

RETIREMENT PLANNING

FOR BEGINNERS



SUPERGUIDE



How to plan for your retirement

Some of us dream about the day we can finally stop work and do all the things we never have time for.

Some love their work and want to keep contributing as long as possible, perhaps working part time into their late 60s and 70s. Others simply put off thinking about retirement, either because they're too busy, they find the subject boring, or they're fearful they won't have enough savings to live comfortably.

Whether you're keen as mustard or in denial, the sooner you start planning the better your chances of making the most of your retirement years. The stark reality is there could be many of them.

Today's 65-year-olds can expect to live to an average age of 85 years for men and 87 for women, or roughly 20 and 22 years respectively. And that's only an average. Half will live longer, many into their 90s.

In fact, many of us could spend almost as long in retirement as we did in the workforce and that requires careful planning. A professional financial adviser can help you create a comprehensive retirement plan, but it's not difficult to create a basic retirement plan yourself, even if only to help you figure out what questions to ask a professional.

So get the ball rolling by working through these seven simple steps.



1 How do you want to live in retirement?

Think about where you want to live and in what type of home. Maybe you want to holiday overseas every year while you're still physically active or buy a van and tour Australia.

Do you want to eat out regularly, play golf and lead an active social life; or are you a homebody who enjoys gardening, craftwork or pottering in the shed?

Also think about your need for creature comforts, such as the ability to regularly upgrade cars, computers and mobiles, buy nice clothes, enjoy good wine and pay for private health insurance. You may also want to help the kids financially or help with school fees for the grandkids.

If you are married or have a partner, share your thoughts with them. If you have different expectations about the way you want to live in retirement, it's better to find out now while you still have time to adjust your plans.

2 What will it cost?



As a rule of thumb, financial advisers suggest you will need **somewhere between 66% and 80% of your pre-retirement income** to continue living in the manner to which you've become accustomed. That's because it's generally cheaper to live in retirement as you will no longer be making super or mortgage payments, assuming you own your home debt free.

A good way to begin thinking about your retirement needs and working out a budget is to visit the **ASFA Retirement Standard**, where you'll find detailed budgets for different households and living standards. The budgets are updated quarterly and assume you own your home.

In the December 2023 quarter, ASFA suggested single retirees would need an estimated \$32,666 a year to live a modest lifestyle while couples needed \$46,994.

A comfortable lifestyle would cost \$51,278 for singles and \$72,148 for couples. Some people will be hoping for a retirement lifestyle that is more than comfortable, especially if they are used to a much higher pre-retirement income than those suggested.

To put these figures in perspective, at the same time the **full Age Pension** is currently \$29,028 a year for singles and \$43,753 for couples combined. As you can see, this doesn't stretch to ASFA's modest budget, let alone a comfortable lifestyle, especially for retirees who are paying rent or still paying off a mortgage on top of other expenses.

Everyone's income needs in retirement will be different, but ASFA's sample budgets may get you thinking about your own likely costs on a weekly and annual basis. The comfortable budget allows for higher spending on things such as health, insurances, home improvements, clothing, eating out, entertainment and travel.

Read more on [how to budget for retirement](#).

3

How much do I need to save to live the dream?

Once you have a rough idea what your ideal retirement lifestyle will cost, work out how much you would need to save to fund it.

To do that, you also need to think about how long your money needs to last. Not an easy task, given that none of us knows how long we will live.

Say you plan to retire at 67, the age of eligibility for the Age Pension. Using the ASFA benchmark, couples would need a lump sum of around \$690,000 to fund a comfortable lifestyle of \$70,000 per year, while singles would need around \$595,000 to fund a comfortable lifestyle of \$50,000 per year. This assumes your investments earn a 6% return and you receive a part Age Pension as your savings run down.

There are a few caveats here. If you wish to retire before age 67 you will need more savings. You can generally access your super tax free once you turn 60 and retire, or from age 65 even if you continue working.

Read more about [superannuation conditions of release](#) and [how super is taxed](#).

If you want to retire early but expect to supplement your super with a full or part Age Pension, you may need to adjust your **retirement age** accordingly. From July 2023, the age of eligibility for the Age Pension rose to 67. And if you are a conservative investor and opt for investment returns of less than 6% you will need a bigger nest egg.

