INSIDE

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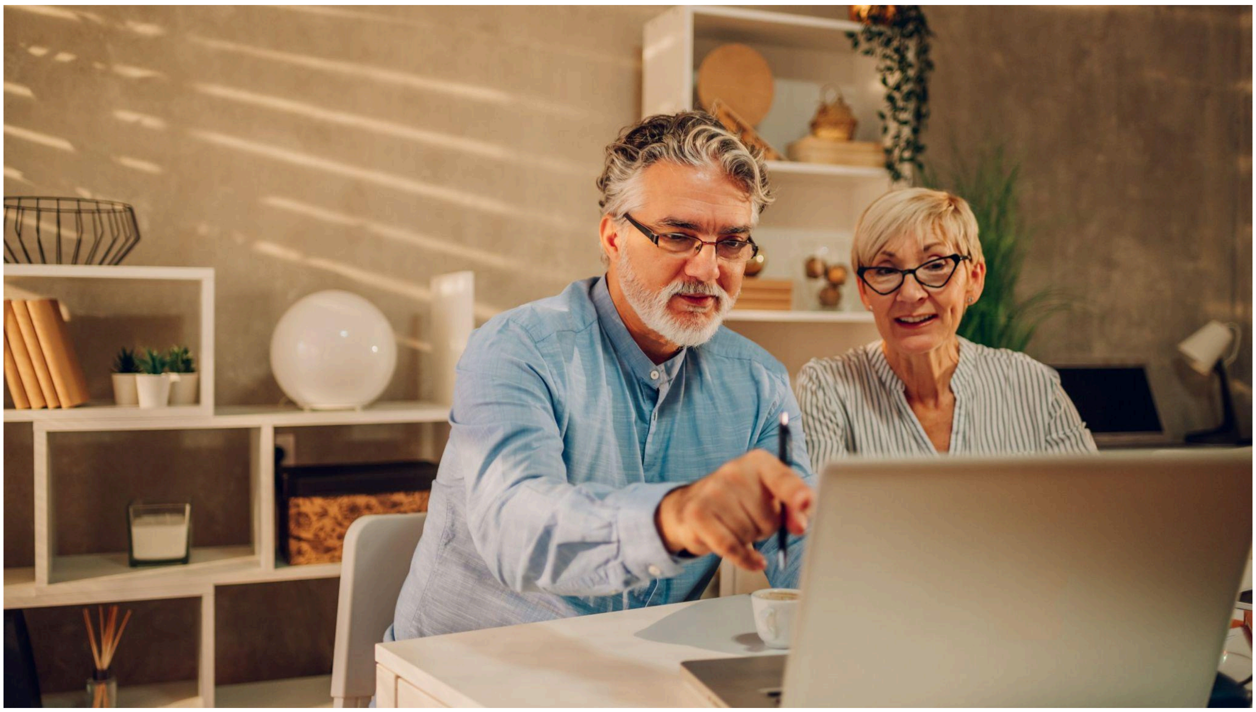
FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE



Picking your retirement point

Moving into pension mode is a big decision. Here's some options and considerations.

One of the hardest decisions for many people – excluding those who want to keep on working – is choosing when to stop.
There's no mandated retirement age as such, although there are prescribed preservation ages when people can legally access all or some of their superannuation funds.

Anyone turning 59 on or before 30 June next year, for example, if they choose to fully retire, can legally access their super after their birthday. They can do this by moving their accumulated savings to an account-based pension income stream, making a lump sum withdrawal, or doing a combination of both. Those born after 30 June 1964 will need to wait until they turn 60.
The Federal Government determines the minimum amount that retirees must withdraw from their account-based pension each year, starting at 4% of the balance for those aged up to 64. The minimum amount then rises progressively over 10-year age bands to a maximum of 14% for those aged 95 and over.
These withdrawal amounts are mandatory, regardless of whether a retiree eventually receives full or part Age Pension payments.
But the super access door is also open to people who have reached their preservation age

starting at 55 and over for those born before 1 July 1960 and who want to keep on working.

They can start what's known as a transition to retirement (TTR) strategy, which enables them to transfer some of their super to an account-based pension account and draw down an income stream. Those 60 and over pay no tax on their TTR pension payments, while those aged 55 to 59 are taxed at their marginal tax rate but receive a 15% tax offset on the taxable portion of their income stream. No tax is payable on the tax-free portion.

At the same time, as they're still working, those using a TTR will continue to receive compulsory super guarantee payments from their employer (which are taxed at the normal rate of 15%) into their super accumulation account.

