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HOW NOT TO RUN OUT OF MONEY IN RETIREMENT

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BY ASHLEY OWEN

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Today's story looks at two key factors that determine the answers to the big questions when planning retirement finances: 'How much do I need?', and 'How much can I afford to spend?' - in order to have confidence that you can maintain your living standards, not run out of money, and not have to rely on welfare.

These two factors are: your current age, and your likely life span. In particular, we highlight the four big problems when relying on 'life expectancy' tables that are used

BEFORE YOU GET STARTED

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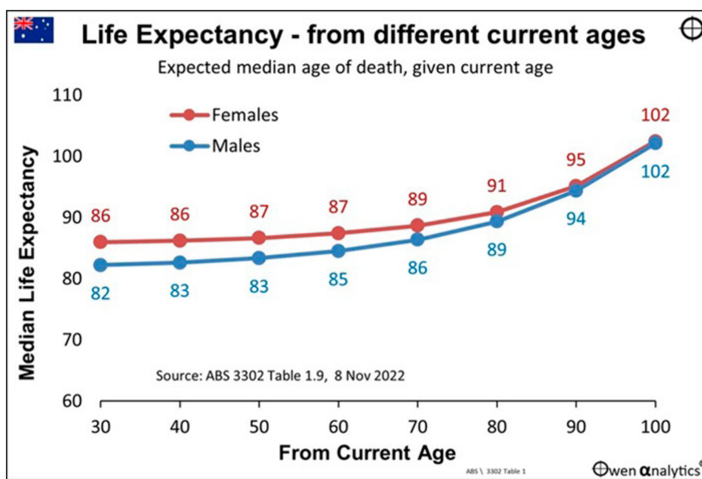
throughout the financial advice and retirement industry.

The bottom line: be prepared for the real possibility of living a lot longer than you might have thought!

'Median life expectancy' tables

Most retirement planning calculators provided by government services, super funds, banks, and product issuers, are based on the assumption that you will run down your capital during your lifetime. (They also assume you will be relying on government welfare, as do two thirds of all retirees in Australia, when you run out of money).

The Australian Bureau of Statistics (ABS) publishes Australian life expectancy tables regularly. Here are the most recent life expectancy numbers for Australians (ABS report):



From this we can see, for example, that for people who are now 60, the life expectancy for males is 85 (ie 25 years of life left), and 87 for females (27 years left). This sounds depressing - I certainly hope to live a lot longer than that if I can.

There are four big problems with relying on median life expectancy tables like these to estimate how much capital you will need in retirement, and how much you can afford to spend.

Problem 1 – there is at least a 50% chance you will live longer than the 'median'

Statistical life tables show 'median' life expectancy. Every 60-year-old alive today will not suddenly die when they are 85 for males, or 87 for females. Some will die tomorrow (unfortunately), and some will live well past 100.

The term 'median' means 'middle'. That means that half of all today's 60-year-olds are projected to die before the median life expectancy, and half will live longer than the median life expectancy.

If you use the median life expectancy as the forecast term of your retirement fund, there is a 50% chance you will fall short, because there is a 50% chance you will live longer than the median life expectancy for your age group.

A 50% probably of failure of your retirement investment plan is far too high for comfort. It would be much safer and more comforting to plan for your funds to last say 15 or so years longer than the median life expectancy tables indicate. We all know, or know of, people who lived past 90 or 100. What if that is us? We can't suddenly decide to 'work longer, or 'go back to work' or 'save more'.

Problem 2 – The older you get, the longer you are likely to live

Take another look at the first chart. We can see that the median life expectancy for 60-year-old females today is 87. But the median life expectancy for 70-year-old females today is 89, the median life expectancy for 80-year-old females today is 91, and the median life expectancy for 90-year-old females today is 95, and so on.

The longer you live, the longer you are likely to live. And these are just the medians. Half are expected to live longer than the medians. We take this further below.

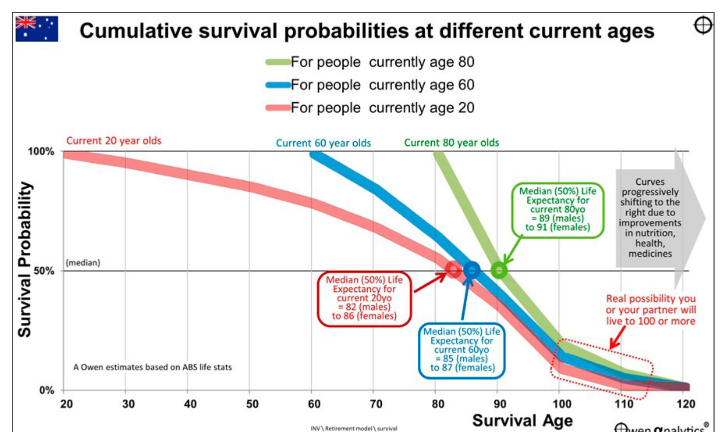
Real possibility you or your partner might live to 100 or more

Whenever I talk to investors about financing their retirement, I always insist on both partners being present at every meeting (even if one of them has taken responsibility for 'looking after the money'). I always say to them:

"One of you might live to 100, and [as I look to the male] it's probably not going to be you!"

