Retirement

Your guide to retirement

Retirement can be an exciting time; after many years of work, you can enjoy much more control over how you spend your time. With planning and thought, it may be a chance to pursue travel, leisure and family time. On the flip side, your work may have provided social connections and mental stimulation, and the idea of feeling disconnected once you stop working can be challenging.

Finding a purpose in retirement, by getting involved with the community or having time to do the things you've always wanted, may help you feel fulfilled.

One way to hopefully help you achieve an enjoyable and stress-free retirement is to plan for the financial changes as well as the lifestyle changes in advance.

There are important questions you'll need to answer like: Where will I live? Should I downsize my home? Is aged care on the cards? How much income will I need? How will I spend my time? Will I start a new venture? Is volunteering important to me? Where do I want to travel? What legacy will I leave? Is my partner on the same page?

No matter your plans, having a healthy retirement income may make it easier to achieve your goals. It's also worth knowing what types of government support are available to help you live as comfortably as possible.

This guide aims to help you think about these questions so you can prepare for a retirement you want.

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Paint your retirement picture

If the idea of retirement conjures up both excitement and fear, you're not alone. It represents a significant shift in lifestyle, routines, finances, emotions and identity. That's why, for some, easing into retirement can be helpful.

Here are some ideas to consider:

Do your homework

Start reading up on retirement, talk to others who've been through it and consider how you'd like your retirement to play out.

Consider moving to part-time work

This can almost be like a trial run of retirement before you completely take the plunge.

Maintain and build friendships

Having social connections after you leave the workforce can help to make retirement more fulfilling.

Plan new routines for your day

Plan ahead so you know what to expect when you stop working.

Talk to your partner

You may find you have very different notions of retirement. Talking things through ahead of time can be an important step.

Sort out your super

As your super may be your main source of retirement income, the earlier you start thinking about it, the better chance you may have of achieving the retirement savings you want.

Starting a business later in life

Whether driven by a desire to stay active, or to earn some extra dollars, starting a business in retirement could be an exciting potential next step, and may be the realisation of a long-held dream. The experience, networks, skills and resources of older entrepreneurs can be great advantages and a hobby or a passion may turn into a thriving small business.

Networking with like-minded people who want to put their experience to good use, either through online communities or meet-ups can be a great way to share ideas and learn. There are resources available to assist, including **Government initiatives** aimed at supporting entrepreneurship among mature age Australians.

Meet Susan...

Susan recently retired from being a high school English teacher, a job she enjoyed for over 40 years. Susan was keen to keep her mind active and put her skills to use during retirement. She had also had a long-held goal to be her own boss. With this in mind, Susan started a small business providing editing, proofreading and writing services for businesses and community organisations. She created a website, attended local business networking events and spoke to her extended network of friends to help her to promote her services.

Volunteering

Stopping work can be a shock to the system. For many, work can be a main source of social interaction and mental stimulation. One way to keep using your skills, and to spend your time with like-minded people, is by giving back to your community through volunteering.

There are endless volunteering opportunities. For example, you could volunteer at a health service or your favourite charitable organisation, as a tour guide, a mentor, or even a dog walker. A good way to find the right cause is to find one you're passionate about, where you can put your skills from your career to good use.

You can find volunteering opportunities in your area via Volunteering Australia or govolunteer.com.au.

Meet Dinh...

Dinh spent many years as a partner at a mid-sized accounting firm. Over his career, he honed valuable leadership and managerial skills, in addition to his accounting knowledge. During his retirement, Dinh was keen to give back to his community. He volunteered his time as a treasurer for a charity he was passionate about which helped disadvantaged youth attend university, sat on the board for a not-for-profit and used his contacts at his old firm to help him to provide free accounting services for these organisations.

Prepare for a comfortable retirement

It's hard to know how much super you'll need, to live the retirement lifestyle you want. There are many factors to consider, like your age when you retire, how long you might live and the type of lifestyle you'd like to have.

