## SUPER | Hold on to those acquired luxuries

# Smelling poverty instead of roses

Incentives to encourage people to fund their own retirement appear to be failing, as Smart Money Editor ANTHONY KEANE reports.

GROWING numbers of people aged over 55 expect the age pension will be their primary source of retirement income, according to new research.

The latest Citibank Retirement Index found 50 per cent of retirees would rely on the age pension, up from 46 per cent in May, 2005.

This translates to more than 1.8 million people.

Even those who started saving before age 40 would rely on the pension – 36 per cent of "early savers", compared with 24 per cent last year.

Citibank head of investments Andrew de Vries said while there was plenty of research about the need to save for retirement, the message was not getting through.

"It's a bit like health warnings on cigarettes – 'this stuff will kill you', but there are still people puffing away," Mr de Vries said.

He said retirees were in for "a huge shock".

"The need to supplement income will be very apparent for the increasingly comfortable lifestyles many of them expect to maintain.

"It's the Magic Pudding scenario. We want more out of the same cake, but we're not willing to add any extra ingredients."

The Citibank research suggests that government incentives to encourage retirement savings – such as the co-contribution, transition to retirement measures, and age pension bonus – are not working.

Adelaide financial strategist Theo Marinis said research had found that the average superannuation balance for people approaching retirement was well under $100,000.

"If that's what you are retiring on, you are going to have to rely on Centrelink," Mr Marinis said.

A $100,000 super balance at retirement would deliver about $6000 a year on top of the age pension, which is currently less than $11,000 a year per person if you're are part of a couple.

"It means no holidays, no glass of wine with your meal," Mr Marinis said

He said many people still did not understand super, and were concerned about not being able to touch it until they retired.

However, changes planned to come into force from July next year make all super withdrawals tax-free after age 60, regardless of how much money is held in it.

Mr Marinis's top tip for retirement saving was a simple one: "get money into super as soon as you can, as much as you can, for as long as you can".

He said anyone eligible for the government's super co-contribution – which injects up to $1500 each year to an employee's super when the employee pays in $1000 of their own money – should do it.

"It's only $20 a week. That $20 a week could earn $30 a week from the government," he said.

**PREPARED:** Max and Rosemary Lane discuss their retirement plan.

## When the living is easy

MAX and Rosemary Lane have achieved what many retirees are unable to – a net income that is greater than what they received when working.

The Victor Harbor couple, who retired five years ago, receive income from a variety of sources including the age pension.

"Without being ridiculous, we can go places, do things, change a little furniture. We can do the sort of things we feel we should be able to do in retirement without having to worry about finances," Mr Lane, 65, said.

With help from their financial strategist Theo Marinis, the Lanes structured their finances to maximise their retirement income.

Their money comes from a partial Centrelink pension, allocated pension, term allocated pension and a Super SA defined benefit pension paid because of Mr Lane's 30 years in the public service.

Mr Lane said the couple sought advice about ten years before they retired. And his advice to others?

"Talk to a financial adviser, but you need to find somebody you are comfortable with," he said.



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