Retirement planning in your 50s

While planning your retirement can mean different things to different people, more often than not, the type of retirement you can afford comes down to the plans put in place to set yourself up for the future.

How much you may need, how and when you can start accessing your super and having a plan in mind when moving into retirement are all things worth considering.

The first big question you might ask yourself at 50 is 'how much do I need to retire' and 'how long will my money last?'

While a logical question, it's often a difficult one to answer. The amount you need will differ depending on the plans you have and the financial resources at your disposal.

You can find many retirement income estimates in financial commentary today, and while not necessarily personalised to your unique circumstances, these can help show the costs you may expect in retirement.

To personalise this approach, one of the simplest ways to estimate your retirement income needs is to take your current expenses and assume you may only need to fund around 70 per cent of these in retirement.

While this method is a broad but useful starting point, it doesn't really help in determining the savings you need to generate this level of retirement income. It also ignores any other one-off retirement expenses you might expect to incur.

Another method is to take your current annual expenses and then multiply this amount by varying factors depending on the age at which you plan to retire. Taking into account a set of assumptions, this method provides you with an estimated capital amount to aim for in order to generate the retirement income you need.

Keep in mind the investment returns your savings generate and your actual level of expenses in retirement will have a notable impact on whether the projection ends up being right for you.

Your superannuation savings

Your 50s also present an opportunity to start planning how much you may wish to contribute to your savings, repaying debt such as the mortgage against your home, and planning any final super contributions to boost your retirement savings.

Your super provides not only a tax-effective way to save for retirement, but also a tax-effective way to assist funding your retirement income needs once you reach an age at which you can access your accumulated benefits.

While your super is likely to form a cornerstone of your retirement income planning, it doesn’t need to be the only piece of your retirement income plan. Savings and investments outside of super can also be used to provide you with alternative financial resources for your retirement, often tax effectively with the benefit of tax offsets available to eligible senior Australians.

Repaying as much of your outstanding debts as possible, can make a big difference come retirement. While building your retirement savings, also consider a plan to proactively clear your debt by redirecting free cash flow to reducing the amount you owe, thereby strengthening your financial position.

After the age of 65, it’s generally those who continue to work who make additional contributions to super, so through your 50’s, have a plan around what final super contributions may mean for you. While many of the external factors which contribute to the retirement landscape, such as the current regulatory environment or the performance of investment markets, may be outside of your control, focusing on the things you can control will go a long way to getting you the retirement you want.

Source: BT