

Building a golden nest egg

Changes to Centrelink benefits this month will make retirement more comfortable for hundreds of thousands of Australians. A roundtable panel of experts tells Smart Money Editor ANTHONY KEANE and Business Editor CHRISTOPHER RUSSELL other ways to give your savings a head start.

I think a lot of people spend a lot of their time saving for a rainy day but they don't recognise when the clouds are around, they don't recognise when it starts to rain.

THE ADVERTISER: What are the biggest barriers to South Australians retiring comfortably?

JANET WEBBER: I would suggest that it's a lack of understanding about how much money they need to retire on and not setting their goals early enough. They feel that they can leave it until later in life.

KERRIN FALCONER: It's not just the financial side of it. Perhaps people don't prepare sufficiently for the emotional and social side of retirement. If someone works 75 hours a week in their business and that's what gives them joy, then to suddenly stop working and perhaps grow tomatoes may be a little bit disillusioning for them, unless they plan lots of other activities that they're going to take on in retirement. You've got the financial and emotional and social side of things.

PHIL ELEY: There's a lot of inertia too. We look after a lot of larger corporate super funds and have designed seminars to help people transition to retirement, and it's usually not until people get into their forties and they start looking at their retirement account balance that they start doing the numbers. Instead of how much can I afford to put away? , it's how much am I going to need to have? Usually they lose out on the value of compound interest by doing that.

BILL McCLURG: To me, retirement is just really the beginning of the last third of your life. So it's got to last a fair while, maybe 20 or 30 years.

KERRIN FALCONER: The afternoon of your life.

BILL McCLURG: There's so much focus on the retirement side retiring from work and playing golf and perhaps managing investments but it's much more than that, because retirement really comes in at least two stages. There's the fit and healthy stage and then there's potentially the not-so-fit and healthy stage, and I think people get very focused on the fit and healthy stage and don't really have contingencies in place. When the not-so-fit and healthy stage comes along, particularly in a couple, all the retirement plans get turned on their head because there's no contingency and becoming unfit or unwell is something just not considered anywhere near enough. I see it all the time. People's worlds just get turned upside-down and all the investments in the world and all the money in the world doesn't fix that emotional issue. And I think that that's something that I'd like to see us talk a bit more about as a community.

THE ADVERTISER: You said earlier that one of the barriers was not knowing how much you need. How much do people need to retire comfortably?

IAN CAMPBELL: Westpac and ASFA (The Association of Superannuation Funds of Australia) define comfortable as \$48,374 per annum per couple. Those seeking a modest retirement lifestyle need to spend \$26,154.

THE ADVERTISER: That would assume you own your own home already and that you're debt free?

IAN CAMPBELL: Correct.

PHIL ELEY: How much money do you need to provide that? Quite often when you're younger you talk telephone number figures down the track, for what will your superannuation be worth at a certain rate. And it usually puts a lot of people off. Because a lot of it's out of people's reach. The reality is you're allowed to use some of this money during your life. People think you've got to preserve all the capital and leave it behind for the kids. When you use some of the capital then the amount of capital you need actually isn't as great as you might think. Anything that people can do to enhance their position is of value to them.

THE ADVERTISER: Is there a typical amount that would provide for that?

MICHAEL SCHLUTER: About \$600,000 for the \$48,000. You've got to allow for inflation, and inflation eats away at the \$48,000. So it's about \$600,000.

KERRIN FALCONER: Bear in mind the Centrelink maximum pension for a couple is around \$22,000 or \$23,000, so there's a big gap between what Centrelink provides and what the Westpac/ASFA study is indicating is a reasonable amount of money for someone to be comfortable on.

BILL McCLURG: I've come across plenty of people who would have the present-day value of that \$600,000, but you live in retirement for 20 years. If you're living off the interest and your capital isn't growing, unless you've got investments that are appreciating in value the amount of income that you've got is going down every year, in present-day value as the years go on.

PHIL ELEY: So you use some of your capital.

BILL McCLURG: That's the biggest issue. I think a lot of people spend a lot of their time saving for a rainy day but they don't recognise when the clouds are around, they don't recognise when it starts to rain and they don't recognise when it's absolutely pouring. We seem to be trapped between leaving loads of money for the kids and actually needing the money that you've saved for the rainy day for your retirement. I suspect that's going to change as the baby boomers start to get into mid and later retirement.

