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MONEY SUPER & RETIREMENT SUPERANNUATION

So you've decided to retire: What's next?

By Emily Chantiri
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Retirement is looming but you don't know what to do or where to start as your plunge headlong into a raft of life-shaping decisions and a minefield of paperwork.

Whether you are easing into your golden years by maintaining some part-time work or stopping work altogether, being aware of some of the steps you might take can help alleviate uncertainty.

If you're easing into your golden years, there are a few things to keep in mind. JESSICA SHAPIRO

Dianne, 64, is enjoying her retirement.

Before making that final decision, she sought independent financial advice, particularly around the structure of her superannuation.

“I estimated my net assets and how long I’d expect to live and how much I need each year, while I kept working part time," she says.

Retired nurse Delia Scales, 61 is self funded and loves her new lifestyle, which includes listening to a wide range of podcasts and managing a website.

“Retirement is a very daunting process," she says. "I have friends who are still nursing in their sixties, out of a need for companionship as much as anything else.

"The biggest lesson for retirees, I feel, is don't stop working altogether. Instead, focus on the money issues, such as super or the age pension. And stay busy and productive.

"People are living longer than they realise. No super fund will cover decades of spending.”

Everyone is unique in their retirement plans and no size fits all, but here are some of the things to consider as you wrestle with the decision as to whether to stop work

Andrew Griffin, retirement advice leader at financial advisory company Stanford Brown, offers the following tips:

Pre-retirement phase

Make maximum use of tax-efficient super contributions with your spare cash flow via pre-tax and post-tax contributions.

Work out your likely spending in retirement. Do a budget and don't forget to include the extraordinary items, such as holidays, so you can sustain your regular lifestyle.

Total all of your potential income – super, government entitlements, investments and savings.

If you are expecting some form of inheritance, don't bank on it but include it in your calculations.

Most super funds now can point you in the right direction of an independent financial advisor who can offer help and assistance as you transition into retirement.

A retirement plan for a couple might cost $3000 to $6000 but is well worth it in the long run.

Consider the costs and benefits of all your insurances – including life and total and permanent disability – noting that premiums typically rise more quickly as you age.

Reduce work hours?

Michael Hutton, from HLB Mann Judd accounting, says, if possible, it is better to ease into retirement by simply reducing your work obligations.

“Earning a smaller salary allows you to draw less on your retirement savings, enabling them to last longer," he says. "The tax results can also be good, as you may pay tax at lower rates.”

Pay off any debts

Clear the books, including any credit-card debt and, if possible, your mortgage.

Consider unlocking equity from your home by downsizing, if you own it outright.

The government's downsizer contribution rules allows eligible people over the age of 65 to make a contribution into super of up to $300,000 per person from home sales proceeds.

Your super fund

Decide whether you want to withdraw a lump sum from your super or receive a regular income stream (account-based pension) and notify your fund. This does not automatically happen.

When you use an account-based pension the government mandates that you take out a minimum amount of 4 per cent a year, which increases with age.

Hutton says don't take the lump sum just because you can and it is tax free.

“More likely, you will spend it more quickly and invest less wisely than your super fund, which also takes care of the administration and the tax obligations of the investment portfolio,” he says.

Centrelink

Contact the Department of Human Services to see if you are eligible to receive government support payments (eg. the pension and a health card).

The Age Pension age has been slowly increasing from 65 to 67 years, depending on your birth date. To be eligible, you must meet an income and assets test and be living in Australia (or be an Australian resident for at least 10 years and physically present in Australia).

The maximum fortnightly pension rate is $826.20 for a single person and $1245.60 for a couple.

Lodge an application online or visit a Centrelink service centre.

Anne, 69, started building on her super after discussing with friends to learn what they did.

”I had paid down my mortgage, keeping my withdraw capacity active just in case," she says.

"I also started building up a share portfolio and saved $50,000 in cash with a view to taking a long holiday upon retirement.

"However, fate took over when I was diagnosed with breast cancer.

"The biggest lesson for me – no-one is immune from disaster. Have a contingency plan; you never know what is around the corner.

"Look for other ways to diversify into property or shares and somewhere to leave cash that you have immediate access to," she says.

Retirement resources

The Australian Securities and Investments Commission's MoneySmart website and the Department of Human Services also offer a wealth of information in preparing for your retirement years.