



5 STEPS TO EARLY RETIREMENT

Follow the 5-step plan below as a guide to early retirement.

Step 1: Save more

Save more money in superannuation and start saving aggressively outside of super. Use non-super investments to fund your lifestyle before you are allowed to draw on superannuation savings. If your super can be paid out at age 60 but you want to retire at 50, aim to save enough in non-super investments to support your lifestyle for 10 years. After that, use your superannuation.

Why? Because you pay less tax on superannuation and this means your capital will grow more quickly within super.

Step 2: Invest aggressively

An aggressive super strategy will free up cash for non-super investments. Many super funds now offer high-growth investment options that tend to produce better long-term returns than conservative investments, albeit with a higher degree of volatility.

Outside of super, invest in growth assets like property and shares that produce higher historical returns than cash or fixed interest. Remember that you need to hold growth assets for around 10 years or more to benefit from the long-term returns these assets can generate.

Be prepared to accept the risks associated with high-growth investment strategies. The balance of these investments is likely to fluctuate – both up and down.

Step 3: Plan income streams

Work out how you want to receive income in retirement. Allocated pensions reduce tax liabilities, for example.

Early retirees can't receive allocated pensions but an investment portfolio including fully-franked Australian shares and property trusts will help minimise tax.

Step 4: Calculate income needs

Calculate how much annual income you will need in retirement to set a final savings target. Be realistic – you may not need to match your pre-retirement income once you quit work. This is most likely to apply if you have paid off debts and have no dependants.

Step 5: Talk to an adviser

Use ARW as your financial adviser to design a savings strategy that suits your individual circumstances and risk profile.