KERRIN FALCONER: So the frugals make way for the baby boomers, who are free-spending and want a good lifestyle and have been used to the good things in life.

BILL McCLURG: One of the good things that's happening with the baby boomers is they're telling their parents to get on and do it, because the baby boomers are not queuing up for the inheritance. That's a fairly difficult thing for older people to let go. My customers in their 70s and 80s, still fit and healthy, struggle with this issue. They have been brought up with this thing in the back of their head telling them that they have got to leave it for their kids, but their kids are telling them to let go. Maybe they don't want to be lumbered with the responsibility of looking after their parents. It's not that they don't care, but they want to enjoy their own retirement. We see it a lot, where 75 to 85-year-old parents are looking for permission from their kids to actually do something. A lot don't even seek that permission. They just stay where they're stuck because they feel they have a duty. Today, probably 50 per cent of the kids of older people we get to sit down with say: Let them go. You do whatever you have to do to be comfortable and happy because we're not queuing up for this inheritance. And that enables us to be free to do what we want to do .

JANET WEBBER: Even being told that, I don't think that they then go ahead and spend that money. They still hold on to it. A lot of people of that generation do have the mindset that they've got to leave that money as an inheritance.

IAN CAMPBELL: In terms of retirement villages, 50 per cent of people cannot afford to go into a village anyway. If that's a part of people's planned retirement, 50 per cent can't even consider it. In terms of strategies for a comfortable retirement, we've been talking more about people who are nearing retirement. If we drag that back a little we talk about people when they're younger. Saving through super is certainly a good idea, but you can't access that money. There are other life events as you go along that you should be saving for too, and you should be saving for those earlier, as well as putting away for your retirement. If you've been putting away money to assist a child with perhaps a deposit for a home, that's giving them the head start that they will require because otherwise they'll still be living with you when they're 30 because they can't afford one.

THE ADVERTISER: At what time should people start thinking about their retirement?

PHIL ELEY: As early as possible.

KERRIN FALCONER: I think the new super rules definitely change the scene. You can't leave it right until the last minute to dump huge amounts of money into superannuation. You have to start a lot earlier because of restrictions on the amount of money that you can get into super. People are really going to have to start looking at it in their thirties.

PHIL ELEY: Look at the government co-contribution rules. My sons are 22 and 20 and I've been putting \$1000 into their super fund for the last three years and getting the maximum government co-contribution of \$1500. You add on the 9 per cent employer contribution and suddenly, even at this age, they're looking at \$10,000 to \$15,000 in their super fund. With the compound value of that over time, you couldn't do a better thing for your kids. There's a lot that the baby boomer generation are doing for their children, to help them start a lot earlier than they perhaps did and not have to pedal the bike so hard to make it up.

MICHAEL SCHLUTER: We have really active lifestyles and there's an income you need to maintain those lifestyles. It's obviously important that you've got a savings plan that's building up. It doesn't matter what age you are, as long as you're building up some pool to fund your lifestyle.

JANET WEBBER: That's where we've got to change the mentality of younger people, when they're starting at McDonalds or Hungry Jacks. So when they do get their wage they actually don't spend it all on fun and bills and leave savings until last. They've got to learn to make their savings contribution the first part that comes out of their pay packet. If we could help people doing that, they'd be putting away a portion from very early days, and learning the concept of saving.

THE ADVERTISER: What are some strategies that people can do to help give themselves a comfortable retirement?

PHIL ELEY: With people 55-plus, they've got a limited amount of time to put money in a bucket. So what strategies can you employ to make a big difference over and above what you're doing now? You start doing transition to retirement, using super as tax-free income and then salary sacrifice, co-contribution, spouse contribution. You start adding all those things together and put the dollar value on the benefits of that over a 10-year period, and it makes a huge difference.

KERRIN FALCONER: Strategy. Definitely strategy. Salary sacrificing is big. It can make huge differences. By salary sacrificing, even just a few thousand a year, it's amazing how much difference it makes to long-term compound interest and things like that.

THE ADVERTISER: Should people be spreading their money into different types of investments, into different super funds? Is it better to concentrate or is it better to diversify?

