

M&CO Newsflash

Family circumstances are often an issue in retirement planning but clients don't always get the full picture

Family circumstances are often an issue in retirement planning but clients don't always get the full picture. Please read this article carefully & think about how it may affect your own retirement plans, or those of someone close to you. If so, you may want to share it with them. They will probably thank you for it!

In the past, people approaching retirement rarely had to worry about elderly parents, but it's something that today's retirees must take into account. They also expect their children to have moved out before retirement, but what if they haven't? Still need to support their children even after retirement? Surveys undertaken by Putman in Australia and the USA show that people aged 45 and over may have a good understanding of retirement, but are not always aware of family obligations they will continue to have.

Studies in Australia indicate that retirement could be better described as a change in lifestyle, with a less demanding working life. The most recent Putman study indicates the most important influence is the number of family obligations that those approaching retirement still have, coupled with the support they are expected to provide to other family members.

Australians have one of the highest life expectancies in the world living longer than ever before. Advanced medical technology has increased the average life expectancy, with more people living longer and enjoying more active lifestyles, the issue of longevity is being considered more seriously. The proportion of the population aged over 85 is expected to triple over the next four decades. Nearly 40% of those surveyed in the US believed they have an obligation to help their elderly parents with day to day assistance and 20% say that assistance includes financial support. The majority of those surveyed say even in retirement they expect to be helping their parents (because of longer life expectancies). Of people approaching retirement, 70% say that did not expect to still be caring for their adult children in retirement.

In the last 20 years, the median age of Australian mothers has risen from 27 to 31. It's by choice that many women are devoting more time to their own careers. At the same time, advances in reproductive medicine have enabled woman to have children later in life. There are many benefits to being an older parent: maturity, focus and financial security. The prospect of spending 20 to 40 years out of the work force is very real for many Australians.

The question is, how will you afford to live for this length of time out of the workforce? Already Australian parents support their children through university such as paying fees or covering living costs. However older parents may not be able to support their children's education without it having a detrimental effect on their retirement lifestyle. Where the cost falls on the children they are starting their working life with a

significant HECS debt which, in turn, may prevent them starting a family until they are more financially secure. Having their first children in their late 30s or early 40s is no longer exceptional. But it means children will still be in secondary education when parents are in their late 50s or early 60s and getting close to retirement age. This includes helping with living expenses, paying for a car, paying mobile phone bills, or have them live back at home. 41% think the support will last until their children are in their 30s. The recent study showed that while students are taking on more debt, parents often draw down their home equity and retirement accounts, by making ongoing financial contributions to their cash strapped children.

The US survey showed for those with adult children at home, 43% said they would work in retirement. Some 44% of people said they would be willing to work in retirement to help fund themselves and their aged parents. At the same time, 75% say that if they could start over they would take every precaution to avoid becoming a burden to their children. This is perhaps the first generation ever to reach retirement with their own parents alive, and with adult children who have yet to move out and start their own family. However, few people have factored in these kinds of responsibilities in their own retirement planning, or done their sums to work out how much money they need in retirement.

However, education costs are likely to become an even bigger issue in Australia in the future. Retirement should be enjoyed. People shouldn't be forced to sacrifice their quality of life to make their savings last. The reality for many Australian retirees is that their retirement savings won't last the distance.

The current age pension pays a single person a maximum of \$14,765 per annum and couples receive up to \$12,282 per annum each. According to the Association of Superannuation Funds of Australia (ASFA) Retirement Living Standard, December 2006, the cost of a comfortable retirement is estimated at \$35,731 per annum for single people and \$47,824 per annum for couples, assuming a budgeted lifestyle.

If you are genuinely concerned that you are likely to long outlast your retirement investments &/or that you may have to look after either or both your elderly parents & your 20 something children still living at home by the time you want to/have to retire, please call or email us now to make a time to talk about it or, if we have a regular reviews service agreement in force, please make sure to bring this up at our next review meeting. Much better be prepared than going blind, don't you think?

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