Profile
FINANCIAL SERVICES

# The 20 Factors
## of Retirement Planning

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# The 20 Factors of Retirement Planning

Retirement is about living the life you want with confidence - and planning for retirement involves making decisions today that will greatly impact your future.

At Profile Financial Services we like to say ‘prepare today, thrive tomorrow’.

This guide to the 20 Factors of Retirement Planning will help you do just that by bringing to attention key considerations and elements of your retirement for you to think about today.

You won’t need to make any decisions just yet, but this guide will help you get the ball rolling on the important decisions that will define your retirement plan.

Before getting into retirement planning, let’s uncover some retirement lifestyle factors.

## Lifestyle in Retirement Considerations

### #1 Turn your strengths and interests into your purpose

The typical retirement in Australia lasts multiple decades. It may not seem like it now, but you’ll be retired for a surprisingly long period of time. To maintain a sense of purpose, fulfilment, and overall well-being during this time, it’s important to utilise your strengths and interests in retirement.

By engaging in activities that align with these, you can improve mental health, continue learning, and increase social connections, creating a fulfilling and enjoyable retirement experience, over those multiple decades.

Examples may include:

- Coaching youth sports teams or taking part in administrative roles at sports clubs where you may have been a member when you were younger, or in a sport you used to play
- Volunteering in local community groups and helping with fundraising for causes that are significant to you in some way
- Organising special interest events and gatherings - you may have a unique interest at heart and there’s the opportunity to lead from the front a local body focused on this.

Think about the things you're good at now, the things that you do naturally and with ease. What are the hobbies, interests, groups, causes, etc. that have some type of influence and special meaning to you.

Retirement gives us the one thing we have the least when we're in our 40's and 50's, time. Filling this time with purposeful activities is a key to a successful retirement.

## #2 Prioritise health

Prioritising your health can improve your quality of life in retirement by reducing the risk of chronic health conditions and enabling you to participate in activities that you enjoy. There are also additional benefits such as reduced healthcare costs, increased energy and vitality, longer life expectancy, and more.

Review how healthy your body and your lifestyle are now and what changes you can make to put you in the best position possible to make the most of retirement.

## #3 Work transition

Transitioning from full-time work to retirement can be a significant life change, but with careful planning and consideration, it can also be a fulfilling and rewarding experience.

By setting goals, developing a budget, staying engaged, and focusing on health and wellness, you can create a successful retirement transition. If you're not ready to fully retire, consider part-time work as a way to gradually transition out of full-time work and supplement your retirement income.

Another option is to gradually reduce hours prior to retirement. This is easier to do if you've planned for this ahead of time and have the savings to sustain a life with reduced income prior to retirement.

## #4 Family

Retirement provides an opportunity to spend quality time with family, which can be incredibly rewarding and fulfilling. Spending time with loved ones can also have a positive impact on mental health, reducing feelings of loneliness and isolation that can be common in retirement.

How does family impact the way you want to retire? Do you want to provide support to your family members, whether it's through helping with childcare or around the house? Have you always dreamed of getting the whole family to Hawaii for that big reunion?

Take the time to think about how you want your family life to look like in retirement and what needs to be taken into consideration with your answer. Do you need to move closer? How close? How close will your children let you move?

Now, let's get into the first section of the 20 Factors of Retirement Planning!

## The 10 Factors of Retirement

For people who aren't ready to start planning, just yet...

### #1 Saving

Saving for retirement early is one of the most critical financial decisions you can make. The earlier you start saving for retirement, the more time your money has to grow, which can have a significant impact on your future financial security.

Starting early means you can take advantage of the power of compound interest, which can help your savings grow exponentially over time. Compound interest is the interest earned not only on your initial investment but also on the interest earned from that investment.

Another benefit of starting early is that it allows you to take advantage of investment opportunities with higher risk and potentially higher returns. These are typically unavailable to people who only start saving later in life.

Even if you don't know what your retirement plan will look like, you know you'll need the funds to support it. The sooner you can start saving (and growing) these funds the better.

### #2 Goals

The typical retirement in Australia lasts multiple decades, and without clear goals about what you'll be doing during this time - you may find yourself living without a purpose.

Do you want to retire debt free? Be able to travel the world? Spend time with family? Take up all those hobbies that kids and work kept getting in the way of?

Retirement goals can vary widely depending on your interests and priorities. However, by setting clear goals, you can develop a more accurate savings plan and ensure a fulfilling retirement.

