“Re-Nesting the Egg”

A Roundtable Discussion On Financial Planning in your 50s and 60s

Many of our readers in their late 50s and 60s will be in a strong cash position. They may have just downsized the family house when the kids have all left home; they may have access to their superannuation funds, and may even have just sold or be on the verge of selling a family business.

We talked to two leading advisers about what important factors readers in this fortunate position should be considering when trying to plan out their future finances into their 60s, 70s and senior years. It is first important to understand the life changes you are going through, before diving into the number crunching.

According to David Reed of the Retirement Advice Centre, “Retirement can be an exciting phase of life. For most of our lives, we attended work, and so we are acutely aware of what we are retiring ‘from’. However, rarely do we give enough time to think about what we are retiring ‘to’. Retirement planning is like a jigsaw. While we may start a puzzle with the corner pieces, it’s crucial to actually know what the picture looks like on the front of the box cover. It’s the same in retirement. Think about what the retirement vision is, before considering the alignment of money towards that lifestyle.”

As your future years are going to be very different from the lifetime of work that has passed, you may take some time to really digest the change, before you can properly focus on the objectives for the future.

Grant McCorquodale, FIIG’s Head of Personal & Intermediary Clients, points out that, “We are now likely to enjoy a retirement phase that is just as long as the working phase of our lives. During the retirement phase, expectations of income can vary widely and cash-flow needs can change from year to year. On one hand you can have a retiree almost entirely focused on the preservation of their estate and at the other end you can have investors that are quite growth-oriented or seeking to extract higher income from their fixed income investments.”

“As retirees move through the course of their advancing years their capital and income needs change shape. While everybody is different it is likely that most individuals will need income to cover living expenses and have access to larger amounts of capital to fund milestone events.”

The milestones that Grant is referring to could include things such as medical expenses, assisting children in property purchases, deposits for residential aged care for yourself or your partner, and the like.

The combined effect of these factors makes detailed planning particularly difficult. This is ironic because instinctively you would think that as you get older, finances should get simpler. With significant life changes ahead, planning or re-planning is very necessary, and the time to do it is before retiring.

David points out that depending on your particular circumstances, you need to be aware that spending patterns could well change over the years. “We often see with clients that in the first years of retirement, spending habits may be higher than originally predicted. Pent up demands such as travel arise, but also there can be unplanned spending taking place such as new hobbies and activities. After the early phase of retirement with it’s risk of a spending spree passed, daily habits generally settle in. We have noted with our clients that a low ebb of spending may be at 75-80 years of age. From 80 years onwards, the cost of living may rise sharply as the expenses of Aged Care or Health Care are required. Preparing yourself financially with these phases of ageing is worth keeping in mind that it’s not a static spending forecast for the rest of your life.”

David explains the quite significant shifts, which are so important to planning your financial future. “Many people in their 50’s continue to focus upon accumulating wealth. As retirement approaches, this perspective shifts towards capital preservation. At retirement, the primary objective then moves towards income and having the assets outpace inflation. Our preference is to consider building

layers of income earlier than just 'at retirement'. It provides diversification not only in assets, but also during different phases of the economic cycle. The other benefit by layering income is it can potentially lower the impact of a sharp, unexpected downturn should it occur with shares or property markets."

These shifts in capital building, capital preservation and the need for income streams is very important when choosing the investment classes you want to use. The types of investment classes are almost endless and therefore confusing - property, shares, treasury bills, bonds, further investment in superannuation, simple bank fixed deposits ... so the list goes on.

In Grant's experience, "Typically retirees don't want high-risk investment adventures, they prefer predictable income, control and visibility facilitated by advisers committed to extracting the best possible investment outcomes. Better informed investors are working with their advisers to explore a modern approach to fixed income and the new accessibility to bond markets opening up for individual investors. They are seeking an income to sustain a standard of living and capital preservation to ensure that they can maintain that standard."

Parting words from Grant are, "The point of a retirement plan is to make comfortable provision for the unforeseen as well as anticipated expense and to allow your investment to benefit from low risk growth."

Retirement planning can be a complex journey of important and personal decisions, however, be aware that there are inherent risks to the DIY approach.

David concludes, "As you start thinking about how your earned income is about to stop, it can be a stressful time of life. It is your first retirement, but a professional financial adviser may have done it hundreds of times before and could be your trusted guide who can assist you to make intelligent choices along the journey."

The comments in this article are by way of general information only and may not be relevant to your personal circumstances, the comments are not advice and it is not intended that readers act on the general comments made. Each reader should take professional advice in relation to their personal circumstances before taking financial or other decisions.

O50s
Australian Over 50s Living & Lifestyle Guide

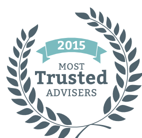
David Reed 2015 National AFA Adviser of the Year and National Most Recommended Adviser 2015*

TRAC
The Retirement Advice Centre

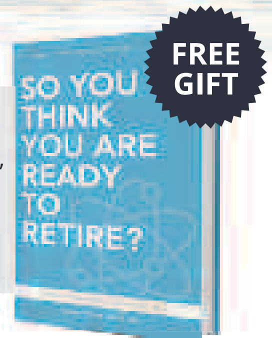
Do you feel you've left your retirement planning too late?

David provides Award Winning advice that can help you achieve the lifestyle and security you aspire to in your retirement.

Book your FREE consultation today call (02) 8539 7233 or email admin@smartretirement.com.au



To celebrate David's awards, he is offering **FREE** copies of his book *'So You Think You Are Ready To Retire'* (valued at $16.95).
Simply call **(02) 8539 7233** or visit **smartretirement.com.au**



*By the Beddoes Institute.

This information is for Australian Residents Only. Original Blue Pty Ltd ATF The Reed Family Trust t/as The Retirement Advice Centre is a Corporate Authorised Representative of Millennium3 Financial Services Pty Ltd ABN 61 094 529 987 AFSL No. 244252. This information (including taxation) is general in nature and does not consider your individual circumstances. You should refrain from doing anything in reliance on this information without first obtaining suitable professional advice. Do not act until you seek professional advice and consider a Product Disclosure Statement.

Call us to preserve your SMSF investments and earn up to 5.55% p.a. with corporate bonds.

FIIG's DirectBonds Service gives you access to corporate bonds that can provide greater stability than equities, higher yields than cash and diversification to your SMSF portfolio. And with FIIG you're dealing with the Fixed Income experts providing choice, transparency and control.

1300 125 266
fiig.com.au

FIIG Securities Limited ABN 68 085 661 632 AFS Licence No. 224659. FIIG provides general financial product advice only. For a copy of our disclaimer visit fiig.com.au/disclaimer. For a copy of our FSG visit fiig.com.au/FSG. A corporate bond is not a bank deposit. Corporate bonds have a greater risk of loss of some or all of an investor's capital compared to bank deposits. Unless specified otherwise, the figures provided as at 14 April 2016 and are subject to change without notice and before fees. Please see our FSG for any applicable fees.