The first chart above is based on 'medians', but the next chart spreads life expectancy over the full gamut of possible outcomes.

It shows survival probabilities (vertical axis) and survival ages (horizontal axis) for three cohorts – current 20-year-olds (pink), current 60-year-olds (blue), and current 80-year-olds (green).



All three curves start out at the top at 100% because they are alive today, and there is a near-100% chance of surviving tomorrow. The curves decline over time - slowly at first - as people start to fall off the perch in untimely, early deaths.

All three curves decline over time, and they cross the 50% probability line ('median') at their current estimated median age of demise (death). These median ages are the same numbers from the first chart, except this second chart shows how today's current 20-year-olds, 60-year-olds and 80-year-olds are likely to remain on the planet over time.

The three curves are deliberately depicted as broad lines to allow for the differences in life expectancy for males and females (and all of the various gender categories in between!)

For example, looking at the 60-year-olds (blue line) alive today, approximately 84% are likely to live to age 70, 64% are likely to live to age 80, 50% are likely to live to the median age of 85 (a mix of male/female/other).

Looking beyond the median age of demise (ie below the 50% line), 40% of today's 60-year-olds are likely to live to age 90, around 14% are likely to live to age 100, and the rest are likely to live beyond 100.

The area in the red box in the lower right of the chart is to highlight the fact that in any couple, there is a real possibility that one of them will live to 100 and beyond.

Problem 3 – life expectancy has been steadily increasing throughout history, and this will probably continue

The life tables calculated by actuaries reflect current experience, current conditions, current technology and current medical knowledge. The problem is that human life expectancy has been rising steadily over time with improvements in medicines, hygiene, nutrition, health care, vaccines, technology, and many other factors.

There is every reason to believe that every decade that passes will further increase expected life spans, especially in 'rich' countries like Australia.

This means that the probability curves in both of today's charts have been shifting steadily to the right (longer lifetimes) over time, and will probably keep shifting to the right in future. What you consider now as a remote possibility of living to 100, will become more and more likely over time.

Problem 4 – your own individual factors - health, fitness, lifestyle, diet, genetics, etc – may mean you live even longer

We can't change our genetics, but we can try to remain as fit and healthy as possible for as long as possible. That is fine, but it will increase your chances of running out of money if you just use the standard calculators and life tables in planning for how much capital you need, and how much you can afford to spend.

If you consider yourself fitter and healthier than average for your age group, then it would be prudent to err further on the side of caution and plan to be on the high side of the 'median'.

100 is not a bad age, and a nice round number to lock into your numbers to enhance confidence and peace of mind.

My parents

My father died a decade ago at age 80. He was born on a rubber plantation in Malaya (now Malaysia) and grew up on the bombed-out streets of war-torn, Japanese-occupied Singapore. He spent the next 30 years smoking five packets of cigarettes per day, and then a pipe at night (as a kid I remember stacking his pipe for the nightly puff). He ended up having a bunch of cancers (lung, prostate, bone, bone marrow), and had an excruciatingly painful last few years due to a twisted arthritic spinal cord. Was mentally very sharp to the end, but physically wrecked.

At birth, his life expectancy was probably around 50 at best (poor, rural third world country), so he ended up outliving that by probably three decades.

My mother is still battling on at 96. Mentally shot, but physically very durable. She's had numerous broken bones from countless falls (she literally got out of hospital last month after an operation on a broken femur - again), has had cancers removed (thyroid, bowel). In hospital about every month or so for a variety of things and has major operations once or twice per year. She has advanced vascular dementia from multiple minor strokes.

At her birth in 1928 in outback Australia, her life expectancy was 63 (Australian Year Book 1926, p.971), so she has also out-lived that by three decades so far, and she's still going.

In both cases, their 'survival curves' shifted three decades to the right over their lifetimes. Mine and yours will probably do the same.

Me

In my own case, I was also born in a poor third world Southeast Asian country in the midst of colonial battles for independence and communist uprisings, so my life expectancy at birth would have been perhaps 50 or 60 at best.

Had I been born in Australia (where I have been lucky enough to have lived most of my life), my life expectancy at birth would have been 67 (Australian Year Book 1959, p.346). But having survived thus far, my life expectancy is now 85 (ABS 3302 Table 1), so my survival probability curve (even if I had been born in Australia) has already shifted two decades to the right, and I'm not done yet.

Homework!

