5 ways to get ready for retirement

Your guide to creating a richer retirement

StatePlus

Formerly State Super Financial Services

Whatever retirement looks like for you, one thing is guaranteed – your life will be different. Often this change can catch us off-guard. And it's not unusual to feel stressed or worried about what our lives will be like once we stop working.

StatePlus planners have the experience and expertise to help you get ready for this next stage of life.

5 ways to get ready for retirement

At StatePlus we help take the stress out of making decisions about your money.

In this guide we'll give you the information and tools to:

- Feel positive about retirement and understand your vision for retirement
- Decide when it's time to stop working and if you want to work part-time
- Get a clearer picture of the decisions you need to make about home and health
- Learn more about the benefits available to you
- Understand how your investment choices can impact your nest egg

We're easy to talk to

A StatePlus planner can help you at every stage of your retirement journey. In our experience, clients breathe a sigh of relief after talking to a StatePlus planner. We understand that you will probably have as many questions about your future as you do about your finances. And if you are a member of a public sector superannuation scheme we know the decisions about your retirement can be complicated.

Advice can make a big difference to your life

At StatePlus we're proud to provide financial advice to everyday Australians. We know good advice becomes even more valuable when times are tough or you're facing big decisions. At StatePlus it's not about how much money you have, or what you should have done. It's about making the best decisions for your future, starting from today. Visit stateplus.com.au to find out more.

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Take time to reflect and set some goals

Step 2

There's still time to keep building your nest egg

Step 3

Understand your options – pension and benefits

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Explore the big decisions – home and health

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Get your investment mix right

What does retirement look like for Australians?

Retirement has changed significantly in a generation. Thankfully 60 years plus is no longer considered 'old'. So what does retirement look like for today's Australians? Take our quiz to find out.

1. **How long can the average Australian women expect to spend in retirement?**

   a. 25% of her life
   b. 15% of her life
   c. 10% of her life

2. **At what age (on average) do Australians move into a retirement village?**

   a. 66
   b. 76
   c. 83

3. **What percentage of 65-74 year olds provide volunteer services through an organisation?**

   a. 33%
   b. 5%
   c. 13%

4. **What is one of the most popular past-times for retirees?**

   a. Walking
   b. Family time
   c. Travelling

5. **What is the chance that one person in a couple aged 60 today will live past 90 years old?**

   a. 50%
   b. 10%
   c. 30%

6. **What percentage of people aged over 65 continue taking part in sports and physical recreation activities?**

   a. 23%
   b. 49%
   c. 76%

Answers

1. *(a)* 25% of her life - *Life Tables*, Australian Bureau of Statistics, 2012-2014

2. *(b)* 76 is the average age retirees move into retirement villages - *The McCrindle Baynes Villages Census Report*, McCrindle, 2013

3. *(a)* 33% provide volunteer services through an organisation - *Older Australia at a glance,* Australian Institute of Heath and Welfare, 2007

4. *(c)* 87.6% of participants spent time travelling in retirement - Core Data, April 2014

5. *(a)* There is a 50% chance that one person in a couple aged 60 today will live past 90 - *Life Tables,* Australian Bureau of Statistics, 2012-2014

6. *(b)* 49% of over 65 year olds continue to participate in sports and physical recreation activities - *Older Australia at a glance*, Australian Institute of Heath and Welfare, 2007

Australians are ageing *positively*

What age do Australians *intend* to retire?

25% 60-64 years

49% 65-69 years

17% 70+ years

Retirement and retirement intentions, Australian Bureau of Statistics, 2013

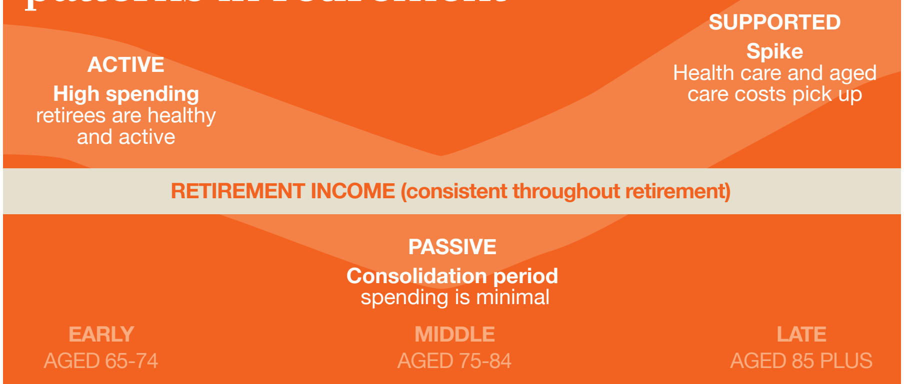
How many retirees *own* their own home?

