

Early retirement questions to ask before pulling the plug on work

Keep working or chase an early retirement? Australians are being urged to examine this decision from all angles – not just financial.



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The lines between work and retirement have been blurred in recent decades as Australians reshape their mindsets around their finances, lifestyle and self-worth.

Today the decision to retire early is about more than just money, although having the financial back-up available to pay for a rewarding retirement lifestyle remains a crucial factor.

Financial strategist Theo Marinis says most people want to retire early, and worrying about having enough wealth is a big worry, although in many cases people only need to self-fund until 67 when the age pension kicks then and shares their income load.

While working out future pensions and incomes can be tricky, people who plan to be fully self-funded without eating into their assets can use a simple rule of thumb of having 20 times their desired income in investments, he says.

This means someone seeking \$60,000 a year of annual income would need \$1.2 million, and a retiree wanting to live on \$100,000 would need \$2 million – not including their family home, which does not produce income and is not included in the pension assets test.

“I tell people not to rush into retirement, especially if you like your job,” Marinis says.

There are several key questions that people should ask themselves when thinking about the when, why and how much of retirement.

1. WHEN DO I WANT TO RETIRE?

It all starts with a number – the age you hope to stop work. Work back from there with financial calculations, and seek professional advice if you are unsure.



Theo Marinis says have a plan for life after retiring. Picture: Kelly Barnes

The age pension starts at 67 and for example, homeowner couples with assets below \$935,000 can still qualify for a part pension. Some people who stop work early may be able to use \$200,000 or \$300,000 of their nest egg because the pension eventually kicks in as a safety net.

“It’s doing all those numbers and getting comfortable with it,” Marinis says.

2. WHY DO I WANT TO RETIRE?

If your work gives you a sense of purpose and existence, be wary about stopping too soon.

“It sounds attractive – in the first couple of months you do all the things around the garden, but what will you do after that? Marinis says.

“Plan what you are going to do. Are you going to work part-time, volunteer? Don’t rush into it – you could lose your identity.

“And if you keep earning, you don’t need as big a lump sum.”

3. HOW MUCH WILL I NEED FOR THE LONG-TERM?

Ask yourself if you have invested and saved enough money to live off the interest and dividends, says eToro markets analyst Josh Gilbert.

Can your nest egg survive market ups and downs, he says.

“Investors shouldn’t be spooked at market movements, given retirement is a long-term investment,” he says.

<https://www.adelaidenow.com.au/lifestyle/smart/early-retirement-questions-to-ask-before-pulling-the-plug-on-work/news-story/badba39ef24d28d4337ab7c62e611737>

Gilbert says people should understand where their money is invested.

“Consider what an ideal retirement looks like for you and what kind of financial position you’d need to be in to realise that,” he says.

4. HOW MUCH RISK CAN I TOLERATE?

Stockspot CEO Chris Brycki says your risk tolerance determines where you put your money.

“If you have a longer time horizon, you can take more risk by investing more into emerging markets and international shares,” he says.

Lower-risk investors can move more money to defensive assets such as cash and government bonds, Brycki says, although many financial advisers still recommend holding some higher-risk, higher-growth assets once retired to help combat inflation’s impact on their cash in the bank.

Having diverse income streams in retirement also reduces risk, Brycki says. “If one area of investing has a negative year, you have other areas that can make up for any losses,” he says.

5. HOW ARE MY DEBTS LOOKING?

Do you have outstanding tax bills or other debts to be paid before retiring?

“As you might have reduced income in retirement, your ability to meet your liabilities might also be diminished,” Brycki says.



Courtney Greatrex invests to potentially deliver an early retirement. Picture: James Gourley

INVESTING FOR FUTURE FLEXIBILITY

Courtney Greatrex is using investments to grow her wealth for the future, and puts her money into a diverse portfolio of exchange traded funds and listed investment companies in Australia and overseas.

“I prefer to keep my portfolio as ethical as possible,” she says.

“I want to give myself the option to retire earlier than the age pension of 67.

“You never know when life could throw something at you that could prevent you from working. For that reason, I think that if you have the means, working towards early retirement is a good idea.”

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