PHIL ELEY: Diversification's alive and kicking, and it should be, too. Because you're just lowering risk. Spread it between the things you invest in, not necessarily within a number of super funds. I think with most of the modern day super funds you can get such a wide range of investment choices that you don't need to go outside a fund, as long as the fund itself has those choices.

THE ADVERTISER: Do you think that people generally become too conservative with their investing once they do retire?

PHIL ELEY: It used to be a product problem. You used to go into a superannuation product and as you got closer to retirement the default options usually become more conservative, because the product is designed to go until retirement. Nowadays the modern products allow you to go past the retirement stage, into pension phase. So you open up another 20 or 30 years of investment horizon and you've got to broaden it to investments that give capital growth to beat inflation.

KERRIN FALCONER: People do tend to get more conservative when they start to retire or when they're in retirement, but they actually don't realise that sometimes, by going into certain products, they're actually taking on more risk. If you look at the Fincorps and the Westpoints of this world, they probably thought that those were very conservative investments and that money would be safe and look at what's happened. Some of those people put vast amounts of money into those investments. Whereas if they'd actually sought the advice of a financial planner, a planner would have diversified their investments and not put all of their money into one very risky investment, which has been devastating for some retirees because that's all they've got. Diversification is our number one rule to reduce risk. Any financial planner worth their salt would not be encouraging anyone to put all their money into one thing.

PHIL ELEY: Some of them did go to financial planners and they were flogging profits.

KERRIN FALCONER: Yes. I know. And unfortunately we are always going to have some people in this profession who are not going to do the right thing. Just as we have doctors and lawyers and such who don't do the right things.

MICHAEL SCHLUTER: I think it's important to have some growth investments (such as shares and property) in your retirement portfolio, but not too much. When you retire it's very hard to get back falls in the market when it does fall, because you don't have that money going in all the time.

KERRIN FALCONER: And you do tend to be drawing down on the money that is in there.

MICHAEL SCHLUTER: That's right. The capital is reducing so it's important not to take too much risk. In a sharemarket crash it's a lot harder to actually catch up that fall.

KERRIN FALCONER: There are strategies to reduce that sort of risk. In an allocated pension example, put in a couple of years worth of income payments into cash and allow the rest of your funds to be sitting in your growth options, so therefore it can ride out the ups and downs in the market a little bit better.

PHIL ELEY: The difficulty is getting the clients in the right mindset, because retirees often spend a lot of time watching it. When the international markets were down (in 2002 and 2003) and you're sitting there with your arm around the client's shoulder for two years in a row with a negative return saying it will be okay and they're watching it every day, it becomes a lot harder for those people to cope with the volatility of the market. So you need to get the risk profile right to start with.

KERRIN FALCONER: They can't go back and work, in most cases, and get jobs to replace that money. So we have to be very empathetic.

BILL McCLURG: Do you think that goes on into the future? It just seems to me that more and more people who are into that early retirement stage are likely to come back into the workforce. The workforce is dying to get people back in.

KERRIN FALCONER: I'm probably thinking more about the 70 year olds.

JANET WEBBER: A lot of people come to you and they say 'I'm really conservative, I don't want any risk'. A lot of that is a lack of understanding of the investment markets as well. It's up to us to educate the clients and explain to them that we're going to use the bucket approach, for example, in their allocated pension, and we're not going to be drawing down on the part that's more volatile. And then explaining what volatility is, explaining the All Ords to them. Some days it goes up, some days it goes down. Do they understand why? Ultimately it's got to be so that they can sleep at night.

KERRIN FALCONER: More people are more educated these days. The media and the financial planning profession have done quite a good job in educating people, but there is still a lot more to be done. A role of the financial planner is to be working with their clients and making sure that they understand.

THE ADVERTISER: What are the housing options available to retirees, broadly speaking?

BILL McCLURG: The one that we hear most often is that we'll stay here until we're carried out in a wooden box . That often happens, but basically people get confused between nursing homes and retirement village accommodation. Retirement village accommodation is really generally what you take as a consequence of choice. Whereas nursing home or aged care is what you take as a consequence of being forced to, out of need. The retirement village industry is still fairly much in its infancy and evolving at a hell of a rate of knots, and the options are coming from all directions.

THE ADVERTISER: Are there any key trends emerging in the industry at the moment?

