
Riding into the sunset

Don't just have a retirement plan, have a life plan.

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As Australia's population nudged past the 25 million mark in mid-August 2018 demographers were busily updating their projections on how quickly people numbers would continue to grow.

There's always a certain degree of guesswork involved in their forecasts, but there are also indisputable facts. As the population expands, so do the number of workers and the ranks of people living in the retirement phase.

On average, people are living longer than before, too, and that's creating a whole set of unprecedented financial challenges for individuals and couples who need to ensure they have accumulated enough wealth throughout their lives to generate sufficient income to lead a quality lifestyle in their later years.

THE NEST EGG YOU NEED

Data from the Association of Superannuation Funds of Australia (ASFA) shows couples aged about 65 living a comfortable retirement need to spend A\$60,604 per year, and singles A\$42,953. Those living a more modest lifestyle need to spend A\$39,442, and singles A\$27,425.

A major research report focused on Generation X (those born between 1961 and 1981) by the US-based Stanford Centre on Longevity in 2016 concluded that having a financial life plan rather than just a retirement plan is more important than ever.

"Unlike their grandparents and prior generations, many Gen Xers will live for a few



more decades, so it may be well worth their time and effort to make mid-life adjustments to give themselves the best chance of not just living long, but living well," the report notes.

Dr David Knox, senior actuarial partner at Mercer Australia, says that we often think of sources of income for retirement as just superannuation; however, there are a number of other income sources that go beyond super.

"Most people will have savings outside of super, whether that's just money in the bank or a term deposit, a share portfolio or property investments. We need to think of that as part of income for life."

However, Knox also notes that more Australians will be holding multiple jobs in the so-called gig economy rather than one full-time job, which could stunt their savings potential.

"I think there is something missing in our framework in terms of superannuation that we don't pick up the self-employed or the gig workers. I would like to see it as compulsory for every worker to contribute to superannuation."

He also points to home ownership becoming less affordable for many, and more people will be renting for life in future, which will remove the option of being able to free up capital from their home later in life to generate income.

NAVIGATING THE PATH

Nathan Zahm, senior investment strategist at asset manager Vanguard, says retirees can experience greater uncertainty in retirement because their finances are less structured, with no mandated contributions and default setting on superannuation.

"There's no universal route to financial security in retirement, but there are common steps in the journey ... which should lead to greater confidence in their ability to meet retirement goals," he says. These include determining one's goals, understanding the

investment and other risks, assessing all available financial resources, and developing a plan to achieve goals and to mitigate risks.

Theo Marinis, principal of Marinis Financial Group, agrees that having a holistic wealth strategy is important from a young age to plan for the different investment phases in one's life. These include buying a home, accumulating savings before retirement, and generating income to live on after stopping paid work.

"Of course, many people get to 40 or 50 and they decide they should do something, but obviously the earlier you start the better off you'll be," he says.

"Realistically, everybody should do holistic planning to ensure they are on the right financial track all through their lives, and that includes using one or more professionals to advise them on everything, based on their goals, from superannuation to estate planning and wealth protection, to income protection, and retirement."

THE WHOLE PICTURE

Marinis suggests using a "financial board", with the individual or couple's accountant, financial planner and estate planning lawyer working together. That is what holistic planning is all about.

"You find an adviser you can trust and go on a journey with them, and they're your advisers for the next 20 or 30 years. They get you to where you want to be and make sure that you're taking advantage of all of the opportunities at every stage in life."

Knox says education, starting from a young age in schools, is key to developing the financial knowledge needed around life planning.

"Inevitably, we are moving to a situation where individuals are going to need to be more responsible for themselves and rely less on the government. We can't rely on governments." ■

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