



Our Banks
are giving lots
of love...to new
customers

The Benefits of Asking 'The' Question



I was visiting a client who worked for a major TV station recently, and we ended up talking about the 'interest rate war' that the banks are apparently waging. I was quick to point out that this is solely for new customers – if you're an existing customer, our banks assume you're not going to know what's a good rate and what's not, so they keep nudging you up. We recently saved a client with a \$550,000 mortgage a full 2% on their loan rate – that's over \$11,000/a in interest savings!

In this newsletter we've featured an article on the importance of planning – in this case it was on financial security in retirement, but it could equally apply to just about anything you wanted to set your mind to.

Brett

Brett & the team



Paving your path to financial security in retirement

Generally speaking, financial security is peace of mind that comes from having confidence you can attain all of your financial goals both now and in the future.

PREPARE FOR THE ROAD AHEAD

Retirement isn't a one-stop destination – it's a phase of life. The priorities, challenges, and resources you have at the outset of your journey may change over time, so be prepared to follow a winding path.

There's no universal route to financial security in retirement, but there are common steps in the journey.

- 1 **Determine goals.** Identify and prioritise the things you want to accomplish.
- 2 **Understand risks.** Be aware of potential risks that could get in your way.
- 3 **Assess financial resources.** Take inventory of your present and anticipated future assets. Most of us will rely on several financial resources in retirement. Different resources can meet different needs.
- 4 **Develop a plan.** Create a long-term strategy that takes your highest-priority goals, biggest risk factors, and available resources into consideration.

THE KEY ELEMENTS OF RETIREMENT PLANNING

GOALS

Retirement isn't a single goal. It's a combination of multiple goals that vary in importance. Generally, you'll want to allocate your assets toward your goals in order of priority, using reliable, easily accessible resources to achieve your highest-priority goals.

Here are 4 main goals, prioritised from the highest order:

- 1 Living expenses
- 2 Contingency reserve
- 3 Discretionary spending
- 4 Legacy

RISKS

Retirees face several risks, which can be grouped into five categories:

- **Market and investment risk:** The risk your portfolio will lose purchasing power due to market variables, including investment returns, inflation, and interest rates. Your lower-priority goals (such as discretionary spending or legacy) may be able to withstand greater levels of market and investment risk.
- **Health risk:** This risk is twofold. It's the risk you'll need care because your health is declining plus the risk you won't be able to afford care. You can determine your health risk by evaluating three factors: your overall health, available coverage, and desired level of care.



- **Longevity and mortality risk:** Longevity risk is the risk you'll live longer than expected and potentially outlive your savings. Mortality risk is the opposite – it's the risk that you'll live shorter than expected, potentially widowing a spouse or leaving behind more wealth than anticipated.
- **Event risk:** The risk you'll face an unexpected event with a large financial impact, such as an extensive home repair or relocation. Roughly 72% of current retirees report having experienced at least 1 such "shock" in retirement¹.
- **Tax and policy risk:** The risk that rules about public health coverage, retirement benefits and pensions, and taxation of retirement benefits and estates will change. This can be lessened by controlling your asset allocation, asset location, and spending plan.

RESOURCES

Your retirement resources include more than your portfolio. We categorise the resources you may have in retirement into three groups:

- Guaranteed income (Social Security, pensions, annuities).
- Liquid assets (investment accounts that you control).
- Other resources (insurance policies, employment income, property).

FORGE YOUR PATH

Retirement is complex. You may have competing objectives that require you to make difficult choices.

Contact Brett to discuss your retirement options today.

1 Risks and Process of Retirement Survey from the Society of Actuaries, 2015 Source: Vanguard