

Financial issues affecting your lifestyle October 2011

Retiring the stereotypes

The concept of 'retirement' conjures up images of holidays, hammocks and an endless supply of tea and biscuits. But how realistic is this vision? With each new generation comes a new perspective on life, so how will this translate into retirement?

Recent research by Ipsos suggests that those in the preretirement and retirement phases were somewhat offended by the notion of being called a 'retiree'. This was due to assumed, "images of being passive or winding back [which] were incongruous with the vigour and freedom [they] felt about life beyond paid work".¹ Indeed, as we age as a society, we have already challenged many traditional notions of work, leisure and family. The key to much of this change is the fact that we can expect to live longer² than previous generations.

The changing workplace means we have also adopted a more flexible approach to working. According to a recent study, "Australia has a strong interest in seeing workplace arrangements that facilitate the reconciliation of work with the rest of life, including family life".³ It is now no longer the norm to remain in the same job for your entire career. A study recently highlighted that of all the workers surveyed, 18% had been with their current employer for less than 12 months.⁴

And, most of us don't want to work more; a recent study found that, "for men and women, across the generations, there is little evidence of an appetite to increase working hours. Rather, the majority of workers in each generation are either satisfied with their work hours or would prefer to work less".⁵

Evidently, many of us want to do things on our own terms.

But this isn't to say that many older workers won't be an active part of the workforce. Already, a study has shown that so-called 'grey workers', or those aged 65 and over, work 27.2 hours per week on average and show the "best fit between their actual and preferred work hours".⁶ So, although some may resent the government-imposed changes to the pension qualifying age, others may relish it. 'Retirement' will probably become something of a misnomer; after years spent in the workforce, many will likely spend the latter years of their career enjoying flexibility and kudos for their years of expertise.



So, what's next?

Baby Boomers will seek a more active 'non-retirement' than their parents, says social commentator Bernard Salt, "Boomers will never grow old; their parents grew old. Baby Boomers will downshift. They will 'step back'. They will seek and secure new working and living arrangements. They will repartner. They will rethink their lives ... they [will] oscillate between workplace and lifestyle locale – in a new and ethereal netherworld of part work/part retirement".⁷

Without the nine-to-five grind, the possibilities are endless. In the Ipsos study, many participants considered leaving the workforce for "a period of exploration and activity" or "a time to reflect and relax". Importantly, this study also revealed that people did many things that they "wanted to but did not have the time or energy to tackle while in the workforce".⁸

This could mean any number of options. It may be time to take up yoga, learn a foreign language or start some volunteer work. One participant in the Ipsos study remarked that she actually saw less of her retired sister since she herself had retired. Both women were far too engaged in a broad range of enjoyable social, entertainment sporting and religious activities and were lucky to enjoy good health.⁹

Family is also set to play a key role for future retirees, with many grandparents already sharing in responsibilities. According to the Australian Bureau of Statistics, "over one fifth of children below school age in Australia are currently cared for by their

grandparents as part of regular child care arrangements".¹⁰

Future dwellings

Given that Gen X (those born between 1965 and 1980) have had compulsory superannuation paid to them almost all of their working lives and are the first generation to benefit from double-incomes, retirement living in the future should become increasingly upmarket.

Demand is already high; up to 140,000 retirement dwellings are required in Australia over the next 15 years to meet projected demand. This equates to A\$42 billion in new construction, according to Jones Lange LaSalle. But traditional retirement villages won't do. The norm of the future will be centres based around lifestyle options. For example, developer Stockland is actively marketing communities with 'resort style facilities' for one of its upcoming retirement developments. Given our likelihood of future study and part time work, such communities will also need to be close to public transport and other amenities.

We all want to remain an active, thriving part of the community – and as the population ages, this will influence the decisions of developers and urban planners more and more. So it's important to start dreaming now. Think about how you'd like your future to look, and how much money you'll need to fund it. We are always here to help you explore these questions.

1 Ipsos, *The Ipsos Mackay Report, Just Retired No. 137, February 2010.*

2 Australia Bureau of Statistics, 3302.0 – Deaths, Australia, 2009.

3 Catherine McMahon and Barbara Pocock, *Doing things differently: Case Studies of Work-Life Innovation in Six Australian Workplaces*, Centre for Work + Life, University of South Australia, March 2011.

4 Australia Bureau of Statistics, 6209.0 – Labour Mobility, Australia, February 2010.

5 Barbara Pocock, Natalie Skinner and Sandra Pisaniello, *The Australian Work and Life Index 2010, How much should we work? Working hours, holidays and working life: the participation challenge*, Centre for Work + Life, University of South Australia, July 2010.

6 Barbara Pocock, Natalie Skinner and Sandra Pisaniello. See reference 5.

7 Bernard Salt, *The Big Shift* (Excerpts) www.bernardsalt.com.au, 2011.

8 Ipsos. See reference 1.

9 Ipsos. See reference 1.

10 Joy Goodfellow and Judy Laverty, *Grandparents supporting working families, Satisfaction and choice in the provision of childcare, Family Matters No.66 Spring/Summer 2003*, Australian Institute of Family Studies, pg 15.

For better or for worse

Divorce can be costly, both emotionally and financially. Regaining control of your finances can reduce stress and increase the potential for happiness during a difficult period.