83% of couples

61% of singles

Pension Review Background Paper, Department of Social Services, 2008

How *lifestyle affects spending* patterns in retirement



Pension Review Background Paper, Department of Social Services, 2008

The facts on *retirement villages*

2,200 retirement villages across Australia

170,000 living in retirement villages

76 is the average age people move into a retirement village

59% report an increase in happiness when they move into a village

The McCrindle Baynes Villages Census Report, McCrindle, 2013

What do Australians *like doing* in retirement?

- **87.6%** Travelling
- **71.5%** Walking
- **62.4%** Socialising
- **54.0%** Volunteering
- **48.7%** Family time
- **45.8%** Sporting pursuits
- **36.6%** Part time work
- **28.8%** Fitness training
- **27.8%** Studying
- **25.2%** Games

CoreData, 2014

Grey nomads *exploring* Australia

2.6 million trips in campervans, caravans and tents taken by 55 to 70 years olds. A 90% increase from 2000.

Tourism Research Australia, 2012

Retirees feel *great*

Over 60% of people feel happier in retirement

Changes in subjective well-being with retirement, Garry F. Barrett, School of Economics University of Sydney and Milica Kecmanovic School of Economics, Finance and Marketing RMIT University, July 2012

The information in this guide is current as at July 2018 unless stated otherwise. We recommend you talk to a financial planner before taking any action based on this information.

Step 1

Take time to reflect and set some goals

Often the first question to come to mind when we think about retirement is “How much money will I need?” Of course it’s important to think about your finances. But it’s difficult to know how much money you will need, without first understanding what you want your retirement to be like. At StatePlus we’re often asked questions such as what will I do with my spare time? How will retirement affect my relationships? Will I get sick of my partner if we’re not working? What is my role now in society? What will my life be like? Can I afford a holiday every year? Will retirement make me old?

It’s clear that a common goal for the people we speak to is to enjoy their retirement and make the time meaningful. Our experience at StatePlus tells us that setting time aside to plan and reflect can go a long way towards reaching this goal.

Make a Life List

Giving your retirement meaning is a fantastic motivator. When you can imagine yourself taking the holiday you've always dreamed of, or simply pottering around in the garden, getting retirement ready seems all the more worthwhile.

A great way to get thinking about your retirement is to create a 'Life List'.

- What do you want to do in your retirement?
- Where do you want to be?
- Who do you want to spend time with?
- What do you want to eat, see, experience?
- What do you want to contribute or achieve?
- Who do you want to inspire?

Use the Life List below to help create your vision of retirement.

Get emotionally ready

It can be easy to forget that your retirement will have emotional as well as financial impacts. These tips can help you prepare:

- Talk to your family and friends about your retirement. Sharing with others can give you new insights and understanding into what retirement will be like.
- Reflect on your achievements to date. This will put you in a positive frame of mind and give you confidence in your ability to thrive in a changing environment.
- If you have to retire before you really want to, ask your employer about support services to help you manage the transition.

My Life List

Close your eyes and get creative. The clearer the picture you can get of your retirement, the easier it is to start matching your lifestyle goals to your financial needs.

At 60 I want to	*At 65 I want to*	*At 75 I want to*
Spend my weekdays ……………..	**Spend my weekdays ……………..**	**Spend my weekdays ……………..**
Spend my weekends ……………..	**Spend my weekends ……………..**	**Spend my weekends ……………..**
Look forward to ……………..	**Look forward to ……………..**	**Look forward to ……………..**
Be able to ……………..	**Be able to ……………..**	**Be able to ……………..**
Contribute to …………	**Contribute to …………**	**Contribute to …………**
Have achieved……	**Have achieved……**	**Have achieved……**

Jim’s story

I didn’t know what to expect from retirement. My experience with my own parents wasn’t a good one. My dad had worked on our family property all his life. He got up at 5am every day and worked on the farm. When it was time to retire, they sold up and moved into town. They had to – money was tight. My dad went downhill very quickly from then on. He aged and just didn’t seem to have a reason to get up in the morning. It was very sad.

I suppose I was worried about retiring early. Like my Dad I have always worked hard. I started at Sydney Water when I finished high school and worked there for nearly 40 years. But then I was offered redundancy at 57. I was nervous about taking the plunge. I knew I would want to keep busy. So much of my time had been taken up with work I wasn’t sure what else I would do. My wife was very wise and suggested I get involved with the rugby club again. It was great to reconnect with old mates and spend time at the club. I spoke to my daughter about helping out with the grandkids. It was an important conversation. We could be looking after the grandchildren 5 days a week but we’ve committed to what we can manage. My wife and I want to make sure we have time for ourselves.

