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Making life better

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Comfort zone

WHAT YOUR WAGE SHOULD BE NOW TO DELIVER A COMFORTABLE RETIREMENT

MONEY

ANTHONY KEANE

Australians seeking a richer retirement have two basic choices: earn more money or spend less money than they earn and invest the rest.

However, many workers blindly travel the long road to retirement without knowing whether their income and superannuation balance will be enough to deliver their desired lifestyle.

Financial advisers say it is often higher-income earners who suffer the biggest shock later in life, because the pension can be a big step backwards for them, so early planning is vital.

"People on lower incomes tend to budget better and save money – what they are used to is not as extravagant as somebody on a higher income level," says financial strategist Theo Marinis. "Even a person on a minimum wage can end up with a better outcome at retirement than someone who is blowing it all."

"Think about down the track. You probably should put away at least 20 per cent of your income – some to super and some invested outside super."

SUPER CALCULATIONS

Compulsory superannuation already puts away 10.5 per cent of your income, rising to 12 per cent by 2025, and other investments can achieve the rest.

Ideas of wealth differ dramatically,



Alex and Sophie Savvas with dog, Benji. Picture: Matt Loxton

but simple projections can show if you are on target. The Association of Superannuation Funds of Australia's widely used Retirement Standard suggests a single retiree needs \$48,266 annually to live comfortably, requiring a super balance of \$545,000 combined with a part pension.

We plugged age data and average super balances into Moneysmart.gov.au's superannuation calculator, and came up with some confronting and sometimes unusual results.

If relying solely on compulsory super, a single worker in their 20s needs to earn up to \$86,000 a year to reach the \$545,000 target, adjusted for inflation, while someone in their 30s must earn up to \$107,000.

A person aged over 55 must earn a wage above \$310,000, the calculator shows, but the projections do not reflect other savings and investments a wage of that size should afford.

Marinis says the best way to build wealth is investing extra into super and other assets as soon as you can for as long as you can, which lets compound interest work its magic.

"If you don't have the money, you don't spend it," he says.

Taking some investment risk is necessary, Marinis says, and do a risk profile to understand your comfort zone.

"There's no point going all into shares, then the market drops and you say 'I wish I never did that,' he says. "Don't go chasing an extra

1 per cent of return if you have to take a lot more risk."

DREAM TARGET

CreationWealth senior financial adviser Andrew Zbik agrees that starting early is important.

He says people's incomes, lifestyles and spending are "quite relative". "You generally find lower income earners are quite accustomed to a lifestyle with a lower cost of living," Zbik says.

"What for some people would be a want, for others becomes a need.

"I have clients who are very happy as a couple on \$45,000 a year, but others struggle on \$100,000, because driving a Mercedes and flying business class is expensive."

What you will need

Will your wage deliver a comfortable retirement?

Average age	Super balance	Wage required
18-24	\$6,641	\$77,000
25-29	\$21,309	\$86,000
30-34	\$44,650	\$96,000
35-39	\$74,963	\$107,000
40-44	\$108,217	\$124,000
45-49	\$145,622	\$149,000
50-54	\$188,234	\$192,000
55-59	\$246,771	\$310,000
60-64	\$323,871	\$1 million

Source: ASFA, ATO, Moneysmart.gov.au

Seeking advice can help put people on track, Zbik says, and he suggests doing a budget of your current expenses.

Strip out things you won't pay in retirement – such as school fees – but add in things that will deliver your desired lifestyle.

"If you dreamt of having a boat but don't have one now, put it in," he says. "The more time you have to retirement, the more time you have to adjust if you want a particular lifestyle. Create your dream target and work backwards from that."

DOUBLE BONUS

Working couples have an easier path to retiring in comfort, with ASFA's latest Retirement Standard finding they require \$68,014 to live comfortably and a combined super balance of \$640,000.

Alex Savvas and his wife Sophie have been working hard and investing for years to grow their nest egg. Long-term property investment has helped provide extra money to pour into their super, and sacrifices made 10-15 years ago are bearing fruit.

"You have to do the hard work to afford yourself that passive income down the track," Savvas says. "Very early on it was instilled in me about saving money," he says.

#BOSS LADY



DA ROSE

The founder of Small Business Women Australia, Amanda is a key mentor and career advisor

THINK, THEN SPEAK

EVERY leader needs to think before they speak. Or tweet.

Twitter boss Elon Musk learned this the hard way last week after his very public spat on the social media platform with an employee.

Haraldr Thorleifsson, who has a form of muscular dystrophy called Dysferlinopathy and uses a wheelchair, tweeted at the Twitter CEO to say access to his work computer had been cut off.

"Your head of HR is notable to

confirm if I am an employee or not. You've not answered my emails," Thorleifsson wrote. "Maybe if enough people retweet you'll answer me here?"

In a series of return tweets, Musk scoffed that Thorleifsson "did no actual work" and used his disability as an excuse.

Musk eventually apologised as the world watched, stating he had misunderstood the situation. "It was based on things I was told that were untrue or, in some cases, true, but not meaningful," Musk said.

Musk's kneejerk reaction was like

a five-year-old's tantrum. It showed a lack of emotional intelligence and self-control, two qualities every good leader needs. Without them, leaders risk being polarised.

Whatever the reason for an employee's gripe, how you respond speaks volumes about your leadership and sets the tone for how you can defuse things.

Responding in a tit for tat public spat is just fuelling the fire.

In this day and age of social media, emotional responses are a real danger because there's no buffer between our heads and our

hands. Leaders need to be the grown-ups in the room. Musk clearly needs a lesson or two in adulthood because he's teaching the next generation how to behave – and he's setting a very bad example.

The minute both sides get emotional and air grievances in public, they are both playing in mud.

Musk should have taken the higher ground, done his homework before opening his mouth and dealt with the matter privately.

Hopefully the next generation will recognise this and refuse to follow in Musk's muddy footsteps.

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