



## Planning for Retirement

### Thinking about retirement too late can cause problems

We've probably all done it: blown the first real wage packet on something frivolous and unnecessary, as did I by splurging on a pair of genuine calf-skin shoes. That was the start of my on-off spending spree while I was young and not having much in the way of responsibilities. A bit later came relationships, marriage, our own home and eventually kids. As with most people, these were then the main financial considerations, along with insurance and the repayments of any loans. But what about retirement...? Well, at that time it was too far away to worry about.

I have to admit we didn't think much on that score, merely going from one week to the next, month to month, year by year. Savings were always factored in, provided the budget allowed, because we liked to have some rainy-day money on hand, just in case; and we worked out the best plan to manage finances at the time. At one point, superannuation became mandatory in Australia, supposedly as a means for people to self-fund their retirement, shifting the burden from government welfare agencies to the individual. That might have been fine, had the scheme been introduced earlier; but we were already too far on in our working lives for it to have much of an impact.

As a self-employed writer and artist with little income I didn't qualify at all; whereas my wife being a full-time accountant began to reap the benefits; and with the in-between periods when I did actually do some paid work, I added a meagre amount to the pot. Over the years it increased; not massively; but our savings grew, complemented by a small inheritance and the eventual sale of our house. By the time we were approaching retirement we thought we'd be reasonably comfortable; and, as it turned out, we were, thanks to some creative juggling of finances to increase our supplementary overseas pension. Still surviving and keeping our heads above water, we are enjoying life; continuing to budget, though, because by now it has become a habit. Many others, unfortunately, haven't seen the writing on the wall. When it's there right in front of them they will wake up to the fact that planning for retirement should have been considered much earlier.

So, how does one prepare for retirement? Obviously, somewhere to live that isn't going to cost a fortune is a priority, and this tends to be catered for along the way: hopefully starting from the lower end of the scale, upgrading to bigger and better from time to time. What has to be remembered are maintenance costs. While young and agile, many repairs and replacements can be made by the owners. Later on, however, this may not be physically possible which means paying out for trades people. Even by down-grading to a smaller property, the same problem lingers. Perhaps selling up and moving to a rental property might need considering; which is what we did and never regretted it.

Money is always going to be an issue, and frequently younger people overstretch themselves, especially with respect to housing loans and repayments. If a partnership is involved and there are two wages coming in, a couple may believe everything's fine; even if they occasionally do have to tighten the purse strings. But what if circumstances change? Maybe one falls ill or loses their job: can the sole wage earner carry the weight on their own? Often not; and should there be little or no savings to fall back on, sad times are ahead. So, the message is clear – don't try to achieve the ultimate dream in one go, but advance in easy stages that are within current and projected financial capabilities. And ensure a savings plan that provides a cash surplus has been implemented well before taking those big steps. Not only will this cater for the unexpected problems that always seem to crop up, but it is a wise preparation for eventual retirement.

Quite a few who are in well-paid jobs think about investment properties. They may buy or build another house separate to their personal residence with the intention of renting it out, thus providing extra income. Sometimes they take it further, adding more properties one by one. The idea can work, as long as it is remembered that, with more than one property, expenditure is often multiplied by the number of dwellings; including the family home. Of course, should the purchase(s) require existing loans to be extended; can this investor be absolutely certain that their financial status quo will continue? As for being asset-rich and cash poor, that may come back to bite on retirement day.

Along the way other opportunities may present; like, for instance, retirement schemes that claim to provide enduring security with less hassles; but for a price. One such scheme in Australia backfired disastrously; and those who paid up front in the belief that they were set for the rest of their lives came well and truly unstuck. The company promoting and managing the scheme went bust. It then came to light that they didn't actually own the residences their clients were living in; and the real owners either wanted them back, or were willing to sell to the occupants. Unfortunately, these retired people couldn't afford it, having spent their entire savings on the scheme. Now they are involved in court cases to avoid being evicted. It was a hard lesson to learn.

There are, of course, alternative ways to invest spare cash; unfortunately a few that may seem genuine turn out to be get-rich-quick scams. The fact is that if it seems too good to be true, it probably is. Trading in the share market might appeal to some; but you have to know what you are doing, and it can be a risky business. Generally for most people, preparing for retirement is a slow and steady process that often takes years; and there's a certain satisfaction in that. Endowment policies are an option; and these are paid for in reasonably small increments over a long period to be redeemed later on retirement; and can prove to be quite considerable sums.

It should also be remembered that health does deteriorate over time; and one day it may be realised that coping at home, even for couples, is becoming more difficult, sometimes impossible. Nursing homes are arguably a last resort unless constant medical attention is required; however, retirees who are still able to perform those basic functions like dressing themselves, cooking and doing some odd jobs about the place might consider sheltered accommodation. There are different levels of care included, depending on the type

chosen. Retirement villages are usually a small gathering of residences in which residents retain independence while having the added security of trained nursing staff on hand. They pay regular visits to ensure all is well; and are on call should someone press the panic button if they need urgent assistance. Most of these villages also provide common rooms for residents to socialise; and this is something that those who have been living alone would definitely appreciate.

While buying one's own home may have been an early priority, a vague glimpse of a distant but future dream could have been brewing through the years of plodding in the workforce – that one-day thing shines as a just reward to make the lifelong struggle all worthwhile. Quite often the plan is to eventually go on the road and become grey nomads. The idea of spending remaining years travelling around the country has a definite appeal. With a Winnebago, a campervan or a caravan, they can go wherever they fancy; staying as long as they like, unconcerned about unpleasant neighbours which can be left behind by simply moving on somewhere else.

Retirement offers so many advantages that tend to be missed when leading young and busy lives; and everyone deserves that; but it isn't handed out on a plate. Even sitting on the veranda each evening watching the sun go down still costs, and the money has to have come from somewhere. Surprisingly, it doesn't need to be a fortune, as we ourselves have discovered; provided that expectations aren't too high and a moderate budget is adhered to.

The moment of truth is imagined to be the one at the end of our lives. I believe, however, that the real day of reckoning is when we reach retirement and only hope we've done enough to live out what's left in peace and comfort. Think about this and everything you need to do along the way to make it happen – but, for your own sake, don't leave it too long.

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