There are a range of options and considerations, so it may be highly worthwhile consulting a licensed financial planner to go through your personal circumstances.

Weighing things up

One of the key findings from Vanguard's 2023 How Australia Retires study is that Australians who have low confidence about their retirement generally have low expectations about the amount of income they'll likely receive during retirement.

The Intergenerational Report 2023 projects that average life expectancies will continue to rise over time, reaching 87.0 years for men and 89.5 years for women by 2062-63.

Meanwhile, it projects that the proportion of people with accounts in the retirement phase, from which they are drawing a superannuation pension, will increase from 8% currently to 19% over the next 40 years.

"Longevity risk – the risk of outliving savings – is a key concern for retirees in deciding how to draw down their superannuation, consequently, most retirees draw down at the legislated minimum drawdown rates," the report notes.

"This results in many retirees leaving a significant proportion of their balance unspent, for example, a single retiree drawing down at the minimum rates would be expected to still have a quarter of their retirement assets at death."

How much is enough?

Retirees continue to face significant cost pressures on their household budgets due to historically high consumer price inflation.

Every quarter the Association of Superannuation Funds Australia (ASFA) publishes its estimate of how much retired couples and singles need to spend each year based on them living either a "comfortable" or a "modest" lifestyle.

For the September 2023 quarter ASFA estimated couples wanting a comfortable lifestyle would need to spend $71,723.56 per year, and singles $50,981.27. The expenditure needed to reach ASFA's modest retirement standard was $46,620.05 for couples and $32,417.48 for singles.

The figures in each case assume that the retiree(s) own their own home and relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement.

Planning and retirement confidence

Vanguard's How Australia Retires research has found that having high retirement confidence is not dependent on age or income, but rather on having a plan.

More than half (52%) of the people we surveyed who presented themselves as being highly confident about their retirement readiness feel that they know what they need to do to achieve the retirement outcome they desire and are optimistic about this phase of their life.

They are relatively likely to use budgets and prioritise their savings. Of the participants who received professional financial advice, 44% indicated they were extremely or very confident in funding their retirement.

And, of the Australians who have never sought any professional advice, only 25% indicated they were extremely or very confident in being able to fund their retirement.

Furthermore, those who had not sought professional advice or sought only the assistance of family and friends tended to have less comprehensive retirement plans.

Source:
https://www.vanguard.com.au/personal/learn/smart-investing/retirement/picking-your-retirement-point

Plan to make super catch-ups, if you can

Here's a super free kick that's there for the taking.

There aren't too many free kicks when it comes to superannuation.
But there's a free kick on offer to many Australians saving for retirement that's there for the taking.
In fact, all that's left to do is to pick up the ball and to take it, metaphorically speaking that is.
The free kick is in the form of taking advantage of unused concessional super contributions – the annual amount of money that working Australians can contribute into their super fund account.

When your employer makes mandated super contributions on your behalf, that money is taxed concessionally at 15%. The maximum amount of concessional contributions that can be made in any financial year, including any you make in addition to your employer's contributions, is $27,500.
Yet, for the last five financial years, the Australian Tax Office has allowed what it terms "carry forward unused contribution cap amounts".

What that essentially means is that if you have not been able to contribute up to the maximum allowable $27,500 concessional amount in a previous financial year, any unused amounts you have can be carried forward (rolled over) and made in later years.
You could take advantage of them by starting a salary sacrifice program through your employer, where you choose to make extra super contributions from your gross pay that are taxed at 15%.

Eligibility requirements

However not everyone can take advantage of carry forward contributions, so it's important to know the rules.
To be eligible, you must:

- have a total super balance of less than $500,000 at 30 June of the previous financial year.

- have unused concessional contributions cap amounts available. These unused amounts can be rolled over from up to five financial years ago, but not from before the carry forward super provision was introduced in 2018-19.

Unused concessional cap amounts are available for up to five financial years before they expire. For example, an eligible person who has unused contributions from the 2018-19 financial year will need to use them (contribute them into their super account) by the end of the current 2023-24 financial year, or they will lose them.

For anyone with unused concessional contributions, and who is eligible to use them, there are no extra steps to take. Unused concessional cap amounts are applied automatically by the Tax Office if you exceed the annual $27,500 cap in any financial year.
For example, if $20,000 in concessional contributions were made into your super account last financial year, you may be able to take advantage of your unused $7,500 gap from last year and roll it over into this financial year's contributions.
This $7,500 would be in addition to the maximum $27,500 in allowable concessional contributions that can be made this financial year (allowing you to contribute up to $35,000 in this example).

