RETIRE READY
FINANCIAL PLANNING
THINK AHEAD.

February 2016

Welcome to the latest edition of our client newsletter, our first for 2016!

We are well and truly into 2016, and there is no better time than now to sit down and review your current situation, and goals, to ensure you are on track - if they are not, let us help you get on track.

I hope you find our articles interesting; we aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

All the best,
Retire Ready Financial Planning.

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New year, new start - are you ready for retirement?

If 2016 is the year you were thinking about retiring, Renata Singer – a writer, community activist and educator who recently released a book called Older and Bolder, Life after 60, actively encourages women in particular, to not give up work too soon. “If you’re feeling the pressure to retire, stay doing what you love and are good at for another ten years,” she insists.

If you are nearing the usual retirement age yourself, perhaps you too have felt the pressure to retire. If your spouse has already retired, they may be keen for you to give up work too so you can travel or do all those things you had planned to do ‘one day’. Your grown up children may hint how great it would be if you could help out with the childcare of their young ones. Retired friends might constantly tell you about their stress free life and how they have never been busier.

Weighing up your options

And while all of these things can bring benefits, it’s worth spending the time to really weigh up the pros and cons to retiring to ensure it’s the right time for you.

Have you carefully considered the following:

- What do you plan to do in retirement? Volunteer, travel, join clubs, indulge your hobbies etc?
- Do you have a good support network to help you through the transition? Family, friends, people with the same interests as you?
- If childcare is on the horizon, what will you do to make sure you have a balance of time for yourself and time to help your family?
- Are you confident you have enough money to see you comfortably through retirement, bearing in mind retirees at age 65 can now expect to live another 20yrs or more?

What the studies show

A recent report from the Older Workers Study by CBA[i] revealed that 11.5 million Australians in the workforce are aged between 50yrs and 74yrs. 72% of those interviewed said they were keen to carry on working regardless of their financial situation, which suggests that personal fulfilment is highly valued.

Businesses are also recognising the wealth of knowledge older workers bring to the table. Years of experience means they are uniquely placed to mentor teams of younger staff, especially through periods of change such as economic downturns.

36% believed that flexible working would encourage them to retire later, and with many large corporations making that option part of their employee offering, it’s likely to be something that will be more readily available in the future world of work.

Carrying on in the work force past retirement age is not for everyone. Every situation is unique and you may feel relieved at the thought of not having to punch the clock anymore. Health or family reasons could mean it’s time for you to seriously consider winding down. Or perhaps you have dreams you want to pursue.

Whatever decision you make, ensure you are on track to be financially secure in retirement – however and whenever, that happens.

i https://www.commbank.com.au/content/dam/commbank/articles/retirement/FSC_CBA_Older_Workers_Study.pdf

Aged Care - Changes to Assessment of Rental Income

Leaving the family home to enter residential care is a tough decision. On the one hand, you (or your loved ones) are leaving a place you've made your own over decades. On the other hand, those moving in to aged care often experience an immediate boost in quality of life – fewer responsibilities, more time for hobbies, a close-knit community of neighbours, and more.

Making the decision to move in to a supported living facility involves a number of different financial decisions. Because all care facilities in Australia are supported by the Commonwealth, each resident is (potentially) eligible for support for the cost of their accommodation.

This support is means tested, which means it's an important consideration when moving in to care. It could mean the difference between selling and saying goodbye to the family home, or simply renting it out.

Recent changes, ushered in with the 2015 Federal Budget, are set to change the way the former home is treated under the means test. It could change the decisions you make when planning for this important life change.

The previous situation

Aged care residents can choose to pay their entry costs in the form of an upfront payment and have any leftover funds paid back when they leave the facility. This upfront payment is known as a refundable accommodation deposit (RAD) or contribution (RAC). Alternatively they could choose to pay these entry costs on a periodic basis – a bit like room and board. This is called a daily accommodation payment (DAP) or contribution (DAC). Or, they could choose a combination of both.

Up until the end of last year, some aged care residents had an advantage If they chose to pay their DAP or DAC using rental income from their home, that income isn't included in the age care means test. This was a significant advantage, seeing as the family home is usually the most valuable asset a person (or couple) owns. According to research from the Grattan Institute[i], over half of all household wealth is in property. The ABS agrees[ii]. Of course, the value of the property doesn't correlate directly with rental income. But it's a useful way to see just how little wealth the average older Aussie holds in the form of other assets that the government assesses when deciding how much to chip in to their aged care.

