

How to retire on easy street

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ONE million dollars can be a scary number for many people, especially when you hear that's how much you may need for a comfortable retirement.

Many Australians worry their nest egg is too small but most will be able to enjoy their golden years on much less than they think – thanks to our generous tax and pension systems, financial strategist Theo Marinis says.

He says the commonly touted \$1 million figure relates to how much money is needed to generate about \$50,000 of annual income, but this conclusion is too simplistic.

“For a traditional Australian couple on average annual income of \$65,000 and \$200,000 in superannuation, the actual take-home income from the combination of age pension and super will be very similar to what they were earning when working full time,” Marinis says.

“Even if your retirement savings are minimal or even non-existent, you can still live better than most retirees around the world.

“Don't think that you need \$1 million to retire. If you want \$28,000 a year you don't need anything because that's what the pension is (for a couple).”

All of that age pension income would be tax-free, as would a big chunk of any income from savings accounts or other sources because of the Government's Senior Australians Tax Offset.

Any withdrawals from super for retirees aged over 60 are also tax-free.

Goldsborough Financial Services director and adviser Glenn Todman says paying tax is non-existent for the vast majority of retirees today.

INCOME SOURCES

- Age pension for a couple is \$1011.40 a fortnight, totalling \$26,296 a year.
- Age pension for a single is \$670.90 a fortnight, or \$17,443 a year.
- There is also a supplement payment of up to \$58.40 a fortnight for singles and \$88 a fortnight for couples (combined).
- Every \$100,000 held in a term deposit or online savings account will pay about \$6000 a year (\$115 a week) in interest.
- Super fund withdrawals are tax-free for retirees aged over 60.
- Reverse mortgages can be used when retirees run out of savings.

“Each member of a couple can earn \$26,000 before they pay any tax,” he says.

The starting point for anyone looking to retirement is to crunch some numbers.

“Work out what you need to live on – some people need \$35,000 to \$40,000 and some people need \$60,000 or more,” Todman says.

He says people typically spend more money during the early years of retirement and much less later.

“It's no use getting to 80 or 90, having a big bucket of money, and thinking ‘I wish I'd gone on that trip’,” he says.

Marinis says the Government could make retirement a lot easier by relaxing the caps on super.

“The current concessional contribution cap of \$50,000 per annum for people over the age of 50 – stated to fall to \$25,000 per annum after June 30, 2012 – is ridiculously low,” he says. “It deprives Australians of a vital opportunity to boost their superannuation savings in their peak earning years.”