INSIGHTS

AUTUMN 2019

FINANCIAL ISSUES AFFECTING YOUR LIFESTYLE

WORKING FLEXIBLY... EVEN IN RETIREMENT

Not quite ready to retire but don't want to work full time? Here are some ways to get the best of both worlds.

Today's workforce offers a wealth of opportunities for Australians to shape their career paths – from self-employment and freelance work, to flexible working hours and career breaks. But while many older Australians may not have enjoyed this flexibility throughout their working lives, they now have more options available to find a work-life balance that suits them.

Rather than following the traditional model of retiring outright at age 65, retirees can now even choose to stay active in the workforce – and earn extra income – while easing into a more relaxed lifestyle.

Here are 7 ways you can take advantage of flexible working options in your golden years.

1 Ease into retirement

A growing number of Australians are winding down for retirement by cutting their working hours before they quit the workforce for good. One in three Aussies over age 45 say they plan to part-time work before retiring altogether – whether with their current employer, in a different line of work, or on a contract basis.[1]

With a transition-to-retirement (TTR) strategy, you can start drawing an income stream from your super once you reach your 'preservation age'. This enables you to work fewer hours, while still having a way to top up your weekly income.

There are some conditions, however, so check in with your financial adviser to find out if this is the right option for you.

2 Become a consultant

If you're not ready to give up your career completely, you might consider going into consulting so you can keep using your professional expertise and experience to continue earning an income.

If you start consulting later in life, you'll be able to source clients through the professional networks you've built up over the years. As your own boss, you can also control when and where you work; you might even choose to work primarily from home and hold meetings with clients anywhere in the world via video conferencing.

Because you'll be self-employed, you may also need to register as a sole trader with an Australian Business Number (ABN). Your financial adviser, together with your tax adviser and legal representative, can also help make sure you meet your tax and legal obligations.

3 Turn your hobby into a business

Nearly any hobby can become a profitable business – the key is to focus on an activity you're passionate about and find a way to monetise it.

For example, if you enjoy painting or handicrafts, you could sell your work at local markets or online through websites such as **Etsy**. If writing is your forte, you might do some freelance copywriting or write book reviews. Alternatively, you could share your knowledge and skills with others by giving classes at a community college or becoming a guide at a local museum or art gallery.

Remember, if you're earning an income in retirement, it might have implications for your tax position and government benefits – so speak to your financial adviser before you get started.

FINANCIAL WISDOM

4 Take on a carer's role

Retirement can be a wonderful opportunity to devote time and energy to looking after loved ones. For instance, you could play a hands-on role in raising your grandkids – especially if both their parents are working full time. Or perhaps you want to help your adult children with their own life events, such as planning a wedding or moving house.

But for some, retirement can also mean taking on an official care role for their elderly parents or their partner. The government provides a helping hand to carers through financial assistance such as the Carer Allowance, Carer Payment and Carer Supplement. So if you're planning to care for someone, your financial adviser can help you work out which benefits you're eligible for.

5 Join the sharing economy

The sharing economy has taken Australia by storm, and helps people make extra cash using their property, vehicle or skills. For example, **Airbnb** lets you to rent out your spare room or your whole property, while **CarNextDoor** allows people to rent your car when you're not using it.

If you've got some free time on your hands, you could become a driver for a ride-share service like **Uber**. Meanwhile, online platforms such as **Airtasker** let you put your skills to work for all sorts of tasks from gardening to furniture assembly.

It's important to be aware that the Australian Taxation Office is clamping down on share-economy workers, so talk to your financial adviser or accountant about the specific rules that apply to you. Your adviser can also help you to understand any impacts of earning money from the sharing economy on your entitlement to government benefits.

6 Serving on a board

Becoming a board member can be a rewarding way to continue making a difference within your industry or community after you retire. When choosing which board to serve on, think carefully about the skills you can offer, as different boards carry varying responsibilities – from shaping policy to raising funds.

You should also consider the potential workload: as well as attending regular meetings, you may be expected to undertake specific tasks like conducting research or organising events. So before joining, find out how much time you're expected to give to your role and make sure it's something you can commit to for the medium or long term.

7 Give back to the community

If you want to get involved in your local community, there are many charities in need of volunteers so it should be easy to find one that aligns with your interests.

If your grandchildren live far way, working with kids could be an enriching experience. Children's organisations and hospitals rely on volunteers to read books and organise activities. If you're an animal lover, you might consider helping out at a local animal shelter or fostering a homeless cat or dog.

You can also think about how to make the most of your specialised skills and training – for instance, if you're a health professional you could assist with disaster relief, or if you're a lawyer you could volunteer for a legal aid organisation.

A financial adviser can help

No matter how you choose to spend your retirement, it's important to make sure you're financially prepared for the transition. Your financial adviser can tailor your financial plan to suit your retirement lifestyle, as well as making sure you're getting all the financial benefits you're entitled to.

1 Australian Bureau of Statistics, *Retirement and retirement intentions, Australia*, 2017.

5 WAYS WOMEN CAN TAKE FINANCIAL CONTROL

Financial independence is an essential aspect of female empowerment. Here's how to achieve it.

In many households, women often take a back seat when it comes to navigating their family's financial future. But this can make it difficult for women to become financially independent – especially if they're ever faced with divorce, separation or widowhood.

That's why it's so important for women to engage with their finances and not leave everything up to their partner – or to chance. Here are 5 simple things you can do right now to take control.

1 Create a household budget

If you're living from one pay cheque to the next, it can be almost impossible to get ahead. That's why it's so important to have a budget for the entire household – and stick to it.

Start by making a list of your income, including your regular earnings and other things like government benefits and investment returns. Then, write a list of your expenses over the same period, such as groceries, bills, school fees, transport costs and rent or mortgage payments.

