



"We strive to give you peace of mind"

Financial planning for retirement, while you're young!

22 Sep 10 / Posted by: Shannon

Allow me to introduce myself; I'm Shannon, 27 years old and planning to retire in the next 20 years. Why, you might ask? Because as a child, my parents taught me it was always important to have a goal. I'm sure at the time they were thinking more along the lines of "be a doctor" or "buy your first car," but I watched them as they struggled and worked 10 hour days and decided to take my goal one step further.

So by the time I started my first job I had drawn up a little life plan that ,provided things stay on track over the next 20 years, will see me retire from full time work at 47.

What is your idea of retirement?

The first step in your plan should be to determine how you want to retire. Now if you're lucky enough to have a job that you love, then the concept of retirement may not seem like a very interesting option, but what if it meant that you could work the hours that you 'wanted to,' instead of 'have to.' For me, retirement means working only when I need extra money for something special, for you it could mean not working at all, or working as long as your health will permit. Understanding what retirement means to you is the first part of the plan.

Do your research

The Association of Superannuation Funds of Australia believes a single person needs an annual income of \$39,081* and a couple needs \$53,456* to live comfortably in retirement. To have a lump sum that will pay you that kind of income for 25 years following your retirement you will need approximately \$600,000. For myself, who plans to live for the next 40+ years (touchwood) following my retirement I will need closer to \$1 million. So the next step in the plan is to decide if your current superannuation (which you cannot access until you are 65 for

males or 60 for females) is going to meet that expectation or if you are going to need additional income/assets.

Superannuation or savings?

As I will have a good 13 years following my retirement before I can access my super I have started investing in property, that in itself requires a stand-alone plan, but it is my solution to supplement my income for that period of time. You might decide that retirement age is perfectly acceptable to your circumstances, but you might increase your contributions in order to have a larger lump sum.

However you decide to invest or retire is 100% completely your choice, but I recommend as the next step you speak to a financial planner to get all the advice you can. By starting a plan sooner rather than later you will see the magic of compound interest working in your favour and once the plan is established, it takes very little time to monitor your progress.

Start now

In the time it has taken you to read this article, you could be well on your way to developing your retirement plan, so why not start today?

* ASFA Research, "The Age Pension, Superannuation And Australian Retirement Incomes", June Quarter, 2010

Source: <http://www.savingsguide.com.au/financial-planning-for-retirement-while-youre-young/?ref=related>