What was your life expectancy at birth? (If you were born in Australia, life expectancy tables are included in most Year Books. You can download Australian Year Books going back to 1901 here: www.abs.gov.au/)

Having survived thus far, what is your life expectancy now? See ABS 3302 - https://www.abs.gov.au/statistics/people/population/life-expectancy/latest-release

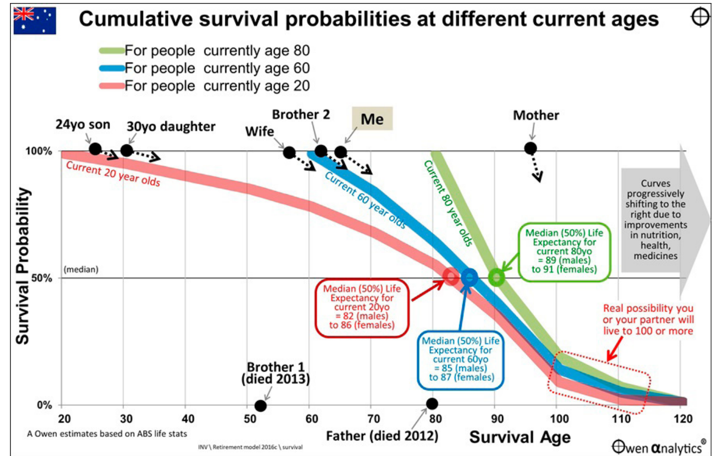
How far has your own survival probability curve shifted to the right over your lifetime so far? Be prepared for the real possibility of a much longer life than you might have thought.

Where are you and your family on the Survival Probability Curve?

You can plot yourself and your family on the Survival Probably Curve to get a rough picture of the future paths you are on.

Here is the second chart again - this time showing the positions of me and my family (including my father and younger brother who have passed away. Father's circumstances outlined above. Brother died in a plane crash at age 52 - flying his own single-engine plane).

The arrows are all heading down, reflecting the ever-present risk of demise every day. But the good news is



that every year you survive, you remain at the top 100% line, and shift one year to the right!

Where are you and your family on the Survival Probability Curve? Do you have better or worse genetics, fitness, health than other people your age?

What are the prospects of you living to 100 or beyond? How will you finance it?

Firstlinks is a publishing service providing content written by financial market professionals with experience in wealth management, superannuation, banking, academia and financial advice.

Australian Home Prices Up Again

KEY POINTS

- CoreLogic data showed national average home prices rose 0.8% in May, their strongest rise since last October.
- The housing market remains remarkably resilient with the housing shortage and still solid jobs market providing support, offsetting the downwards pressure on prices from high interest rates and poor sentiment towards housing.
- We expect home prices to rise around 5% this year as the supply shortfall continues to dominate, but the pushing out of rate cuts and the possibility of rate hikes along with the rising trend in unemployment pose a key downside risk.
- Home price gains are likely to remain widely divergent though with continued strength likely in Perth, Brisbane and Adelaide for now partly helped by interstate migration but softness in other cities, particularly Melbourne and Hobart.

BY DR SHANE OLIVER

Republished from amp.com.au

Introduction

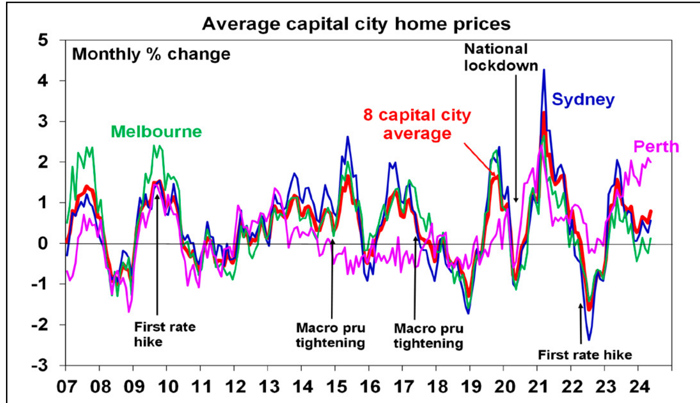
National average home prices rose another 0.8% in May, pushing them further into record territory. However, the gains remain highly diverse. Conditions in Perth, Brisbane and Adelaide continue to be very strong, helped by relatively lower levels of supply evident in total listings running more than 30% below their five-year averages, and strong interstate migration in the case of Brisbane and Perth. But this contrasts with far more constrained conditions elsewhere. Sydney has made it back to its record high but only just and the other capitals remain well below their record highs. Melbourne and Hobart are seeing total listings well above their five-year average.

AUSTRALIAN DWELLING PRICE GROWTH

	May % change	Annual % change	% change from peak
Sydney	0.6	7.4	-0.0
Melbourne	0.1	1.8	-4.0
Brisbane	1.4	16.3	At record high
Adelaide	1.8	14.4	At record high
Perth	2.0	22.0	At record high
Hobart	-0.5	-0.1	-11.5
Darwin	-0.3	3.5	-5.3
Capital city avg	0.8	8.8	At record high
Regional average	0.6	6.8	At record high
National average	0.8	8.3	At record high