My biggest feeling about retirement is surprise. I’ve surprised myself with my enthusiasm to try new things and get back into a regular social scene. **My best advice for someone thinking about retirement?** Talk to your wife – make sure you are on the same page. And then talk to a financial planner. Just after we retired the GFC hit. Our planner helped us manage our savings. He explained everything that was happening in terms we could understand. He helped us not to panic. Even now when markets are shaky, we catch up with him to make sure things are still on track.

This story is based on experiences of StatePlus clients and their families.

Create a positive cycle

At StatePlus we often speak to clients a number of times before they make any financial decisions. It helps to talk things through and get comfortable with the changes that are ahead.

Once we start taking action we create a positive cycle for ourselves. We feel good about getting things done so we're motivated to get more ticked off the to do list.

It's time to set some goals

The key to getting started on your retirement plans is to be realistic about what you can get done. Divide tasks so you can get some small wins straight away and give yourself more time to get through the complex things. Setting realistic goals will help you avoid stress. And if you need help, ask. It can save you time and money.

Be kind to yourself

We all need a little nudge now and then to get us going. Decide on a 'reward' for completing items on your list. It can be as simple as giving yourself half an hour off for a cup of tea once you're done.

Did you know?

Advised investors are ***more likely to make additional contributions*** to their super when compared to unadvised pre-retirees.

Source: *Australian Retirement Vision Survey*, Rice Warner, August 2015

My Action List

Use this example to help you create your own action list.

	I can do this today	*I need more time/ I need some help*
Finances	☐ Check my super balance ☐ Calculate my net worth ☐ Book an appointment to see a StatePlus planner	☐ Check that I am maximising my scheme contributions ☐ Work out how long it will take to pay off our debts
Lifestyle	☐ Talk to my partner about how many holidays we want to take a year ☐ Find out more about what it is like to look after grandchildren when you're retired (talk to friends/ look online)	☐ Explore options to work part time before I fully retire ☐ Decide if we need to make some lifestyle changes now to increase the amount we are saving for retirement

Step 2

There's still time to keep building your nest egg

For most of us our retirement date is not set in stone. We have some flexibility to retire early or decide to work for a bit longer. Whatever your circumstances it makes sense to think about when to retire and how you can save enough money before you finally finish working.

Retire at a time that's right for you

Work is a big part of most peoples' lives. And it can be a big part of who we are. At StatePlus we work with a lot of people employed in the public sector who've contributed a great deal to their job and their communities. Work contributes to our sense of worth and self esteem.

The transition from a structured work day to a lifestyle where you have more freedom can feel like a holiday at first. But the thought of losing the familiarity of work can also cause stress and anxiety.

Test the waters by working part-time

By moving to part-time work before you retire, you can test the waters on how you will cope emotionally and financially. It can be a great way to ease into your retirement and there are a number of financial strategies you can use to stay on track to meet your retirement goals.

If you are a member of a defined benefit scheme, moving to part time work may have an impact on your scheme benefits. So talk to a StatePlus planner about your options.

Do you really need a million dollars to retire?

The short answer is probably not. It's useful to understand some of the maths behind this often quoted figure. If you're a male who retires at age 60, then you can expect 23 years in retirement on average. A female in average health can expect to live another 26 years. If you desire a 'comfortable' retirement of $60,000 p.a. indexed to inflation, and receive investment earnings of, say, 6% per year, then you'll require a lump sum of more than $1 million to fund your retirement.

Of course, many of us won't have saved $1 million by the time we retire and the fact is you probably won't need this much. Generally speaking, as people progress through retirement they actually spend less money than they did during the early years out of the workforce (although there may be a spike in spending in later years to cover health related costs). In practice you won't be reliant on just the nest egg you've saved. Other sources of retirement income may include money from part-time work or entitlements such as the Age Pension.

What is a luxury and what is an essential?

It's true that most of us will need to live on less when we retire. And it's not uncommon to be over optimistic about what we can live without. When deciding what is a luxury and what is an essential, it's important to think about more than just the financial cost. Activities that bring us joy, social connection and a sense of purpose are key to living a happy and fulfilling retirement. Use this exercise to think about which of your current activities you want to continue in retirement.

Activity	*Brings me joy*	*Social connection*	*Sense of purpose*
Playing golf and being treasurer for our club	✓	✓	✓

So how much money will you need in retirement?