When a relationship breaks down, the financial impact adds pressure to an already stressful situation. Who gets the share portfolio? What happens to the savings? How do you divide the accumulated belongings of years of marriage? How do you work through these issues during such a tumultuous time?

Everything from the home to superannuation can be considered part of the matrimonial asset pool. Sorting out your finances can reduce the stress of going through a divorce. But there's plenty of help at hand.



How common is divorce?

Around half of all marriages end in divorce, with 47,000 divorces granted in Australia each year, according to data from the Australian Bureau of Statistics (ABS).

While the number of divorces in Australia has been decreasing, with 47,963 divorces granted in 2007 from 51,375 in 2006 – a 6.6% drop – the age at

divorce is steadily rising. This means divorce is increasingly impacting Australians nearing retirement.¹

The median age at divorce for males was 44.2 years in 2007 and was 41.3 years for females, probably due to the increasing age at which people marry and the overall ageing of the population.

Where do I start?

If a relationship ends, it's vital that you contact us. As with any major change in your life, we can help you to prioritise your new financial needs and put in place any required changes. We can provide you with knowledge and guidance to help you feel secure about your financial future.

What sort of help do I need?

We can help you:

- ✓ determine if you need to split your superannuation
 - ✓ help you liaise with your super fund
 - ✓ help you fill out forms
 - ✓ interpret financial information
 - ✓ identify your new investment needs.
-
- ✓ You'll also need to seek legal advice to help you with:
 - ✓ understanding the laws relating to your situation
 - ✓ guiding you as your assets and entitlements are split
 - ✓ help you fill out forms and provide relevant documents
 - ✓ represent you during the court process.

Property settlements: what to consider

A property settlement is a common course of action for divorcing couples. Your property, assets and super can be included in this agreement.

All or part of your super can be transferred as part of the settlement for divorcing couples as well as de-facto and same-sex couples who split. Super and allocated pensions can be divided, as long as the balance is over \$5,000. Your legal adviser can help you with any questions about entitlements.

Regardless of the age of your children, they'll be impacted by the divorce. It's important to factor them in when dividing assets. We can help assess the financial impact on your children.

Making the process easier

Not all divorces are difficult to finalise. If you find that you and your partner are able to agree on financial arrangements with little fuss, it may simplify the process of dividing assets.

The Family Law Act allows for people to enter into binding legal agreements about financial

arrangements before, during or after the marriage or relationship. These can cover super entitlements and other issues.

Getting a divorce can be stressful and painful, but financial advice can make the process a whole lot easier. Contact us and we can work together with you and your legal adviser.

Online resources

As with any challenging situation in life, we all need support. A government website, www.divorce.gov.au is dedicated to guiding you through the process.

Another helpful website, www.moneySMART.gov.au, was set up by the Australian Securities and Investments Commission. It provides a range of financial information for various situations.

When children are involved, another government website can be of help: www.familyrelationships.gov.au. Relationships Australia also has some valuable information: www.relationships.com.au

1 Australian Bureau of Statistics, 3307.0.55.001 – Divorces, Australia, 2007, 2007 Census, 2008

Did you know the Franking Credit 45 day rule?

In order for an investor to be eligible to claim the benefit of a franking credit attached to a dividend, they must have held the share 'at risk' for at least 45 continuous days (or 90 continuous days for preference shares, see below), not including date of purchase and date of sale. Where this is not the case this holding period rule may apply to deny the franking credits attached to the dividend received in respect of the particular share.

These measures are intended to prevent investors from buying shares immediately before dividends are declared and selling immediately after, thereby obtaining the tax benefit of the franking credit.

Is the rule different for preference shares?



Yes. Where an investor holds a preference share, the holding period rule requires a preference share to be held for 90 days (not including date of purchase and date of sale) rather than for 45 days.

How is the 45 day rule calculation impacted where shares are purchased in numerous parcels?

Where there have been sales of shares during an income year, for the purposes of denying any credits, the 45 day rule deems that the most recently acquired shares are sold first.

Is there an exemption for small investors?

The 45 day rule does not apply if an investor's total franking credit entitlement is less than \$6,000 in a particular income year. This is roughly equivalent to receiving fully franked dividends of \$11,666.

Important information

This document has been prepared by Financial Wisdom Limited ABN 70 006 646 108, AFSL 231138 (Financial Wisdom), who is the provider of general financial advice, personal financial advice, and dealing services concerning various financial products, which include life products, managed investment schemes, retirement savings accounts products, securities and superannuation products. Information in this document is based on Financial Wisdom's understanding of current regulatory requirements and laws as at 13 July 2011 and may be subject to change. Financial Wisdom advisers are Authorised Representatives of Financial Wisdom.

This document may contain general advice but does not take into account your individual objectives, financial situation or needs. You should read the relevant Product Disclosure Statement carefully and assess whether the information is appropriate for you and consider talking to a financial adviser before making a financial decision.

While every effort has been made to ensure the accuracy of the information, it is not guaranteed. All investments are subject to risk, including loss of income and capital invested. Past performance is no guarantee of future performance. © 2011 Financial Wisdom Limited AB

N 70 006 646 108.