By comparing the two lists, you should be able to see if your finances are on track – or if you need to make any changes.

2 Keep track of your spending

If you're not paying attention, it's easy to let money trickle through your hands. For example, your $4 a day coffee habit may seem like small change, but those gold coins could easily add up to $1,500 or more over the course of a year.

By monitoring your spending, you'll have a better sense of where your money is going. You might even find some expenses that you could trim, so you can instead put money aside for a rainy day.

Try this: for one week, write down every cent you spend and encourage your family to do the same. Then, categorise your spending into 'essential' and 'non-essential' buckets, so you can prioritise where your money should go.

Work together to set a savings goal and check in regularly to hold each family member accountable, giving yourself the best chance of success.

3 Boost your super

When it comes to saving for retirement, women can end up falling behind. Since women working full time earn an average of $245 per week less than men, this means they have less going into their super through compulsory employer contributions.[2]

Women are also more likely to take career breaks and work part-time while they're raising children. That's another reason why the median super balance for women at preservation age is just $96,000 – compared to $166,000 for men.[3]

While it's tempting to rely on your partner's savings for retirement, you want to make sure you'll be self-sufficient if the unexpected happens. Putting a super strategy in place can make all the difference to the type of lifestyle you can enjoy when you retire – whether you're with a partner, or on your own.

4 Review your Will

Almost half of all Australians die without a legal Will, which means leaving it up to the laws of intestacy to decide what happens to their estate.[4] Making a Will can ensure your hard-earned assets are distributed according to your wishes, so your loved ones will be taken care of after you're gone.

Since your financial and life circumstances can change over time, it's also important to review your Will regularly. For example, if you get divorced, you may not want your ex-spouse to receive a portion of your estate. That's why it's important to keep your solicitor or financial adviser in the loop in case you need to make any changes to your estate plan.

It's also important to make plans for assets that may not form part of your estate or be governed by your Will. This could include making a binding death benefit nomination to decide which eligible beneficiaries will receive your superannuation benefits, or nomination beneficiaries to receive life insurance proceeds.

5 Talk to your financial adviser

If you're serious about taking control of your finances, your financial adviser should be your first port of call. As well as helping you manage your cashflow and savings, they can show you how to build strong financial habits that will last a lifetime.

With the support and guidance of your adviser, you can feel confident knowing you're on track towards achieving total financial independence.

2 Workplace Gender Equality Agency, *Australia's gender pay gap statistics*, August 2018.

3 Australian Bureau of Statistics, *Gender indicators, Australia*, September 2018.

4 ASIC MoneySmart, *Wills & powers of attorney*, October 2017.

Q&AS

Q: I'm 67, and retired from full-time work in August 2018. I'm selling one of my investment properties, and was wondering if I can put any of the proceeds into my superannuation account? My current balance is $150,000.

A: As you're between age 65 and 74, and met the required work test during the 2018–19 financial year, you can still make voluntary contributions until 30 June 2019, including from the proceeds of your property sale.

Generally, you can contribute up to $100,000 of after-tax contributions and up to $25,000 of before-tax contributions (eg personal tax deductible contributions). This $25,000 limit includes any employer contributions (tax deductible contributions are also limited to the level of your assessable income each financial year).

What's more, as a recent retiree, you may also be eligible for the new work-test exemption, that applies from 1 July 2019. To be eligible you must:

- have met the 'work test' during the previous financial year (2018–19 in this case), and
- have less than $300,000 in super (across all your super funds) at 30 June 2019.

If you meet these conditions, you may be able to make voluntary contributions in 2019–20: up to $100,000 (after tax) and $25,000 (before-tax).

As such, you may be able to contribute nearly $250,000 of proceeds from the sale of your investment property into superannuation across this financial year and the next.

Q: My partner and I (both age 45) are considering relocating overseas permanently in a few years' time. When we leave Australia, can we withdraw our Australian superannuation or transfer it overseas? Or do we need to leave it in an Australian fund until we retire?

A: For Australian citizens and permanent residents, generally, your superannuation is 'preserved' and must stay in the Australian superannuation system until you meet a condition of release. Common conditions of release include:

- permanently retiring from paid work after reaching your 'preservation age' (between 55 and 60 depending on your date of birth)
- ceasing paid work after reaching age 60
- reaching age 65.

Unfortunately, permanently leaving Australia is not a condition of release. So, generally, your superannuation will need to stay in an Australian superannuation fund, and can't be cashed out or transferred overseas until a condition of release is met.

Please note that different rules apply for departing temporary residents who are not Australian or New Zealand citizens or Australian permanent residents. Also, if you have a 'non-preserved' component to your super balance, you may be able to access this amount.

Q: My partner and I currently receive the age pension. We own our own home, but later this year, we plan to buy a caravan and travel around Australia. Will leaving our home for an extended period impact on the age pension we currently receive?

A: Your age pension is generally based on your income and assets test – with the lower result determining the pension amount you receive.

If you live in your home, it's generally classed as your principal residence, and its value is exempt from the assets test. However, a property that you don't live in will generally be included in the assets test, potentially affecting the pension you receive.

But, to allow you to go on holidays, or to temporarily leave your home for other reasons, you can treat your home as your principal property for up to 12 months while absent, so your home remains exempt from the assets test during that time.

However, if you're away for more than 12 months, your home will generally be considered an assessable asset – and your caravan your principal home – which could have a significant impact on your age pension entitlements.

You should also consider any other changes in your assets and income when you travel. For example, your caravan will be an assessable asset, and if you rent your home out while away, the rental income will count under the income test.

SPEAK TO US FOR MORE INFORMATION

We're here to discuss any questions or concerns you may have.

FINANCIAL WISDOM