This is a question that we often get asked at StatePlus. The answer will depend on the type of lifestyle you want to achieve once you finally leave work. How much money you will need to fund your retirement lifestyle will depend on:

- How much income you need;
- Your investment earnings; and
- The length of your retirement.

A StatePlus planner can help you understand if you're on track financially to meet your lifestyle goals.

Part-time work can provide a real boost

If you earn just $200 or $300 per week in the early years of retirement, it can go a long way to reducing the pressure on your retirement nest egg. Keep in mind that under the current tax rules, most people won't pay tax in retirement. That's because:

- The income and lump sum withdrawals from a taxed super fund are tax free once you're 60; and
- The Senior and Pensioner Tax Offset applies for those over retirement age, so that no income tax is payable on the first $28,974 of annual taxable income each person in a couple earns. For those eligible for the Low and Middle Income Tax Offset, the amount is $29,609.

The amount of tax you pay will depend on your individual circumstances. Talk to a financial planner before you make any decisions about your money.

Start working out how much you need to retire

Often we avoid thinking about exactly how much money we'll need because it seems impossible to calculate (or we don't really want to know for fear that we don't have enough). It often helps to keep things simple to start with. This exercise is a good starting point only. A StatePlus planner can help you with the detail and show you where your money will come from.

Use this exercise to divide your expenses into 3 buckets:

- **Essentials** such as accommodation costs, food and utility bills.
- **Lifestyle** expenses such as eating out, holidays, trips to the movies and any hobbies or pastimes.
- **Safety net –** the money you have put away to make you feel comfortable that you can deal with unexpected expenses.

Put dollar amounts next to each bucket to give you an idea of your yearly income needs.

It's not too late to boost your savings

There are a number of strategies you can use to boost your super. Any additional contributions you make now, will increase the amount of savings you have for retirement. For members of a defined benefit scheme, it can be particularly important to check that you are making the correct contributions to your scheme. By maximising your contributions, you may be able to significantly increase the value of your retirement benefit.

A StatePlus planner can help you understand your options and also make sure that you stay within contributions limits.

Salary sacrifice

Put simply, a salary sacrifice contribution is a pre-tax payment that is paid by your employer (at your request) to your super fund.

There is the potential for significant tax savings in the short, medium and long term. However, it's the discipline of saving that will have the most impact on your super benefits at retirement.

If you're a member of a defined benefit scheme, there may be restrictions or conditions on making pre-tax contributions to your scheme so talk to a StatePlus planner about your options.

Get the most from your scheme

If you're a member of a defined benefit scheme it's important to get your contribution level right. The benefit paid from your scheme is generally based on a set formula and there are specific levels of contributions you need to make to maximise your benefit. If you're not contributing enough, you may end up with a lower retirement benefit.

Each defined benefit scheme is different. At StatePlus we're experts in public sector superannuation schemes so we can help you understand how to maximise the benefit from your scheme.

Transition to retirement (TTR)

A TTR strategy can help you find the right balance between work and retirement. Once you have reached your preservation age (between 55 and 60 depending on when you were born) a TTR strategy gives you access to some of your super before you have completely retired. With a TTR strategy you can:

- Work less but use a TTR pension to supplement your reduced income;
- Boost your super savings as your employer will still be contributing to your super (and if you choose to salary sacrifice you can make further contributions); and
- Save on tax.

There are limits on the income you can withdraw from your TTR pension each year. If you are a member of a defined benefit scheme there may be considerations you need to take into account before putting a TTR strategy in place. So talk to a StatePlus planner about your options.

Using your long service leave

Using your accrued leave can be a good opportunity to stop working without having to access your retirement savings. And your employer will still contribute to your super during this time. You may not have to stop work completely. Talk to your employer about using your long service to reduce the number of days you work each week.

> “When you retire, you’re not really wanting a new way to live. You want to be able to continue your life”

Sue’s story

I’ve always had a positive attitude towards retirement. I have a busy social life and I’m an active member of the community. In many ways work was something that I needed to do, but it wasn’t my main focus in life. So while I felt emotionally ready to retire, I really hadn’t thought about money. It was only when my husband went to see a StatePlus planner about his defined benefit scheme that I realised it was time to get my own finances in order.

It was the best decision I could have made. Quite honestly if I didn’t see a planner I wouldn’t be in the position that I am now. Super is a lot more complex and complicated than it should be. I’m a teacher but I feel like I didn’t really get my head around super until I was in my 50s. My planner recommended that I start a TTR strategy around 3 years before retirement. It has made a real difference to my super balance. I don’t have a huge amount in super but my nest egg would have been a lot smaller if I hadn’t decided to use a TTR strategy. I was also able to substantially reduce the tax that I paid.