Source: CoreLogic, AMP

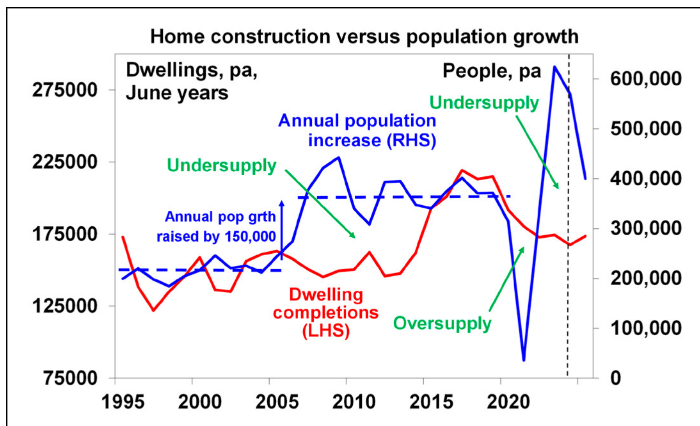
After overtaking Melbourne median property values in January, Brisbane has now overtaken Canberra to have the second highest median property values amongst Australian capital cities. Sydney remains at the top. Of course, the surge in prices in Brisbane, Adelaide and Perth will in time worsen their attractiveness for interstate migration eventually leading to slower property price growth in those cities.



Source: CoreLogic, AMP

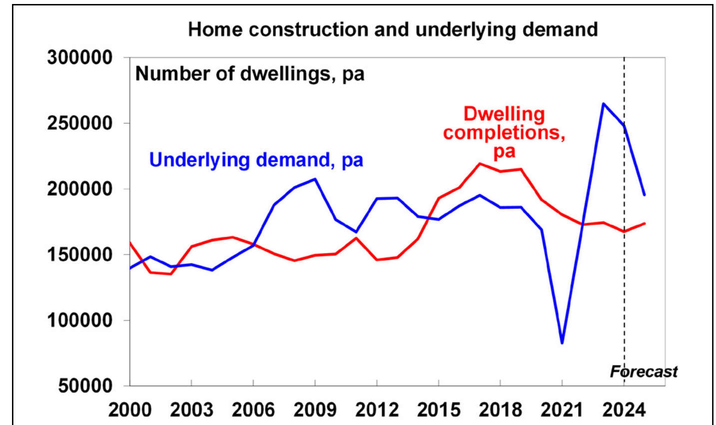
The chronic housing shortage continues

The property market remains caught between the extreme housing shortage and high interest rates, with the former continuing to dominate. The chronic housing shortage got the upper hand over high interest rates last year as immigration levels surged and continues to be the main driver of rising property prices. Put simply, the surge in population growth to a record 660,000 over the year to the September quarter last year driven by record immigration levels meant that around an extra 250,000 new homes needed to be built, but instead completions have been running around 170,000 as the home building industry struggles to keep up with rising costs and material and labour shortages and as approvals to build new homes fell.



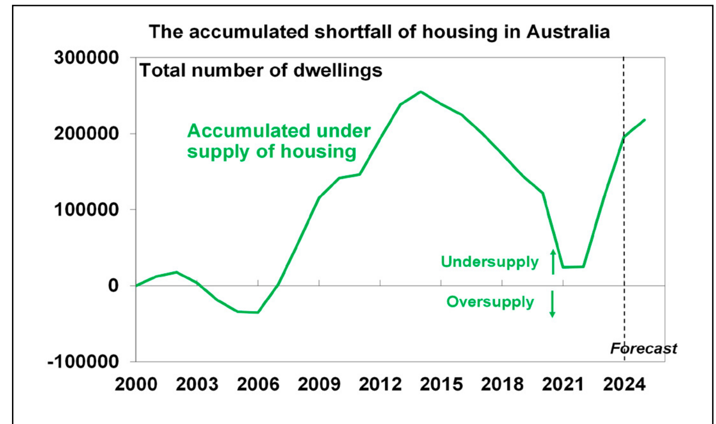
Source: ABS, AMP

So underlying demand for housing (the blue line in the next chart) has been very high over the last two years relative to housing completions (the red line) resulting in an annual shortfall of around 90,000 dwellings in 2022-23 and another 80,000 dwellings this financial year (ie, the gap between the blue and red lines).



Source: ABS, AMP

This is estimated to see the accumulated housing shortfall rise to around 200,000 dwellings by the end of this month. See the next chart. This is a conservative estimate - if the decline in the average number of people per household seen in the last few years is sustained then the accumulated shortfall could be around 300,000 dwellings. Which would be well above where we were before the unit building boom got underway around 2015.



Source: ABS, AMP

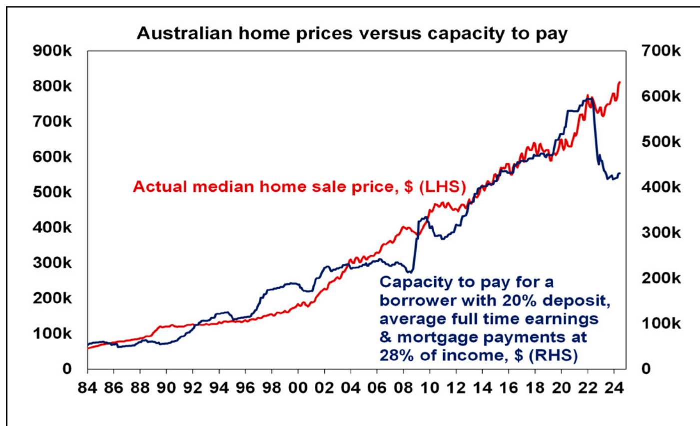
Unfortunately, the housing shortfall looks like it will get worse before it gets better. Immigration levels are likely to slow over the year ahead but still remain high and housing construction is likely to remain depressed in the face of cost pressures and capacity constraints. In fact, approvals are now running around 160,000 new dwellings a year, which is well below government objectives to be building 240,000 dwellings a year over the five years from July.

