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No entitlements and dwindling inheritances – why

60s

JOHN CANNEY, 67
Accountant, Woodcroft

"My plans will stay the same, the Budget announcements haven't made a difference. I'm working part-time and plan to transition into retirement in coming years.

"For me, it's a well-planned transition, based on the motivation and enjoyment I get from my job. While there's also financial security that comes with my continued working, it's the enjoyment of what I do that is behind me staying in work."

50s

DEBBIE APPS, 56
Customer service/data entry, Para Hills

"I don't know if I could survive on the pension. I live on $160 a week at the moment. All the rest of my money goes into savings and on bills. I eat very simply.

"What is of most concern would be the rate of everything going up and how well I'll still be able to feed myself when I'm not working full-time anymore.

"At my age you definitely have to worry about what happens in the future. I don't want to land on my son's doorstep not being able to look after myself. I couldn't live with myself."

40s

KYLIE ARAKIEL, 43
Agent advice officer, Paralowie

"I don't have any super. I've swapped jobs a lot and have small supers across lots of funds. I never bothered to roll it over because it was too hard.

"My retirement at the moment is in jeopardy but I don't mind working until I am 70 as I think I'll be fit and well enough to work. It gives me more time to be prepared for retirement.

"My greatest fear is I'll be homeless and won't be able to assist my children when they need me."

ANTHONY KEANE
MONEYSAVERHQ EDITOR

FORGET about financial help from the government or an inheritance from mum and dad.

Fresh changes to the age pension and retirement rules mean that now is the time for Australians to seize control of their own financial future.

Treasurer Joe Hockey says the age of entitlement is over, and we are also facing an end to the age of inheritance as older Australians are forced to dig deeper into their savings and their homes to cover their living costs.

Last week's Budget illustrated the new way of thinking, with a range of measures to tighten the rules around how much pension people can get, and when they can get it.

The key Budget change is the plan to lift the age pension eligibility age to 70 from 2035. This hits anyone born after 1965, but the pension age is already set to gradually rise from 65 to 67 over six years from 2017.

Impact Financial Coaching director Allan Ward said the Budget sent a message that Australians would have to plan to pay for their own retirement in the coming decades.

"For people who are retired or nearing retirement, the pension will be there, but people in their 40s have had compulsory super in place for most of their working life," he said.

He said these people would be "nuts" to expect to rely on a pension 20 or 30 years from now.

CommSec chief economist Craig James said many Australians felt they were entitled to receive benefit payments, an age pension and free health care no matter what their income or circumstances were.

"The government is seeking to change that – first, in terms of a change in mentality, and second, in financial terms, but phased in over time," he said.

Mr Ward said that the age of entitlement was over and he respected any government that addressed the ageing population.

He said Australians should realise that inheritances were also disappearing.

"It used to be that you would get your inheritance before you retired, but now that's not the case. Many people in their 60s have at least one parent, possibly all four for a couple, still alive," he said.

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Thousands of retirees aged over 60 are topping up their pension payments by dipping into the equity in their homes.

Latest statistics show more than 40,000 Australians have borrowed $3.5 billion through reverse mortgages.

Prescott Securities financial adviser Helen Dundon said Baby Boomers did not have the luxury of a working lifetime of compulsory superannuation to provide a big nest egg, so their children should not be expecting inheritances.

"The Baby Boomers are healthy, fit; they're travelling, they're spending, and they're underfunded moving into retirement," she said.

Ms Dundon said the best strategy was to invest money, both inside and outside of super, as early as possible in life. For many people, paying off a mortgage debt faster can be a better financial option than locking it up in super for decades.

"It's never too late to start, and don't rely on the government," Ms Dundon said.

BDO private wealth partner Tony Simmons said anyone in their 40s worried about having to work until 70 should focus on building a healthy super balance.

"The superannuation preservation age has not been changed, meaning people who want or need to retire before 70 will be able to access their

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you'll be forced to rely on...

30s

MATTHEW TRAPP, 37
Graphic designer, Allenby Gardens.