My best advice for someone thinking about retirement? Stay active and get professional help. Seeing a planner was the best thing I did. It has made a real difference to my life.

This story is based on experiences of StatePlus clients and their families.

Step 3

Understand your options – pensions and benefits

As Australians, we're living longer and that means careful planning to make sure you have enough money to live on in retirement. It's helpful to understand where the money to fund your retirement lifestyle will come from. And to get a handle on what benefits and support you may be entitled to.

At StatePlus we're often asked questions such as how will my pension work? When do I apply for social security? How much social security can I get? Should I take a lump sum or pension?

How do I access my super when I retire?

You generally have the option to:

- withdraw your super as a pension;
- take a lump sum cash payment;
- leave your super where it is; or
- choose a combination of all three.

If you are a member of a defined benefit scheme your options for accessing your super may be different. A StatePlus planner can help you understand your scheme and the most effective way for you to access your benefits.

Lump sum or pension? Get expert help before you make a decision

Whether to take a pension or lump sum (or a combination of both) is an important decision for your retirement, particularly if you are a member of a defined benefit scheme. A StatePlus planner can assess your individual circumstances and explain your options to you.

Factors that need to be taken into consideration include:

- How much income versus capital do you need?
- Are you a member of a defined benefit scheme? Which one?
- How stable is your health and family history?
- What is your plan for passing on your estate and how could the payments impact estate planning?
- What are you plans for your life in retirement?
- Could financial markets, tax or Centrelink benefits influence your decision?

What is an account based pension?

An account based pension is a popular way to provide yourself with a regular income in retirement. You can start your account based pension with a lump sum amount from your super.

Your pension provider will invest that money and provide you with regular pension payments monthly, quarterly, half-yearly or annually. You are required to withdraw a minimum amount each year depending on your age and your account based pension will last until your balance is exhausted.

You can also access your cash when you need as you have the ability to withdraw lump sums from your account-based pension.

When can you access your super?

You super is a way for you to save for your retirement. So there are restrictions on when you can access your super benefit. In general you can access your super when you meet a 'condition of release'. If you are a member of a defined benefit scheme you will also need to meet the requirements of your scheme.

Age	Can I access my super?
65 years or over	You can access your super.
Under 65	You can access your super if you have: • permanently retired from the workforce; and • reached your preservation age (see table). Permanently retired means you do not intend to work for 10 hours or more per week.
60 years or over	You can access your super when you leave your employment, for example if you are made redundant. If you are aged 60 or older, termination of an employment arrangement is sufficient to access your super (even if you continue to work in another job).
Before your preservation age	You can access your super early in some very limited circumstances including incapacity, terminal medical condition, severe financial hardship and compassionate grounds.

If you have reached your preservation age but not yet retired, you may have the option to access your super through a transition to retirement pension.

How does the Age Pension work?

Currently, the Age Pension is available to Australians aged 65.5 or over. This age limit will be increasing by six months every two years, reaching age 67 by 1 July 2023.

Whether you are eligible for the Age Pension (and the amount you receive) will depend on how much income you get and how much your assets are worth. This is calculated using two main tests:

- An income test – refers to any investment income or salary earnings
- An assets test – based on your lifestyle and financial assets (your home is not included)

The test that results in a lower outcome is the one that determines how much Age Pension you are eligible to receive. If you are eligible for the Age Pension you will also automatically receive the Pension Supplement. As at 1 July 2018, the combined maximum rate for these benefits is:

- $907.60 for a single person per fortnight
- $684.10 each for a couple per fortnight

There are other benefits linked to the Age Pension such as the Pensioner Concession Card. So even if you will only be eligible for a very small Age Pension it may still be worth making an application. A StatePlus planner can help you understand your options.

What is my preservation age?

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

Source: Australian Tax Office

What government benefits are available?

There are a number of ways that the government assists older Australians with the cost of living. The table below provides a summary of some of the benefits available.

Benefit	Available from age	Means tested
Age Pension	Between 65 and 67 years old depending on when you were born	Yes
Pensioner Concession Card Reduces the cost of living by providing concessions on certain goods and services including some medical expenses	When eligible for relevant associated benefits	Yes
Commonwealth Seniors Health Card Provides access to cheaper medicines and other medical services	Age Pension age	Yes
Seniors card Discounts and special offers at businesses across your state.	Between 60 and 65 depending on the state you live in	No
Bereavement payment and bereavement allowance If your partner dies and you have not re-partnered you may be eligible for this benefit	Not applicable	Yes
Carer payment and carer allowance If you care for someone who has a severe disability, medical condition, or who is frail aged or need care yourself you may be eligible for this benefit	Not applicable	Yes

David’s story

I’ve always been quite sensible with my money and I like to plan ahead. I worked at Sydney Ports for 37 years and I have a defined benefit scheme. I also set up a superfund with one of the banks in the 1970s. At the time, I was working with people who weren’t able to retire until they were 70. They encouraged me to set up my own super fund so I did.