At the same time, access to "the bank of mum and dad" and savings buffers built up through the pandemic appear

to have protected the property market from high rates over the last two years. Anecdotes suggest that all cash purchases and access to "the bank of mum and dad" reached a record last year.

But there is now a high and widening gap between home prices and the capacity to pay

The big negative influence on the property market remains poor and still worsening affordability and high mortgage stress on the back of high prices, high debt levels and high mortgage rates. For decades ever rising property prices relative to incomes were made possible by ever lower interest rates. But due to the rebound in interest rates from May 2022 and national average home prices on the rise again there is now a wide divergence between buyers' capacity to pay for property and current home prices - with the capacity to pay down by 27% on our estimates since April 2022. See the next chart. In the absence of rapid interest rate cuts this continues to point to a high risk of lower property prices at some point. This is reinforced by ultra-low sentiment towards property. A sharp rise in unemployment in response to weak spending in the economy would add to the downside risks flowing to property prices from high mortgage rates.



Source: RBA, CoreLogic, AMP

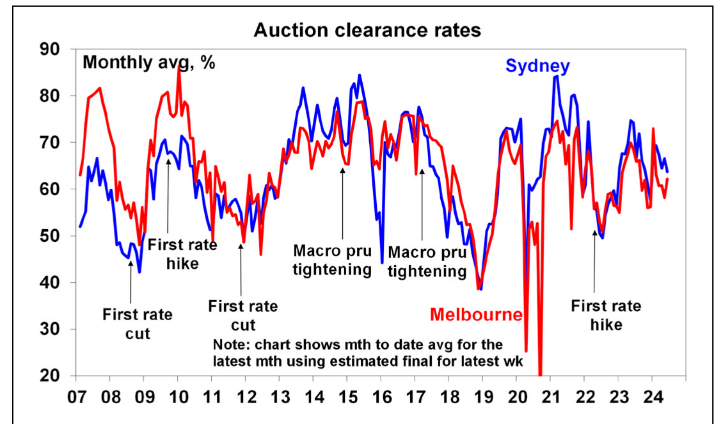
Outlook

However, for now the supply short fall continues to dominate. So, after an average 8% gain last year, we expect that national average home prices will rise again this year but with national average gains a bit more constrained at 5% as still high interest rates act to restrict demand and rising unemployment boosts distressed listings. The supply shortfall points to upside risk, but the delay in rate cuts and talk of rate hikes risks renewed falls in property prices as it's likely to cause buyers to hold back and distressed listings to rise.

Home price gains are likely to remain widely divergent though with continued strength likely in Perth, Brisbane and Adelaide for now partly helped by interstate migration but softness in other cities, particularly Melbourne and Hobart.

Some signs of softening

Interestingly, there are some signs of a softening at the margin: auction clearance rates have cooled from their highs; new listings are up sharply in some cities possibly reflecting rising distressed listings; and after leading early in the property upswing, top quartile property price gains are the weakest in most capital cities as affordability and borrowing constraints are starting to bite pushing buyers into lower-priced property.



Source: Domain, CoreLogic, AMP

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Bursting the myth: Understanding market bubbles

EXECUTIVE SUMMARY

- It's important for investors to distinguish between market bubbles and regular market cycles. Market cycles are driven by fundamental economic factors and are an inherent aspect of market dynamics. In contrast, a market bubble is marked by unsustainable price increases unsupported by underlying fundamentals. When the bubble bursts, prices crash, causing significant and often permanent losses for investors.
- If a stock's price is high and appears likely to fall, that doesn't necessarily mean the stock is in a bubble. Rather, it might just be going through the typical stages of a market cycle.
- Our current analysis of the U.S. equity market suggests that while there may be pockets of overvaluation, the overall market does not exhibit the characteristics of a bubble.

BY PIERRE DONGO-SORIA, CFA

Republished from russellinvestments.com.au

Introduction

The term bubble in asset markets evokes images of rapid wealth accumulation, fueling a mania around an asset, ultimately followed by significant financial losses when the bubble bursts. This phenomenon has fascinated investors and economists for decades. Financial pundits frequently use the term across various topics—stock market bubble, AI bubble, real estate bubble, college tuition bubble—to the point where it seems everything is labelled a bubble. But what exactly is a market bubble, and how can investors recognize one?

In this article, we will delve into what constitutes a market bubble and examine current market conditions to determine if we are in one. I will argue that the term bubble is often overused, and a better analogy might be a balloon. Investors need to recognise that the economic system can manage exuberance unless it reaches an extreme, and that markets move in cycles rather than in constant bubbles. While today there may be pockets of exuberance in parts of the market, overall, I believe we are not in a stock market bubble.