How to find out if you have unused amounts

You can check your carry forward unused concessional contribution amount online via your myGov account with the ATO.
After logging in, select Super - Information - Carry forward concessional contributions, and your unused balance should be viewable.
For many Australians the unused portion of concessional contributions available from previous financial years may amount to tens of thousands of dollars.
The caveats are that you must not have made concessional contributions in the financial year that exceeded your general concessional contributions cap and, as noted, your total super balance must be below $500,000 as at 30 June of the previous financial year.
Even though we're now only around midway through the current financial year, it's worth considering whether you can use this super free kick before 30 June 2024.

Consider an adviser

Super and retirement planning is a complex area.
Take care to understand the contributions types and limits carefully as there are significant tax penalties for exceeding the applicable contributions caps.
Source:
https://www.vanguard.com.au/personal/learn/smart-investing/retirement/plan-to-make-super-catch-ups

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Zero-based budgeting: Making every dollar count

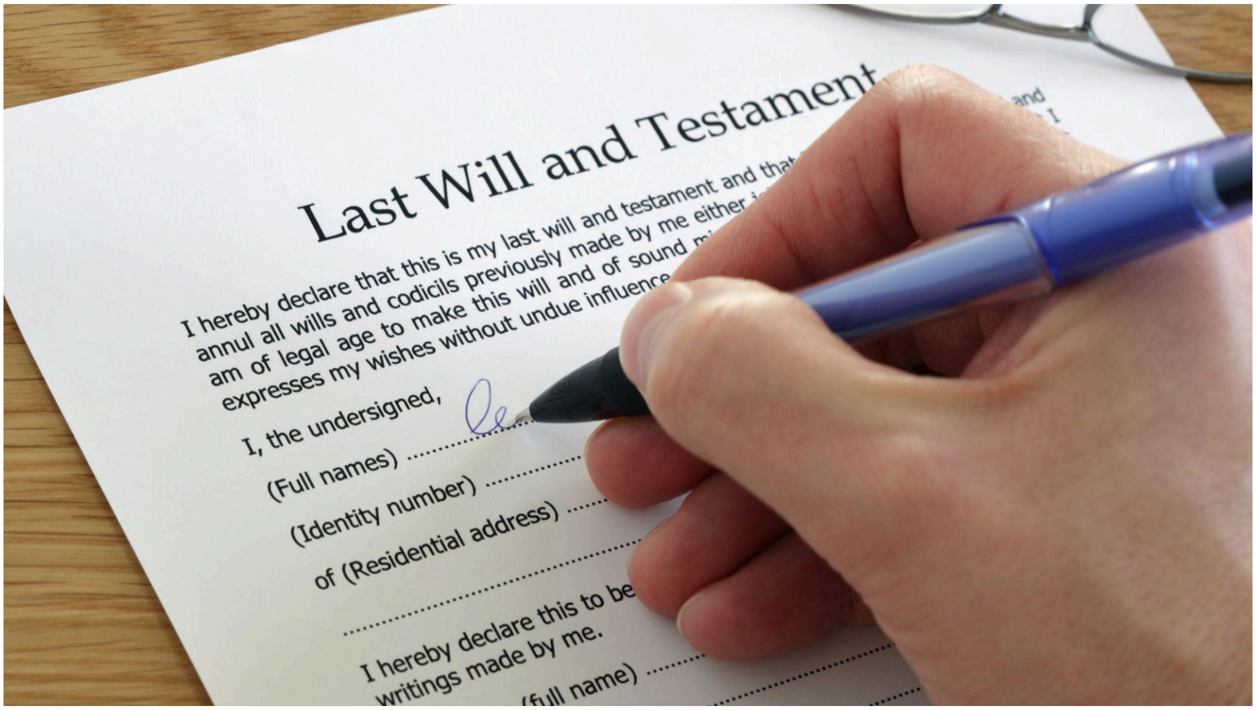
Ever heard of zero-based budgeting? No? Originally developed in the late 1960s, zero-based budgeting is an accounting method that has experienced a revival in recent times.

In conventional budgeting, expenditure from previous periods is used as a starting point and raised by a set increment, resulting in many costs and expenses not being reviewed for years.

Conversely, zero-based budgeting does not assume increased costs are a matter of course. Instead, it involves redrafting the budget from scratch every period by analysing and justifying all expenses.