BILL McCLURG: I guess I'd have to say that it's vertical retirement villages as opposed to horizontal ones. Horizontal ones are the groups of cottages in a managed estate. We're building one down at Ashford, just beside the Ashford Hospital, and it's very much a vertical village. It can be more cost-effective to begin with and also we can get into more inner-city locations where people are more inclined to want to live, as opposed to in the outer suburbs where you can get large tracts of land. It's almost impossible now to come up with large tracts of land close to the city where you can build cottages, so the vertical retirement village is, I suspect, the way of the future. Also, apartment living is becoming much more acceptable. If you went back 10 years ago we didn't have anything like the number of apartments being built around the place, for baby boomers or the younger generation.

KERRIN FALCONER: Another trend that is happening in funding retirement is reverse mortgages, which are starting to become quite popular. I think a lot of care needs to be taken before going into those sorts of products. It's quite easy for the interest to be capitalised very quickly and for quite a small debt to become quite a large debt. And so people really need to understand absolutely thoroughly those types of products. I know that if people need more funds to do things it's very tempting to use the equity in their home, but I just have a feeling that it could end in tears.

THE ADVERTISER: With the population ageing in South Australia, what's the demand likely to be for housing stock in the years to come?

PHIL ELEY: Our kids have to grow up and live in the manner to which they've become accustomed.

KERRIN FALCONER: Yes, the 20 and 30-somethings who are still at home.

IAN CAMPBELL: At the moment there are a lot of retirement villages happening. You've got the move to the water, the move to the hills, and the move to apartments and you've got those same trends occurring in retirement living. Are we actually fulfilling the market need? At the moment 3 per cent of the people who could possibly live subject to affordability in a retirement village, are living in a retirement village. There is certainly those in the market who want to hang on to their home for a little bit longer. I think the financial planners have a big role to play in the correct education of a reverse

mortgage, because people tend to think of it as an issue of people borrowing against their home and not making repayments. We're all aware in 10 years the price of the home tends to double, so I think in fact if it's planned correctly you can be adding value to that person's overall wealth by enabling them to stay in their home a lot longer.

Building a nest egg

55

PHIL ELEY: Demographics have changed a lot, and a lot of the apartment buildings are being purchased not only by new investors but by people who may have been out there and want the different style of life. They hang on to their house on the understanding that they might downgrade and expect a release of equity without any capital gains tax. The trouble is where they want to go, even though it may be smaller, the price of land goes up and they may end up having to pay to go into the smaller house.

BILL McCLURG: Over the last 20 years the retirement village industry has moved away from the not-for-profit sector and has just become a more bricks and mortar kind of service. Typically our product is around \$400,000. Can we make that accessible for people who maybe are happy to spend \$300,000 instead of \$400,000? I suspect that ourselves and others will be thinking about how we can repackage the product so that we can make it more affordable, more accessible. You'll change the investment model. Retirement villages from a resident point of view have never been an investment in bricks and mortar. They've always been an investment in lifestyle. As our consumer becomes less bothered about how much is left to the kids and the grandkids and more bothered about their own quality of life, then the opportunity arises for us to repackage how we do those things. There's a lot of potential for us to come up with better quality packages, better accommodation, better services. It's an alternative to reverse mortgages. You don't go out and borrow the money because if you go out and borrow the money there's effectively a debt accumulating there in some fashion. I don't know if retired people have got used to the idea of accumulating debt. Personally I'd be quite happy to die owing the banks millions that they'll never get. That would be sweet revenge. But it just seems to me that there's a lot of potential within our industry to give people quality of life and service. Fear of poverty is only one of the things that older people are concerned about. Loneliness, isolation, loss of relevance, that sort of stuff is much more important to people. I think it's got a lot more to do with friendships and companionship and all that sort of stuff. You can have all the money in the world and be as lonely as hell. And that's the last thing you want.

PHIL ELEY: But at least you can travel and meet people.

BILL McCLURG: I think that in our industry we're going to evolve quite a lot over the next 10 years.

THE ADVERTISER: What are the costs of moving into a retirement village? Is it purely buy, or are there rent options as well?

