Media Release

Making retirement planning a new year's resolution for 2021

Tuesday 19 January, 2021

The new calendar year is an ideal time to reverse a worrying trend among Australians to procrastinate retirement planning and defer active engagement in their superannuation.

MLC Wealth (MLC) research* has found 53% of pre-retirees do not view retirement planning as a priority, highlighting the need for many Australians to make retirement planning and superannuation a focus for the new year.

According to Tim Steele, Group Executive, Retirement and Investment Solutions at MLC Wealth: "Apathy and inaction are some of the biggest retirement planning pitfalls for pre-retirees and this was a worrying trend highlighted in the MLC survey."

The survey showed the vast majority (75%) of Australians aged between 45-49 and (62%) aged between 50-59 have hardly done any retirement planning to date.

"The survey results indicate that people view retirement planning as an overwhelming chore they simply don't have time for, however we know taking action in the short term is crucial," Mr Steele said.

"After the unforeseen events of 2020, the new year is a perfect opportunity to reassess life goals including financial aspirations. As part of this, consider what you want retirement to look like and ensure your superannuation is structured so that you can enjoy the lifestyle you desire and deserve," Mr Steele said.

MLC's seven steps for putting retirement planning into action

Small steps taken now can have a significant and positive impact in retirement.

1. **Check your financial situation:** As a first step, assess how much you have in and outside your superannuation as well as other assets to gauge your overall financial position.

2. **Set clear goals:** Goal setting is a powerful tool for identifying what really matters to you – and what needs to change to get there. Use the new year as an opportunity to reassess and map out a clear retirement plan with SMART goals, ensuring the way you invest and manage your finances reflects this.

3. **Bucket your finances:** Once you've set your goals, it's important you stick to a budget and separate your everyday expenses and savings (short term and long term). This will make managing your finances more straightforward and help build your financial confidence.

4. **Stay the course:** Where possible, avoid changing investments or strategies while the market is turbulent – it's best to stay the course to ensure you are well-positioned to benefit from the market rebound.

5. **Implement strategies to grow your superannuation nest egg:** Check that your asset allocation and investment strategy is appropriate for your age and risk tolerance. Depending on your current circumstances, there are some strategies available which can help you grow your balance and may even help to manage your tax. This could include:

    - **Salary sacrifice**, which is an agreement between you and your employer to pay some of your pre-tax salary into super, in addition to the contribution your employer already makes. This is often tax effective - super contributions are taxed at 15% (and up to 30% if your income is over $250,000) rather than your marginal rate, which might be up to 47%.

  - **Personal deductible contributions** could be another tax effective way to save for retirement. If you're able to make personal after-tax contributions to super using your take home pay or savings, you may be able to claim a tax deduction, which reduces your assessable income and helps manage tax. Depending on what is right for you, you can make periodic contributions throughout the year or you could even wait until closer to the end of financial year to make a single, larger personal contribution, which could provide greater flexibility and planning options if you have irregular income or expenses and need to review your circumstances before committing to a regular contribution.

  - **Make up for lost time with catch-up concessional contributions.** If you've taken some time off work, have had a break or reduction in your working hours, or just haven't been in a position to take full advantage of your maximum annual contribution limits, you may be able to make up for lost time when your circumstances allow. If you haven't fully utilised your annual concessional contributions cap since 1 July 2018, you may have accrued 'unused' concessional contributions that could enable you to make larger contributions in a future year. This could help you to make tax effective contributions using a bonus, tax refund, or proceeds of sale of a property or another asset.

  *Click here to read more about how to grow your superannuation nest egg***

6. **Ask for help:** Seek assistance from a financial adviser, or utilise tools and resources available from the government or your superannuation fund

7. **Set an annual reminder:** Retirement planning shouldn't be a set-and-forget task. As your circumstances change, so too should your plans. It is worth revisiting your financial situation and retirement goals each year, to ensure you're on track to achieve your desired retirement.

ENDS

Notes:

- *MLC Wealth conducted two general market surveys: one with 1811 respondents (aged 45+), and one with 404 respondents (aged 35+).*
- *Respondents completed a confidential online survey during October 2020.*
- *All research was conducted by Fiftyfive5 on behalf of MLC Wealth.*

*** Eligibility rules and contribution caps apply to super contributions and penalties may apply if you don't meet these rules. Before contributing, you should speak to a financial adviser, and visit ato.gov.au to find out more.*

The information in this media release is general advice and tailored for Australian residents. It does not take account of your objectives, financial situation or needs. You should consider whether it is appropriate for you before acting on the information.

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About MLC

MLC's purpose is to create future confidence for Australians through superannuation, professional financial advice, asset management and modern investment platforms underpinned by leading technologies. We carefully manage more than $160 billion for more than 1.3 million clients who include super fund members, investors, professional financial advisers as well as large and small employers who want to offer their employees a safe and trusted super fund for their retirement savings.