Defining a market bubble

The concept of a market bubble is relatively new, with the term becoming widespread only in recent decades. Robert Shiller, a Nobel Prize economist, worked in defining and diagnosing bubbles. In his book "Irrational Exuberance," Shiller likens spotting a bubble to diagnosing a mental

illness, using a checklist of symptoms. Below are a few examples:

- **Sharp increase in prices:** Strong short-term performance.
- Overvaluation: Prices far exceed their historical norms or fundamental value.
- **Popular stories justifying price action:** Compelling narratives, like "new era" thinking.
- **Tales of significant earnings:** Get-rich-quick promises.
- **Envy and regret among those not invested:** Fear of missing out (FOMO).
- **Media frenzy:** High attention, constant reminders of the investment

While this checklist provides a useful framework, it is not foolproof. Recognizing and acting on bubbles in real-time is very challenging. For example, Alan Greenspan, the former Federal Reserve chairman, highlighted in a famous 1996 speech that asset prices were excessive relative to fundamental values, warning that the stock market was overvalued. However, the stock market doubled over the next couple of years. Even if a market is believed to be in bubble territory, it doesn't mean it will burst soon or that prices will stop rising.

Moreover, assets could exhibit symptoms and not be true bubbles. This is because bubbles need to be distinguished from regular market cycles, which are natural fluctuations characterized by periods of expansion and contraction. Although markets often exaggerate these movements, cycles are driven by fundamental economic factors and are an inherent aspect of market dynamics. In contrast, a bubble is marked by unsustainable price increases unsupported by underlying fundamentals. When the bubble bursts, prices crash, causing significant, often permanent, losses for investors.

Think of a bubble as an investment where prospective returns do not improve meaningfully after a price fall because the underlying investment premise has collapsed. This was evident during the dot-com bubble; despite some stocks falling by 90%, future returns didn't increase enough to produce a recovery.

Understanding whether an asset is in a bubble or part of a cycle is important for investment decisions. Bubbles should be avoided due to the risk of widespread permanent loss of capital. On the other hand, cycles are part of normal market behavior and imply the need for patience and humility to achieve long-term returns. If an asset's price appears excessively high and is likely to fall, it might not be a bubble—just typical market behavior. Excesses will correct, recover, and life goes on. Thus, true market bubbles are less common than people might think if they only follow financial news.

A short comment on the bubble analogy

While the term bubble is commonly used to describe this phenomenon, a more accurate analogy might be a balloon. Bubbles suggest a fragile system in equilibrium, where any minor external factor can cause a sudden and irreparable pop. In contrast, the balloon metaphor acknowledges that markets can become overinflated but also have the capacity to deflate and stabilize. The system is dynamic, much like how markets move through cycles.

This analogy also emphasizes that the economic system can handle exuberance up to a certain point. Fragility arises when extreme amounts of air (excessive investment and speculation) put unsustainable pressure on the system. It is not the external factors that cause the burst, but rather the tiny additional amount of air that stretches the system to its breaking point.

Thinking of it as a balloon also helps explain why it is difficult to recognize and act upon bubbles in real time. No one really knows the limit of the balloon—how much air it can hold—so the presence of some exuberance doesn't mean a crash is imminent. The market can handle a certain level of overinflation and may deflate without bursting.

Therefore, I would suggest that it's more accurate to think of this phenomenon as inflating a balloon rather than spotting a bubble.

Analyzing the current U.S. equity market

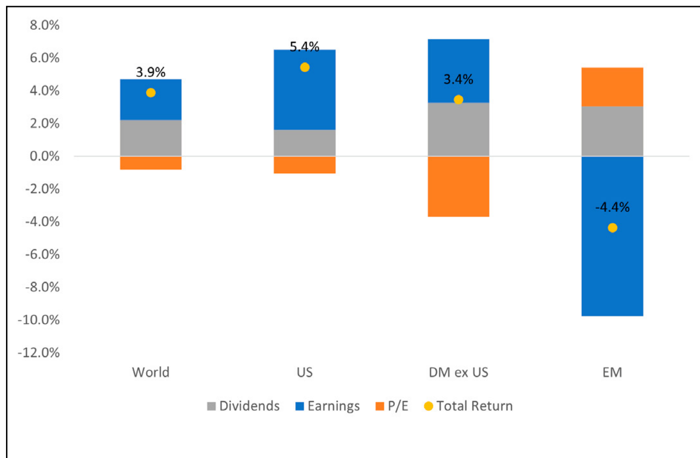
To assess whether the current U.S. equity market is in a bubble, let's review the symptoms checklist. For simplicity, I grouped them in two main categories: i) market-related symptoms and ii) psychological symptoms. The first one is related to factors related to market prices, such as short-term performance and overvaluation, while the second category is about prevailing market narratives that might influence investor behavior and sentiment.

Market-related symptoms

The U.S. stock market has shown robust performance, with the benchmark S&P 500 Index charting a year-to-date increase of approximately 11%. However, these strong returns are not unique to the U.S.; Japan and Europe have also experienced gains and many markets have reached all-time-highs.

