

# INSIDE

NOVEMBER 2018

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE



## The joy of a job: working beyond 65

More people than ever are remaining in paid employment beyond retirement age. It's not just financially responsible - it's good for business, great for society and can be excellent for your wellbeing.

It's no secret that retirement, whilst offering an amazing sense of freedom and creating a whole new way of life, has its own special challenges. It's a period of life that will likely last two to three decades and that's a lot of time to fill with just golf and gardening. If not well planned - financially and in a lifestyle sense - then retirement can be less satisfying than one might have hoped.

However, a number of people at retirement age are instead deciding to delay leaving the workforce and their motivations for doing so are many and varied. Some simply don't feel the need. When work suddenly becomes a choice rather than a chore then it also becomes enjoyable, its flavour changes to one that is far more palatable.

Others are asked to stay on by their employers who realise that losing people with decades of experience is damaging to the business. The vault of experience-based knowledge held by the older sector of the working population is enormous and powerful. When employers recognise that power within their staff they also introduce

an entirely new level of respect and job satisfaction for those older employees.

Some choose to delay retirement because they are concerned about the financial effects on their lifestyle. In the 2015 report titled Ageing workers are a resource of growing importance, the Department of Education, Employment and Workplace Relations said the number of people aged over 50 will have increased by over 80 per cent, compared to a growth of just 35 per cent in the 18 to 49 age group.

The 2010 Intergenerational Report released by the Australian Bureau of Statistics paints a clear picture that illustrates the challenges tossed up by the ageing population. There are currently five working-aged people to support every aged person in Australia, but by 2050 there will be only 2.7 people of working age to support each Australian aged 65 years or over. Population growth will slow slightly, but by 2050 Australia's head count is still expected to be close to 36 million - almost 50% more than we have today. The forces at work will put huge pressure on the health system, on our economy, on Government finances and on living standards. A healthy financial plan for retirement, as if it wasn't already important enough, takes on even greater significance as we face a future in which the country's population is top heavy.

Of course, some stay in the workforce because they know it will keep their minds sharp and because the constant

social interaction is something they enjoy. Whatever the reason, working until later in life can be a very healthy and positive experience for the individual, for the organisation and for the community.

### Important considerations before delaying retirement

When considering the option of extending one's work life, it is important to have a strategy in place in order to ensure your retirement finances receive a healthy boost from those extra years in the workforce. Whether you're continuing to work full time into your later years or simply cutting down on working hours as you spend several years transitioning into retirement, there are specific financial vehicles and beneficial strategies that will offer a greater chance of the best possible result.

Pre-retirement ('allocated' or 'account based') pensions, for instance, can be utilised effectively when cutting back work hours. As you salary sacrifice into superannuation, extra income can be drawn from your allocated pension in order to keep your income at a level to which you're accustomed. In the meantime, the balance in your superannuation account can continue to build as you pay less tax.

Even if you're continuing to work full time it's possible to salary sacrifice into superannuation. The allocated pension saves tax as investment earnings are not taxed within the pension, while the salary sacrifice into superannuation potentially saves tax on income.

Further access to your superannuation (for example, being able to draw out lump sums) will depend on whether you have met a condition of release. If aged 65 or over, you can generally have full access to your super while continuing to work full time or part time. If aged under 60, however, you will likely need to declare that you are retired, which either means that:

- you've ceased employment, or changed employers, after age 60, or
- you've changed employers some time in the past and any work you plan to do is for less than 10 hours per week.

### What's Your Job Worth?

In order to discover exactly how much your job could be worth to you if you should continue to work beyond retirement age, speak with your financial adviser and go through the various scenarios. Many are pleasantly surprised by the opportunities offered by a few more years in the workplace. It's not just about income but also about lifestyle, socialisation, sense of importance, sense of purpose and mental stimulation. And the greatest part of it is that you can still figure in more time for golf and gardening!

### Sites utilised for this story

<http://www.superguide.com.au/accessing-superannuation/accessing-super-early/if-retire-and-take-super-can-return-to-work>

<http://www.productiveageing.com.au/userfiles/file/Ageing%20and%20the%20Barriers%20to%20Labour%20Force%20Participation%20in%20Australia%20%28lowres%29.pdf>

<http://www.thebull.com.au/experts/a/271-are-allocated-pensions-all-that-they-are-cracked-up-to-be-.html>

[http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR\\_2010.pdf](http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf)

## Transferring wealth to the next generation

There are many ways to transfer wealth and they are definitely not all equal.

A large wealth transference event has begun in Australia. Experts say it'll be bigger than any our nation has ever known. Baby boomers, who began hitting retirement age two years ago and who own over \$1 trillion in private wealth, will be passing on that wealth over the next three decades. The majority is expected to be in the form of the family home, then superannuation followed by investment properties.

