Prepare FOR LIFE
ISSUE 19 | 2015

LIFE FINANCIAL PLANNERS Pty Ltd

IN THIS ISSUE

Will you be able to live the Dream?

We all have ideas about how our dream retirement would look. Many of us would like to travel, pursue hobbies, treat our grandchildren and live a comfortable lifestyle. But how big does our nest egg need to be to afford all of this?

The 'ageing' of Australia's population will put immense pressure on the availability of social security assistance for retirees. Add to this the proposed tightening of the age pension assets test and the proposed increase of the Age Pension age to 70 by year 2035, and the need to save effectively for your retirement is more important than ever.

A GOOD PLACE TO START

Don't be daunted by this though. A good place to start is simply by having a think about the following questions.

1. **What sort of lifestyle would you like to have?**
2. **Will you be eligible to receive an age pension from the government?**
3. **How long does the money need to last for?**
4. **What is your appetite for risk when it comes to investing?**
5. **Do you wish to leave money for the next generation?**

The Association of Superannuation Funds of Australia (ASFA) conducts regular research into the costs of living in retirement. They publish budgets for a 'comfortable' and a 'modest' retirement lifestyle each quarter.

In June 2015, the annual costs of living were:

	Modest lifestyle	Comfortable lifestyle
Single	**$23,622**	**$42,861**
Couple	**$34,051**	**$58,784**

A modest lifestyle does not require a significant level of additional savings, as the full rate of age pension will almost cover the costs of living. In fact, the ASFA suggests that to fund a modest lifestyle in retirement, assuming all debts have been eliminated, a single person will require savings of around $50,000 while a couple will need to have a lump sum available of around $35,000.

However, if you are more interested in ensuring a comfortable lifestyle in retirement, you will need a lump sum of approximately $545,000 if you are a single person, and $640,000 if you are a couple. Retirees with lump sums approaching these amounts will not be eligible for the full age pension but the estimated lump sums assume access to at least a part age pension.

Of course the actual amount of capital required to support the preferred lifestyle is a very elastic figure. There are many factors that will influence the levels of income that can be reached. These include the investment return you are able to achieve, the length of time the income is required to be paid for, and increases in living costs (inflation).

SELF-FUNDED RETIREES

For those with a more ambitious retirement lifestyle in mind, the budget of course increases. And as savings increase to fund the desired lifestyle, access to the age pension reduces to a point where the amount of capital required will disqualify you from receiving any age pension.

If your retirement lifestyle budget is such that the age pension is out of reach, you are part of an exclusive group of self-funded retirees.

If you are in your early to mid-60s and aspire to being a self-funded retiree, you will need savings of around 15 to 17 times your first year's retirement income, in order to generate an indexed income stream for life. Putting this in perspective, if you would like an income of $100,000 in your first year of retirement and would like to maintain this on an indexed basis to keep pace with inflation, you will need a lump sum of between $1,500,000 and $1,700,000.

Managing income in retirement is a challenge for many people. Getting the right advice early enough, is one of the keys to ensuring you achieve the lifestyle you are looking for, and so do speak to a financial adviser when you can.

This editorial is of a general nature only and neither represents nor is intended to be specific advice on any particular matter. Centrepoint Alliance strongly suggests that no person should act specifically on the basis of the information contained herein but should obtain appropriate professional advice based on their own circumstances.

Planning a home reno? Read this first

Have you been bitten by the renovation bug? It seems that most people you meet have ideas about renovating a house at some stage.

Most of us would like to stay in our home for as long as possible. So putting some thought into the design before carrying out renovations makes a lot of sense. There is little point in installing a trendy spiral staircase to access all the bedrooms upstairs, if we see ourselves still living in the home when we are 90! Careful thought and planning now may extend the time we can stay in our own home.

Some of the things we can think about when renovating a home that may end up accommodating older residents include:

- Using low maintenance materials, particularly for exterior use;
- Designing doorways and windows that encourage cross flow ventilation;
- Incorporating simple to use control panels (touch pad) for the home security system and air conditioning;
- Consider locating all primary living on the ground floor (master bedroom, bathroom, kitchen and living areas). It may not be needed yet, but may be valuable as we age;
- Install, or make ready for later installation, hand rails in the bathroom;
- Easy to use tapware;
- Wider halls, doorways and access;
- Minimal steps to and from the house;
- Incorporating minimum care gardens.

