



Approaching retirement: Are you ready?

If life is what happens when you're making other plans, retirement is no exception. Thanks to health issues, redundancy and family responsibilities you might be saying goodbye to working life before you're good and ready.

If you are in a position to put your plans for retirement into action, health, wealth and happiness are all up there as things to think about. From finances to feelings about leaving work, this article is all about the things to keep in mind when planning for life beyond the 9 to 5.

Ready for change?

A job can be more than a way to get paid. When colleagues and career mean more to you than the money, moving on can be tough. If you're expecting retirement to leave a big gap in your life, planning new routines, rewards and friendships will boost your sense of optimism and wellbeing. By thinking about this ahead of time, and even taking steps to explore options, you can feel like you're swapping a positive experience of working life for something even better.

"I retired 3 years ago when I decided I'd had enough of work! I love being retired, it's all about freedom to do what I want, no routine, and not having to be on guard all the time like at work."

Pauline, retired for three years.

The right choice for your health

Whether you love your job or can't wait to retire, your health could force the issue. Depending on the type of work you do, retiring early may become the only option when health problems are in the picture. The same may be true if you need more time to care for a partner in poor health. So it's no wonder the Australian Bureau of Statistics (ABS) reports personal health as the second most common reason for retiring¹.

50% of Australians were influenced by work availability or health reasons when considering when to retire².

Financially fit for retirement

The same ABS figures show wealth as even more common than health when it comes to reasons for making the move into retirement¹. 41% of men and 34% of women said financial security had the biggest influence on their decision. Knowing what you'll spend in retirement and where that money will come from can give you confidence that you're financially ready to make the change.

¹ Australian Bureau of Statistics, [Retirement and Retirement Intentions, Australia, 2018-19](#).

² YourLifeChoices Retirement Income and Financial Literacy Survey 2019.

Is part-time work an option?

Continuing with paid work in retirement can be a way to stick with a routine you're comfortable with and make your super last longer. If you're eligible for the Age Pension, it's good to know you can still earn some income without your payments being affected up to a certain level (this is called the income test threshold). There is also the Work Bonus that allows you to earn income up to a certain threshold without reducing your Age Pension. And if you take a break, you can build up your Work Bonus balance and earn more when you start working again.

Visit the [Department of Human Services website](#) for more on the Work Bonus and the latest on eligibility, thresholds and balance limits.

Expectation vs reality

The time when you want to retire and when it actually happens can often be quite different. According to the ABS, 70% of those intending to retire from the workforce indicated that they intend to retire after reaching age 65³. But whilst you might be prepared to keep working well into your 60s, there's a significant gap between that expectation and reality. For many people it's a case of being pushed into retirement by circumstance rather than making a carefully planned choice. If we look at when people are actually retiring, the average age at retirement for those retiring in the last five years was just under 63³. Almost half of Australians are making this earlier than anticipated move into retirement due to health issues or redundancy.

How long will you spend in retirement?

Freedom from working life can be a positive, even if it happens sooner than expected. But it can create problems for your finances when your time in retirement stretches into several decades.

Australians are living longer due to improvements in medical care and living standards. The average life expectancy has risen in recent years and continues to increase, particularly for people over the age of 65. And, unless living longer runs in the family, most people tend to underestimate just how long they'll live.

A National Seniors Australia survey (2015) previously found that those aged 55-64 underestimated their life expectancy by almost 5 years.

How many more years are you likely to need to plan for?

An Australian male aged 65 could expect to live to 88, while a female aged 65 could expect to live to 90.

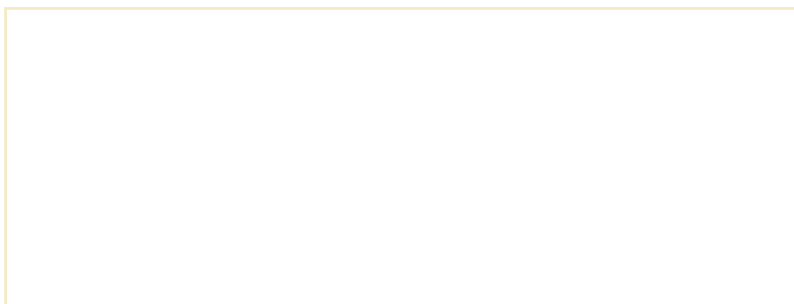
| Current age | Male (50% chance) ⁱ | Female (50% chance) ⁱ |
|-------------|--------------------------------|----------------------------------|
| 60 | 29 years | 31 years |
| 65 | 24 years | 26 years |
| 70 | 18 years | 20 years |
| 75 | 13 years | 15 years |

ⁱ Estimates calculated using Australian Life Tables 2015-17 with 25-year mortality improvements as provided by the Australian Government Actuary. There is a 50% chance of living for this number of years at these ages.

Of course, this is great news for all the plans you have for life beyond work. But it can put real pressure on your finances. Once you've stopped earning a wage from work, you'll need a different kind of income to cover living costs and turn your plans for retirement into reality.

Speak to your financial adviser about income strategies and investments available to help protect against the risk of running out of savings later in life.

Contact your financial adviser to determine whether an annuity is right for you.



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