of tax is generally better than your personal tax rates of up to 47% (including Medicare levy).

By investing in Super, your earnings have less tax deducted, which means you may be able to save more. Once you retire, you have the choice of taking a lump sum withdrawal, an income stream, or a combination of both from your super savings.

3. Contributions Made Simple

There are two categories of super contributions:

1. Concessional contributions include those from your employer, salary sacrificing, and personal contributions for which a tax deduction can be claimed. These are generally taxed at up to 15% (or up to 30% if your income is higher than $250,000), but there are important limits, called 'caps,' on how much you can contribute.

   - The concessional contribution cap is $25,000 pa.

   If you exceed this cap, significant tax penalties may apply, so it's essential to be aware of them. If you make or receive concessional contributions under the annual $25,000 cap, you may be able to build up the unused amounts for use in subsequent financial years.

   This may provide greater flexibility to make concessional contributions, manage broken work patterns or lower tax if you have higher income in a particular year (e.g if you sell a property and have a capital gain). Again, specific rules apply so best to speak with an Adviser to learn more.

2. Non-concessional contributions include personal contributions you make into your super account that are not claimed as a tax deduction and individual contributions made by your partner into your super fund.

   - The non-concessional contribution cap is $100,000 p.a. (Or by using the bring-forward arrangement you may be able to add 3 years' worth ($300,000) of contributions in one go).

   Again, there are limits, or caps, and significant tax penalties may apply if exceeded.

4. Think Before You Leap

It's natural to have some concerns about what's happening with your super as markets react to significant local and global events. There are some critical things to consider before changing the mix of assets in your super fund or changing your fund altogether.

> **Remember:** *super is a long-term investment. You may end up doing more harm than good by making short-term investment changes.*

5. Strategies for Helping You Manage Your Super

Here are some ways to help grow and manage your super so you have as much as possible at retirement:

- **Salary sacrifice** is an agreement between you and your employer to pay some of your pre-tax salary into super. The amount you contribute to super is taxed at 15% (and up to 30% if your income is over $250,000) rather than your marginal tax rate, which might be up to 47%. This will generally reduce your overall tax and it is a concessional contribution.
- **Personal deductible contributions:** You can usually make regular or lump-sum contribution(s) and claim a tax deduction for them to achieve the same tax outcome as salary sacrifice. This is a concessional contribution.
- **Spouse contributions** allow you to help boost your partner's super savings. You may be entitled to claim an 18% tax offset on super contributions up to $3,000 that you make on behalf of your non-working or low-income partner, as long as they haven't exceeded their non-concessional contributions cap for the financial year or have a high super balance. This is a non-concessional contribution.
- **Contribution splitting** allows you to have some of your super paid into your partner's account. You can generally split the after-tax amount of your concessional contributions from the prior year (up to your concessional contributions cap), such as employer and personal deductible contributions, only if your partner is below preservation age or below 65 and not retired.
- **Consolidation** is the simplest way to help boost your super balance. It simply means bringing all your super into one place. You do need to weigh up the features and benefits of all your funds before you decide, check the tax implications, compare your fees, and replace any lost insurance. For more information on how to consolidate your super, **click here**.
- **Bring-forward contributions:** Putting some extra money into your super account can be a sensible idea. Particularly, if you are lucky enough to receive an inheritance or sell a large asset. But the contribution caps (or limits) can make it tricky to get a large amount of money into your super account in a single year. One solution can be to use a bring-forward arrangement. The bring-forward rules allow you to advance your non-concessional contributions caps from a three-year period and use them over a shorter period – either all at once or as several larger contributions. The bring-forward rules allow you (if you meet all the eligibility criteria) to make non-concessional contributions of up to three times the annual contributions cap in a single year, that is, up to $300,000.

Also, the **downsizer superannuation contribution** allows older eligible Australians to sell their home and contribute of up to $300,000 each to super from the proceeds.

> **NOTE:** *Make sure you review your insurances and nominate your beneficiaries so that, in the event of your*

death, everything is managed as per your wishes.