Let's be clear though. It's not that we are advocating that our homes should look like an "old person's home".

However, some thought and intelligent design may extend the life of our home by making it more easily adaptable if and when the time comes when easier use and access is desirable.

And the by-product of adopting the "universal design" principal is, with an increasingly ageing population, our home might become more attractive to potential purchasers when the time to sell arrives.

Source: Peter Kelly, Centrepoint Alliance

5 ways to avoid a property investment disaster

Currently we have a buoyant residential property investment market, but what happens when things go wrong?

All investments, be they shares, property, bonds or cash, move in cycles. That is, markets go up and markets go down, over time. Sometimes these market fluctuations are driven by fundamentally sound economic reasons but often they are influenced by emotion and irrational behaviour.

Over recent years Australia has been experiencing a boom in the mining sector, driven by an insatiable demand for minerals from China. But that boom is now over. Prices of raw materials have fallen as a consequence of declining demand, and as a result, our miners have been scaling back their operations.

With the boom in the mining sector, towns in regional areas experienced significant growth. Many of these towns had their own "mini" property boom as demand for accommodation drove property prices and rents to previously unheard of levels.

A recent article[1] about the property market in Moranbah, a coal mining town of around 8,500 people in Central Queensland, revealed that, at the height of the mining boom, houses were attracting prices in high hundreds of thousands of dollars. This was off the back of promised rents of thousands of dollars a week. But, sadly for investors, those days are now over.

It was reported that at a recent auction, a four bedroom house purchased for $850,000 at the height of the boom, was passed in at auction when bidding failed to reach the reserve of $220,000.

The investors have all left town!

A search on realestate.com.au showed there were over 150 properties available for rent, and almost as many properties for sale, in Moranbah. And this is only one town.

[1] *Australian Financial Review – 18 August 2015. p 8*

Source: Peter Kelly, Centrepoint Alliance

SO, WHAT LESSONS CAN WE LEARN FROM THIS?

1. **Investment markets go up, and investment markets go down, over time.**
2. **Euphoria fuels irrational investor behaviour.**
3. **Investments should never be made off the back of a whim or an investment "feeding frenzy".**
4. **Only ever invest in things you understand.**
5. **If an investment sounds too good to be true, it probably is.**

Work Rules!

Insights from inside Google that will transform how you live and lead

By Laszlo Bock

Did you know that Google receives over 1,500,000 unique applications for jobs every year?

'We spend more time working than doing anything else in life. It's not right that the experience should be so demotivating and dehumanizing'. So says Laszlo Bock, visionary head of People Operations at the company that transformed how the world interacts with knowledge. His brilliant first book is a compelling manifesto with the potential to change everything. Work Rules! offers a new philosophy of the world of work and a blueprint for attracting the most spectacular talent.

In twelve vivid chapters, Bock lays out a series of surprising lessons from a range of industries. He also takes us inside one of history's most explosively successful businesses to reveal why Google is consistently rated one of the best places to work in the world. His years of experience are distilled into a series of entertaining principles that are easy to put into action, whether you're a team of one or a team of thousands. The way we work is changing - are you?

In this month's issue we look at the question we all ask ourselves eventually, 'will I have enough for retirement?' We see so many different figures bandied about in the media about how much we really need to retire and what sort of lifestyle we can expect. The most accurate way to really find out how much you could expect to retire on is through cash flow projections. LIFE Financial Planners always considers cash flow projections for our clients, so you can really see how your investments could perform and get a realistic picture of where you could be at retirement. Projections can also help assess whether you'd be eligible for the Age Pension. If you are eligible for the Age Pension we can also help to liaise with Centrelink during your (often taxing) application process.

Over the last few months we have seen more global and domestic economic volatility than usual. As I have always said, it's important to remember that as the markets go up and down we continue to focus on long term investment goals and to ensure we remain focused on the bigger picture (which can be hard, given the amount of 'panic' reporting in the media of late). Remember that bad news sells and that all of the facts are rarely reported. Markets will always fluctuate over time, so investing for the long term remains prudent and proven to work. If you ever have any questions or would like clarification of anything reported in the media, please do not hesitate to give me a call.

As always, if there is anything you'd like to discuss with regards to any of the subjects or articles in this edition please do not hesitate to contact us.

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