I started seeing my planner at aged 50. I saw my planner regularly over the next few years. She helped me understand how much I would get on exit from my scheme and was also able to let me know that I would be eligible for a small Age Pension.

She suggested that I take the last year off work using annual leave and long service leave I had accrued. It was a better option for me (based on my circumstances) than working right up to 60 and taking the leave entitlements as cash. It also gave me a chance to get used to being retired. I was worried that I would miss work but I am still involved with boats. I volunteer with the Sydney Heritage fleet. It’s a good feeling to keep using my skills. Our planner helped us get into a good position for retirement. It’s good to know that we are financially secure.

My best advice for someone thinking about retirement? Talk to an expert. It’s all well and good listening to your mates and reading the papers but at the end of the day, you’ll feel more confident if you speak to someone who understands you and your circumstances.

This story is based on experiences of StatePlus clients and their families.

Step 4

Get comfortable with the big decisions – home and health

Your retirement can be as long as 30 years or more. So it makes sense for you to have different priorities at different stages of your retirement. In the short-term retirees tend to focus on their lifestyles – pursuing hobbies, travel and spending time with family, maybe helping with grandchildren. As you get older your home and health become a bigger priority.

It can be hard to focus on the long-term – after all we don't have a crystal ball. But making important decisions in times of crisis is stressful and can feel like panic. When time is on your side you have a great opportunity to talk to your family and loved ones and decide on the best options for your future.

To downsize your home or not?

At StatePlus we know a big decision for most retirees is where they will live. There are some important things to think about before you decide whether to move, downsize or stay put. A StatePlus planner can help you assess your options. Factors that need to be taken into consideration include:

- You know your home and it's likely you've made it your own over the years. But will your house still be suitable for you in 15 or 20 years time? Will you be able to keep up with the maintenance? Will you need to make changes to keep living in the property if you are less mobile?
- Selling your home can provide extra cash to fund your retirement but it may also have an impact on the amount of government benefits you receive. And if you are over 65, you can now put up to $300,000 from the proceeds of selling your home into super exempt from the normal contribution rules.
- You may relish the thought of a fresh start but it also takes time and energy to establish yourself in a new place. It may be that you will miss the familiarity of your old home and area.
- If the majority of your money is tied up in your property you may not have access to the cash when you need it.

Is there an alternative to selling up?

If you don't want to sell your current home you could consider renting some of the rooms available in your house or even converting your house to accommodate a dual occupancy. This will allow you to live in one half and sell or rent the other half. It may even be time for the kids to move back in? Many young families struggle to get on the property ladder and a short time back at Mum and Dad's can help them save, and provide you with some rental income.

Planning ahead – your health

We all hope for a healthy old age but we can't guarantee it. We know at StatePlus that the earlier you start planning for your long term health, the more lifestyle choices you will have.

Too often people don't get the chance to voice their wishes before a mental decline or sudden illness. Having the conversation now can help you:

- Ensure the right outcome for yourself or your loved one;
- Remove unnecessary stress; and
- Limit the potential for family conflict.

Get the conversation started

- Limit surprises – let your partner or loved one know that you want to talk about the future and set aside time to have the discussion.
- Focus on the positive – rather than discussing what you don't want, focus on what you do want.
- Find out more information rather than getting bogged down in 'what if's?' Get advice from an expert.

Aged care

While the Government generally subsidises a significant portion of aged care costs, the fees for residential aged care services can be sizeable.

By planning carefully before you reach the point where a decision needs to be made, you can take some of the stress out of funding aged care. At StatePlus we are aged care specialists. A StatePlus planner can help you understand your options and deal with the financial complexities of aged care.

The costs involved

There are four types of fees that may be payable in regards to residential aged care.

Accommodation payments

This is a one-off fee that includes the bed/room at the care facility. Fees differ depending on the provider you choose. Average costs range from $300,000 to $550,000 in regional and capital cities, but the payment could be more or less than this. Your accommodation payment doesn't necessarily have to be paid as a lump sump. You can arrange to pay the amount over time.

Basic daily care fees

This covers living costs such as meals, electricity, cleaning and laundry services. This fee is payable by everyone and is set at 85% of the basic Age Pension rate for a single person.

