BABY boomers

Money for Life – for Frank & Carla Blockside

AGE: Frank, 60, and Carla, 59
STATUS: Married. Son Sean, 39, has flown the coop
OCCUPATION: Frank works as a specialist mechanic; Carla is a sales consultant
INCOME BRACKET: $60,000-$100,000
LIVE: Perth

Frank and Carla are typical baby boomers in the sense that they have time and money – not an abundance of both but, as Carla says, they're doing nicely. "Looking back over the years we have made some great decisions," she says. "And the fact that we've done this on limited resources means anyone can do it."

As for most boomers, super is a concern. Frank and Carla admit, "there's very, very little". "We have a lot of common sense between us," says Frank. "We've done well on our own so far, but the next step sees us a bit perplexed."

What keeps you up at night?

"We don't know if we're prepared for retirement," says Carla. "We hope we are but we've never really looked into it."

Financially, what would you like to achieve?

"We want to continue having a good lifestyle and that means an income of around $50,000 per year," says Frank. "We know we have to economise, but we'd love to be able to take one holiday each year. This will provide us with a lifestyle we're accustomed to." EFFIE ZAHOS

ADVISER SAYS...

Frank and Carla have built a property portfolio with some astute buys, thanks to Carla's real estate background. As they approach retirement however, they are acutely aware that the properties, while having increased in value, are a drain on their annual income and aren't going to provide enough income for their retirement. Here's what award-winning financial adviser Neil Kendall, of Tupicoffs in Brisbane, had to say:

Frank and Carla's super has a combined value of less than $100,000 and they still have a substantial debt against the property portfolio that needs to be dealt with.

Their dream to live comfortably, retain their Perth home, and build a very modest holiday home in Tasmania, is achievable if they follow the plan. Frank and Carla have successfully built a geared property portfolio during their working lives, but are unsure how to best convert this to a portfolio appropriate for retirement.

We recommend they rationalise their property holdings over a number of years as they approach retirement.

We recommend selling a property to reduce debt, allowing them to take advantage of "salary sacrifice" benefits. By selling properties gradually they can manage the capital gains tax, but they should have any sales completed by their retirement at 65 to maximise the benefits.

We recommend a more diverse portfolio to help reduce risk, and also that they keep three years' income in cash, to avoid having to sell assets during future market downturns. Frank and Carla have indicated they are moderately defensive investors and, fortunately, with their capital they can achieve their goals without needing to invest more aggressively.

In fact, when reviewing their options we have pointed out that their income aspirations in retirement seem realistic (they indicated they would need $50,000 a year, which studies show is a comfortable retirement income). We have shown them that they can afford that, and that their capital will maintain its spending power.

Our recommendations include starting pre-retirement pensions, which will allow them to maximise the tax benefits of super and to maintain their cash flow. As there is a two-year age difference we considered a Centrelink strategy, but to qualify they would lose more in tax concessions than they would gain from the pension and associated benefits. We have also provided them with a cash-flow plan showing how to pay for their overseas holiday and a new car they need.

Frank and Carla have put themselves in a good position to fund their own retirement by investing regularly and their success in building a property portfolio.

We have been able to show them how to modify their strategy to be more appropriate for retirement and to capitalise on their success in property investment.

You can contact adviser Neil Kendall at advice@tupicoffs.com.au or www.tupicoffs.com.au

GARY MARSH

THE SILENT GENERATION 1925-1942

Retirees are often called the silent generation. Their advice from adviser Neil Kendall is: "Don't panic."

The last few years have been tough, but remember that investments do go up as well as down, and don't abandon your long-term plan – review it and make any adjustments required. Think carefully and don't just focus on the recent declines. Ensure your risk profile (how much you have in shares, property and cash) is appropriate. Make sure you understand each investment: many retirees who lost money didn't understand what they were invested in.

Don't forget to check for Centrelink entitlements. Centrelink won't offer a pension unless you apply. Many who didn't qualify may now be eligible.

BLUEPRINT FOR BOOMERS

Financial adviser Neil Kendall believes a good blueprint to financial success for boomers starts with putting themselves first. Of course, this may not come easy to many parents. Kendall explains:

Many boomers give money to their kids despite their own financial stress. In many cases the kids are much better off than they are. Gifting also has Centrelink implications. There can be generous benefits for retirees with significant age differences. In a family where one retiree is above pension age and the other below, the younger's super doesn't count towards the asset test limits. This enables some couples to qualify, and others to increase the amount they qualify for.

Be aware, however, that if the money is in a pension, it is counted regardless of age. In some circumstances it is possible for the older partner to withdraw some super and the younger partner to contribute extra to their super, reducing the amount counted toward the Centrelink assets test. Seek professional advice before attempting to implement this strategy as errors can be costly.

Other tips for boomers include:

- While a budget can be cumbersome, leaving credit cards at home and only using cash helps to manage discretionary spending.
- Be involved with your finances. Don't opt out and trust someone else. Understand exactly what you are investing in and why.
- Don't put off the hard stuff. Wills and enduring powers of attorney are necessary for everyone. Failing to plan effectively will cause someone else grief. Underestimating returns often means having to work longer, and overestimating can see you run out of money too early. Some people may need to use the equity in their home to live comfortably and this can be planned for. Make sure you get as much into super each year as you can. Then make sure it is invested properly.

Be careful to ensure all tax-deductible contributions remain below the limit. Going over will incur severe penalty tax. Finally, there are many things you can do to fund your retirement. Working longer, part-time work in retirement, investing more aggressively and spending less are just a number of options. Have a plan and be clear what's important.

Advice provider by financial planners is of a general nature only. You should obtain professional advice before acting on this information.