A Vision to Suit Your Age

Superannuation

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THEY say 60 is the new 40, but when it comes to investing your retirement nest egg there is a big difference between these ages.

Although Oprah Winfrey and Foreign Minister Julie Bishop have supported the "60 is 40" mantra, financial planners say 60 is usually the time to dial down your financial risk and prepare your super to start paying you an income.

Many older Australians invested super aggressively before 2008, when the global financial crisis chopped some nest eggs in half, but another danger is that people invest too conservatively and outlive their savings. So how should super be invested at 60?

It varies with your tolerance of risk, but you'll need a mix of growth assets – Australian shares, international shares and property – and conservative assets such as government and corporate bonds and cash.

Super funds' default balanced investment options can have 70% of money invested in growth assets, which financial strategist Theo Marinis says is usually too much for people nearing their super's drawdown phase.

He says people in their 40s can have 80% or more of their money invested in growth assets, but those around 60 should be "closer to 50-50", although wealthier retirees can afford to be more aggressive.

"You're probably going to start drawing on it, or are closer to drawing on it, so it should be different to what it would be at 40," Marinis says.

By 60, everybody should be drawing on their super while salary sacrificing through a transition to retirement strategy because it delivers big tax benefits, he says.

"Volatility happens, and if you are drawing on you money in a volatile downward market, the last thing you want to do is sell assets when they have dropped by 50%," he says.

Investing is a long-term thing. The secret is that there is no secret. You have to diversify, have a strategy and stick to it.'

A growing number of financial planners recommend a buckets strategy for retirees, where a few years of income needs are kept in a secure "cash bucket" that won't fall in a downturn. Astute Investing director Simon Wotherspoon says a second bucket of reliable interest-bearing investments can be used as a back-up supply, and a third would hold shares (equities) and property for long-term growth.

"Having a confident source of income for living expenses allows you to keep equity assets during periods of market declines - this is critical," he says.

A 60-year-old who invests only in shares risks their nest egg halving in a GFC scenario, while one holding only cash will watch their money go backwards through inflation in today's low-interest rate environment.

"We find people are aggressive or conservative in direct response to recent events, usually too late," Wotherspoon says. "In hind-sight, they're too aggressive during a bull market and too conservative in a bear market."

Several super funds have introduced life-stage products in recent years, where your asset mix changes as you age, so a 40-year-old has only 20% of conservative assets, a 60-year-old has 50% and a 70-year-old has 80%.

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