Investing Outside Super

1. Understanding Your Investment Landscape

For most retirees, super is one of the most significant investments in retirement. However, investing outside super may be another way to help you have the lifestyle you want in retirement.
Remember, you can only access (in most cases) your super when you reach your preservation age. If you want to retire earlier, it could be a problem if all your money is tied up in super.

2. Investment 101: Some Important Basics

The assets that sit underneath your investment options are generally split into two categories:

1. Defensive asset classes have a lower potential rate of return over the long term but are also generally less volatile and have less potential to lose value than growth assets.
They include:

- Cash & Term deposits
- Fixed interest (corporate or government bonds).

With bonds, you lend money for a set period and receive interest payments at regular intervals in return. Your initial investment is paid back at a set time.

2. Growth asset classes have the potential to earn a higher rate of return over the long term than defensive assets but are also generally more volatile than defensive investments.
They include:

- Shares: that is, part ownership in a company.
- Property securities: investments listed on the Australian Stock Exchange, providing exposure to a portfolio of direct property investments.
- Direct property: buying a residential or commercial property to rent out.
- Alternative assets: covering a wide range of investments that are not considered traditional. Some examples include hedge funds, infrastructure, and gold.

You can also invest through vehicles like:

- **Managed funds:** these pool money from different investors into one fund that's managed by a professional investment manager. You can invest in a fund that invests in one asset class, like a shares fund, or a fund with a mix of different assets, like a growth or balanced fund.
- **Exchange-traded funds (ETF):** these are passive investments that don't try to outperform the market. The role of the fund manager is generally to track the value of an index or commodity. ETFs can help to diversify your investments and are usually cheaper than managed funds.

Some other common forms of retirement income can be achieved through products like **Annuities**. Here are some key points with regard to annuities:

- You're protected from adverse market movements; however, you generally won't benefit from any positive market performance.
- You're protected from market falls; however, you generally won't benefit from any gains.
- Payments are paid at an agreed rate for a set period determined when you start.
- You can't change the amount and frequency of the income payments once they start.

3. Understanding the Investment Landscape

Financial markets have experienced significant swings due to events like the Global Financial Crisis, Tech Bubble and more recently COVID-19—making investing challenging for some. Share prices have been hit hard, and some funds have lost value. But if you understand the risks and the right strategies, it can also be a time of real opportunity.

Investing is a long-term proposition, so there's as much risk in suddenly pulling out of investments as there is in investing in the wrong thing right now because you may lock in losses and miss out on the upswing when markets rebound.

Remember, there are all sorts of risks and factors to consider. Don't be overwhelmed though. There's plenty you can do to manage these risks and take advantage of some of the opportunities volatility also offers. You can talk to one of our trusted financial advisers about how to do this.

4. Strategies For Non-Super Investment

Here's some important things to consider for your non-super investments and helping them grow:

1. **Compound returns** happen when you earn interest on your savings, then interest on the interest you have earned on your balance, making a greater amount each month. It's sometimes called re-investing your earnings, and most investments have this feature. If you save regular amounts in a disciplined way, you can accumulate a far more considerable amount than in a simple interest account. This strategy works even better in the long term and helps you ride out market ups and downs.
2. **Growth assets** such as shares, or property have the potential to grow in value over the long term and outpace inflation. Additionally, your dividend income can increase substantially over time as share prices rise. But remember that past performance doesn't indicate or guarantee future performance.
3. **Diversification** of assets means investing a set percentage of money in a mix of asset classes (e.g., shares, property, and bonds). By using this strategy, you could achieve more consistent investment returns – especially over the long term.
4. **Investment ownership** can help manage tax by buying assets in the name of your partner if they pay tax at a lower rate than you. Or you can own an investment asset jointly to share the income tax liabilities. By using this strategy, you could pay less tax on investment earnings and accumulate a more considerable amount as a family unit.
5. **Use borrowed money to build wealth**. Gearing simply means borrowing money to invest. Gearing can be used to accelerate the process of wealth creation by allowing an investor to make a more considerable investment than would otherwise be possible – but remember, losses can amplify as well. The borrowed money can be invested in several ways, including direct shares, property, and managed investments.

