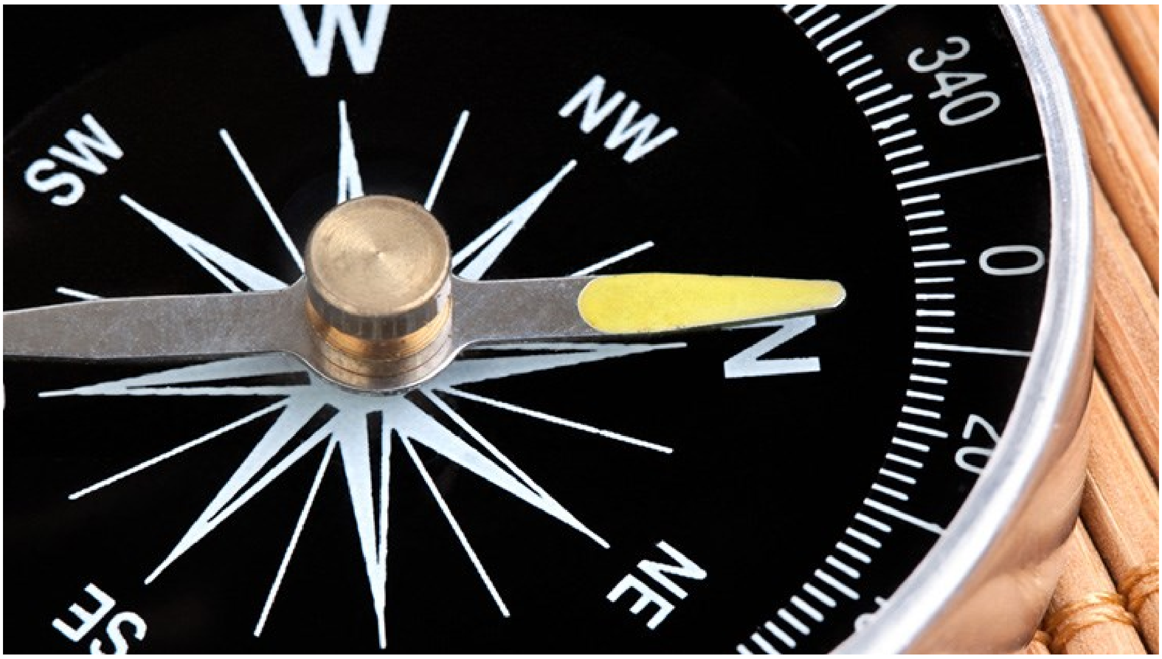
RETIRE WITH MORE



PERPETUAL PRIVATE INSIGHTS
21/05/2018

As you approach retirement, you may feel comfortable with how things are looking, both personally and financially. What you may not appreciate is the assumptions you've made about your financial situation – and the life you will live in retirement – are likely to be based on personal biases.

Like believing house prices will continue to rise at current levels, that your investments are sufficiently diversified, that superannuation rules won't change or that you have to wait for another five years or so before you can give up your day job.

Biases are part of what makes us human but are inherently risky when it comes to your finances. This is where an experienced financial adviser can help you – by challenging your assumptions with an objective assessment of your current financial position, calculating what you will need to fund your retirement and developing a financial plan to get you there.

With research showing that those who receive financial advice are almost $100,000 better off when they retire it's clear that having a professional by your side can make a significant difference. [1]

Here are some of the biases or assumptions to watch out for:

1. "I've saved enough to generate the income I will need in retirement"

We know that people often overestimate how much income they'll be able to generate from their retirement savings, often quite significantly.

People also underestimate how long their retirement savings will last, with research showing that over 60 per cent of retirees will, on average, outlive their retirement savings by at least five years.

How a financial adviser can help:

The best insurance against insufficient retirement income is to receive financial advice earlier in life. That's because the best friend of an astute investor is time in the market – provided your investments aren't based on biased assumptions.

An experienced financial adviser will take the time to understand what ***you*** want to do in retirement. Will you retire completely, or do you intend to continue working part-time? Does regular overseas travel feature in your retirement plans, or do you enjoy shorter trips in Australia? Are you looking to downsize your family home or help your children with their mortgages?

The answers to these sorts of questions will help an adviser determine how much money you will need during each stage of your retirement – initially your major expense may be overseas travel but later in life it could be health care. These considerations will form the backbone of a financial plan that is tailored to your individual circumstances.

2. "I haven't saved enough and will have to continue working a few more years"

Whilst many overestimate how much income they'll be able to generate in retirement, some of our clients are pleasantly surprised that they can retire or wind down their work hours sooner than they thought.

How a financial adviser can help:

An experienced financial adviser will help you assess your retirement income options. Depending on your circumstances, this may include transferring your super to a retirement phase income stream, investing in the sharemarket for regular dividend payments or accessing income from rental properties. When these sorts of income generating options are combined into a structured financial portfolio, some of our clients realise they have the funds to retire sooner than expected.

3. "I prefer to invest in Australian shares"

The investment portfolios and SMSFs of many Australians are largely comprised of domestic shares, with some having little or no exposure to bonds or international shares.

This lack of diversification increases the risk of capital loss should there be a significant downturn, something that was experienced by many close to retirement during the Global Financial Crisis.

How a financial adviser can help:

An experienced financial adviser can help you structure a diversified investment portfolio with the right balance of capital growth and income generation. Your age, plans for retirement and tolerance to risk will all be taken into account.

When markets do experience volatility, your financial adviser can help you to remain focused on your long-term investment strategy given that some short-term volatility will be inevitable during your retirement.

4. "I've always been healthy, why should retirement be any different?"

When people retire healthy, it can be hard to imagine a future where health-related issues are a major expense.

Like retirement income, the cost of future medical care is another area that pre-retirees underestimate when thinking about their retirement.

And with private health insurance and Medicare only covering some of the costs, any unplanned 'out of pocket' medical expenses can deplete your retirement savings.

How a financial adviser can help:

A financial adviser can help you to prepare for the unexpected by setting aside savings to complement your private health cover and Medicare. They will also discuss insurance options with you – like Total and Permanent Disability – to relieve financial pressure on you or your family should you suffer an illness or injury.

It's never too early to get advice – nor too late

As investment markets and interest rates fluctuate and superannuation rules change, there's nothing more reassuring than having the steady hand and enduring advice of a trusted financial adviser to guide you.

Haven't you worked too hard to put it all at risk?

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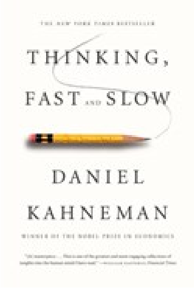
<td>
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<td>In the international best seller Thinking, Fast and Slow, Daniel Kahneman explores the way people think and how cognitive biases and intuition can get you into real trouble when making investment decisions. Kahneman offers practical tips on how you can safeguard against these biases in your decision making. A highly recommended read.</td>
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[1] Financial Services Council, 'Better off with savings advice' research, February 2011.