What's changing?

For residents entering care on or after the 1st of January this year, the rental income on a former home will be assessed as income when calculating the means tested care fee.

It's worth noting here that the rental income assessed will be the actual net income, not the 'deemed' income that other types of assets are assessed by. This means that the full amount you'd be earning from rent is taken in to account, not just a token proportion.

It is also worth mentioning what's not changing. For means testing purposes, the asset value of the former home is still capped at $157,987. The way the age pension is assessed will also stay the same. This means the main change to your calculations and decisions will come from the rental income change.

Those who were already in residential care before the 1st of January will not be affected. Even if they haven't got a tenant in place yet, they'll be able to keep any future rental income. However, the entry date cut-off is specifically for permanent care – if the resident was only in respite, they'll be subject to the new rules. Also, any resident who temporarily leaves care for more than 28 days will be subject to the new rules when they come back.

The calculation of the cost of care is complicated. Whilst DHS calculators can provide a rough guide, they're not meant to form the basis of important decisions, such as how to deal with the family home. If you would like to discuss aged care funding options for yourself or a dependent loved one, please give us a call.

i http://www.grattan.edu.au/wp-content/uploads/2014/12/820-wealth-of-generations3.pdf

ii http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2013-14~Main%20Features~Household%20Income%20and%20Wealth%20Levels~5

Five ways to simplify your life

If managing life's everyday complexities only seem achievable when you're daydreaming about the chef, cleaner, personal assistant or nanny that you don't have, you're probably not alone.

And, if 'turbulent' is the way you'd describe your day-to-day routine, these tips may help you get back the hours you need for the things that matter most.

1. Organisation – the Holy Grail

Planning yours or the family's life can take a lot of headspace so it's important to unload your brain and write things down – and with technology on your side; being organised doesn't have to mean being "old school".

There are plenty of great digital apps available to help you and your family stay on track, some of them allow you to share lists and calendars across all of your devices.

And when it comes to being organised, less can often be more. Why not keep your mail and filing to a minimum by switching to online statements? Going paperless is faster, more convenient and better for the environment.

2. Manage your money

Being busy can often be a good excuse to put off small tasks that can help you be better off financially – the key is to start small and pick off the 'easy' jobs.

Start with a budget calculator. Be realistic, don't spend what you haven't got and automate bills and savings on or near pay day to ensure you're left with just the right amount of spending money.

Another easy task is consolidating your super. Most of us can say that we've changed jobs or moved homes at least once in our lives and this can often result in losing contact with your super fund/s. Having your super in one place means you can stay on track of your retirement savings and avoid multiple fees and charges.

3. Work on the inside out

Keeping a focus on your own health and wellbeing may help curb disruptions like illnesses. A balanced meal plan, getting enough sleep and regularly blocking out time for physical activities like the gym or a walk in the park may help with a range of things like increasing your endorphins or improving your mood and energy levels.

If finding the time is a pressure point, consider services like Hello Fresh or Lite 'n Easy to take care of your meals for you – remember, there are plenty of options and providers so make sure you shop around to find the best one that suits your needs.

Also look at incidental exercise opportunities in your daily routine – like getting off the bus or train one stop early and walking the rest of the way.

4. Let someone else do it

If all else fails, outsource. Supermarkets now deliver to your doorstep, so you no longer have to waste hours on the weekend trawling the aisles.

And, don't forget to delegate. For odd jobs you need help with, check out Airtasker, an online marketplace where you can outsource anything from tidying up your resume to assembling Ikea furniture. Or reach out to the family, older kids can get away with doing more sophisticated chores like mowing the lawns or washing the car.

5. De-clutter your home and mind

A tidier home, car, wardrobe and work station can make a big difference. Research reveals that crowded physical spaces impact your ability to focus and relax[i]. An added bonus is when you have a place for everything; you're also less likely to misplace your keys.

Your mind may benefit from space as well. Disconnecting from your phone, emails and social media can be essential for your health, wellbeing and sanity. Venture outside or listen to some good music, catch a comedy or see a friend uninterrupted. It's important to factor in time for yourself.

We can help you take the load off

Finances can take up a big part of your life, speak to us to explore some of your options. Taking care of your finances may help free you up to do more of what you love.

i Interactions of top-down and bottom-up mechanisms in human visual cortex.