

# Helping your Retirement savings last longer

Financial Adviser: Helen Harrison

# This is general advice

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## How Barry is looking at making his money last

Age 65 and retired

Married and owns his home with his wife

Has \$300,000 in his Choice Income account

## With Choice Income you can make your money work harder

- **Peter** is 65
- Has super balance of \$300,000
- Withdraws his super & puts in his bank account
- Withdraws \$570 per fortnight to top up his age pension

- **Barry** is 65
- Has super balance of \$300,000
- Transfers his super to a Choice Income account
- Receives \$570 per fortnight to top up his age pension

# This is what happens to Barry's & Peter's account over time



# Assumptions

- Choice Income returns are 5.5% p.a.
- Bank interest is 3.5% p.a. (a mixture of term deposits and cash)
- The income increases each year in line with inflation of 3.5%
- No fees from the regular bank account
- Fees of \$78 p.a. plus 0.11% of the member balance have been included for the retirement income account

Assuming the Age pension is approx. \$894 per fortnightly



# Why choose Choice Income?

With Choice Income you can enjoy regular income

Flexible retirement income, such as:



Fortnightly, monthly or quarterly? You choose.<sup>1</sup>



You can choose how much you want to receive.<sup>2</sup>



Get additional payments. After all, it's your money.<sup>3</sup>

<sup>1</sup> Half yearly and annual payment options also available.

<sup>2</sup> Government prescribed minimums and maximums apply.

<sup>3</sup> An additional withdrawal fee may be charged.





# Considerations for Barry

## Investments

- Diversification
- Timeframe
- Risk tolerance
- Seek Financial advice

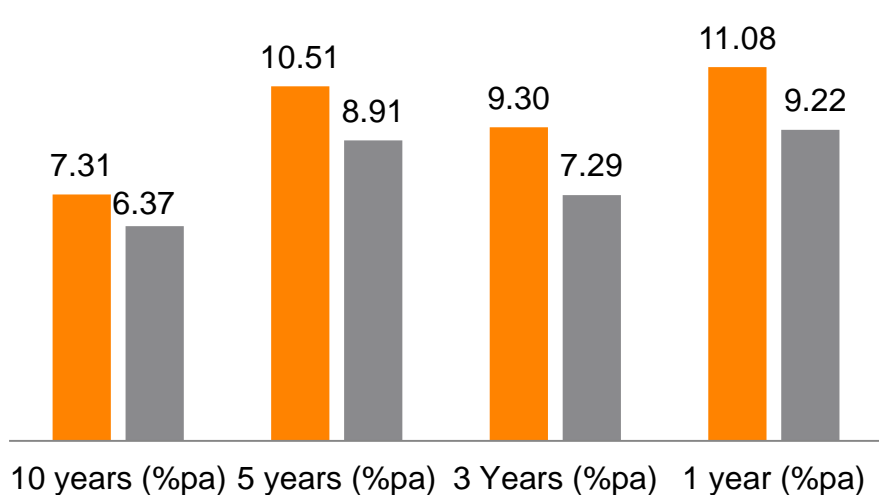
## Drawdown

- Consider how much to drawdown
- Account Based Pensions require a minimum drawdown amount each year based on your age