For more information on retirement incomes, see the following *SuperGuide* articles:

- [How much super do I need to retire?](#)
- [How inflation affects your retirement income](#)
- [How much super do I need to retire on \\$60,000 a year?](#)
- [Is \\$500,000 in super enough to retire on?](#)

4

Reality check. Plan for a long life.

As you can see from Step 3, one of the difficulties in planning for retirement is not knowing how long we will live.

The challenge is to ensure your cash lasts the distance however long that may be. You may also have a younger spouse who will be dependent on income from your investments after you die. Although there is no set retirement age in Australia, your plans are likely to hinge in part on when you can access your super and/or the Age Pension.

Check out our [Lifetime Estimator Calculator](#) and factors to consider when **deciding what age to retire**.

Also be aware that your spending patterns are likely to change over the course of your retirement, determined by your health and mobility.

Most people go through three phases of retirement. The timing of each phase will be different for everyone, but the sequence is the same.

You can expect to spend more in the early active phase of retirement when you are more likely to travel and spend time outside the home, and the frail later years when spending on health and aged care increase significantly. Spending tends to drop in the middle years when the joints get a little creaky and niggling health problems emerge. As your activity and mobility decline you are more likely to stay closer to home and live a little more simply.

The most overlooked area of retirement planning is aged care, and it's potentially the most expensive. Most of us want to stay in our own home, but the reality is that many of us will end our days in an aged care facility. So, think about how you might pay for this. Do you plan to sell your home if necessary, or do you want to leave it to the kids?

Government subsidies may reduce out-of-pocket costs but having savings will increase your options and access to high-quality care at home or in an aged care facility.

Learn about the [cost of residential aged care](#) and [how to arrange a home care package](#).

Find out how to [use the equity in your home to help fund aged care](#).

Check out [how long you can expect to live, and what it means for your super](#).



5 How much do I have now?

The next step is to work out how close you are to making your retirement dream a reality.

Check how much super you have by digging out your latest statement or visiting your fund's website. Add to this any savings and other assets you hold outside super. Subtract your debts, including outstanding loans and credit card bills, to arrive at your current net savings.

6 Are you on track to reach your target?

Now you can work out how much you are likely to have by the time you hope to retire, and how much retirement income that will provide, if you continue your current savings strategy. This will be a best estimate, because future market performance, interest rates and government policy are impossible to predict.

Many super funds provide retirement calculators that can help you with this. You will need to include Superannuation Guarantee payments made by your employer, salary sacrifice amounts or regular voluntary contributions. Don't forget to add cash, shares, property and any other investments you hold outside super.

Watch our video guide on [how to use the TelstraSuper Retirement Lifestyle Planner](#), one of the best calculators around.



7 Closing the gap

If there's a gap between your retirement dream and your projected savings, you still have choices.

You could make additional super contributions up to your concessional (tax deductible) cap of \$27,500 a year. If you have unused cap amounts from previous years and a total super balance below \$500,000 you may be able to make **catch-up contributions**.

If you have more to invest or you receive a windfall, don't forget you can make an after-tax contribution of up to \$330,000 in any three-year period through the **bring-forward rule**.

It's also worth checking the returns you are achieving from your super fund. If the fund is underperforming or if the investment option you have chosen is overly conservative, you could consider switching funds or investment options.

Learn more about **superannuation contribution strategies** and **changing your super investment option**.

Alternatively, or as an additional measure, you could delay retiring. This has the double advantage of allowing you to accumulate more savings and reduce the number of years you need to draw on them. Or you could lower your expectations, but that's a last resort.

Keep in mind that most retirees also receive a full or part Age Pension. Receiving even a small amount gives you access to valuable pensioner concessions and discounts via the Commonwealth Seniors Health Card and the Pensioner Concession Card. Find out if you will be **eligible for the Age Pension** and **what concession cards are available for seniors and pensioners**.

It's generally recommended you seek independent financial advice well before you retire, but you will be in a better position to get the advice you need if you work through these seven steps beforehand.

Find out more about **different types of financial advice**, what **advice services are available through your super fund**.

Check out the **importance of independent financial advice and how to find it**.

This guide focuses on the financial side of retirement planning, but true wellbeing in retirement involves more than money. You also need a plan that considers your health, social connection, relationships and a sense of purpose.

In the meantime, read on for some tips to kickstart your retirement plans - however far off or close they are!