Many Australians often underestimate how much they'll need. As a guide, the Association of Superannuation Funds of Australia's (ASFA) Retirement Standard has calculated some benchmark annual budgets to provide you with an idea of what you may need for a comfortable or modest retirement lifestyle.

Both budgets are estimates for how much Australians aged around 65 who own their own home and are in relatively good health, may need in retirement.[1] ASFA updates these estimates each quarter. You can visit the ASFA website for the latest figures.

Table 1: The current budget for those aged around 65 (September quarter 2021, national)[1]:

★★★ **Modest lifestyle**

Single	Couple	
$28,775	$41,446	total per year

★★★★★ **Comfortable lifestyle**

Single	Couple	
$45,239	$63,799	total per year

1 Association of Superannuation Funds of Australia (ASFA) Retirement Standard, September 2021, Tables 1 and 2.

2 ASFA Retirement Standard Detailed budget breakdowns, September quarter 2021, for retirees aged 65–85.

3 Association of Superannuation Funds of Australia (ASFA) Retirement Standard, September 2021.

Table 2: Budgets for various households and living standards for retirees aged between 65–85)[2]:

★★★ **Modest lifestyle**
Couple

Health	$100	per week
Leisure	$153	per week
Clothes	$37	per week
Energy	$46	per week
Food	$177	per week

★★★★★ **Comfortable lifestyle**
Couple

Health	$200	per week
Leisure	$285	per week
Clothes	$49	per week
Energy	$53	per week
Food	$214	per week

According to the ASFA standards, the amount required for a modest retirement lifestyle is considered better than the Age Pension, but still only allows for the basics (ie no budget for home improvements or international holidays, with only occasional restaurant meals and a relatively cheap car).

A comfortable retirement lifestyle means an older, healthy retiree can enjoy a range of leisure and recreational activities and a good standard of living through the purchase of things like household goods, private health insurance, a reasonable priced car, good clothes, a range of electronic equipment, and domestic and occasional international holiday travel.[3]

For Australians who own their homes, another rule of thumb is that you'll need 67% (two-thirds) of your pre-retirement income to maintain the same standard of living in retirement.[4]

4 ASIC MoneySmart (2021) **How much super you need**, section The lifestyle you want.

Tip Manage longevity risk

The reason many Australians often underestimate how much super they need, is because it's hard to know how long they'll live and therefore how many years they'll need to fund their retirement lifestyle.

Aussies are living long, healthy lives well into their retirement. If you're planning to retire at around age 65 it's likely you'll live for another 15 to 20 years. The average Australian woman has a life expectancy of 85 years and men are expected to live to about 81 years.[5] So it can be a good idea to plan and save accordingly.

5 Australian Bureau of Statistics, **Life tables, key statistics** (2018–2020), released November 2021.

There are useful tools available to help you estimate how much money you may need in retirement, like AMP's **retirement needs calculator**.

Plan for where you'll live

A big part of painting your retirement picture is knowing where you're going to live. There is a lot to consider, like whether you'll stay in your own home or downsize? Move to a new city or town? Perhaps an assisted living facility or retirement village?

Thinking about your future needs now, can help you plan ahead. Here are few questions to ask:

- Will my current home be suitable if I become less mobile? Is it too big? Does it have too many stairs?
- What will the maintenance costs be on my home? Can I afford them?
- If I stop driving, is there transport available to make it easier to get around?
- Are there social activities in the local community that I can participate in?
- Are there shops close by?
- Are there medical services in the area?
- If I move to a retirement village, are the other residents my age? What are the facilities and activities like? What are the fees?

It's a good idea to weigh up both the financial and non-financial considerations when making decisions about where you'll live.

Understanding aged care

While it may be a while down the track, it's important to understand how aged care works in Australia. Aged care can be provided in a number of ways and understanding your options can help you and your family to plan and have open discussions.