When we examine valuations, common metrics such as price-to-earnings (P/E) ratios suggest that the U.S. market might be overvalued. The market appears to have priced in a lot of good news, creating high expectations for future growth. While this may indicate overvaluation, a true bubble is characterized by a relentless and unsustainable rise in valuations. The U.S. market has been considered expensive for several years now and recent strong market returns have primarily been driven by earnings growth rather than by multiple expansions.

Figure 1: Stock market return decomposition since 2022 (annualized)



Source: Bloomberg, MSCI

It's important to note that high valuations in the U.S. equity market are not uniform across all sectors. Most of the time, they never are. Specific sectors, such as AI or technology stocks, might appear frothy, but the overall system can sustain some level of exuberance. As mentioned earlier, a balloon can hold some air without bursting. Similarly, assets reaching overvalued territory and then correcting does not necessarily indicate a bubble. It is part of usual market behavior.

Overall, market factors do not point to the existence of a U.S. stock market bubble.

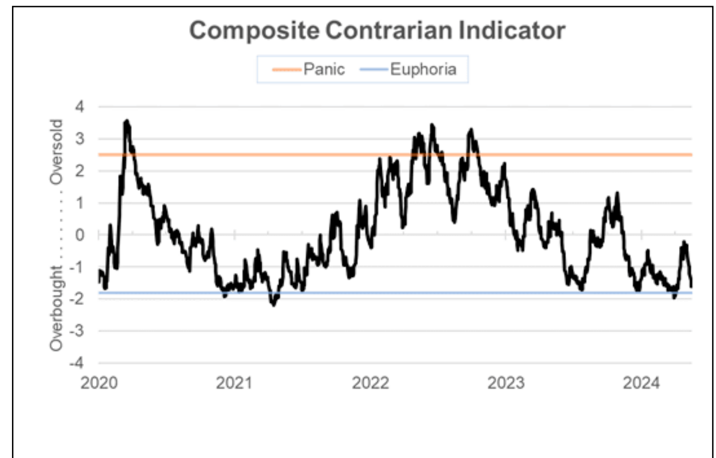
Psychological symptoms

Narratives are powerful drivers of human behavior. In financial markets, stories about why this time is different, observing neighbors becoming wealthy, extensive media coverage, fear of missing out (FOMO), and frequent discussions about investments—even among those who typically don't invest—all contribute to psychological pressures to act. At extremes, these factors can drive people to take considerable risks, such as investing life savings or taking on debt, without fully considering the downside.

A common approach to assess the overall mood or tone of the market is to look at the Volatility Index (VIX), also known as the fear gauge, which measures market expectations of near-term volatility. Other common sentiment indicators are surveys of investor confidence, such as the American Association of Individual Investors (AAII) Sentiment Survey, and the put-call ratio, which compares the volume of put options to call options to gauge investor sentiment.

Our U.S. Composite Contrarian Indicator is a proprietary measure of equity investor sentiment. It seeks to extract the common trends between a mix of technical, positioning, and survey-based indicators. Positive values of the indicator imply that the market is displaying signs of being oversold, while negative values imply overbought. We report the indicator as the number of standard deviations away from a neutral score. Currently, this indicator shows that the U.S. market exhibits some level of over-optimism but is not at euphoria levels.

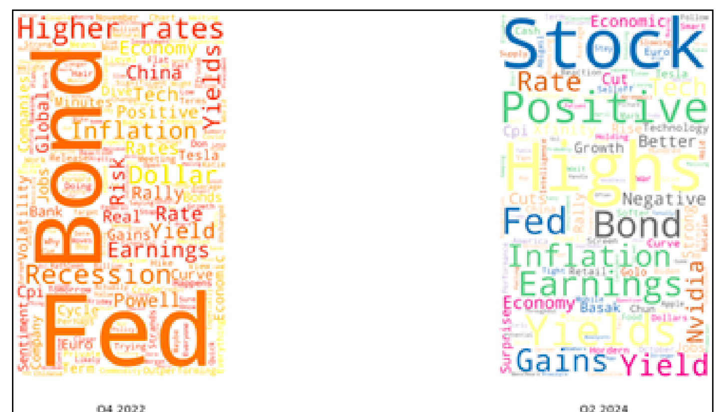
Figure 2: U.S. Composite Contrarian Indicator



Source: Russell Investments

Thanks to advancements in natural language processing, we can infer market psychology by analyzing news media articles and search trends. The objective is to track how narratives evolve over time and measure the attention they receive. Tools like Google Trends or text-based models can provide valuable insights. For instance, the figure below shows words used when discussing the U.S. stock market on Bloomberg TV over this quarter and at the end of 2022. It appears that the market narrative has evolved over time. In late 2022, market actions were primarily understood through the lens of changes in bond yields, Fed policy, and recession risks. Today, the focus has shifted to earnings reports, markets reaching all-time highs, and potential rate cuts.

