

How will you be celebrating?

The Federal Government introduced the Age Pension in 1909 for people aged 65 years and over but the average life expectancy of the Australian male at the time was only 55 years of age – not much of a retirement!

A century later and things have changed quite a lot. Our life expectancy at birth is now around 80 years of age, and as our health and living standards continue to improve some predict that around half of all Australians born this century could live to celebrate their 100th birthday.

So what does this mean for your super?

Essentially it means that there's a real risk that your retirement savings may not be sufficient to see you all the way through retirement. This is what financial planners call 'longevity risk'.

Currently the remaining life expectancy for a 60-year old male is 23.4 years but on average these men only expect their retirement savings to last 8 years. The situation is worse for women who at 60 have a remaining life expectancy of 26.6 years but expect their super to run out after only 4 years.

This means that many people may need to rely on the Age Pension when their retirement savings run out, but the Age Pension is currently only 27% of the average weekly wage and that would provide most people with a very modest standard of living.

So how much super do you need?

Many people still see super as a large lump sum of money they'll receive when they retire. This is true but the real purpose of super is to provide you with a regular income for your entire retirement.



It's estimated that most people need around 60-65% of their gross pre-retirement income to enjoy a comfortable retirement. Of course, this figure will vary depending on a range of factors including their retirement age, general health and whether they rent or own their own home.

When people retire they often have plans to travel overseas and take up more leisure activities. They may choose to move to a more desirable address; somewhere near the coast or in the country.

This may mean that new retirees run down their retirement savings at a much faster rate than they anticipate, leaving them to rely on the Age Pension as they get older.

So what can you do now to boost your super investment?

Retirement may still be a long way off but the sooner you take control of your super the better, and there are some immediate steps you can take to maximise your super investment.

1. Consolidate your super into one account.

Many Australians have three or more different super accounts and this means three lots of fees eating away at your super balance. So you should get hold of all your super statements and transfer the balances into one super account.

2. Claim any lost super.

There is over \$13 billion in lost super waiting to be claimed. You can go to the Australian Taxation Office website and use SuperSeeker to see if there is any lost super in your name. If you're unsure about what super accounts you may have, it's a good idea to contact former employers and ask them for more details.

3. Get some professional financial advice.

A qualified financial planner can advise you on the right investment strategy to meet your long-term retirement goals and how you can make tax-effective personal super contributions.

If you're a little older it may be time to think about when and how you plan to retire. Will you continue to work full-time until you retire or choose to work part-time and make a more gradual transition to retirement?

A financial planner can advise on how you can make the transition to retirement and choose the right post-retirement investment strategy to ensure your super investment provides you with financial longevity in retirement.

Of course, if you are a member of Local Government Super you can get expert financial advice on your super and your retirement options at no extra cost.

Just call us on 1300 369 901 to make an appointment.



References:

Household Income and Labour Dynamics in Australia (HILDA) Survey, June 2010

Review into Australia's Superannuation System (Cooper Review), June 2010

Surviving Longevity, Rice Warner Actuaries, March 2010

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