How Does Superannuation Work When I'm Retired?

You've made it to the finish line and deservedly so. This is one of the most exciting times of your life. Here's some information and definitions you should be familiar with when it comes time to retire and spending time doing what you love. By now, you will have the option of entering the drawdown phase.

Drawdown Phase

From Accumulation to Drawdown

When you're building up your super, you're in the accumulation phase. Once you're able to access your super, you can start considering whether to make a drawdown and create a retirement income stream. Of course, you can always have a combination of both.

With volatility in global investment markets ever present, it's never been more critical to have an informed strategy for defending and managing your retirement income as you move into drawdown.

You probably have a lot of questions like should I delay my retirement? Should I change how I invest? They're important questions to work through. That's what this chapter is all about.

Transition to Retirement and Your Work Income

Nowadays, it's quite rare to retire fully at your preservation age, which is the age you're eligible to draw on your super as a lump sum or income stream.

Many people now reduce their working hours and transition slowly into retirement by supplementing their reduced income with drawdowns from their superannuation. It's recognised by law as a 'transition to retirement (TTR)' income stream.

As soon as you hit your preservation age, you can use a TTR. But be aware that the tax on investment earnings paid by your super fund will still be 15% until you satisfy a full condition of release, like permanent retirement or reaching age 65.

Once you retire after reaching your preservation age, you have unlimited access to your super. You'll have the choice of taking a lump sum or income stream, or both. In most cases, it's better to keep your money invested in super and draw an income rather than withdraw all your super in one hit.

If you start taking an income stream, you're now in drawdown phase, and your earnings are taxed at 0%. There are some essential things to know about tax and limits (you can read about these on the next page).

The most common form of super income stream is an Account-Based Pension, for some Government and public sector employees you might also have the option of a defined benefit pension.

And here are some essential things to know about your income stream—if you're in a taxed super fund that is:

- There's a limit of $1.6 million you can transfer into a retirement phase income stream from your super (this is called the Transfer Balance Cap).
- The earnings on the capital supporting your income stream are tax-free.
- Once you're 60 or older, any income payments or lump sum from this source are also tax-free.
- Between your preservation age to age 60, you're entitled to a tax offset of 15% on the taxable portion, which provides a tax-effective retirement income. You do not pay tax on the tax-free amount. Lump-sum withdrawals may be subject to tax.

Other things to think about with Account-Based Pensions:

- You can choose how your money is invested; however, investment earnings will vary based on economic and market conditions.
- There's a minimum amount you must withdraw each year.

Understanding Your Big Risks

Right now, one of the most important things all retirees can do is understand some of the unique risks to retirement funds posed by events we cannot predict. A good example was the Global Financial Crisis in 2008 where 80% of Australian retirees said their income fell when they retired during this period.

Low returns due to volatility that depletes your capital just before or in the early years of retirement are one of the most significant risks to your retirement savings. It's called sequencing risk, and it's essential to manage it. That's where professional advice can help. Another risk is locking in losses by suddenly switching some of your investments into cash or physically taking money out to hold in a bank account (or under your mattress).

Talk to a professional about these kinds of decisions to make sure you don't make a panicked move that could put you at a real disadvantage later when asset prices make a sharp U-turn.

Making the Most of Your Retirement Income

Even after you retire, you can use some smart strategies to continue building your wealth. That means there will be less pressure on your retirement savings to keep up with the rising costs of living, and you'll help safeguard your money from external factors such as market volatility.

And remember, retirement is not an 'all or nothing' choice anymore. You don't have to put down the tools bang on the day you turn 65. You can gradually transition into part-time work. Chances are you're going to be living longer so you'll need an income for longer than you think. Have a fixed budget each year to make sure your money lasts.