Aged care options include:

- **Help in your own home**
  If you're generally able to manage, but require assistance with daily tasks, there are various home-care packages available.
- **After-hospital (transition) care**
  If you've been in hospital but need assistance while you recover, this type of service can be provided in your own home or live-in setting for 12–18 weeks.
- **Respite care**
  This service provides support for you and your primary carer when your carer has other duties, or when they're on holiday.
- **Residential aged care**
  When you live in a full-service residence and receive ongoing care and support. If it's the best option for you, it's a good idea to research and visit several residences to find the right place.
- **Short-term restorative care**
  Provides a range of services over eight weeks to help prevent or slow down difficulties with completing everyday tasks. It aims to delay or reverse the need to enter long-term care.

Each aged care service has eligibility criteria and an assessment process which can be organised through the government's **My Aged Care service**. Keep in mind that the costs of different aged care services vary and may depend on your income and assets, as assessed by the Department of Human Services or the Department of Veterans' Affairs.

Consider boosting your super in the lead up to retirement

As you approach retirement, it could be a good idea to give your super a boost. Your savings will soon turn into an income stream, so generally the more you've saved, the better.

You'll need to make sure that you're eligible to contribute to super, but if you are, here are some ways that could help you top up your retirement savings:

- **Make the most of after-tax contributions**

  Making personal contributions to your super from your after-tax money can be one way to boost your super. This is also known as non-concessional contributions, no tax is payable on these contributions. However, an annual cap of $100,000 applies (from 1 July 2021 this will increase to $110,000). If you're under 65, you can bring forward up to two years of this cap, allowing you to contribute a total of $300,000 at a time, this will be increased to $330,000 from 1 July 2021.

  Note: If you have total super assets of $1.6 million or more as at 30 June of the previous financial year, you can't make after-tax contributions to your super or you may be penalised. From 1 July 2021, this cap will increase to $1.7million. **Learn more** about the transfer balance cap increase.

- **Consider salary sacrifice**

  Making voluntary contributions from your before-tax salary to your super (also known as salary sacrifice) could potentially not only help you to boost your super but could potentially reduce the amount of tax you pay. That's because salary sacrificed contributions are generally taxed at 15% when received by the fund, which is potentially lower than your personal marginal tax rate.

  Note: These types of contributions (known as concessional contributions) are currently capped at $25,000, from 1 July 2021 this will be increased to $27,500. This cap also includes amounts contributed by your employer (your superannuation guarantee contributions) as well as any personal super contributions you may have made and for which you'll claim a tax deduction. See how much tax you may save while boosting your super with **AMP's salary sacrifice calculator**.

- **Downsizer contributions**

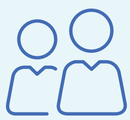
  You may be able to top up your super with the proceeds of the sale of your home. If you're aged 65 years or older, you can make an after-tax contribution into your super account of up to $300,000 from the sale proceeds of your home if you have owned the property for at least 10 years. Couples can contribute $300,000 each, regardless of their work status, super balance or history of contributions.

To qualify...

≥65

You're 65 years of age or older.

You sell a home you've owned for 10+ years.



Both you and your spouse may be able to contribute if you meet eligibility criteria.

Your home is in Australia and not a caravan, houseboat or other mobile home.

The home is, or has been, your main residence.

- **Consider making a personal tax deductible contribution**

  Making a voluntary personal super contribution, and claiming it as a tax deduction, could potentially not only help you to boost your super but could potentially reduce the amount of tax you pay. That's because the amount you contribute, and claim as a tax deduction, will generally be taxed at 15% when received by the fund. However, the tax deduction you're able to claim will produce a tax saving at a potentially higher rate (as it will be based on your personal marginal tax rate).

  Note: These types of contributions (also known as concessional contributions) are currently capped at $25,000, from 1 July 2021 this will be increased to $27,500. This cap also includes amounts contributed by your employer (your superannuation guarantee contributions) as well as any amounts you may have chosen to salary sacrifice.

- **Consider spouse contributions**

  In some circumstances, you may be eligible for a tax offset in your personal tax return if you make an after-tax super contribution to your spouse's super fund (husband, wife or de facto).