While zero-based budgeting is mainly used by organisations, it's an effective way of managing your household budget too.

Watch the video below to learn more about zero-based budgeting
https://www.youtube.com/watch?v=pOCUY9ALaZI



Is a DIY Will kit enough?

More than 50% of Australians don't have a valid Will. If you die without one, your hard-earned wealth (your estate) will be distributed according to the rules of intestacy – a government-determined formula. That may not divide your estate as you would like, and if your family consists only of distant relatives your assets could end up enriching your state government's coffers.

If that's convinced you that a Will is a good idea, how do you go about making one? There are three main options:

Engage a solicitor

Using a solicitor to prepare your Will, particularly one who specialises in estate planning, is most likely to deliver the desired result. If your situation calls for anything more than the most basic of Wills, for example if there is a family business, disabled dependents, or complex family or financial structures, an estate planning lawyer will be able to provide advice on how to best structure your Will.

The downside is the upfront cost. This can range from a few hundred dollars for a straightforward Will to several thousand dollars where the situation is more complicated.

Use a trust company

There are public or state trustees in each state and territory, as well as a number of private trustee companies. They are specialists in preparing Wills and can also act as the executor of an estate. A private trustee will charge a few hundred dollars to prepare a Will, and the estate will be charged a fee when the trustee performs the role of executor. Some public trustees will waive the fee to prepare or update a Will if they also act as the executor.

Do it yourself

Will kits are available from newsagents, post offices, the Internet and other sources. Doing it yourself certainly appears to be the cheapest option, but if something goes wrong, the cost of putting things right may dwarf the initial savings.

Common problems with DIY Wills include:

- Ambiguous wording that may need to be ruled on by a court. Fixing this can cost big dollars.
- The Will is not properly signed or witnessed. This can invalidate the Will.
- The Will covers only part of the estate. The remainder will be dealt with under the rules of intestacy (ie. your state government decides).
- The Will contains unenforceable or unreasonable conditions, such as leaving out a gift to an entitled beneficiary. This can also lead to expensive legal bills.
- Business ownership issues may be overlooked or not properly addressed.
- Involve your financial planner

Your financial planner can't prepare a Will, but as the professional most likely to have a detailed overview of your financial and personal circumstances, he or she is often the person best equipped to identify estate planning issues, and to brief your estate planning lawyer.

Your adviser may also be able to refer you to an estate planning expert, and work with them to create a Will that will deliver a smooth transfer of wealth at a time of great personal distress for your loved ones.

Sources: Wills and Powers of Attorney www.asic.gov.au
Wills Frequently Asked Questions: http://www.tag.nsw.gov.au/wills-faqs.html

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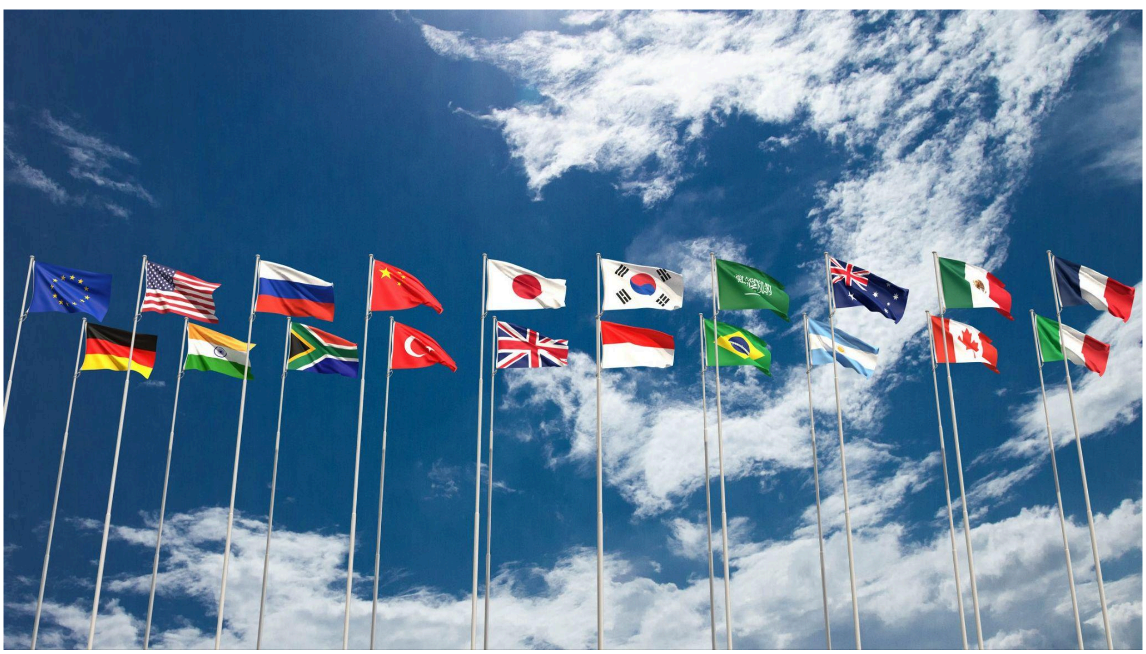