And if markets turn or unexpected events happen then don't panic. Talk to a professional adviser who can help you assess your options.

How to Maximise My Age Pension in Retirement?

A pension from the government can be an essential part of your retirement income and might be all that's left after 30 years in retirement.

While the government has rightfully sewn up a lot of loopholes that used to allow wealthier people to get an Age Pension, there are still a few ways to structure your assets to help you legally maximise your **AGE PENSION** entitlements. It's important to note that there are two crucial requirements you must meet to qualify for an age pension.

The first requirement is that you must have reached the qualifying age. Use your date of birth and the table below to calculate your qualifying age.

Date of birth	Qualification	Age
	Female	**Male**
On or before 31 December 1948	**Already qualified**	**Already qualified**
1 January 1949 to 30 June 1952	65	65
1 July 1952 to 31 December 1953	65.5	65.5
1 January 1954 to 30 June 1955	66	66
1 July 1955 to 31 December 1956	66.5	66.5
1 January 1957 or later	67	67

The second requirement is passing two financial tests:

1. The "assets test," and
2. The "income test."

What these financial tests do, is reduce your pension (or even cut it off completely) if you breach certain monetary limits. At the time of writing this (September 2020), the Maximum age pension is about $24,000 p.a. for single and $36,000 p.a. for couples.

From 1 July 2020, part pensions cancel when your assets are over the cut-off point for your situation. (NOTE: Your cut off point is higher if you get rent assistance with your pension.)

Your Situation	Homeowner	Non-homeowner
Single	$583,000	$797,500
A couple, combined	$876,500	$1,091,000
A couple separated due to illness, combined	$1,031,500	$1,246,000
A couple, 1 partner eligible combined	$876,500	$1,091,000

To get the maximum pension under the income test, you must have assessable income under the following limits:

- $178 per fortnight for a single
- $316 per fortnight for a couple

Under the income test, your pension is reduced by 50 cents for every dollar above these limits.

Now the rules that dictate what is assessable can get quite complicated and are beyond the scope of this guide. So, if you're not sure, it's probably best you get some professional advice specific to your situation.

> **NOTE:** *It is possible to continue working and receive an Age Pension due to a clever idea called the Work Bonus. You can make about $300 a fortnight (capped at $7,800 a year) before it counts for the pension income test*

Here are 3 of the most common ways to maximise your pension in retirement for the sake of being informed (to discuss with an adviser):

1. Upgrade the family home by renovating or moving
2. Allocating Superannuation for a spouse who's under age pension age
3. Gifting to family or friends

Again, it is difficult to expand on this information without referring to your financial situation. Please get in touch with one of our trusted advisers at Muirfield to talk about maximising your pension in retirement.

Do I Need to Prepare a Will & What is Estate Planning?

There's an old saying, "where there's a will there's a relative." But let's not get too cynical.

Preparing a 'will' comes under the broad umbrella of Estate Planning. And from 30 years advising clients we can tell you Estate Planning is the elephant in the room for many Australians.

The stats support this. More than 50% of Australians over the age of 18 don't have a will. That's 10 million Australians who don't have a clue what happens to their money or Estate when they're gone.

Not having something like a will can place an unnecessary burden on your family members or next of kin and put your Estate in jeopardy. Let us explain in more detail:

Why is Estate Planning so Important?

Estate planning is vital for everyone (no matter how wealthy you are). Without a plan in place, there could be a long-lasting impact on your loved ones.

You should have an estate plan to ensure:

- Your assets don't end up with unintended beneficiaries (like the government or tax man or your ex!).
- You manage the tax your beneficiaries (the people entitled to receive funds or property) may pay when they inherit your assets.
- Family members don't end up fighting unnecessarily over who gets what.
- Your children will be cared for by nominated friends or family rather than the courts

Following are some strategies to get you started on the path to preparing for a day when you won't be here.