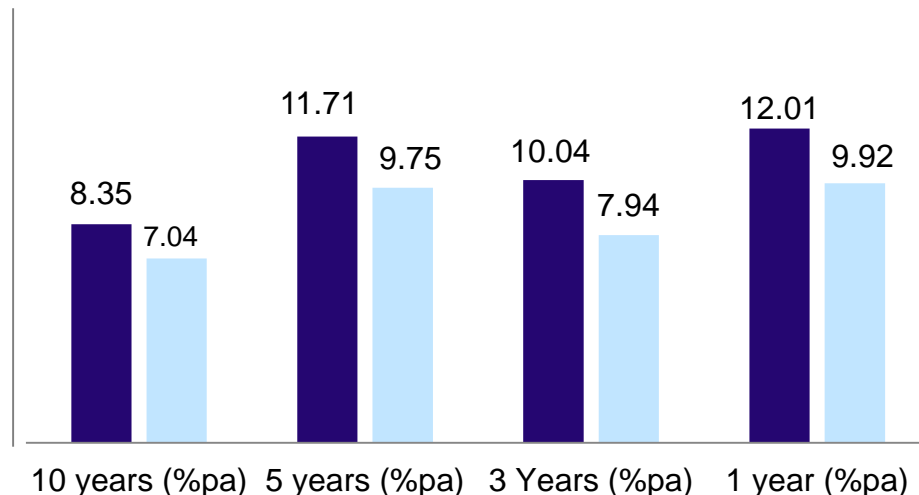


# Investment performance – Balanced option

## Super – June 2018



## Pension – June 2018



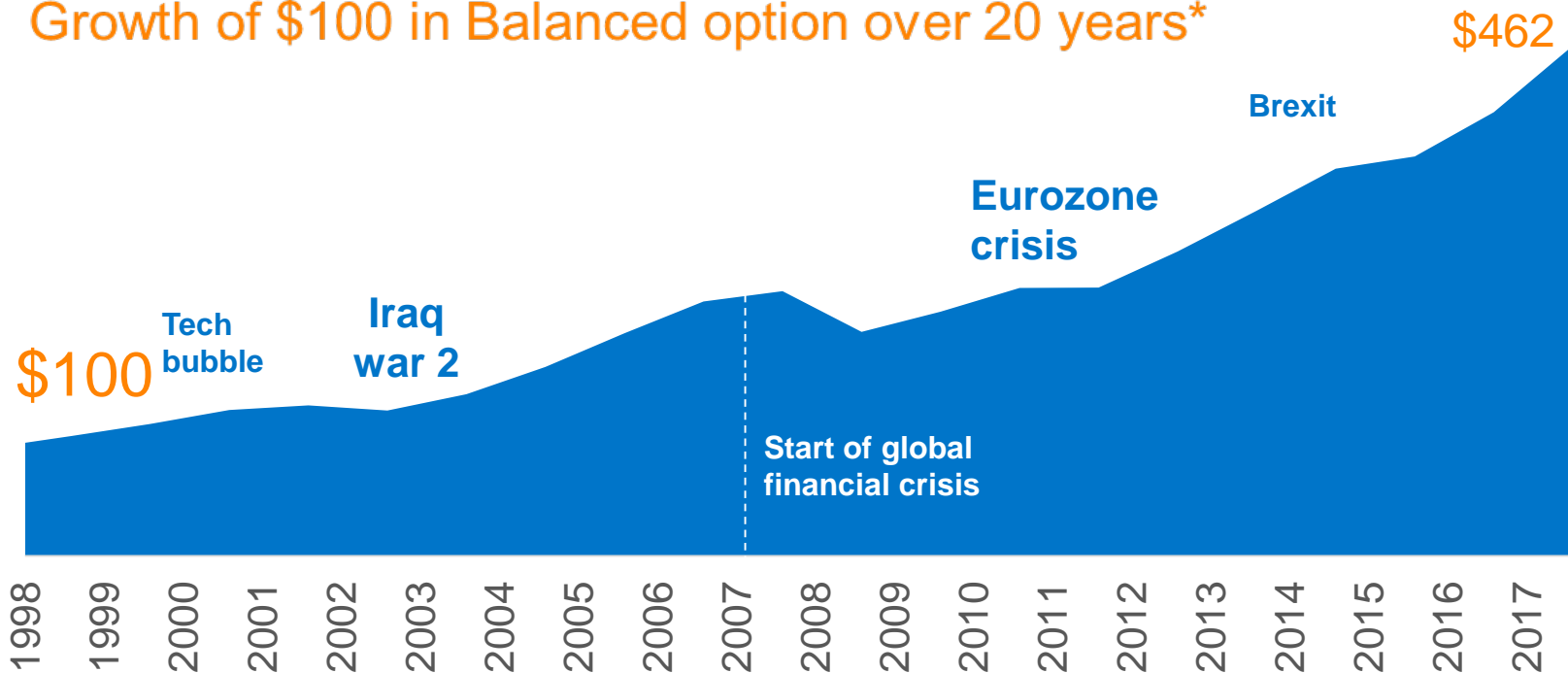
 AustralianSuper  
 Benchmark: SuperRatings SR50 Balanced (60-76) Index

 AustralianSuper Pension  
 Benchmark: SuperRatings SRP50 Balanced (60-76) Index

Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns. Returns are net of investment fees and taxes.