IAN CAMPBELL: The most classic rent option was Village Life and they've fallen over, so that didn't work very well. That is an example of the market working itself out and their business model didn't work. I think at the moment it ranges from the government currently considering housing affordability schemes and working with other developers to see if they can satisfy the shortage at the end for those who have affordability problems. Generally if you build a village in a suburb, you're looking for people to get change from their house. So there's often a 10 per cent or 20 per cent difference between the median price of the district and the price of a retirement village unit. When they buy, that's really what they've got left over to change cars or go on a holiday or whatever.

BILL McCLURG: In South Australia our government's putting a lot of attention into this affordable housing and they've been doing a bit of work in affordable housing in retirement. We can do it much more effectively, because we've got some flexibility there and we can change as the market changes. Housing Trust will still always be out there for welfare kind of accommodation for older people. I just don't think that people are going to continue with this downsizing mentality. It's more like re-sizing. A bit of that happens in retirement villages because you can get your exclusive accommodation. If you live in a big fancy house you still only use 20 per cent or 30 per cent of it 80 per cent of the time. In the vertical retirement villages that we're building, we're putting a lot of that stuff that you don't use very often but still want to have, in the common areas. You know, club rooms and conservatories. We're even building a sports bar into our facility at Ashford. Everybody can share and use it to the small extent that they use it and get an economy out of it. So I tend to think it's more about re-sizing than it is about downsizing.

THE ADVERTISER: Are the new superannuation laws a great benefit for retirees?

MICHAEL SCHLUTER: Absolutely.

JANET WEBBER: Absolutely.

PHIL ELEY: The ways to own assets are either personally, or in a trust or a company, in which case you pay your marginal rates of tax, or in super at 15 per cent or in pension where you pay no tax. The only way you get into a pension is to put the money into the super. These laws allow you to maximise the amount of money that you can shift privately into the superannuation system and into a tax-free environment. And if you do that even on the same investments you'll improve the yield, because there's no tax.

KERRIN FALCONER: The transition to retirement strategy is frankly fantastic for people who want to reduce their working hours but maintain their cash flow, because they'll be able to access their superannuation benefits after 55 and receive some of that in the form of cash to top up their living expenses if they've dropped a few days work.

MICHAEL SCHLUTER: Quite often that means that the retirees can actually work longer, rather than burning out and retiring, say, at age 60. You can work four days a week and be in the same position cash flow-wise and super-wise but then be able to work to 65 or 65-plus.

PHIL ELEY: Working's not all about the money is it, sometimes? It's about having something constructive to do on a daily basis.

KERRIN FALCONER: They enjoy it but they don't want to work full time so it's three or four days a week and they work for longer.

JANET WEBBER: The super laws have been fantastic, but if people have a large number of valuable assets outside super they actually do need to start planning if they want to sell those assets and put them into superannuation before they retire.

THE ADVERTISER: Are self-managed super funds a good idea, a bad idea, or does it depend on the individual?

PHIL ELEY: It's not about the size of the dollars. It's really the mindset of the individual and if they have an interest and want to have an involvement. We have quite a number of clients with large amounts of money in a managed environment and are not interested in setting up self-managed funds. And we've got clients with small amounts but absolutely want to be involved. So it's very individual.

JANET WEBBER: It's about the clients who want control over their investments as well.

MICHAEL SCHLUTER: If you want to put direct property or business property into your super, self-managed super is a good way to hold that. If you're looking at shares and investments that aren't too boutique in nature they can be handled by most super funds these days.

THE ADVERTISER: What do the new Centrelink changes coming in next week mean for the average retiree?

KERRIN FALCONER: The last chance to move some money they've got into products that are not assessed for assets tests purposes for Centrelink.

PHIL ELEY: And more people will have access to the pension, contrary to where the government's been heading for the last 20 years. They've actually opened up the pension to more people.

THE ADVERTISER: Will the age pension ever disappear?

MICHAEL SCHLUTER: No. I don't think it will disappear but I think they'll increase the age that you can get it, up to about 70 over time.

PHIL ELEY: This whole change to the assets test was totally out of the blue because the means test has been tightening the noose around qualifying for a pension, and now suddenly as a result of tax revenue coming from other sources, the social aspect of that has opened up to allow more people greater access to go on support. So if that's an indication of the direction they're going, no, I don't think it will.