## #3 Lifestyle

Lifestyle considerations are crucial when planning for retirement. Housing for example is a key point. Think about where you would want to live and what type of home you want. You may want to downsize, move closer to family, or live in a retirement community.

Do you have a dream car you've always wanted and can see yourself zipping around the trafficless streets as soon as you hit 67?

Social life is also an important factor of retirement. Consider how you will maintain social connections, friendships and community involvement while also keeping in mind that a reduced income may mean that cafes and restaurants are saved for special occasions.

## #4 Lifestyle cost

Achieving the vision of your perfect retirement hinges upon your financial ability to afford the vision, as well as remaining in good health to complete the activities.

Determining how much money you will need to support your hobbies and lifestyle in retirement is an essential part of retirement planning. Your retirement lifestyle goals and the activities you plan to pursue will significantly impact the amount of money you will need.

## #5 Day to day expenses

Day to day expenses in retirement can vary and are determined by the below categories:

- Housing
- Food

- Transportation
- Healthcare
- Utilities

Keep in mind inflation as the cost of living will increase over time, and also think about longevity. This is how long you'll be around for. Plan for the possibility of living a long life, as the longer you live, the more money you will need to support your lifestyle.

## #6 Reducing debt

Carrying debt into retirement can put a significant strain on your finances and make it challenging to enjoy your retirement fully. By paying off debt prior to retirement you will be able to reduce your monthly expenses and free up more money for retirement savings, hobbies, and travel. You'll lower stress levels as there isn't any debt monkey on your back.

Finally you can protect yourself against financial emergencies. By paying off debt before retirement, you have a better chance of weathering financial emergencies without taking on more debt.

## #7 Will you work longer?

Working longer in retirement can be an excellent way to supplement your retirement income, stay engaged in the workforce, and stay mentally and physically active. But do you want to work longer? You may have already done the hard miles and be ready to clock out as soon as you hit 67. Or even earlier.

Knowing what you want to do in retirement, how much that will cost, and whether you can afford that on the current savings plan you're on can give you an idea of what age you can retire.

## #8 Long-term care

As you age, the likelihood of needing long-term care increases. Long-term care refers to a range of services and support that individuals may need as they age or if they have a chronic illness or disability.

Examples can include:

- Home Health Care
- Assisted Living
- Hospice Care
- And more

Taking the cost of these into consideration in your retirement planning means that you're able to continue supporting yourself, as well as keeping any burden from falling onto your children and other family members.

## #9 Budgeting for what matters most

Creating a retirement savings budget is an essential part of retirement planning. But it shouldn't come at the expense of living for today and in the years leading up to retirement.

A good budget will allow you to comfortably save for tomorrow while giving you some freedom today. The Australian government has some great resources to get you thinking before you take that next step to getting professional advice, including [Prepare to retire - Moneysmart.gov.au]

You may not be ready to start planning for retirement, and budgeting for retirement, but you should consider having a budget for today for the things that matter most to you, while allocating a portion to your income for tomorrow.

The best way to create a budget and savings plan that you'll stick to is first determining what type of retirement you want to live and estimating the cost of this. From there you can start to add more pieces to the puzzle such as how much debt you have now, what are your costs today, and what costs are expected in the future.

## #10 Take advantage of what's available

Suffice to say that you should be taking advantage of all of the potential benefits, resources, and entitlements available to you in your retirement. What are some potential options that you can take advantage of and do you qualify for these?

Your retirement strategy can be greatly influenced by your particular circumstances and what's available to you so it's important that the research is done to find out what you can access.

When you are ready to take the next step, using the services of a qualified financial adviser can help you live the life you want, with confidence.

## The 10 Factors of Retirement

For people ready to start planning their dream retirement...

### #1 Superannuation

Research how superannuation works, how much you're currently contributing, and how much you'll need to save to reach your retirement goals.

Some of the key considerations when researching superannuation strategies include maximising contributions, choosing appropriate investment options, and taking advantage of tax benefits.

Another important point is staying informed about changes in policy and regulations that can help you make informed decisions about your superannuation strategy.

### #2 Retirement age

The retirement age is increasing, so make sure you know when you'll be eligible for the age pension and other retirement benefits.

Your retirement strategy, and attitude towards savings and budgeting may change depending on future changes in policy. If the age goes up further, wouldn't it be nicer to have a strategy in place that allows you to retire when you want, rather than when you're legally allowed to start collecting the pension?

### #3 Collecting the pension

The age pension is a government benefit for eligible retirees. Research the eligibility requirements and how much you can expect to receive. If you can understand and plan ahead for what you're likely to receive from the age pension in retirement, you're well on your way to knowing what you'll need to top it up with from your own savings and investments.