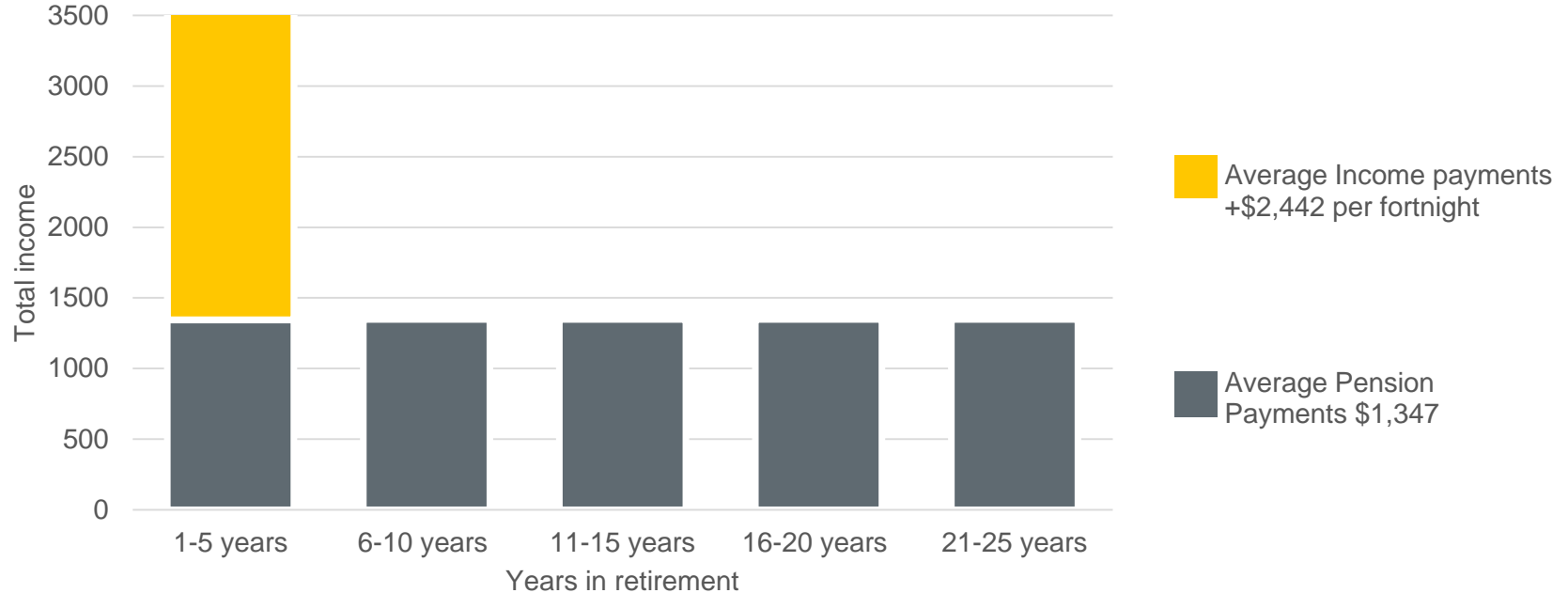
# Staying focused on the long term

Growth of \$100 in Balanced option over 20 years\*



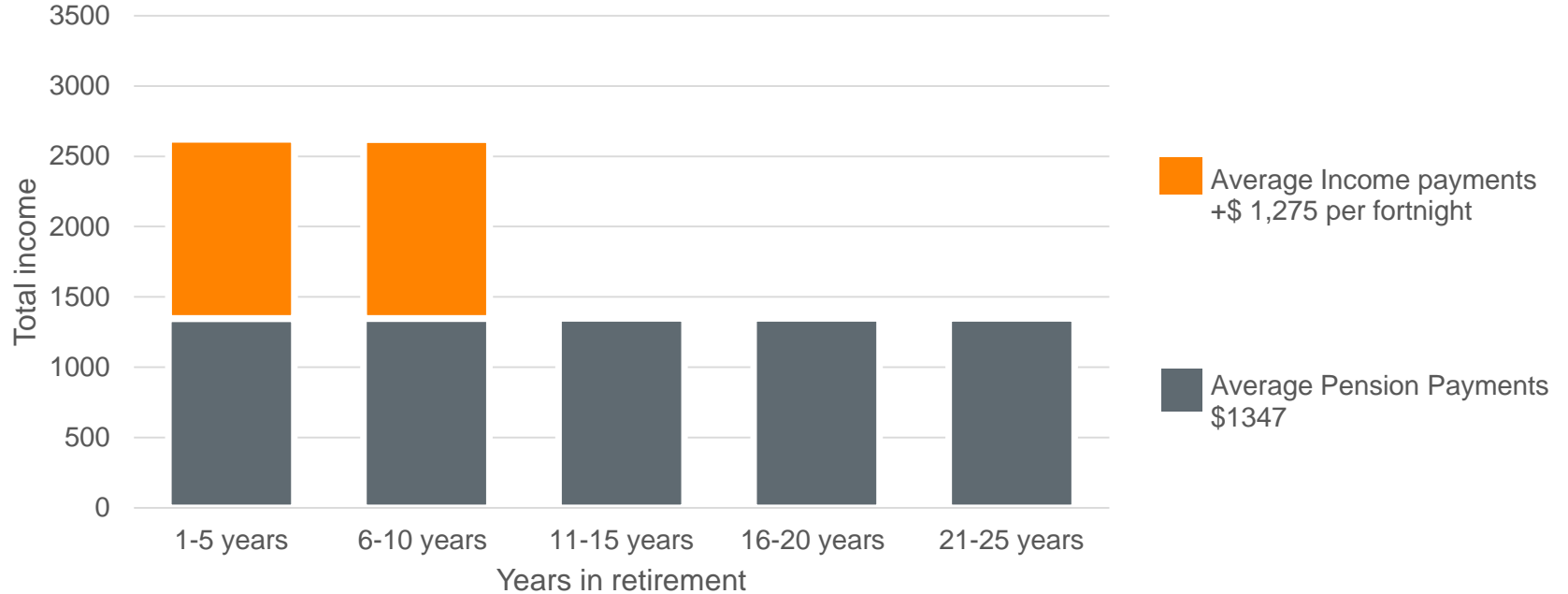
\* Source: AustralianSuper. Investment returns of the Balanced option from 1 July 1998 to 30 June 2018. Returns from equivalent investment options of ARF and STA are used in calculating returns for periods that begin before 1 July 2006. Investment returns are net of investment fees, costs and taxes, but do not include the impact of administration fees and insurance fees that are deducted from member's account balances. Past performance is not a reliable indicator of future returns

