

LIVING LONGER

MAKE YOUR SAVINGS LAST AS LONG AS YOU

Living longer brings with it “longevity risk” – the chance that while an individual might remain fit and healthy until 90 or more, their finances might not.

With the Global Financial Crisis having already taken a heavy toll on the finances of Australia’s baby boomers, a generation which once looked forward to a secure and comfortable retirement has been forced to rethink its expectations.

For boomers, retirement finance has become less about chasing wealth and more about making it last. The coping strategies of today’s retirees provide valuable insights

for those approaching the transition from full-time work. Some have gone back to work or postponed their retirement plans. The majority are budgeting more carefully and cutting back their spending. Many more again have taken control and regained certainty over their retirement finances.

They have learned the hard way that sharemarket booms don’t go on forever and that retirees don’t have the luxury of waiting for the market to recover. But by planning ahead and taking control, they can insulate their lifestyle from the worst the global markets and economy can throw at them.

STORY ANNETTE SAMPSON, NINA KARNIKOWSKI PHOTOGRAPHY BY JAMES BRICKWOOD, CHRIS BLOTT

A SECOND GO AT SAVING

Peter Westacott

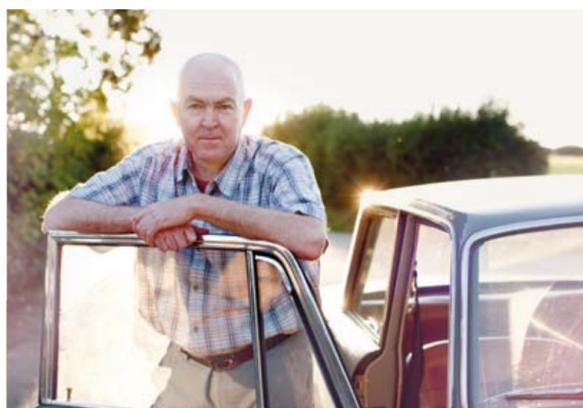
It’s every man’s dream: to be able to retire at 50. But two years later, Peter Westacott is looking at going back to full-time work.

Like many older workers, Westacott was made redundant two years ago and has not long finished a modestly paid, twelve-month administrative role. He still has a significant amount owing on his mortgage and “zero savings” – having had to rebuild after the Global Financial Crisis.

“I need to work to live as I have no savings,” he says. “So the immediate plan is to restart my career. Until then, I’m treating my circumstances as though I’m in business for myself, which means rigorous budgeting and cost benefit analysis for purchases and activities.”

“My partner’s wage covers basic living expenses, and things like insurance and rates swallow most of what might otherwise be discretionary income. I don’t go out often and when I do it’s a well-considered event to be made the most of. After a recent trip to Paris, travel is pretty much out of the question. I find ways to occupy my leisure time, I’m quite creative and can always find something to keep me energised.”

Westacott says his immediate plan is to find a better paid job so he can work towards being debt-free when he retires again – this time voluntarily.



“I need to work to live as I have no savings”

Unlike older retirees, Westacott is too young to draw on his super, or to supplement his income through the age pension. He intends to access his super once he is old enough; he is not one of those who want to keep working indefinitely.

If he had his time again Westacott says he would start pumping money into super or other savings as soon as he started earning an income.

Once he gets back to work, he intends to build up his super to the point where he can be comfortable enough to allow the occasional travel indulgence.

He would like to be in a position of not having to rely on the pension. ■



\$72,000

Retirement savings shortfall per person, assuming average life expectancy

\$136,500

Shortfall adjusted for the fact that half the population will actually live longer than expected

Source: Financial Services Council

WATCHING THE PENNIES

Gwen Bishop

Growing up in England after World War II left its mark on Gwen Bishop. “We had rationing right into the 1950s,” she says. “Being thrifty is something we’ve done all our lives. I think I just grew up that way.” In the Bishop household, no effort is spared to ensure money isn’t wasted.

“When we’re running the tap for hot water we keep a bucket in the shower and use the cold water on the garden. We do the same with grey water from the washing. There are no power points on that don’t have to be. Why waste electricity by putting the lights on to sit and watch the tele?”

“We put out single ply toilet paper when the grandkids are there, then take it off again when they’re gone. John [my husband] grows as much as he can in the vegie garden and we do things like using blankets instead of the heater. People don’t realize that op shops have really good clothing.”

“I cut up old sheets to make single bed sheets and you can make really big men’s hankies with old bed sheets as well. But I have now got to the stage where I don’t darn my socks.” Her one indulgence is a chocolate biscuit after lunch. Gwen bought a new top for the *Good Weekend* photo shoot, but says she “hates spending money. It’s only the second thing I’ve bought all year.”

It’s not that Bishop is mean. The bubbly grandmother laughs as she describes her penny pinching. “We make sure there’s money for emergencies, private health insurance, regular bills and for surgeries, if required. If we can’t afford something then we don’t need it. We spend wisely so we can afford a



“Why waste electricity by putting the lights on to sit and watch the tele?”

couple of holidays a year. We’re already planning another, perhaps to Egypt or South Africa. We’ve also just bought our first computer and we can afford to eat out at restaurants now.”

As an ex-public servant, Bishop was fortunate enough to receive one of the old defined benefit pensions which guarantees her an income for life, much like an annuity. She says she was lucky to find a financial adviser who warned her against cashing in the pension, and has helped them invest the proceeds from downsizing their home securely.

But Bishop still has an eye to the future. “You never know how long you’ll live. Both of our families have longevity and we are mindful that the money could run out, so we never let ourselves overspend.” ■

AGAINST THE ODDS

Tom Dalton

When Tom Dalton retired in 1999, outliving his savings wasn’t at the top of his worry list. At 65, he was very ill with cancer and was told he probably had a shorter time to live. That was 13 years ago, and he has been told he’s good for another 10, so it’s fortunate that he didn’t avoid thinking about his retirement finances.

“These things come and go,” he says. “You just have to get on with your life. I was 65 at the time, and that’s normally when you think about your finances and so that’s what I did.”

Money isn’t a high priority for Dalton. His attitude is that you have to live on what you have. “I wanted a steady income without too much hassle. I didn’t want to spend all my time on my finances.”

After going through a succession of financial advisers, Dalton finally found one who he was happy with. “[He] put us on to Challenger. A certain amount of our income comes from that annuity and the balance comes from other allocated pensions. We’ve got a bit of money in the bank and a



“Life is for living, not for worrying about money!”

few shares, mainly in blue chip companies that pay dividends. My wife and I manage it all ourselves.”

Once a month, Dalton sits down and does a check on his investments and “juggles money around” to pay the bill on his credit card which they use for most of their expenses. It is paid off in full each month to avoid paying interest. He says having part of his money in an annuity means his income doesn’t jump around too much and he can get on with more important activities.

“We’re comfortable and do the things we want to do,” he says. “We go on holidays every year – occasionally overseas – and we’ve just come back from four weeks in central Australia. We subscribe to the theatre and do voluntary work.”

Dalton volunteers at the National Maritime Museum and he and his wife both volunteer for the national parks, including activities such as taking conducted tours.

While having the luxury of being mostly self-funded in their retirement, Dalton says he and his wife drew up a budget when he retired, and they’ve learnt to live within it.”

“Generally if we want something, we go and buy it,” he says. “We’re careful about money but it’s not our life. Life is for living, not for worrying about money! We try to live to our ‘needs’. The ‘wants’ are the extras we get from time-to-time.” ■