  That is, if you make after-tax contributions to your spouse's super fund, you may be able to claim an 18% tax offset on a contribution of up to $3,000 when completing your tax return at the end of the year.

  Your spouse's income must be less than $37,000 for you to qualify for the full tax offset which works out to be $540. Their income must be less than $40,000 for you to receive a partial tax offset.

  Note: If your spouse is aged 67 to 75, they must either meet the requirements of the work test (ie paid employment, or self-employment, of at least 40 hours within a consecutive 30-day period), or be eligible for the recent retiree work test exemption.

  If you've reached your own contribution cap and can't make any further after-tax contributions to your own super, making contributions to your spouse's super fund may make financial sense.

Tip Review your investment options

While the contributions you make may have a significant impact on your super balance when you retire, the investment returns generated by your super fund also matter, as well as how long your money was invested.

Check whether your super is invested in appropriate options based on your needs and financial circumstances such as age, goals and your level of risk tolerance. If you're unsure, contact your super fund or a financial adviser for guidance. It's worth considering and reviewing your investment options regularly.

For more tips on how to make the most of your super in the lead up to retirement, visit our **grow my wealth page**.

Funding your retirement

The income you receive in your retirement can come from different sources, both inside and outside of super.

Transition to retirement income streams

A transition to retirement income (TTR) stream allows you to withdraw up to 10% of your superannuation savings in the form of a pension, without stopping work completely. That means, you can access a potentially tax-effective income stream from your super while continuing to work full-time, part-time or casually. To access your super this way, you must have reached your preservation age, which will be between 55 and 60, depending on when you were born.

Account-based pension

To generate an income from your super in retirement, one potential option is to commence an account-based pension. An account-based pension (or allocated pension) allows you to draw a regular income from your super savings once you've met a condition of release, such as reaching your preservation age and being retired.

From age 65, you can access your super either as a lump sum or income stream (or a combination of both) regardless of your retirement or work status.

Investment earnings within an account-based pension are tax free. Also, if you're 60 or over, you generally won't pay tax on the pension income you receive. If you're between your preservation age and 60, a tax-offset is usually available on any taxable portion of the pension income you receive.

Each year you'll need to withdraw at least a minimum amount. This figure is calculated based on your age and a percentage of your account balance:

Table 3: Minimum withdrawal from account-based pension per year.[6]

Age	Yearly minimum withdrawal (%)
55–64	4
65–74	5
75–79	6
80–84	7
85–89	9
90–94	11
95 or over	14

6 Australian Securities & Investments Commission, Account based pensions, Table 3.

It's worth noting that in response to the COVID-19 pandemic, the government temporarily reduced the above superannuation minimum drawdown rates for account-based pensions by 50% for the 2019–20 and 2020–21 financial years.

With an account-based pension, you can also choose to receive more than the minimum amount (no upper limit) as income payments, or to make lump sum withdrawals.

You're restricted to transferring a maximum of $1.6 million into retirement phase pension accounts (which include account-based pensions). This is a limit on how much can be transferred into retirement pensions but does not include any subsequent investment earnings on the balance. If you have accumulated more than this amount in super, these excess amounts will need to be left in the super accumulation phase (where earnings will continue to be taxed at the concessional rate of 15%), or taken out of super completely. On 1 July 2021, this cap is increasing to $1.7 million. However, not everyone will benefit from this increase in the same way. **Learn more** about the transfer balance cap increase.

Lump sum

You can access your super as a lump sum from age 65, if you choose, regardless of your retirement or work status. Or once you've met a condition of release, such as reaching your preservation age and retiring.

If you choose to access your super as a lump sum after you've reached your preservation age, but before age 60, there's a limit ($215,000 in 2020–21) that you can access tax free. Amounts above this will be subject to tax on withdrawal.

If you withdraw your super as a lump sum after you've turned 60, it's generally tax free (amount unlimited).