# Super taken as an income over a 5 year period – fortnightly



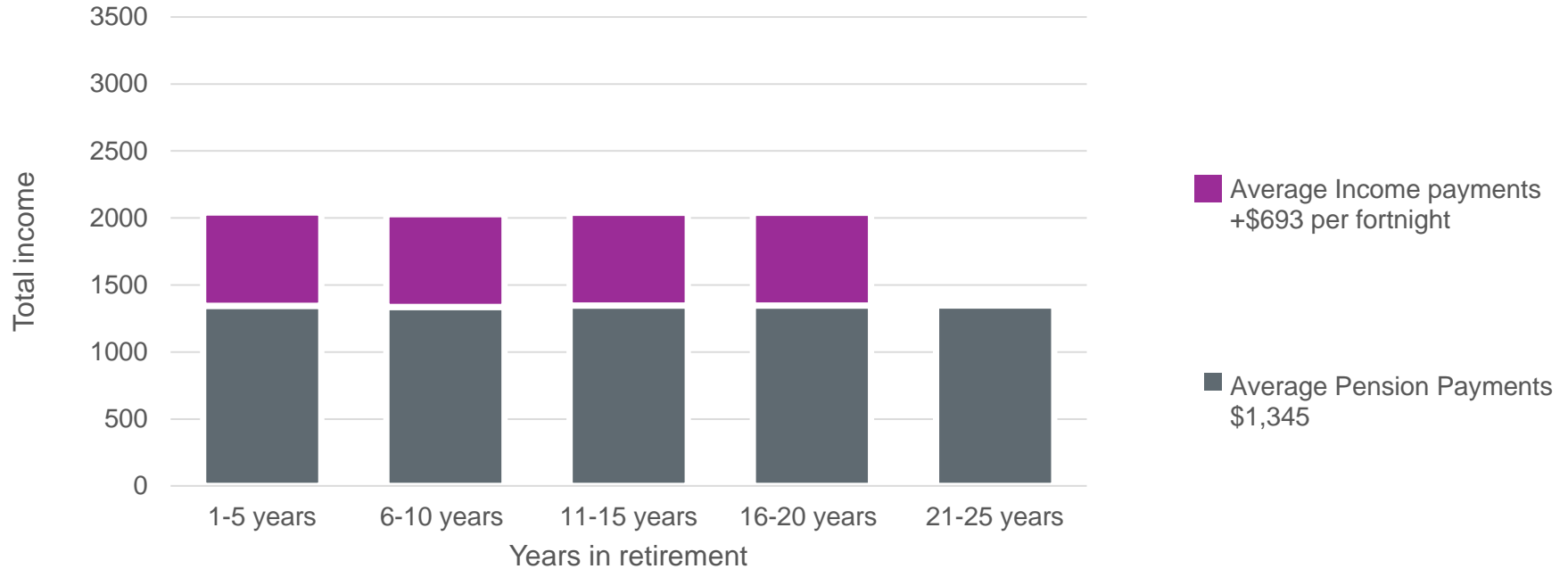
Super taken as an income over 5 years could result in an increase in retirement income to \$98,789 per year. This represents a 181.2% increase over the age pension alone. Please note that the examples show the average amounts of Government Age Pension and income payments in 5 year bands. The examples assume no assets or income outside of super and are displayed in today's dollars. The assumed rate of return after fees and taxes is CPI + 3%

