

Around age 50 you will be confronted by a maze.

The maze of moving from work-based income
to investment-based income.

You need to know the maze exists.
You need to make the right choices.

So you can get to the other side. Easily.



First Samuel Retirement Strategy & Investing.
Getting you to the other side. Easily.



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So, you are about 50 and thinking that you have another 15 years before retirement?

And so 15 years before you need to think about it.

Right?

Wrong.

The complexity of the Australian superannuation system means that from around age 50 you need to start considering the choices in front of you.

Yes, I know you plan to work until 65 or 70.

But there is lots of upside from doing a little planning.

Delay will be costly.

Why start planning around age 50?

1. Plan for age-based rules and tax variations

Because the first of the government age-based rules comes into play at age 50, you need to plan in advance for that opportunity.

Retirement strategy is not about silver haired couples walking along the beach, hand in hand. That is for people in retirement.

Retirement strategy is the hard reality of how to move from work-based income to investment-based income.

How to get you to the other side.

Given the complexity of super in Australia, that means making decisions around age 50.

Delay will be costly.

2. Plan to move from work-based to investment-based income

From about age 50 to about age 60 is the peak income earning years for many people.

So you need to plan how you are going to balance this income between your short-term and long-term needs.

That is to say, you need to consider how you are going to move away from living off work-based income to living off investments.

If you leave the planning too late, you may find yourself with too little investments from which to live for the next 30 or 40 years.

Getting you to the other side. What age-based rules apply, and when.

Age	50	55	60	65	75
	Transitional annual concessional super contribution limit of \$50,000 until 30 June 2012 (thereafter \$25,000 indexed).	Preservation age* and permanently retired: full access to super benefits. Taxable components of benefits taxable.	All super lump sum withdrawals or pension payments are received tax-free.	Fully access super benefits (even if continuing to work). Need to meet a work test to make super contributions.	No longer make super contributions (excluding mandated employer contributions).
	Annual concessional super contribution limit of \$50,000 if total superannuation balances below \$500,000 (proposal) from 1 July 2012.	Preservation age* and still working: can commence a 'transition to retirement' pension.	And terminating an employment agreement: fully access super benefits.	No longer able to use 3-years-in-one rules for non-concessional contributions.	

* (age 55 until 2015 then increases from age 55 by a year annually until 2024)

The maze is before you.

On this side of the maze is your work-based income.

On the other side is investment-based income.

You need to get to the other side.

The maze that confronts you has at least seven shifting elements:

1. Government

The age-based super rules, SMSF rules, tax variations.

2. Investment-based income

Your desired income from investments is an after-tax, inflation adjusted figure.

3. Work-based income

Your current income from your day (or night) job will be the basis of your investment-based income.

4. Work

For how long do you plan to work?

5. Risk

See the chart*: three retirement portfolios each have the same average long-term return. One has negative returns early on, another positive returns early on and the last has constant returns. Capital will be exhausted by age 81 in the first case. The correct asset mix is the answer.

6. Non super

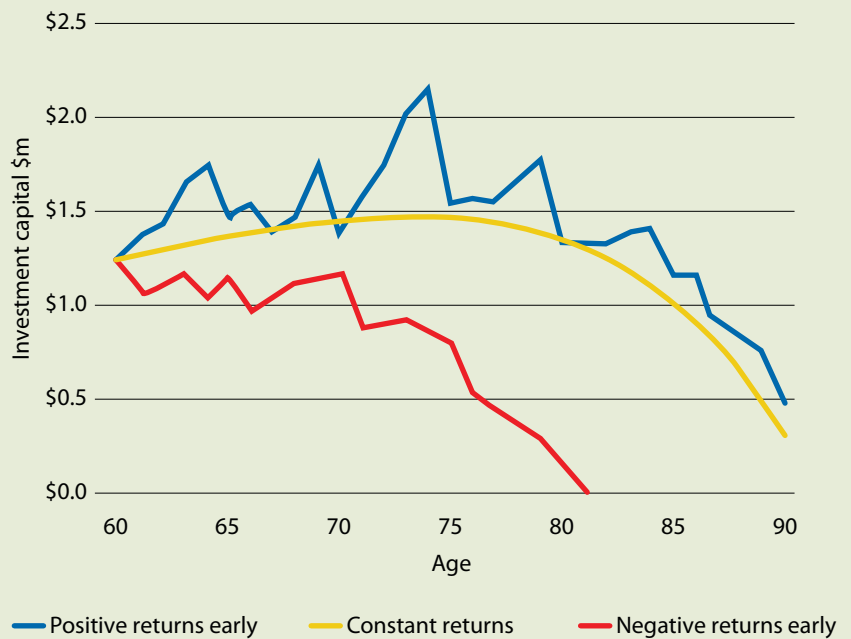
Your non-super structures and investments must be considered.

7. Death consequences

Your estate planning desires are critical. For example, your super is not directly covered by your will.

“You do not want to spend time worrying about your investments or the latest government super regulations.”

Even super of \$1.25m projected to last well past age 90 may be exhausted soon after age 80 (see text)



Be afraid. Be very afraid. Of:

A. Capital exhaustion

Running out of capital before you die is perhaps people's greatest fear. For example:

- the wrong asset allocation may see the portfolio capital vulnerable to a sharp market fall (see chart)
- spending too much now of work-based income and not leaving enough to invest in investment-based income
- poor investing; either taking too much risk or not enough

B. Paying too much tax

Failure to understand the opportunities and traps of the complex interaction of superannuation tax, capital gains and personal tax can lead to you or your estate paying too much tax.

C. Undue complexity

The transition to investment-based income should be worry free and without hassles.

* Assumes capital of \$1.25m, 8.6% p.a. average return, \$75,000 pension indexed at CPI of 3.5% p.a., commencing at age 60.

First Samuel Retirement Strategy & Investing. Getting you to the other side.

Getting our clients to the other side is exactly what we do. And do well.

By offering an individual and integrated service of:

- Advice
- Investment
- Administration

Whether you choose to spend more worry-free time on the things you like to do, not on things you have to do...

Or you choose to keep working past age 55...

We will take all the worry from you.

First Samuel has been doing this for over a decade.

We have earned the trust of our clients to manage all aspects of transition from work-based income to investment-based income.

***Talk to us. Or visit
www.firstsamuel.com.au***