Strategies for Estate Planning

1. Write a Will

A will is a legal document that gives instructions about how you want your estate to be managed and distributed once you're gone. You can find information on ASIC's MoneySmart website if you want to dig a little further here.

It may be worthwhile engaging the services of a solicitor. Remember, a will needs to contain certain elements or statements, and if it's not written correctly, part or all your will may be invalid.

What's not automatically covered in your will?

'Non-estate assets' are things that aren't automatically considered part of your estate, so you must make specific arrangements.

These can include things like:

- Joint assets – like property or bank accounts
- Assets held in discretionary family trusts
- Your superannuation
- Life insurance proceeds outside super when paid to a nominated beneficiary

2. Appoint a Power of Attorney

Granting a Power of Attorney (POA) means you legally appoint a person or an organisation to make decisions, sign documents and act on your behalf in various matters. When you grant a POA you may choose to limit the actions which the attorney can perform on your behalf

Three types of (General) Powers of Attorney generally exist:

1. **An Enduring POA** - **Financial** allows you to appoint an Attorney or Attorneys to make decisions in respect of financial matters. It ensures someone, chosen by you, takes control of your financial and legal affairs if you are ever unable to do so yourself (i.e. through injury or illness).
2. **An Enduring POA** - **Personal** allows you to appoint someone, and if desired an alternative person, to make lifestyle decisions on your behalf. This may include decisions on where and when you work, where and with whom you live and your healthcare. This power commences if you lose legal capacity to make these types of decision on your own.
3. **An Enduring POA** - **Medical** Treatment allows you to appoint an Agent, and if desired, an alternate Agent, to make medical treatment decisions on your behalf. This document commences if you lose legal capacity to make these types of decisions on your own. This Power does not give the Attorney the authority to withhold basic needs or allow euthanasia.

Benefits of having a Power of Attorney

By nominating a POA you're able to choose whom you wish to appoint to make decisions on your behalf. Also, you can provide conditions and limitations for the exercise of such powers (if necessary).

If you do not have a POA and you lose legal capacity, a family member, friend, or the Public Advocate may make an application to the Victorian Civil and Administrative Tribunal (VCAT) on your behalf. VCAT will then choose whether the applicant or another individual or a Trustee Company is most suitable to be appointed as your Administrator and/or Guardian. This process is costly and may not reflect your wishes.

Recommendation

We encourage you to contact us if you would like to discuss how we can support your estate plans and how they form a key part of your overall financial planning strategy. We can arrange a meeting with a qualified legal professional to discuss your needs, or if you have an existing legal relationship, we can assist you with facilitating this discussion as well.
It is important to have professional legal advice when considering, and implementing, your estate plans.

3. Nominate a beneficiary for your super

Do not forget that your super isn't automatically covered as part of your estate. You may be able to specifically nominate your beneficiaries to your super fund, that is, who you want to receive the balance of your fund.

You can make different types of death benefit nominations. Some must be followed by your trustee, and others can be an indication of your wishes only. You must understand what kinds of nominations your super fund provides and who you can nominate.

4. Review your estate plan when life changes

You should update your estate plan any time there's a change in your financial or family circumstances or at different life stages such as marriage, children, divorce, retirement, or death of a spouse or dependent. Just like your investments and superannuation, it's a good idea to review your estate plan on an ongoing basis. When appropriate, also use a legal professional to check your estate plan.

5. Organise life insurance

Make sure you have the right amount of insurance to cover your income, your family's lifestyle, and any debt repayments after you're gone. Remember, your insurance beneficiaries aren't automatically covered as part of your estate. You must specifically nominate preferred beneficiaries with your life insurer.

6. Make a funeral plan

Make your wishes clear about how you want your funeral to look, how much you want to spend on it and how you would like your family to pay for it. You can make these instructions clear in your will.

To sum up, make sure you've nominated the beneficiaries for your super and life insurance and make sure you have enough insurance coverage, so you don’t leave family members in the lurch. Establish a power of attorney and make sure you review your insurance regularly. (And keep your paperwork where someone can find it!)