# Super taken as an income over a 10 year period – fortnightly



Super taken as an income over 10 years could result in an increase in retirement income to \$81,598 per year. This represents a 132.27% increase over the age pension alone. Please note that the examples show the average amounts of Government Age Pension and income payments in 5 year bands. The examples assume no assets or income outside of super and are displayed in today's dollars. The assumed rate of return after fees and taxes is CPI + 3%<sup>3</sup>

# Super taken as an income over a 20 year period – fortnightly



Super taken as an income over 20 years could result in an increase in retirement income to \$42,000 per year. This represents a 21.74% increase over the age pension alone. Please note that the examples show the average amounts of Government Age Pension and income payments in 5 year bands. The examples assume no assets or income outside of super and are displayed in today's dollars. The assumed rate of return after fees and taxes is CPI + 3%.



# Centrelink

## Payments for older Australians

- Age pension
- Pension Loans Scheme
- Concession and health care cards
- Carer payment or Carer allowance
- Rent assistance
- Energy supplement
- Pension Supplement - a regular extra payment to help with bills and medicine costs

## Considerations for Australians overseas

### Health Care

See [humanservices.gov.au/olderaustralians](https://humanservices.gov.au/olderaustralians) for more information



***centrelink***

# Age Pension



The maximum fortnightly value of the full Age Pension is:

**\$ 690.70 \*** for a couple (each)

**\$ 916.30\*** for a single

\* Including pension and energy supplements.

Source: humanservices.gov.au (Sept 2018) Find out more about Age Pension eligibility at [humanservices.gov.au/centrelink](https://humanservices.gov.au/centrelink) or call 13 23 00

# Age Pension Income Test – September 2018

Max Pension if your income is below	No Pension if your income is above
\$172 per fortnight \$4,472 per year	\$2,004.60 per fortnight \$52,120 per year
\$304 per fortnight* \$7,904 per year*	\$3,066.80 per fortnight* \$79,737 per year*

Source: humanservices.gov.au Sept 2018. Figures rounded to the nearest dollar.

\* Income shown is for a couple combined.

# Age Pension – Assets test

## Exempt

- Family home
- Super accounts (if under pension age)\*
- Funeral Bonds\*\*
- Cemetery plot

## Assessable

- Investments (property, shares, bonds, etc.)
- Super accounts (if over pension age)
- Household contents
- Other possessions (cars, boats, caravans, etc.)
- Gifts (over \$10,000 in 1 year, or \$30,000 over 5 years)
- Pension accounts including TTR

\* Balances used to supplement income as part of Transition to Retirement strategy may not be exempt. Source: humanservices.gov.au (July 2018)

\*\* conditions apply. Refer to humanservices.gov.au for details



# Age Pension Assets Test – Sept 2018

If you're	Full Pension if your assets are below		No Pension if your assets exceed	
	Homeowner	Non homeowner	Homeowner	Non homeowner
single	\$258,500	\$465,500	\$564,000	\$771,000
couple, combined	\$387,500	\$594,500	\$848,000	\$1,055,000

# Four ways you could reduce the impact of the assets test



Update your assets  
with Centrelink



Think about  
your home



Consider a holiday



Funeral pre-pay

These are just a few ways you may be able to reduce your assessable assets. A financial adviser can help you with more options based on your personal situation.



# Gifting rules

## Gifting is where you

Give away assets, or

Transfer them for less than their market value

## Allowable gifting amount

\$10,000 per year, and

Limited to \$30,000 over 5 years

Barry gifted \$30,000 to his grandchildren (\$10,000 each year). As the \$30,000 is not assessed it could increase his age pension by \$90 per f/n.

# Other things to consider

# Work Bonus

The first \$250 of gross fortnightly employment income from work (not investment income or self-employed income), will not count for the Age Pension income test.

**Note:** The Work Bonus does not apply to self-employed income currently. Federal Budget 2018/19 has proposed to increase the Work Bonus to \$300 per fortnight and to extend it to the self-employed.





# Pension Loans Scheme

A voluntary reverse equity mortgage offered by the Government that offers older Australians an income stream to supplement their retirement income by drawing down from the equity in their home.

## Proposed in Federal budget 2018/2019

- scheme to be extended to all retirees, including full rate Age Pensioners and self funded retirees
- able to boost income to 150% of the maximum rate of Age Pension without impacting their eligibility for the Age Pension or other benefits.

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- Investment options
- Insurance
- Retirement options



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