Countdown to retirement: Tips to kickstart your plans

For many people, their retirement dreams are about long, leisurely days without a care in the world.

The reality can be a little different, however, particularly if you haven't thought about some of the more humdrum issues retirement involves, or considered what your partner (if you have one) and family expect once you leave the workforce.

Although retirement income is always an important issue, lots of people find it's not the biggest obstacle to a happy and successful third phase of their life.

Things like where you live, the type of home you need, how much time you expect to spend with your partner, and even the activities you plan to fill your time with all need careful thought and discussion before you plunge into retirement.

Whether you have 15 years or just a few months before the big day, we've pulled together a checklist of issues to consider and discuss with your family to ensure the years ahead are enjoyable.

Still got 10–15 years before you retire?

With this many years before your planned retirement, the focus will probably be more on organising your financial plan so you have the foundations in place to build the retirement nest egg you need.

However, it's also a good time to start reflecting on what you expect from retirement. Here's some issues to consider in these pre-retirement years:

Finances

- Begin creating a financial plan to pay for your retirement. Learn [how to plan for your retirement](#).
- Set a rough date for your retirement. Explore [when should you retire](#).
- Investigate the annual cost of your preferred retirement lifestyle. Learn more about [the cost of living in retirement](#).
- Consider whether you are likely to still be financially supporting your children (or even your parents).
- Consider speaking to a financial adviser. Read about [independent financial advice, why it's important and how to find it](#).

Lifestyle and activities

- Consider how you would like to spend your time in retirement.
- List some financial and personal goals you want to achieve.
- Think about what – if any – travel (both domestic and international) you would like to undertake and how often.
- Review your hobbies and consider how much time you would like to devote to them in retirement.
- Think about any sports (eg golf, bushwalking) you want to pursue in retirement.
- Consider any community activities (eg volunteering, charity work) you want to undertake.
- Identify any new skills you could learn as part of your current employment that could be useful in retirement.

Family

- Consider where you will want to live in retirement (eg your current suburb, move closer to the beach or overseas). Learn more about [the impact of location on retirement spending](#).
- Think about your family circumstances and how they will affect your retirement plans (eg second family with young children, or elderly parents needing your assistance).

Administration

- Check you have a current death benefit nomination for your super account remains appropriate for your current personal circumstance. Learn more about [death benefit nominations](#).
- Ensure you have a valid Will with the appropriate beneficiaries.
- Select an executor for your estate to ensure your wishes are carried out.
- Organise an enduring power of attorney (EPOA) and advance health directive. Learn more about [advance care plans](#).

Still got 2–10 years before you retire?

Retirement is still a few years off, but now is the time to get serious about your plans and ensure your finances are in order. As well as topping up your super, also consider paying off any debts (including your mortgage) if you can and make decisions about your other investments and financial assets.

Here are some issues to consider:

Finances

- Revisit your financial plans for retirement to ensure you are still on track. Read more about [when you can afford to retire](#), and explore some of the [questions to ask yourself about retirement](#).
- Review what other pre-retirees have done to plan their retirement. Check out our case studies for a [couple](#) and a [single woman](#).
- Add up all your debts (including your mortgage) and think about ways to pay them off so you can retire debt free.
- Consider whether to pay off your mortgage or top up your super. Explore the benefits of [super vs mortgage](#).
- Review your planned retirement date and consider whether it's still right for you given your current circumstances.
- Check when you are [eligible to access your super](#) and the tax implications of retiring at different ages. Learn about [Tax and super under age 60](#).
- Think about how much money you need to fund your planned retirement (both in super and outside investments). Review [How how much super you may need](#).
- Calculate your likely retirement savings at your planned retirement date.
- Check ways to reduce any gap between how much you want to live on in retirement and your likely savings at retirement (eg save more, spend less, stay at work longer). Learn more about [saving for retirement outside super](#).
- Check if you will be eligible for any Age Pension support. Explore if you are [eligible for the Age Pension](#).
- Investigate other possible government assistance in retirement. Read about the [Commonwealth Seniors Health Card](#) and check the [concession cards available to retirees](#).



Lifestyle and activities

- Try out some new hobbies and activities to see if they could be things you want to do in retirement.
- Join some clubs or activity groups to make new friends and contacts outside work you could socialise with in retirement.
- Consider whether you have any skills (personal or work-related) that could be used to earn extra income in retirement if you need it. Read about [three different types of retirement](#).