Share this article [What is this?](#)

We welcome your comments on this story. Comments are submitted for possible publication on the condition that they may be edited. Please provide your full name. We also require a working email address - not for publication, but for verification. The location field is optional. Read our publication guidelines.

The same bottle of ofloxacin, the hospital is 9.3 yuan to buy the community health service centers buy only 1.05 yuan. With such benefits the community center, had minor illness Who is willing to go to the hospital crowded? In Yinchuan City Street sources are community health service stations that medical residents Liuxianglian . The Chinese Ministry of Health spokesman Mao Qun an said that the community health service for the masses to provide more convenient and efficient services, while the hospital triage of patients to ease the pressure. Community doctors not only know the health status of residents in the area of small disease can be effective and economical treatment, but also a sign of ill timely judgment.n

March 6 Chinese Vice Premier Wu Yi attended the Zhejiang delegation discussion on health care reform and other issues with the delegates to exchange views, said that in order to encourage people to community medical institutions for treatment have been related policies and regulations to improve the medical insurance reimbursement, increases in the various provinces (autonomous regions and municipalities) self , will be left to the local space.n

On the 3rd afternoon to attend the Fourth Session of the 10th CPPCC National Committee opened the Minister of Health Gao Qiang said the medical community hospitals is difficult to solve your medical problems. In light of the generally strong your medical difficult medical problems, Gao said, to resolve this problem many consider a combination of factors, and these factors, community hospitals is the foundation. Gao said: Only the completion of a community hospital, we would not have ill patients to small hospitals to large queues, also spend less. I am afraid that in recent years the focus of development is a rural, a community.n

Chinese Vice Minister of Health Wang Longde on the 7th in an interview that the development of community health care reform is a breakthrough in urban public health work, the government should establish a guidance system and network, the community hospitals in major hospitals under the guidance can give the public a cheaper price to the nearest treatment.n

High levels of doctors concentrated in large hospitals, is the historical formation of a pattern. To change this pattern, they split the medical community, is not feasible, even withstand the resistance pushed compulsory, but also more harm than good. While acknowledging the high level of doctors in big hospitals reality and rationality, and also by the regular medical community to the point of reincarnation repossession. Thus, neither weaken the quality advantages of a combination of medical resources, can solve the medical community at the lack of quality medical resources, the strategy is both loyal and filially pious. Why people neglected community hospitals?n

One important reason is that many community hospitals, there are certain degree of internal , relatively speaking, the doctor low quality, low incomes, poor accountability, poor medical equipment, poor service, the ultimate result in a state trust bad impression. Even headache, fever, unusual illnesses, but also to look at the big hospitals, for fear that they have become ever more serious illnesses, serious diseases been delayed into terminally ill. This is not only the result of the shortage of medical resources wasted, aggravated difficult patient the situation has caused major hospitals and specialized hospitals because low and a corresponding rise in costs, exacerbated by medical your situation.n

Fan said said: - all text, pictures and audio and video articles are copyright, and all - any media, websites or individuals rose to reproduced, links, or in other ways you a copy. Already you want other stories on the website, downloaded to be used said: - will be liable to be prosecuted according to law said.n

The statement Source: - /, said plans are reproduced draft, said more information is reproduced for transmission purposes and does not imply or endorse their views confirmed the authenticity of its contents. Like other media, websites or individuals from the ceiling, the state must retain said, the source said, Novinite.com legal responsibility. As for unauthorized tampering with, the source said: - said to be prosecuted according to law. If the foregoing statements regarding proposed suspect, please contact us.

About the Author

From www.news.com.au:

Features a mission statement, its history, services, physicians, career opportunities.

Describes services, physicians and general information for this Denton.

Located in Warsaw. Provides information on the hospital, services, community health, an online nursery, and wellness.

Kishwaukee Community Hospital is a community hospital in Northern Illinois. It has many of the technological advances found in regional.

Information regarding hospital services, links to health care providers, medical library, and local information. Located.

Novato Community Hospital is an acute care hospital that serves more than 64000 residents in northern Marin County, California, and is accredited.

Lancaster Community Hospital is an acute care facility providing inpatient, outpatient, emergency, and community.

Health and wellness services and facilities are described for residents of Geneva, St. Charles, and Elburn in the Central.

Source: <http://www.productsherbal.com>