RANKED: The Top 25 Countries for Retirement

In 1881, Otto von Bismarck proposed a radical idea for retirement: people above the age of 70 would be given a state pension, encouraging them to stop working.

This model has since been adopted en masse and most countries now have a retirement age, after which workers can claim benefits paid through years of their work.
However, modern-day retirement is much more than just finances. Wealth management company Natixis analysed 44 nations on four main categories affecting the ability for their

residents to retire well in the 2023 Global Retirement Index. Each category has subindices, from which they averaged scores out of 100 to create this ranking.

The categories are:

- Health: Per capita spend on healthcare, life expectancy, and non-insured health spend.
- Quality of Life: Happiness levels, water and sanitation, air quality, environment, and biodiversity.
- Material Well-being: Per capita income, income equality, and employment levels.
- Retirement Finances: Government debt, old-age dependency, interest rates, inflation, governance, taxes, and bank non-performing loans.

This index quantifies general retirement welfare in a country and does not account for countries which are retirement destinations—usually because of lower costs of living or better weather.
So, with one-third of the world expected to be 65 and older by 2050, how are countries stacking up against each other when it comes to creating supportive environments for retirement?
Of the countries analysed for the best retirement conditions, here are the top 25.

What Are the Best Countries for Retirement?

Norway ranks first as the best country for retirement in this study, helped by top scores in health and material well-being.
For health metrics, Norway was one of the few countries to see life expectancy improve over the pandemic. It now sits at 83.3 years at birth, and is one of the highest rates in the world. This is in contrast to many other countries in the index (Canada, Austria, the U.S.) that saw life expectancies drop recently due to the higher mortality rate during the pandemic.
For well-being, Norway's current low unemployment rate (3.8%) reduces undue pressure on their social security net.

In fact, Norway along with the next top three countries (Switzerland, Iceland, and Ireland) all retain their rankings from last year, along with Estonia, which is ranked 25th. Every other country gained or lost a spot as seen below.

Rank	Country	Score	Rank Change (from 2022)
1	Norway	83%	0
2	Switzerland	82%	0
3	Iceland	81%	0
4	Ireland	80%	0
5	Luxembourg	79%	+2
6	Netherlands	79%	+2
7	Australia	78%	-2
8	New Zealand	77%	-2
9	Germany	76%	+2
10	Denmark	76%	-1

Other highlights in the top 25 include: Australia, at 7th, which is the highest-ranked non-European country in the index. The country scores well in retirement finances due to its superannuation pension fund system, currently worth $3.5 trillion, fifth-largest in the world.

Meanwhile, France, just outside the top 20, saw widespread protests in early 2023 when a law to raise the retirement age to 64 was passed through special constitutional powers. Raising the retirement age will presumably keep people working longer, paying mandatory payroll tax to fund retirement benefits, and will improve their steadily worsening old-age dependency ratio.
A worsening old-age dependency ratio is where the share of older, dependent people to younger, employed people keeps increasing, reducing the sustainability of retirement benefits.

How Countries are Preparing for the "Silver Tsunami"

France is not the only country trying to keep its population working longer. The Chinese government is also looking to raise its retirement age in gradual shifts, as it grapples not only with an ageing population but also a declining one.

Immigration has also been frequently cited as a near-term measure to boost the working-age population and increase the benefits pool. Canada, for example, had 6 workers for every retiree in 1980. In 2015 that had dropped to 4. By 2030, it will drop further to 3. As a result the country has pursued aggressive immigration for more than a decade now and has grown its population by 10 million since 2010.
Finally, there has been a push towards increasing overall productivity by targeting technological advancements and automation. However both need to occur in tandem with re-skilling so that they don't result in net job losses, which will only further burden social security systems.

Sources:

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