Taking super as a lump sum may help you to pay off a debt, or pay for something on your wish list, like a cruise or a renovation. However, be mindful that your super is there to fund your retirement, which in many cases may be more than 20 years, so be wary of spending your retirement savings too early.

You may plan to use the lump sum to invest outside super for an income stream. It's a good idea to get professional advice first to help you decide if this is an appropriate strategy for you based on your circumstances.

A combination

You aren't restricted to one option and can use a combination of different income streams and lump sum withdrawals to fund your retirement. For example, you may draw out a lump sum to pay for a big expense, while using the balance to create an income stream.

The Age Pension

Depending on your circumstances, you may be eligible to receive government assistance via the Age Pension:

1. Your age

To be eligible for the Age Pension, you must be 66 or older. The qualifying age will increase by six months every two years, to 67 years by 1 July 2023. That means the age you'll be eligible to apply for the age pension will depend on the date you were born, as shown in the table below.

Table 4: Pension Age[7]

Your birthdate	Your Age Pension age	Date of Age Pension age change
1 January 1954 to 30 June 1955	66 years	1 July 2019
1 July 1955 to 31 December 1956	66 years and 6 months	1 July 2021
On or after 1 January 1957	67 years	1 July 2023

7 Australian Government Department of Human Services, Age Pension-Who can get it, Table 4

Example...

Judy works part-time in an architectural firm and plans to retire in three years when she turns 65. To make the most of her income in a tax-effective way, Judy has started a transition to retirement income stream from her super. Her husband, Tom, who is 66 years old, will retire from full-time work later this year with a super balance of $620,000, which he plans to move to an account-based pension in order to start drawing an income from his super. Tom and Judy don't qualify for the Age Pension. To supplement their retirement income, Tom and Judy also own an investment property which they will have paid off by the time Judy retires. The income generated from that property along with their super savings will help finance the lifestyle they want in retirement. When Judy retires, she and Tom plan to travel across Europe for two months. They will each draw a lump sum of $20,000 from their super which will be tax free to help pay for the trip.

This example is illustrative only and isn't an estimate of the investment returns you'll receive, or fees and costs you'll incur.

2. Residency

To receive the Age Pension, you must be an Australian resident and physically present in Australia on the day you submit your claim. You must also have lived in Australia for at least 10 years, during which there should be at least one period where you have lived in Australia continuously for five years.

3. Assets and income

Centrelink will assess your income and assets to determine how much money you'll receive via the Age Pension. When assessing your income, Centrelink will consider all income you receive from other sources, including outside Australia. They will also use the market value of your assets to make a decision.

Depending on the outcome of the income and asset tests, you may receive the full pension or part pension, or no assistance at all. There are certain cut-offs for income and assets which will mean you're not eligible to receive any government assistance.

Table 5: Standard Pension Income Test (per fortnight)*

If you're	Income cut-off points (per fortnight)
Single	$2,083.40
A couple living together	$3,188.40
A couple living apart due to ill health	$4,126.80

* These thresholds were last updated March 2021.[8]

8 Australian Government Department of Human Services, Income Test for Pensions, Table 5

Income levels below the above cut-off points may result in a full or part pension, depending on how much income you receive for the Age Pension.

Similarly, there are limits on the value of assets you can hold before you're no longer eligible for the Age Pension. Note the asset test doesn't take into account your family home, along with certain other assets.

Table 6: Asset test thresholds for the full pension[9]

If you're	Homeowner	Non-homeowner
Single	$268,000	$482,500
A couple, combined	$401,500	$616,000
A couple, separated due to illness, combined	$401,500	$616,000
A couple, one partner eligible, combined	$401,500	$616,000

This table only considers those who are receiving pensions (including the Age Pension). Updated from 1 July 2020.

9 Australian Government Department of Human Services, Assets test for Age Pension Table 6

The above table shows the threshold you need to be below to receive a full pension under the assets test. Asset levels that go above these thresholds will result in a gradual reduction of the amount of Age Pension assistance you'll be eligible to receive under the asset test.

Centrelink will compare your income and assets test and the one that produces the lowest payment amount will be used to determine your actual rate of payment (if you're eligible).