Family

- Revisit your plans on where you want to live in retirement.
- Research possible locations if you plan to move.
- Talk about retirement with your partner and ensure you both agree on planned retirement dates and lifestyle.
- Discuss how you both want to spend your retirement years and how much time you want to spend together.

Administration

- Review your death benefit nomination for your super account.
- Update your will if your family circumstances have changed (eg divorce). Learn more about [the importance of estate planning](#).



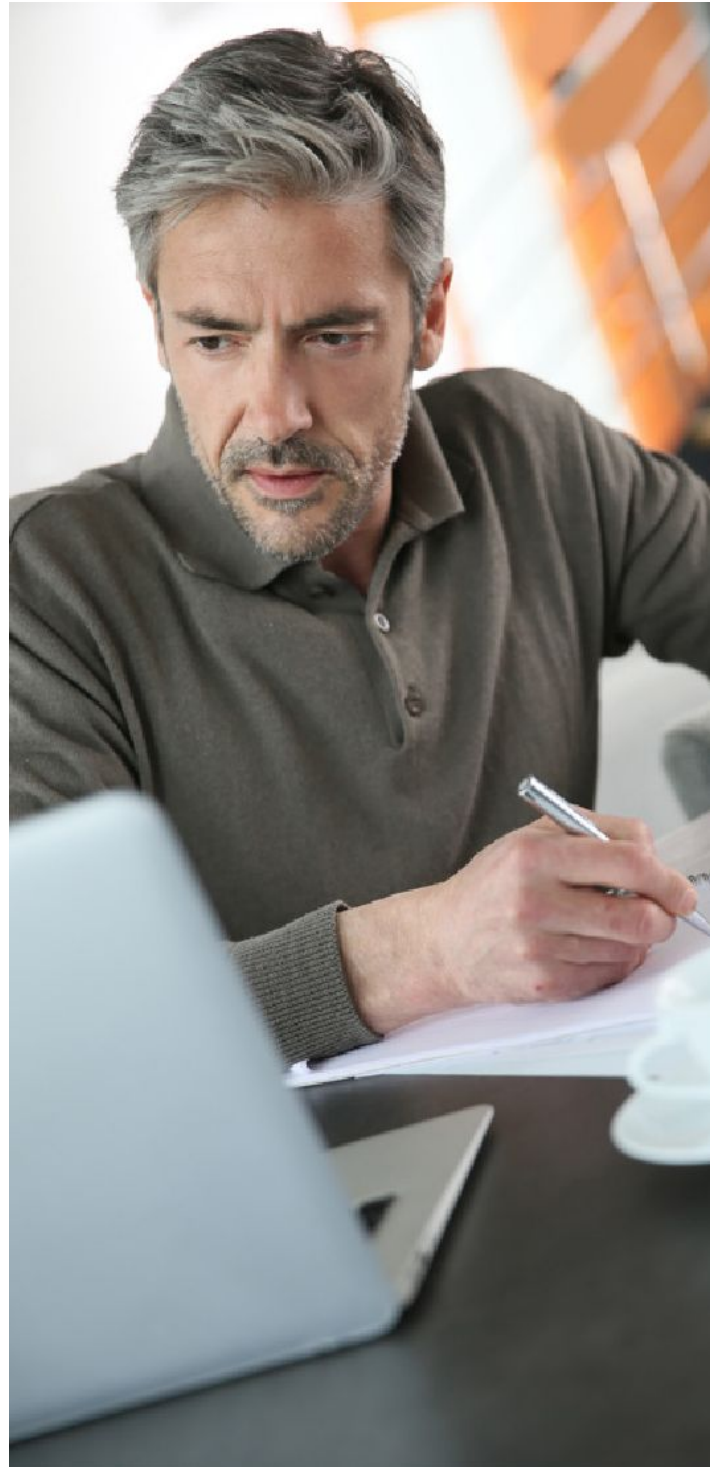
Still got 1–2 years before you retire?

With your retirement getting closer, it's important to check your financial and personal plans still make sense and will be appropriate when the big day comes.

