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# PIS Timely Tips



## The Changing Face of Retirement

Whatever you decide to do in retirement, there is one question that crosses everyone's mind - that is, will the money you have saved last for as long as you live?

The retirement landscape is changing. Australians are living longer and retiring earlier with many people now spending more than a quarter of their lives in retirement. It's projected there will be 20 times more Australians living to be 100 years of age in 2040 than there are today<sup>1</sup>. It's good news, but it also shows how critical choosing the right investment strategy and retirement plan has become to ensure you have enough income to last in retirement.

### How much will you need for a comfortable retirement?

For most, retirement is considered a reward for a lifetime of hard work. Whether travelling the world, playing golf, volunteering or just relaxing, retirement dreams vary for everyone and so does the amount you need to live comfortably. A survey of retirees showed a couple will need approximately \$50,560 pa to live a 'comfortable lifestyle' and \$27,454 pa to live a 'modest lifestyle'<sup>2</sup>.

### Challenges retirees face today

The global financial crisis has shaken Australians' faith in their ability to provide for their retirement, whether providing for a modest or comfortable lifestyle. Many Australians are now concerned about the effect of the market downturn on their retirement funds.

### Key financial concerns for retirees

Whether you are approaching or in retirement, there are two major issues: longevity risk and market risk.

Longevity risk is the risk that retirement savings will run out before death. This is one of the biggest risks facing our retirement system as Australians are living longer, thanks to medical advances and lifestyle changes.

According to the latest research, for a couple aged 60 today there is a 50% chance one of them will live past 90 years of age<sup>3</sup>. If you plan your retirement based on today's predictions of life expectancy, there is a good chance that you will actually live past the 'average age'. Therefore you should aim to provide yourself with retirement income well past this age.



The other big issue facing retirees is poor market performance. Market declines can be harmful to investors at anytime, but in particular for those who are near retirement or have recently retired. This group of investors may find it difficult to recover the losses they have suffered as they have less time to benefit from market rebounds.

## How can you overcome market and longevity risk at the same time?

As recent market events have shown, there is a significant product gap in the Australian market when it comes to managing risks faced by Australians approaching or in retirement.

There hasn't been a lot of progress in protecting retirees from the risk of outliving their savings, until now...

Financial advisers now have access to retirement income solutions that answer one of the major concerns for many people: The risk of their retirement income running out.

The retirement income solutions available are designed to take the guesswork out of retirement income planning by guaranteeing a level of income for life, no matter how long you live or how the market performs. The funds offer a combination of certainty and control, giving you confidence throughout your retirement.

The benefits are:

- Protection against outliving your income
- Protect your income from negative market performance
- Benefit from strong markets
- Control over your investment
- Access to your account balance if needed

## Did you know?

A male born in Australia in 2006–2008 could be expected to live 4.5 years less than a female born at the same time (79.2 years compared with 83.7 years).

This gap has narrowed by one year over the preceding decade, down from 5.6 years in 1996–1998.

Source | Australian Bureau of Statistics

**About our services:** The Company has offices in all capital cities throughout Australia as well as an extensive regional network. Our highly skilled and trained advisers will assist you in determining the financial strategy that is right for you.

#### List of services:

- Wealth accumulation
- Superannuation/rollovers
- Retirement planning
- Mortgage elimination
- Shares and property
- Fixed interest and cash
- Tax planning
- Finance services
- Home mortgages
- Business planning
- Risk insurance
- Corporate superannuation
- Corporate services

#### Act now

Fully understanding your financial position helps you make an informed decision around making the most of your retirement savings.

Once you know where you stand, there are a number of strategies you can take advantage of to ensure you get the best outcome from your retirement plan.

Whatever your situation, a financial adviser can be your best port of call to guide you through your options and work out a retirement strategy to suit your personal circumstances. The difference between no advice and good advice may be the difference in how comfortably you live in your retirement.

For more information speak to your financial adviser.

1 Australian Bureau of Statistics population projections, 10 September 2008  
2 Report: The Age Pension, superannuation and Australian retirement incomes Dec 2008. ASFA Research and Resource Centre  
3 ING mortality tables 2009

Source | ING

### Darren's Story – The Value of Trauma Insurance

Trauma insurance – sometimes known as recovery insurance – provides you with a lump sum on the diagnosis (or occurrence) of a specified serious medical condition or procedure. Each insurance company maintains their own list of conditions, but they generally include cancer, heart attack and stroke.

#### This is Darren's story...

Darren, 34, is an electrician employed by a national building contractor.



Six years ago on the advice of his older brother, Darren talked to a financial adviser about insurance protection. Although single at the time with no children or major financial commitments, he insured his life and took out income protection and trauma cover of \$200,000.

Darren's main interest in life, aside from Kerry, his partner of two years, is cricket. One Sunday at an away match, he was waiting to go out to bat when he suddenly blacked out and collapsed. He was rushed to hospital, semi-conscious.

Darren regained full consciousness at the hospital, and after urgent and extensive medical testing, he was diagnosed as having suffered a minor stroke. This news came as both a relief and a shock to him and Kerry – relief that he had not suffered something even more serious, and shock that someone his age, and relatively fit, could have a stroke, a medical condition they had both previously thought only affected much older people.

After a period of rehabilitation, he made an almost full recovery, but was told that he would be on medication for the rest of his life to prevent further strokes.

Darren discovered during his recovery phase that he could claim under his trauma policy, since stroke was one of the listed medical conditions. With his adviser's help he made the claim and received the full payment of \$200,000. He and Kerry paid off a substantial part of the home loan and took a holiday to assist with Darren's recovery.

Darren also claimed on his crisis benefit under his income protection policy while he was off work. This helped to cover their everyday expenses such as the remainder of the home loan and other daily bills.

Darren returned to work after four months, and resumed playing cricket two months after that. His team mates said the break appeared to have done nothing for his batting!



Talk to your financial adviser about recommending the right insurance protection for your needs.

Source | Asteron

Your local adviser is:  
**SENSIBLE FINANCIAL PLANNING** 8387 7010

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