You can find out more about the Age Pension eligibility criteria via the Department of Human Services.

How much will I receive?

Age Pension rates are adjusted twice yearly, in March and September. As at March 2021, singles eligible for the full pension will receive $952.70 per fortnight while couples will receive $718.10 per fortnight each. These amounts include both the Maximum Pension Supplement as well as the Energy Supplement.[10]

As the amount you receive will be based on your income and assets, you may want to consider how your assets (both super and non-super) may impact the amount you're eligible for.

Use the Age Pension Calculator to see what you can receive.

10 SuperGuide Age Pension rates (March 2021 to September 2021).

Perks for over 60s

There are some perks that come with reaching retirement age. You may become eligible for discounts to services and bills through a number of different schemes and pensions. For example, discounted health care, council rates and utilities like electricity. Accessing allowances and concessions can help you to lower your cost of living.

Some benefits include:

Seniors Card

Each state provides a seniors card scheme which offers discounts on transport and other services from participating businesses. The idea is to make it easier for older people to get out and about and engage with the community. To get the card, you must be at least 60 years old and not working full-time. Remember to ask local businesses if they offer a discount for seniors, and also keep an eye out for the seniors card sign in shops.

Find out the **eligibility criteria** for your state.

Commonwealth Seniors Health Card

The Seniors Health Card is a federal scheme which provides access to cheaper health care and discounts to those who have reached pension age. It includes cheaper prescription medicines under the Pharmaceutical Benefits Scheme (PBS), bulk-billed doctor visits and a larger Medicare refund on out-of-hospital costs once you reach the Medicare Safety Net.

You can get the card if you meet these criteria:

- have reached Age Pension age
- don't qualify for a payment from the Department of Human Services or the Department of Veterans' Affairs
- meet an income test, and
- are an Australian resident currently living in Australia.

Find out more about eligibility via the **Department of Human Services**.

Pensioner Concession Card

If you receive the pension, you are most likely eligible for the Pensioner Concession Card which provides cheaper health care, medicines and other discounts to card holders.

Other allowances

Other government payments are available to those who qualify, including:

- **Rent assistance** – helps cover your rent if you rent privately and receive a payment from the government
- **Energy supplement** – help manage household costs if you receive an eligible government support payment such as the pension
- **Carer allowance** – if you provide care to an elderly person or someone with a disability or medical condition.

Leaving a legacy

Leaving a legacy is something everyone can do. It's about more than just money and represents the impact your life has on the future. It's personal and will mean different things for different people. This could include supporting the people and causes that matter most to you.

Sharing life lessons, stories and values, being a mentor, providing clear instructions about your wishes and supporting philanthropic causes are some of the ways you can leave a legacy.

One way to help a smooth transfer to the next generation is to have your estate planning in order. In addition to money management, it may be useful to have open discussions about your wishes with your loved ones to avoid potential family tension.

To help get your estate in order you could:

- **Make a will**
  A solicitor can help you draw up a legally binding document outlining who should receive your assets when you die. If you don't have a will, your estate will be distributed based on the law in your state.
- **Appoint an executor**
  This is the person responsible for making sure your assets are distributed according to your wishes.
- **Set up an enduring power of attorney and a guardian**
  This will allow someone to make financial decisions on your behalf if you aren't able to make them for yourself, for example, due to poor health. In some states, the person holding a power of attorney can also make decisions about your lifestyle, such as where you'll live, while in other states, you must appoint a guardian to do so.
- **Consider nominating your super beneficiaries**
  Super is treated differently from other assets in your will, so it's important you keep your super fund up to date with your wishes by nominating your beneficiaries.

Find out more about **estate planning**.

We're here to help

Find out how we can help you with your retirement plans.

Complimentary simple retirement advice

If you're a member of AMP Super Fund, you can access complimentary retirement advice about your super account, covering areas like how much you'll need for retirement, how long it'll last, Age Pension, and an income projection. Book here.

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