To ensure you're fully prepared, here are some things to check:

Finances

- Review your financial plan to ensure it's still appropriate given your current financial circumstances.
- Take careful stock of your current financial situation and create a balance sheet listing all your assets (including super and personal savings) and debts (including any mortgage, personal debts or investment-related loans).
- Check how much Age Pension support you could receive in retirement. Try out *SuperGuide's* [Age Pension calculator](#).
- Work out your likely total annual income in retirement (including income from any investments such as shares or investment property).
- Review your planned retirement date. Work out if you can still afford to retire then, or whether you will need to work for a bit longer. Learn about how long you can [expect to live in retirement](#).
- Develop a draft budget for your spending in retirement (including regular bills, holidays, home maintenance and healthcare costs). Watch our video on [planning your income needs in retirement](#).
- Check out the [ASFA Retirement Standard](#) for ideas on how much the average retiree spends on items like food, clothing and household goods. Learn about the [3 stages of spending in retirement](#).
- Consider speaking to a financial adviser if necessary. Learn about the [different types of financial advice](#) and check out the [advice your super fund can provide](#).





Lifestyle and activities

- Join several community-based or sporting groups, or start volunteering as a way to make some new friends and social contacts.
- Review your plan for keeping your mind active and engaged in retirement. Read about [navigating the different phases of retirement](#).
- Investigate opportunities for further education (eg University of the Third Age, short courses).

Employment

- Review whether you have any work goals you still want to achieve.
- Consider whether you plan to retire completely or work a few days a week. Learn more about the [benefits of working into retirement](#).
- Talk about your retirement plans with your employer.
- Think about the pros and cons of taking long-service, annual or even extended unpaid leave before retiring permanently.
- Update any skills you could use to earn extra income in retirement if you find you need it. Learn about working after accessing your super.

Personal circumstances and family

- Consider whether your current home is suitable for your intended retirement lifestyle, or if you will need more/less space. Learn more about the [importance of your home in retirement](#).
- Review your home carefully to see if it needs any major renovations or maintenance.
- Decide whether to undertake the renovation/maintenance work now while you still have a regular income.
- Assess whether your car needs replacing and consider when the best time is to do it and if you need to upgrade/downsize your vehicle.
- Collect information on any retirement travel you have planned.

Only 12–6 months until you retire?

Retirement is very close now, so it's time to start putting your plans into action to ensure your retirement is off to the best possible start. Here's a simple checklist to help you work through all the challenges:

Finances

- Review all the details of your financial plan and make sure everything is in place to create a sustainable income in retirement.
- Obtain a retirement estimate from your super fund so you know how much you are likely to have on the big day.
- Search for any **lost super** and consider rolling it into your existing super account. Learn more about [consolidating your super accounts](#).
- Review the life insurance provided by your super fund and consider whether you will need any cover after you retire.
- Decide what you will do with the savings in your super account (e.g. roll into a super pension, withdraw and invest, buy an annuity). Learn more about [retirement income options for your super](#).
- Think about investment options for your super pension if you plan to start one. Learn more about [choosing an investment option for your super pension](#) and the impact of the **10/30/60 Rule**.
- Review whether you will need to generate more income from options like a reverse mortgage. Learn more about [How the Home Equity Access Scheme](#) and [how reverse mortgages work](#). We also have [video guides on how to use reverse mortgage calculators](#).

Lifestyle and activities

- Discuss your retirement date with your partner and family to check it's still suitable and everyone agrees.
- Set up a regular exercise program you can continue into retirement.
- Establish a clear budget for retirement spending and ensure your partner agrees. Learn about the [cost of living in retirement](#) and [how to create a budget for retirement](#).
- Get a thorough health check.

Administration

- Update your Will and ensure you review it regularly during retirement.
- Organise an enduring power of attorney and advance health directive if you don't have them in place. Learn about [advanced care planning](#).
- Review your health insurance policy to see if your current cover is appropriate for a retiree.



