Wish you were here?

Stephen Winter was able to retire early and now leads a life of cycling leisure.

With job prospects for older Australians getting bleaker, many retirement strategies might need a bit of a rethink.

At 62, Stephen Winter is living a life many people can only dream of. Eight years ago he retired from a career in the banking sector. The avid cyclist spends his time on his favourite hobbies and travelling the world.

Ironically, Winter said he never intended to retire early. "When I started out in my career, I never consciously thought about retiring early," he said. "I bought my first home when I was 30. We had a newborn and I barely scraped enough for a deposit. Shortly after, I started earning good money, and then more children came along. The catalyst to build more assets came after my three kids left school."

The skifields are just one of the places Stephen Winter has time to enjoy.

With no more school fees to contend with, Winter put this money aside into savings and then bought an investment property.

"By that time I was in my early 40s, I had maintained my superannuation contributions and had two properties; both of them had increased in value. This is where I made the most money. I did not intend to acquire a pot of money, it just accumulated. I sold the two properties, and downsized to a smaller apartment, then put the rest into super. I now have choices in what I do."

Winter retired off the proceeds from the two properties, his shares and his superannuation. Today, he lives alone and draws an income of $80,000 from his superannuation, enough to fulfil his lifestyle.

"It's enough for me to live very comfortably, including eating at great restaurants and a few trips abroad each year.

"Regardless of whether you do or do not want to work past your 50s, it's a matter of weighing up the benefits of working and whether you're passionate about your work," he says.

"Even though the banking industry was good to me, I was never passionate about my work. You meet a lot of people at work and it can be really social. Some people might weigh this up against having a lot of free time to do other things. For me, I enjoy travelling, cycling and playing bridge. It's a life of love."

If you want to retire early, the first issue is to have a realistic understanding of how much you will require in retirement, says Craig Day, executive manager, technical services at Colonial First State. Importantly, remember that superannuation is generally not accessible until 55 to 60. Retirees will require income from other investments, such as shares, investment property or sale of a small business till they are able to access superannuation.

Day offers these tips towards early retirement.

Plan to have more saved in superannuation than most people.
It is important to remember that someone who retires in their early 50s has a life expectancy of 32 year for males and 36 years for females. Therefore, you'll need to save a much larger amount to see you through. Make sure you have a good idea of the level of income you will need and the capital required over that extended period.

Increase contributions as soon as you can
The sooner you start adding extra amounts into your superannuation the bigger the impact. Your contributions will start compounding the longer they are there, providing the opportunity for your superannuation savings to grow. If you leave this too late, for example in your 40s; you'll have to contribute larger amounts. This may not be affordable for some. If you begin adding above the compulsory contributions in your 20s and 30s, you will have a more likely chance of retiring earlier.

Transition into retirement
Not everyone wants to check out entirely from the workforce. One way to slowly move into retirement is with a transition to retirement income stream or TTR. Those who wish to remain active within the workforce can start a TTR pension at age 55, and access their superannuation as a non-commutable income stream. This allows a person to drop down to part-time employment and take a pension to make up the difference.

Build assets
As Steve Winter did, start acquiring non-super assets, such as property and shares to build assets. Then move towards downsizing and accessing capital from the family home.

Tax concessions for business owners
There are a number of capital gains tax concessions for the sale of small business assets that could help increase the capital someone has to fund their retirement. However, it is important to plan and qualify for these tax exemptions.

More information can be found at ato.gov.au