Care fee

This is an additional daily contribution towards the cost of care that some clients may be required to pay, depending on their level of assessable assets and income.

Extra or additional services

This may be an optional fee for residents for 'hotel-like' services to increase a resident's comfort of stay. These options may be something like a bigger room, choice of menu, glass of wine with dinner, daily newspaper and recreational activities.

The early bird is a comfortable bird

At StatePlus we know from experience that putting strategies in place to manage costs in later life is a great move. A StatePlus planner can help with aged care planning for you or your loved ones.

Did you know?

Approximately ***45% of people*** over the age of 70 ***will use aged care services*** at some time in their future.

Source: Australian Bureau of Statistics

Step 5

Get your investment mix right

With many Australians taking a low-risk approach to investing for retirement, it's common for people to choose investments that may not generate enough income to fund the lifestyle they're looking forward to.

Getting the right mix of investments

When your money is in super, it is invested by your super fund provider. Most super funds give you a choice of 'investment options'. Generally you will be offered a choice between a growth, balanced and conservative option.

The option that's best for you will depend on a number of factors – the amount of risk you're comfortable with, the level of returns you are looking for and how long your money will be invested for.

At StatePlus we are specialists at managing money for retirement. When thinking about your investments and retirement it's important to:

- Protect your savings;
- Provide stable, secure and predictable income; and
- Seek modest growth to protect your money against the effects of inflation and make sure your savings will last.

How is your super invested?

Check with your super fund provider to find out how your super money is currently invested. You probably made your investment choice when you first joined your fund so it's worth finding out if it's still the most relevant option for your life stage. A StatePlus planner can help you balance short-term risk against long-term growth and improve your chances of having a stable income to take care of all your needs when you retire.

Inflation and retirement

In simple terms inflation eats into the purchasing power of your money. Inflation is measured as an annual percentage increase of prices for goods and services. When you're working your wages generally keep pace with inflation. But once you retire and you're living off your savings, inflation can have a negative impact on your purchasing power. Some investments are more likely to keep pace with inflation than others. A StatePlus planner can help you manage the effects of inflation on your retirement savings.

Less than half of Australian super investors are willing to take on even ***moderate levels of investment*** risk, significantly impairing their ability to reach their long-term lifestyle goals.

The Australian Retirement Vision Survey, Rice Warner, August 2015

The importance of staying invested

An investment in the share market is an investment in a growth asset. This means there is more risk attached to investment than say keeping your money in cash, but you have the potential to grow your savings faster. During periods of market volatility, it can be tempting to change your investment strategy, particularly for pre-retirees and retirees.

When markets are volatile the value of your investments may go up and down rapidly. Taking money out of investments with exposure to shares and choosing "safer" options such as fixed income or cash, can seem like a good way to protect your investment income and prevent losses.

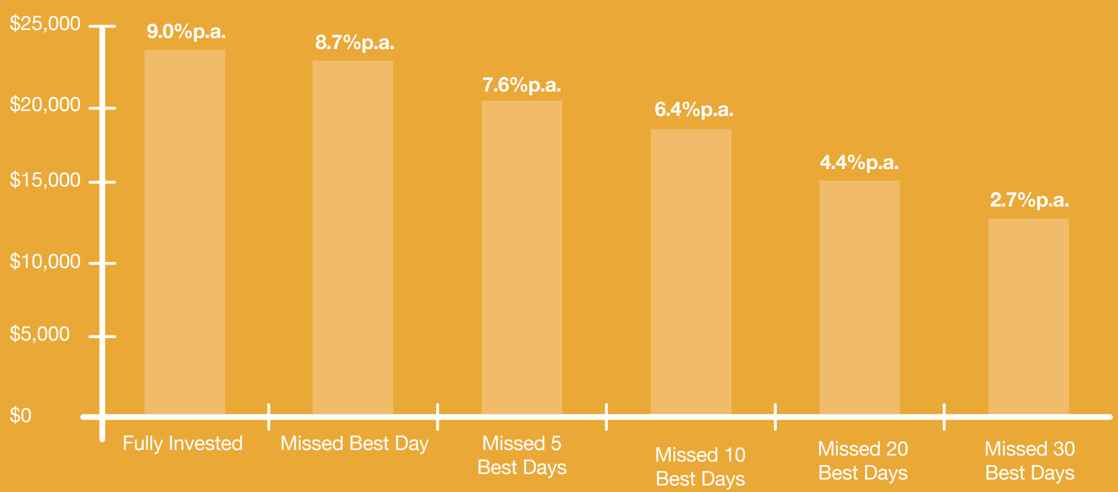
Following Your Plan

Instead, we suggest that once you have a tailored financial plan in place that you should remain true to that plan. You should only change your plan when your circumstances change. As part of the approach we use with our clients we also recommend taking advantage of strong investment markets by taking profits and building up additional reserves. This avoids you having to sell growth assets during negative or volatile markets at depressed prices, which can have a lasting negative impact on your retirement nest egg.

