10 Tips: Planning For Retirement

Do a retirement calculation. Do you know how much you need to have saved to live comfortably after retirement? Most people are "saving blindly." About half think they'll need less than 70% of their pre-retirement income. But experts say you may need to plan for more. When planning for retirement some of us make the mistake of not considering expenses for medical and dental costs, long-term care and tax. When deciding how much you need to save for retirement, make a list of all the expenses you may incur during your retirement years. This will help you to make realistic projections and plan accordingly. Try Yellow Brick Road's Super calculator here.

Catch up on your savings. Most people haven't saved as much as they should for retirement. It is obvious that it is better to start saving at an early age, but it is never too late to start - even if you are already close to your retirement years - because every dollar saved helps to cover your future expenses. Treat your retirement savings as a recurring expense, similar to paying rent, mortgage or a car loan. This is even easier if the amount is debited from your pay by your employer. (Note: If the amount is deducted and paid into superannuation from your pay on a pre-tax basis, it reduces the amount of income tax paid on your salary).

Prepare a budget. Saving a lot of money is great, but the benefits are eroded or even nullified if it means you have to use high-interest loans to pay your living expenses. Therefore, preparing and working within a budget is essential. Your retirement savings should be counted among your budgeted recurring expenses in order to ensure that your disposable income is calculated accurately. If your lifestyle, income and/or fiscal responsibilities have changed, it may be a good idea to reassess your financial profile and make adjustments where possible, so as to change the amounts you add to your retirement nest egg. For instance, you may have finished paying off your mortgage or the loan for your car, or the number of individuals for which you are financially responsible may have changed. A reassessment of your income, expenses and financial obligations will help to determine if you need to increase or decrease the amount you save on a regular basis. Try Yellow Brick Road's Budget calculator here.

Maximise tax-effective savings by using superannuation. Contributing amounts earmarked for your retirement to superannuation deters you from spending those amounts on impulse as they are not generally available until you retire. If you have enough income, consider whether you can increase the amount you save in superannuation. Another option for people with considerable amount of super is a Self Managed Super Fund (SMSF) to learn more about them click here.

Don't lose out on benefits. Millions of older adults are eligible for various social security benefits - but don't know about them.

Review your investment mix. Most people will want to moderate the risk profile of their investments as they approach retirement, moving funds out of higher-risk shares and into lower-growth (and lower-risk) investments. Although don't get out of equities entirely, say many financial advisors. Chances are that you could live 25 years or longer in retirement, so you need to be careful about the pension phase and make sure that you have enough money to see you through. In today's low-interest environment, it can be advisable to stay in some higher-return investments.

Consider what you'll do after retirement and when you'll retire. More and more boomers are saying they plan to retire after 65, or work at least part-time past retirement. Think about what you want your life to look like after retirement. What do you want to do with your time? Don't leave the workforce until you're really sure you want to and are ready to financially, because it's a lot harder to get back into the workforce than it is to change jobs or ask a current employer for more flexible options.

Create Powers of Attorney for yourself and your partner. These will put your money matters in the hands of someone you trust should you become incapacitated.

Organise your estate. It's uncomfortable to think about a time when you won't be here anymore, but better to do it now, when you have time to reflect and get sound advice. If you don't yet have a will, now is the time to make one out.

Choose a good financial adviser. As tax laws, savings options and benefits become more and more complicated, it's almost impossible to understand your options on your own. You'll navigate the confounding waters of retirement planning better with an experienced guide. Hire a planner before you retire, someone who'll look at your whole financial picture, from wills and trusts to insurance and future medical needs. To find a good adviser, talk to neighbors and friends for references, and interview several.