Finally, please note there are several risks to consider when it comes to estate planning. Consult a professional if you need to.

The best you can do though is start the conversation with your spouse or family members and get the ball rolling on one of the most important events in your life.

> **DISCLOSURE:** *This information is intended only to provide a general guide. You should not act solely based on this information. The laws relating to Wills and Powers of Attorney are complex and vary according to the State or Territory. You should consult a legal professional prior to making a Will or granting any Power of Attorney.*

Wishing You the Best on Your Journey to Retirement

There's a lot to take in that's for sure. But we get it. Planning for your retirement can be overwhelming. Keeping up with ever-changing superannuation laws and a growing list of financial products is a big challenge. Not to mention finding someone you can trust.

Guides like this and getting the right advice from a trusted source can help a lot though. If you're looking for personal advice from a retirement specialist, then we might be able to help you.

With the right financial advice you can:

- Reduce complexity and simplify your financial plan
- Not have to worry about decoding complex changes to superannuation laws
- Get clear and straightforward advice from a trusted financial adviser
- Have a local family run business by your side
- Know your rights when it comes to Centrelink benefits
- Get easy access to ongoing professional advice to help keep you on track
- Make the most of life and enjoy your hard-earned retirement

Our enduring belief is that good financial advice is worth the cost and there's no shame asking for help. In fact, there's never been a more important time to have some help managing your personal finances in an ever-shifting landscape of laws and regulations.

Put your trust in an advisory firm with 30 years of experience managing the financial affairs of everyday Australians. We're family-owned and operated, and we run our practice without intervention from the big banks or dealer groups.

Best of all, we only work with a select number of clients to ensure you get 'real' personalised advice.

Schedule a friendly chat TODAY with one of our trusted financial advisers to see if our service offering might be a good fit for your retirement.

And a fun fact to finish—Australia is ranked the 5th best country in the world to retire and 1st in the world when it comes to retirement finances.

So, just by living here, you're doing well! Wishing you every success for your financial future.

The Muirfield Team

If you'd like to schedule an appointment with a qualified expert then please feel free call us on 1300 242 700 or book online with one of our advisers.

Who is Muirfield Financial Services?

Muirfield Financial Services has been helping both retirees and pre-retirees gain financial security and more certainty over their financial future for three decades now.

Our focus is delivering high-quality, easy-to-understand financial advice.

By choosing to partner with Muirfield Financial Services, you will gain access to a financial planning practice with a long history of professional advice, integrity, and service.

We've helped multiple families and individuals from Geelong and the Surf Coast region make informed choices about their financial futures. These clients continue to benefit from ongoing advice.

But the major benefit? Our clients now have the freedom to enjoy their hard-earned retirement with less stress.

And we're proud to say we were one of the first financial planning practices in Victoria recognised as a Professional Practice by the Financial Planners Association of Australia (FPA).

Being an FPA Professional Practice sets Muirfield apart as a leader and role model for financial planning in your community.

Are We Right for You?

If you've come this far, you already know getting the right advice is essential. Perhaps you're just looking for the right team to guide you?

Well, we can tell you we've built our business on long-term relationships with these core principles as a foundation:

- **Service**: We guarantee you'll get a dedicated adviser who is easy to reach and returns your calls and emails.
- **Simplicity**: You'll get clear advice and simple instructions from us without the fuss.
- **Understanding**: We'll do the hard work building strategies tailored to suit your needs.
- **Clarity**: We ensure zero jargon or intervention from big banks or financial institutions.
- **Trust**: Take comfort knowing you can rely on trusted experts to do the right thing and always put your interests first.
- **Awareness**: Be better informed and know all your options before making any long-term commitments.

If this sounds like the type of service you're looking from a financial adviser, then we'd love to hear from you.

Call us to schedule an appointment on 1300 242 700 or book online with one of our adviser's today.

CHAT WITH ONE
OF OUR FRIENDLY ADVISERS
TODAY ON

1300 242 700

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