Figure 3: Word cloud of stock market stories on Bloomberg TV

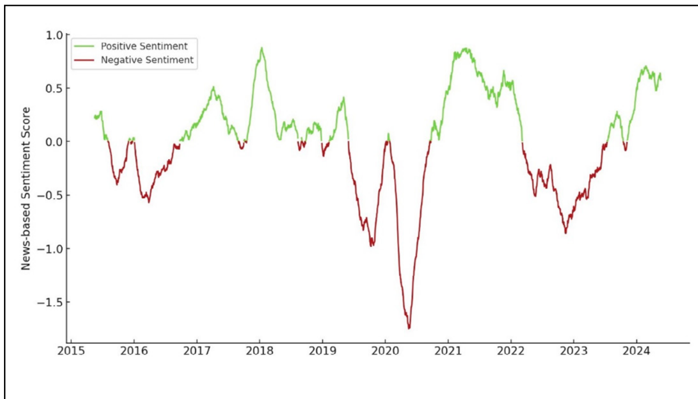


Source: Russell Investments, GDELT TV Explorer

It seems narratives that fit the bubble symptoms checklist are missing. Media attention is not disregarding the fundamental picture nor exhibiting excessive excitement around the stock market. However, if we shift our focus to topics like AI, we might observe a different trend.

In addition to market-based indicators and TV media, news articles can also provide insights into market sentiment. This can be achieved by assigning a sentiment score based on the frequency of "positive" or "negative" words in the articles. Although this approach is not perfect, its evolution over time can provide valuable insights. The figure below plots the sentiment score, in standard deviations from neutral, based on all news articles about the stock market over the last couple of years. Similar to our U.S. Composite Contrarian Indicator, sentiment analysis from news articles shows optimism, but not euphoria.

Figure 4: Sentiment score in financial news



Source: Russell Investments, GDELT Global Knowledge Graph

The bottom line

In summary, the term bubble is often overused in financial markets, leading to misconceptions about usual market behavior. While bubbles represent extreme cases of unsustainable price increases unsupported by fundamentals, most market movements can be better understood as part of market cycles. The analogy of a balloon rather than a bubble helps to illustrate the capacity of markets to function with some exuberance and to expand and contract without catastrophic failure. It also acknowledges that internal factors, not external ones, cause the burst when the system becomes overstretched.

Our current analysis of the U.S. equity market suggests that while there may be pockets of overvaluation, the overall market does not exhibit the characteristics of a bubble. Recent performance has been driven primarily by fundamental growth and narratives are not yet a significant force driving people to take considerable risks. Our work on sentiment indicators suggest market participants display some level of over-optimism, but they do not indicate widespread euphoria.

Understanding the distinction between bubbles and normal market cycles is important for investors. By recognizing the signs of market exuberance and relying on comprehensive sentiment indicators, investors can make more informed decisions. This approach helps in navigating the challenges of investing, avoiding the risk of permanent losses, and capitalizing on the opportunities presented by regular market fluctuations.

Russell Investments are a leading global investment solutions partner, dedicated to improving people's financial security.

Q&A: Ask a Question

Question 1

I've just turned 60 but haven't yet retired and I'm not planning to anytime soon. Can I still access some of my super?

The answer is yes. You can access your super once you turn 60, even if you haven't retired as you have passed your preservation age. You can do this by setting up a 'Transition to Retirement' (TTR) pension which allow you to access a portion of your super as an income stream while continuing to work. The income may be useful if you are wanting to work less hours and require additional income, or you might want to simply use the funds to reduce existing debt in preparation for full retirement.

With a TTR pension, you can receive regular payments from your super fund however, there are limits on how much you can withdraw each year, typically between 4% and 10% of your super balance.

Keep in mind that accessing your super under the TTR rules may have tax implications, and it's essential to consider your individual financial situation and retirement goals before making any decisions. Consulting with a financial adviser can help you understand the rules and options available to you.

Question 2

Recently a friend of mine suggested I get some advice and start thinking about having a retirement plan. What makes a good plan?

A good retirement plan is one that's comprehensive and tailored to your individual needs and circumstances. A good plan will typically assess your current finances including savings, investments, assets and liabilities and determine what the gap is between your current resources and future needs. The plan should also consider inflation, rising healthcare costs and potential market fluctuations and provide investment advice that is diversified to mitigate risk. Regular reviews and adjustments are needed as circumstances continuously change and its important that the plans remain aligned.

A good retirement plan doesn't simply focus on wealth accumulation, it includes contingencies for unexpected events such as illness, disability, or premature death and the transfer of assets through estate planning.

Question 3

I've never had superannuation and I'm about to set up a new account for the first time. What should I look for when deciding which company to go with?

Super funds can vary in terms of performance, fees, investment options customer service, insurance options and member benefits. It's important that all these factors are taken into consideration before choosing who you want to invest with. Many companies now also offer additional services like retirement planning and online account management tools, this can help you manage your super easily particularly around tax time.

Sometimes it can be hard to prioritise what elements are most important and what's right for you largely depends on your individual needs and circumstances. I recommend engaging with a financial adviser who can assist you with the process.

If you have a question that you would like to see answered in **Wealth Adviser**, please send it through to **centraladvice@wtfglimited.com.**