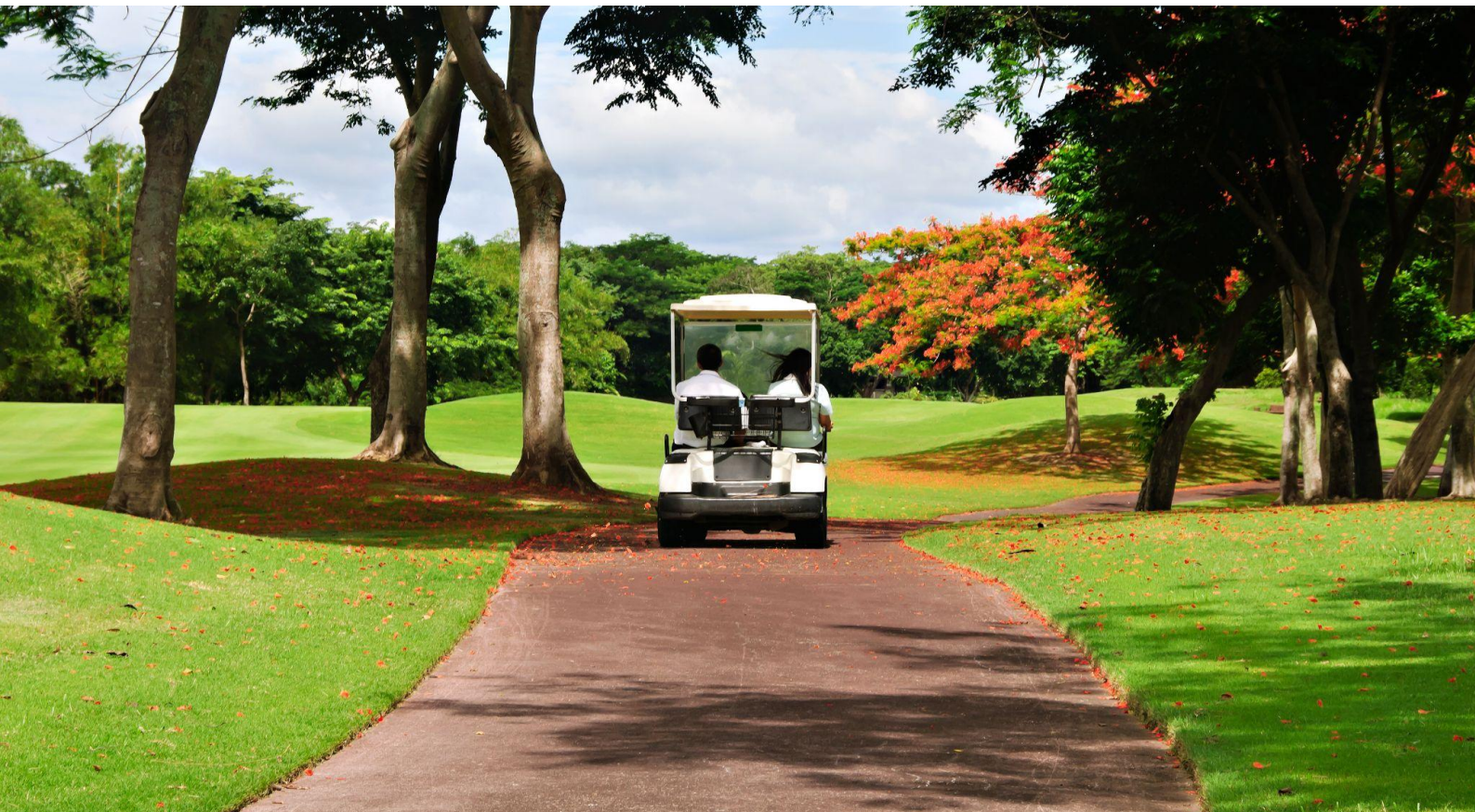
Only 3–6 months until you retire?

The big day is nearly here and you're about to start an exciting new chapter in your life. To ensure your retirement is a happy and successful one, start putting all your careful planning into action:

Finances

- Contact your super fund to find out how you can access your super balance.
- Lodge your application for the Age Pension up to three months in advance so you will start being paid as soon as you retire. Learn [how to apply for the Age Pension](#).
- If you are not eligible for the Age Pension, [apply for the Commonwealth Seniors Health Card](#).
- Check if you are eligible for other government benefits or services and sign up for your state's seniors card to save on purchases, travel and entertainment costs. Read about [concession cards and state seniors cards offered to seniors and pensioners](#).
- Investigate any discounts offered by your state government (e.g. gas and electricity rebates, licence concessions).

For further tips, check out our section on [preparing for retirement](#).



Seek professional advice

As we conclude *Retirement Planning for Beginners*, it's important to remember that the information in this guide is of a general nature only and cannot be considered financial advice. Everyone's financial situation is different and it's important to seek professional accredited financial advice when considering whether the information is suited to your personal circumstances.

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Where to from here?

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4.7 ★★★★★

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