"It's a good Plan B to have your own investments and savings for the future so that you don't have to rely on the pension.

"Like most people, I don't fully understand superannuation, but hopefully I'll have enough put away by the time I retire to live comfortably. Working now for an extra five years will mean an extra five years of super contributions, but there's five years of extra ageing too. Fingers crossed that I live a healthy life and that I can still be active at 70."

20s

ASHLEIGH KNOTT, 21
journalist, Brompton

"I hope to have planned well enough – and to have been in a position where it's possible to do so – to not need to rely completely on the pension because I don't think living solely on it is a viable option.

"Having found it difficult to sustain myself on government assistance since graduating, I'm concerned that I'll be forced into an uncomfortable retirement if I must depend on the pension. And I'm concerned that I won't be in a position to save enough to support my retirement."

super from age 60 – but they will need to ensure they have enough saved," he said.

Catapult Wealth director Tony Catt said the Budget did not tinker with the super rules despite speculation about possible changes.

"It shows confidence that the system we have will help people provide for their retirement," he said.

Financial advisers recommend that people should pay for the future before paying their daily bills, by setting aside 5-10 per cent of their wage each week in a savings or investment account before they have a chance to spend it.

"Advice, planning and goal setting are important. They were as important before the Budget as they are after it," Mr Catt said.

MyBudget director Tammy May said people of any age could do something now to brighten their finances. "My best advice is to take an interest in your financial future as no one else will do that for you," she said.

"Planning is key, as is saving. And while it's true that the sooner you plan and the sooner you start a savings account, the better it is, it is important to remember that it is never too late."

What you should do...

IN YOUR TWENTIES

- Develop good savings habits by saving 5-10 per cent of your income every week.
- Focus on improving your education, which should generate higher future earnings.
- Avoid credit card debt, which can send your finances spiralling out of control. A good credit history will help you get a mortgage.
- Target long-term investments such as shares or property.
- With your super, choose high-growth investment options if you can stomach them. Compound interest over 40 or 50 years will work wonders.

IN YOUR THIRTIES

- Life becomes much more expensive, so start a household budget.
- Pay down the mortgage as fast as possible and make sure you are getting the best interest rate deal.
- Once you start a family, protect your life and income with personal insurance. It's much cheaper and easier to get when you are young.
- Prepare a valid will and get other estate planning issues, such as guardians for your children, sorted out.
- If you haven't already started, investments now in shares or property can deliver huge gains later. An investment loan against equity in your home is tax deductible.

IN YOUR FORTIES

- Your forties are traditionally your highest-spending decade, so keep track of all of your expenses to see where savings can be made.
- Get serious about super. Start pumping extra money into it and receive tax benefits through salary sacrifice.
- Aim to wipe out all your mortgage and consumer debt this decade.
- Make sure you have investment assets outside of super to give you financial flexibility in later years.
- Think about the end of your working life. Seek financial advice to produce a plan outlining when you plan to retire and how much money you should have.

IN YOUR FIFTIES

- Make the most of your peak earning capacity by pumping extra into super and investments.
- Seek professional advice if you are unsure how you are tracking financially, and work out exactly how much you will need for retirement.
- As saving becomes much more important, check your spending to see if there is any wastage that can be stopped.
- Question whether your current occupation will see you through to retirement. If not, find a new job now.
- Update your will and cancel any unnecessary insurance as your circumstances and wealth change.

IN YOUR SIXTIES

- Clearly understand your financial position, and your plan leading into retirement.
- Pump as much money as possible into super so that you can enjoy its tax-free status when you start pulling a pension from it.
- Investigate the use of powerful strategies such as transition to retirement and recontribution. Seek professional financial advice to ensure you make the most of them.
- Try to match your weekly income and expenses to mirror what you expect in retirement.
- Understand all pension options and seniors concessions. They may be being wound back but they can still be lucrative.

Source: MyBudget, Catapult Wealth, Prescott Securities, Impact Financial Coaching