The dangers of trying to 'time the market'

However you may be significantly disadvantaged by selling shares when markets are volatile. During these volatile periods there will be days where markets fluctuate significantly. It's very difficult to know exactly when markets will rise or fall. When you cash in an investment and miss even one day of strongly rising markets it can have a major effect on your portfolio. This is known as sequencing risk. The chart below shows how staying invested can make the difference between a 9% p.a. return over 10 years compared to a 2.7% p.a. return over the same period where the investor missed the 30 best days in the market.

Value of $10,000 invested in the S&P/ASX 300 Accumulation Index 20 Years ending August 2015



Source: Acadian Asset Management

To maximise your investment outcomes it is prudent to 'stay the course' over the medium and long term. A StatePlus planner can help you work out the best investment strategy to meet your retirement needs.

Insights from an expert

Damian Graham is the Chief Investment Officer at First State Super. He has been at the centre of investment management in Australia for over twenty years, holding senior leadership positions at a number of major Australian and global financial institutions, most recently with Macquarie Group. Damian was appointed to the role of Chief Investment Officer at StatePlus in 2012, and is responsible for asset allocation and investment decisions across the full range of investment portfolios.

Damian, can you tell us what's different about investing for retirement?

Every investor faces the risk of losing money. And whilst it's a situation most people want to avoid, the outcome can be particularly devastating for a retiree or someone approaching retirement.

It's much harder to recover losses when you are already drawing on your portfolio (instead of adding to it by contributing to your super) or you only have a few years of work left. Just one year of poor returns can lead to a significant dent in your portfolio and seriously impact your plans for the future.

When the money is held in super, retirees face sequencing risk. This is when the order and timing of returns can have a significant effect on how much money is available in later years. Negative investment returns early on in retirement can be particularly damaging. This is why managing volatility during that period is crucial for retirees.

How does this influence the way in which investments need to be managed in retirement?

At StatePlus we prioritise strategies that generate returns over and above the rate of inflation rather than seeking the highest returns possible. We want to smooth the journey for our clients by delivering solid returns at appropriate levels of risk.

We also seek to manage the key investment risks faced by a retiree which include increases in the cost of living (inflation risk), running out of money too soon (longevity risk) and sequencing risk, which I mentioned earlier.

By doing all of this, you will find the income from your portfolio can last longer.

How does diversification contribute to an investment strategy?

Having a greater diversity of investment strategies offers the ability to diversify risks effectively. This can reduce potential losses and the length of time to recover when more traditional asset classes, such as shares and bonds, are performing poorly.

We believe our focus on risk and effective use of diversification will produce long-term benefits. This is especially true when asset classes are fully priced and unlikely to deliver returns in line with their long run average. As we have seen recently, heightened market volatility is never too far away so it is crucial to stay disciplined and maintain your long-term plan.

If it matters to you, *it matters to us*

At StatePlus we simplify the complexities of managing your money so you get advice that will make a genuine difference to you and your family.

Our expert planners can help you:

- Work out the best time to retire
- Maximise benefits from your scheme
- Understand how much money you'll need and how you can make up any shortfall
- Put plans in place to work less as you get older without sacrificing your income
- Put plans in place to look after your children and parents
- Manage your everyday finances.

We get to know you

When you meet with a StatePlus planner we will:

- Listen to you and make sure you feel comfortable
- Work together to find out what matters to you most
- Explain your options and any costs involved.

At StatePlus there'll be no surprises when it comes to what you pay. The fee you pay will reflect the advice you actually need and the level of service that you want.

- Your first appointment with a planner is without cost or obligation
- We explain how much your advice will cost in our first meeting with you
- We won't charge you any fees until your financial plan is finalised and you have provided your explicit agreement to action that plan.

Financial advice: what are the benefits?

Research shows that people who get financial advice (when compared with those who don't):

- Feel more confident about meeting their retirement goals
- Have a better standard of living in retirement
- Make more personal super contributions
- Are less likely to depend on the Age Pension for their income
- Are significantly more confident in their ability to manage higher levels of investment risk.

A summary of the findings from the Australian Retirement Vision Survey-Rice Warner, August 2015

Book an Appointment

Ready for expert advice about your retirement?

It's time to see a StatePlus financial planner.
Call 1800 620 305 or visit stateplus.com.au

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