

# Milestones along the road to retirement



## It is never too early to start building the financial resources you will need in retirement.

Even though retirement might seem a long way off, it is worth reviewing your personal circumstances at important milestones along the way to ensure that you are on the right track to a secure financial future. Here are some suggested milestones and things to consider.

### Twenty years to retirement

- ◆ The Federal Government has placed restrictions on the amount of money you can contribute to superannuation. It now makes more sense than ever before to start saving through superannuation earlier rather than later.

- ◆ You may also wish to consider what other savings options are available to you, such as paying off your mortgage. You could also consider other super opportunities such as contributions on behalf of your spouse if they are on a low income or not working.
- ◆ Insurance is still important. Check what insurance cover you receive through your superannuation fund. Ask yourself if this cover is sufficient for your needs. If not, talk to your super scheme to see what options you may have to increase your cover.

### Ten years to retirement

- ◆ Assess your likely super position at retirement and consider accelerating your contributions to super as your expenses, such as the mortgage and children, decrease. A long-term salary sacrifice approach can be very useful to build your retirement savings. Even a small amount saved regularly soon builds up.
- ◆ If you are under age 50, you have a concessional contribution limit of \$25,000 pa. A concessional contribution is one where a tax deduction has been claimed. Examples of this would be your employer's contributions and any salary sacrifice contributions you may make. The total of these contributions should not exceed the limit of \$25,000 pa. If you are over 50, a transitional arrangement has been put in place, which allows you to have up to \$50,000 each year in concessional contributions until 30 June 2012.
- ◆ There is also a non-concessional limit of \$150,000 per year or \$450,000 each three years. Non-concessional contributions are those made from after tax money, that is money on which you have already paid tax. Therefore, the opportunity to deposit a large sum into superannuation (for example, from the sale of a property) just before retirement is restricted by these limits.
- ◆ Make sure you are maximising your superannuation. This is particularly important for members of defined benefit schemes. Your final superannuation benefit is based on a formula. You need to have a basic understanding of how this formula works to make sure that you are doing all that you can to ensure the maximum benefit possible from your scheme. If you are not sure if you are maximising your super, contact your Trustees for more information, or attend one of their free superannuation scheme seminars.

For more information on these seminars, go to your Trustee's website:

- ◆ NSW State Public Sector: [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)
- ◆ Commonwealth Public Sector: [www.css.gov.au](http://www.css.gov.au) or [www.pss.gov.au](http://www.pss.gov.au)



## Five years to retirement

- ◆ This is when you need to start seriously considering your retirement options, and it may be your last opportunity to accelerate your savings. You may also want to think about moving your other investments and savings such as term deposits into superannuation. However, you will need to keep in mind the contribution limits discussed earlier and that access to super savings is restricted before retirement.
- ◆ It is also a good idea to draw up some retirement goals. Planning for life after work is more than just your superannuation. Start thinking about what you want to do in retirement, and start taking opportunities to try out that hobby, lifestyle or location now while you still have time to rethink if it doesn't work out quite as you expected.
- ◆ Consider your current cost of living and how it might change in retirement. A budget is a vital piece of the retirement planning puzzle. Not sure where to start? Download our Budget Tracker at [www.ssfs.com.au](http://www.ssfs.com.au) and just track your spending for a three-month period. At the end of that time, sit down and review what you are spending. Is there something you want to change? Can you see areas that will change once you retire? This research will help you understand your situation more clearly and is a very important step in getting ready for retirement.

## One to two years to retirement

- ◆ Now's the time to sit down with your retirement planner to fully review both the financial strategies you have put in place and your individual circumstances. Our fact sheet, 'What does a retirement planner do?' provides some more insight to this process.

- ◆ It is also important to consider what you will be doing about three months after you leave work. This is often when it hits people that they will not be going back to work, and many people who have not thought about this aspect of their retirement, can find this period challenging. Many studies have shown that doing at least 5 hours per week of 'work' gives us a much more satisfying retirement. Work does not necessarily mean paid employment. You may choose to become a volunteer. Many organisations would appreciate your skills. You may choose to return to study, just for the joy of it, rather than a necessary part of your career development. You may decide to take an 'all care, no responsibility' job just for something to do. As a retiree, you have a significant amount to offer the community; it is just a matter of seeing what is out there and becoming involved.

## Retirement and beyond

- ◆ In retirement, an ongoing relationship with your retirement planner becomes an important part of your financial plan. Even the very best financial plans need to be regularly reviewed. Why? Because quite clearly, even in retirement, life happens! Legislation regarding superannuation, taxation and social security is frequently amended. Your personal situation, needs and objectives will also change as the years go by. Your retirement plans may require fine-tuning from time to time to reflect and cater for these changes.
- ◆ Although it is not often a popular subject, estate-planning issues need to be considered in your long-term financial plan. You may wish to provide for a disabled child, or ensure that your non-dependent children do not have to pay significant tax on any inheritance they may receive on your death. Your retirement planner will help you consider these issues and develop some strategies that will meet your long-term goals.

## Do you need to see a financial planner?

Professional financial planning advice can help put you on the right path to achieving your financial and lifestyle goals. Whether you are:

- ◆ Actively planning for your retirement;
- ◆ Considering a redundancy offer and need to make a decision;
- ◆ Simply wanting to make sure you are minimising tax and maximising opportunities to grow your super savings;

State Super Financial Services can tailor a financial plan to suit your individual circumstances. And, as part of your member service, there is no cost or obligation for you to meet with one of our professional financial planners.

To find out how we can help you now and in the future call 1800 620 305 or visit our website at [www.ssfs.com.au](http://www.ssfs.com.au)



Your financial planners

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