

Retirement is DEAD!

Peter Vickers, Chartered Accountant, Lindfield and Principal of Peter Vickers Business Group, says there's no such thing as retirement as we used to know it.

If "retirement" means "leaving a job or career" then one might retire, but if it's understood to be "not earning income", then it does not exist in the 21st century.

When the government announced that it was increasing the retirement age from 65 to 67 we remembered that the old age pension was introduced when average life expectancy was 55. Those that retired at 65, commonly died by 67. If you're a man aged 67, the latest life expectancy tables give you an average life expectancy of 83. However what happens if you live into your nineties? The average period of retirement has increased dramatically.

Retirement is no longer a defining moment in one's investment strategy. Nor is it a time when one switches from a long term to a short term horizon. It is also not a time when you stop managing your investments. On the contrary it is a time when you will spend more time and effort on managing your accumulated wealth in order to earn income from which to live or to ensure that no calamitous events occur that will affect your investments.

Superannuation has various ages when various rules change. These are 50, 55, 60, 65 and 75. However your superannuation continues after the official retirement date.

Many people misunderstand superannuation. Your money is invested inside a superannuation fund only for the tax benefits involved. Superannuation is generally just saving, investing and then drawing down money from which to live. If it was not for the tax benefits no one would have their money in a super fund. This has been intentionally set up by governments and is not tax avoidance.

The next problem is that the laws and investment climate change regularly. The share market has a cycle of 4 to 5 years; property has a cycle of 7 to 10 years; Federal Governments face the electors every 3 years. Our extended family changes every few years with births, deaths, marriages and divorces. We of course do not mention the effect on one's wealth of unwanted births, extra marital relationships or all the other combinations and re-combinations that us humans manage to get ourselves into. You then have to add health issues including dementia.

Do not think that your investment and financial planning stops when you cease working. It only starts then and is a long term strategy. You do not have to face these issues by yourself. There are plenty of accountants, lawyers, financial planners, brokers, banks, health professionals and funeral directors ready and willing to assist you. Retirement is DEAD.