07 STEP RETIREMENT PLANNING CHECKLIST

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This checklist, although primarily designed for those of you close to retirement, is also a great resource for people at earlier stages of their journey, as it provides a clear framework from which to ensure your planning is aligned with your retirement goals.

From our experience over many years, helping people like you, prepare for and enter retirement, we have found that without a clear idea of how to approach this significant chapter of their lives, this process can feel overwhelming.

To help simplify this process, we have developed this simple 7 step checklist, to provide clarity, give you the questions you need to ask and guide you through this journey.

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01

HOW MUCH DO YOU NEED IN RETIREMENT?

As the first step to retirement planning this is the most important step, as it will help determine whether you have sufficient retirement assets to meet your lifestyle goals without running out and leaving you dependant on the Government Age Pension. This first step also requires you to think about the type of retirement you want to live.

ASFA (The Association of Superannuation Funds Australia) tells us that a comfortable income will allow you the occasional overseas trip, a small renovation, maybe a car upgrade and for couples this is an income of around $62,000 per year, or $44,000 a year for a single person.

Firstly, you need to determine how much you are currently spending and this can be done by assessing your bank statements over the last 3 to 6 months.

Next you need to determine which current expenditure won't be required at the same pre-retirement levels after you retire. For instance, if you drive to work, your car expenses including fuel, insurance and, maintenance may not be as high with less usage when you are retired.

Lastly, you will need to add expenses that you will incur in retirement that you may not have pre-retirement such as, a golf membership or regular holidays. This, comes from your consideration of the retirement lifestyle you want to live!

Once this budget is determined the expenditure can be categorised as regular or irregular, (for example the shopping bill vs. holidays) and from high priority to low priority.

Now that you know how much you spend, what expenses can be eliminated, what can be added and the regularity and importance of this expenditure to meet your retirement lifestyle goals, you can determine the monthly income, and access to cash that you require to meet these goals.

02

WHAT LEVEL OF INCOME AND GROWTH DO YOUR CURRENT ASSETS AND SUPERANNUATION PROVIDE?

Your current assets that you will use to draw a retirement income may include funds inside and outside of super. The first step here is to assess the retirement income and access to cash that these assets will provide when you retire.

Is this income regularly recieved such as rental income? What are the costs associated with the income? Can the income or cash be accessed easily if required?

If the income is paid quarterly, half-yearly or annually, can a cash flow strategy be devised to build up this cash and distribute over time, to help meet your retirement income goals?

If these assets do not pay income and cannot generate cash, you need to consider whether they should be sold prior to retiring, as a predominantly illiquid portfolio that can't be readily turned to cash will not meet your ongoing income needs in retirement.

03

CAN YOU MAXIMISE YOUR TAX POSITION IN RETIREMENT?

Step 3 requires you to get some advice on the most optimal tax outcome at retirement.

Retirement income will be taxed differently depending on how our assets are structured and whether they are owned personally, in a trust, a company or super.

Investment income on assets in super are taxed at 15% and in pension phase are tax-free, whereas income on assets held within a trust, is taxed at the beneficiary's marginal tax rate and in companies at the corporate tax rate.

Structuring assets effectively for tax-purposes, is critical to ensure the longevity of retirement income and assets. However, transferring these assets pre-retirement can be a difficult and costly process, and therefore it is important to obtain advice in this area.

04

WHAT ABOUT YOUR SUPER?

As discussed in the previous step, investment income on assets in super are taxed at 15% and in pension phase are tax-free. Similarly, assets that are sold in pension phase are capital gains tax free and retirement income for those over age 60 is tax-free.

The superannuation system is the ideal environment to invest for your retirement based on these tax benefits. These tax concessions do cost the Government a significant amount in lost tax revenue and therefore there are limits as to how much can be contributed to super each financial year. Contributing an excess amount can have adverse effects to your super balance.

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ARE YOU ELIGIBLE FOR CENTERLINK BENEFITS?

Government support payments such as the Centrelink Age Pension, can help you supplement the retirement income derived from your assets. However, Centrelink have means tests, to determine a retiree's eligibility to claiming the Age Pension.

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IS THERE AN INCOME GAP YOU NEED TO FILL?

If there is an income gap between the amount your assets and combined with Centrelink can provide and the retirement expenditure target you have in mind, you will have to decide how to fill that gap.

Essentially, the 3 ways in which to do this, are to either retire later, accept less retirement income, or add more growth potential and extend the longivity of your retirement nest-egg portfolio, to help generate more assets.

Each one of these alternatives has its pitfalls and risks, so it is important for these to be considered, to ensure you are taking the right steps according to your situation, comfort levels, goals and objectives.

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WHO SHOULD YOU SPEAK TO FOR ADVICE?

These steps can be difficult and complex, therefore a financial planner can add significant value in working through these steps with you.

It is important to look at each of these steps comprehensively, as a rushed or incorrect decision in any of these areas, can have an adverse effect on the longevity of your retirement income and lifestyle.

On the flip side, careful planning in partnership with a professional financial planner, can help you achieve your retirement income target, in the most cost and tax effective way, whilst managing the everchanging investment environment, to ensure your best life in retirement!

CONTACT US

If you would like to find out more about the way in which we can help you reach your desired goals, please feel free to contact us.

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