

# Mind the gap

Take the right steps now to bridge any gap in your retirement savings.

**Your retirement may seem a lifetime away or it could be just around the corner. You could be dreaming of a trip around Australia or even around the world. Your plans for the future will need to include a sound financial plan to if you're to afford the lifestyle you want and to make your dreams reality.**

## **The savings gap widens**

Research commissioned by the Investment and Financial Services Association (IFSA) revealed that the retirement savings gap had increased from \$452 billion in 2004 to \$695 billion in 2008 — a shortfall of \$73,000 per person<sup>2</sup>.

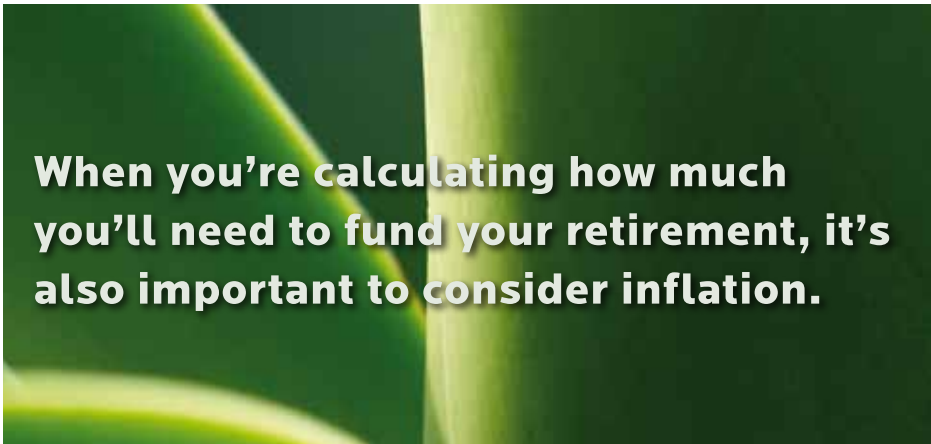

If you're employed, it's compulsory for your employer to contribute at least 9% of your salary to super (up to the maximum salary threshold amount of \$40,170 per quarter). The research findings have prompted IFSA to repeat its call to the government to lift the super guarantee by an extra 3%, to 12%. So you should consider whether or not your current strategies to build your super and other investments will generate enough income for you to live comfortably when you retire. According to the December Quarter 2009 Westpac-IFSA Retirement Standard, that amounts to the equivalent of \$51,727 per year in today's terms for a retired couple.

## **Calculating what you need**

Of course the amount of money you'll need will depend on your individual circumstances.

You'll need to take into account your age, your income and your current super balance. You'll also need to decide at what age you'd like to retire and how much income you'll need to support your ideal lifestyle. And you'll need to consider how long your retirement is likely to last.

When you're calculating how much you'll need to fund your retirement, it's also important to consider inflation. You may be able to buy a loaf of bread for less than \$5.00 today, but what will it cost in 20 years? You'll be paying inflated prices for everything you buy in the future, so your estimates need to account for that too.



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## Will you have enough?

It's never too early to start planning for your future and everybody has to start somewhere.

The earlier you start, the more time your investments have to grow. You'll have the option of choosing investments with higher risks and higher potential returns, and you'll benefit from compound interest.

On the flip side, the later you start, the more you'll need to save each year to 'catch up'. And you'll need to invest very wisely to get that extra growth you need.

The following checklist should help you keep on track to a comfortable retirement:

1. Make sure all your super is in one place. If you have multiple super funds, you're paying multiple fees and these could act to erode your savings.
2. If you're earning less than \$61,920, make the most of the government's co-contribution scheme<sup>3</sup>.
3. Salary sacrifice to super if you can afford to<sup>4</sup>. This tax-effective strategy can give your super savings a real boost.
4. Consider investing in growth assets such as shares. They have the potential to grow significantly more than a term deposit, for example, and the imputation system makes shares a very tax-effective option. If there's a market downturn you have the benefit of time to recover from any short-term losses.
5. Try to pay off your debts as soon as you can<sup>5</sup>. The closer you are to retirement, the more outstanding debts will take away from your retirement income.
6. Save what you can while you have the opportunity. You may not get all the way to where you want to be but you'll still be better off.

## Check your retirement savings are on track

It's a good idea to talk to your financial adviser if you think your current investments won't be sufficient to fund your retirement.

Your financial adviser can help you calculate how much you'll need to get you safely through your retirement years, and how you can get there, by using strategies that make the most of your super and boost your retirement savings.

A financial plan that's tailored to suit your needs in both the short and longer term can help you grow your wealth so you can look forward to a future of dreams fulfilled.

<sup>2</sup> 'IFSA releases super adequacy report': Financial Services Online, Superannuation News, 2 February 2010

<sup>3</sup> See our co-contribution case study on page 3

<sup>4</sup> See our salary sacrifice case study on page 3

<sup>5</sup> See our article on debt on page 6

**Make sure your super is in one place. Paying multiple fees could act to erode your savings.**



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