## #4 Income in retirement

Learn about the different types of retirement income streams available, such as annuities and account-based pensions, and how they work.

Annuities can be an attractive option for retirees because they provide a guaranteed source of income that can help cover living expenses, regardless of market conditions. They can also offer protection against the risk of outliving one's savings, as the payments will continue for the duration of the contract.

Account-based pensions (ABPs) are designed to provide regular income payments to retirees, similar to an annuity, but with more flexibility and control over the investment of the underlying assets. When you purchase an ABP, your superannuation savings are transferred into an account that is used to make regular income payments, which are generally taxed at a concessional rate.

## #5 Self-managed superannuation funds

If you're interested in managing your own retirement savings, consider a self-managed superannuation fund (SMSF). SMSFs are becoming increasingly popular as they offer greater flexibility and control over investment decisions compared to traditional superannuation funds.

SMSF members have the ability to invest in a range of assets including property, shares, and cash. However, SMSFs come with greater responsibility, as members are required to comply with strict government regulations and reporting requirements. SMSFs are not suitable for everyone, and it is important to seek professional advice.

## #6 Tax implications

Superannuation contributions and withdrawals are subject to various tax rules, which can impact the amount of retirement savings available to you. It is important to understand the tax implications of retirement planning decisions, such as making contributions, choosing an investment strategy, and deciding on retirement income streams.

For example, contributions made into superannuation accounts are generally taxed at a concessional rate, whereas withdrawals may be subject to tax depending on your age and circumstances.

## #7 Asset distribution

Distributing assets after death is an important consideration in estate planning. It is important to create a clear and comprehensive will that outlines how your assets will be distributed among beneficiaries.

This can include property, investments, savings, and personal possessions. Beneficiaries can be individuals, organisations, or charities. In some cases, it may be appropriate to establish trusts or other legal arrangements to ensure assets are distributed according to your wishes. Consider seeking advice from a qualified estate planning lawyer.

## #8 Healthcare costs

Consider the potential costs of healthcare in retirement and research private health insurance options. Take into consideration the costs of healthcare in the towns/regions that you may be likely to settle down in.

Is private health care available there? Will any major surgeries or procedures be able to be done locally or will you need to travel? Does your current insurance cover this?

There are many healthcare considerations to take into account. Remember, retirement is a long time, many decades. You could be extremely fit and healthy to begin with, but one accident could see years and years of medical bills. It pays to be prepared.

## #9 Scouting trips

You're likely well down your journey of retirement planning and should have some idea about where geographically you'll settle down. We've had clients before who have actually test-driven different towns and regions before making the final decision.

Before settling down into an area, you might find it better to move there for a short period of time, say 3 months. While there, get involved in communities and ask around the locals how they find the place.

You'll get a much better understanding staying for a longer period of time versus visiting for a weekend. A bonus benefit of the test drive technique is that you will often make friends or get to know people before making the commitment to move. When you do settle down, you'll have a pre-built network of friends and social activities available!

### #10 Financial advice

The best reason for getting financial advice about retirement is that it helps you have a solid financial plan in place that will support your lifestyle and goals in retirement.

Financial advisers can help you develop a comprehensive plan that takes into account your current financial situation, expected income and expenses in retirement, and long-term financial goals.

Good financial advisers will help you navigate complex financial issues, such as tax planning, investment strategies, and estate planning, that can significantly impact your retirement. They can also help you understand the various retirement savings options available to you.

Working with a financial adviser can provide you with the peace of mind of knowing that you have a sound financial plan in place that will enable you to achieve your retirement goals and enjoy your retirement years to the fullest.

## Conclusion

Retirement planning can be complex and overwhelming, and seeking professional advice can be helpful in creating a solid retirement plan.

This isn't just limited to financial planning although this is a major part of retirement planning. Other professional advisers often required are:

- Estate Planning Attorney
- Tax Adviser
- Health Care Adviser
- Travel agent

When you do come to need professional financial advice for your retirement planning, we'd be grateful if you considered Profile Financial Services as your partner in this process. Our purpose is to help our clients live the life you want, with confidence. We do this using our innovative goals based financial solutions tailored for you.
If you're ready to start or if you have any questions, please feel free to contact us through the channels below.

If you're not ready just yet, that's not a problem, check out our website where we've published many helpful guides related to retirement planning, savings, insurance, and more that can be helpful in your journey to a successful life financially.

All the best in your retirement journey,
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