If not managed properly on a personal level then this transfer of wealth from one generation to the next could also represent one of the biggest influxes of funds into the Australian Tax Office's coffers. But choose the right transference strategy for your purpose - whether that be an education for your grandchildren, a reduction in your own taxable estate, a provider of income for yourself, or anything else - and the funds will be available to do the job they were intended for.

A current Will that reflects your wishes is most important, and as the majority of many people's assets, including possessions, property, money in bank accounts, shares and managed funds will, upon their death, become part of their estate and be governed by their Will.

You may also have a range of other assets, including superannuation and life insurance that may not form part of your estate in the event of death. Deciding to whom you want these assets paid, and reviewing your beneficiary nominations with your super fund or life insurer, is critical.

If you own assets in joint names, for example, an investment property, ownership of the asset may automatically pass to the surviving owner in the event of your death.

It's also a good idea to communicate with your beneficiaries and the executor of your estate to let them know how your finances are organised.

One way of transferring your wealth involves gifting to family members or to charities while you're alive. Whether it's funds for education or larger amounts for the purchase of a property, or even a property itself, the gift giver should take care to ensure the receiver will not suffer a higher tax rate as a result of the gift and the gift giver and receiver will not lose a large chunk of the value of the gift in tax.

Gifting of assets by retirees is sometimes seen as a good strategy to qualify for or maximise the Age Pension. The Age Pension can also bring with it additional benefits such as reduced costs of utilities and pharmaceuticals. But certain rules apply when gifting for Age Pension purposes, including:

- Allowable gifting limits of \$10,000 per person or per couple combined per financial year (also capped at \$30,000 over a 5-year-period)
- Gifts above these allowable levels are still counted towards your assets and income for 5 years from the date of your gift.

Another wealth transfer option could involve a discretionary trust such as a family trust. Such a vehicle can pay less tax on earnings and allows funds to be pooled in order to boost the final balance. Trustees control the assets on behalf of beneficiaries, who must be nominated.

Up to \$416 per child per annum of annual investment income can be paid tax-free to children/grandchildren

under 18, or up to \$18,200 annually tax free to beneficiaries over 18, assuming they're not making an income elsewhere. These types of vehicles do require close management and will cost money in terms of advice, accounting and legal fees, but for many people they can be a very worthwhile investment.

Another effective estate planning tool to provide for your beneficiaries is to have a testamentary trust. Testamentary trusts are created by your Will and provide control over the distribution of your assets to beneficiaries. As well as providing a flexible and tailored way of distributing your wealth to your chosen beneficiaries, these trusts can provide a number of tax benefits.

With various options and benefits to take advantage of, it is important to discuss your situation with your adviser to ensure an individually customised wealth transference plan is put together to match your specific needs and purposes.

#### **Sites utilised for this story**

<http://www.harvestgroup.com.au/2011/07/australia-on-the-cusp-of-the-biggestinter->

[generational-transfer-of-wealth-on-record/](#)

[http://www.afr.com/p/personal\\_finance/smart\\_money/inheritorance\\_baby\\_boomers\\_](http://www.afr.com/p/personal_finance/smart_money/inheritorance_baby_boomers_)

[leave\\_slim\\_OryNX0LRrAjUUu1HtJilwM](#)

<http://www.moneymanagement.com.au/opinion/superannuation/archive/avoidthe->

[perils-of-gifting-in-retirement](#)

<http://au.businessinsider.com/you-can-set-up-a-trust-fund-even-if-youre-notrich->

**We are always available to discuss any questions or concerns you may have.**

Core Financial Services  
Phone: 1300 375 357

#### **IMPORTANT INFORMATION**

This document has been prepared by Core Financial Services Pty Ltd ABN 91 607 163 646, AFSL 480009. Core Financial Services advisers are authorised representatives of Core Financial Services Pty Ltd. Information in this document is based on current regulatory requirements and laws, which may be subject to change. While care has been taken in the preparation of this document, no liability is accepted by Core Financial Services, its related entities, agents and employees for any loss arising from reliance on this document. This document contains general advice. It does not take account of your individual objectives, financial situation or needs. You should consider talking to a financial adviser before making a financial decision. Taxation considerations are general and based on present taxation laws, rulings and their interpretation and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information. Should you wish to 'opt out' of receiving direct marketing material, please contact your financial adviser.

This document may include general advice but does not take into account your individual objectives, financial situation or needs. You should read the relevant Product Disclosure Statement (PDS) carefully and assess whether the information is appropriate for you and consider talking to a financial adviser before making an investment decision.