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Friday, August 09, 2019

(Room 3)

16:30 - 17:25 WS #46: Retirement - a Bright Beacon or an Oncoming Train?

17:35 - 18:30 WS #56: Retirement - a Bright Beacon or an Oncoming Train? (Repeated)

Retirement

Bright Beacon or Oncoming Train?

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About MFAS

- helping NZ health professionals make better informed financial decisions since 2001
- Auckland based - servicing clients around NZ
- our team are Authorised Financial Advisers & Certified Financial Planners[CM]
- we appreciate both the opportunities and pressures of being a health professional
- partner with NZ Medical Association (benefits apply)

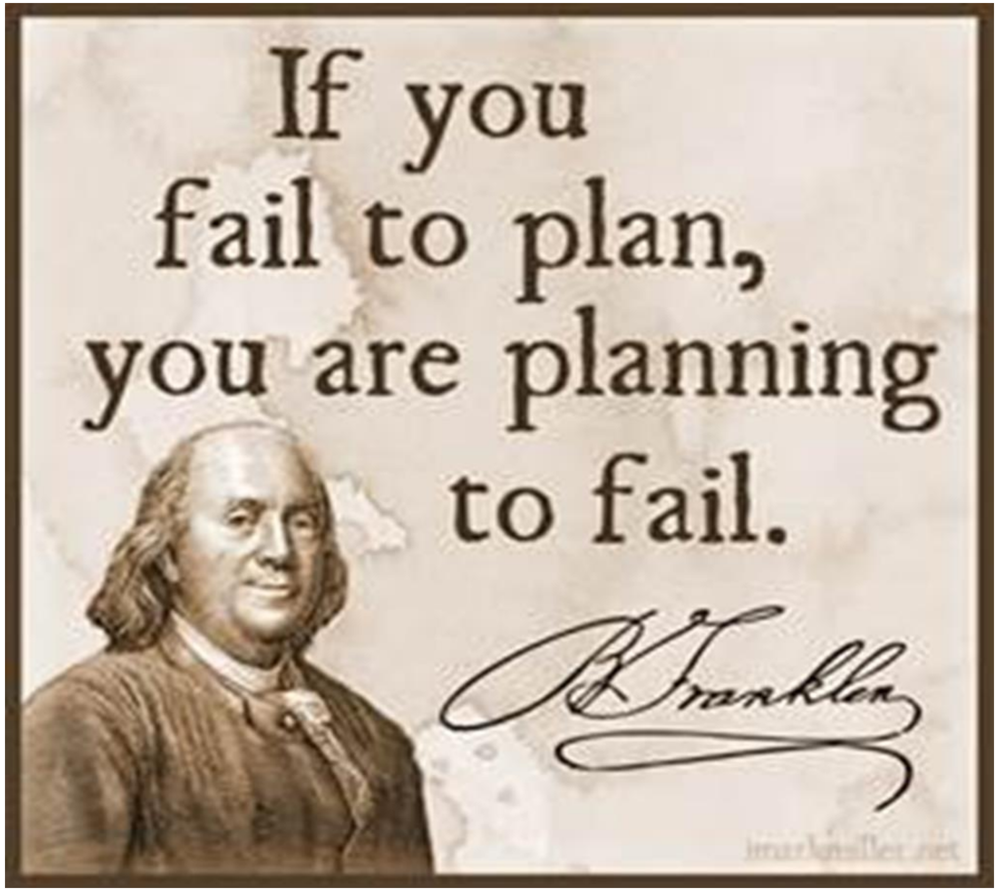
Retirement Planning

What is Financial Success for You?

Totally personal:

- what is important to you, your family, your lifestyle and your objectives?
- when do you want to be in a position to retire?
- how much income will you need?
- what adventures do you want to have along the way?
- expectations may change over time!

An Investment Plan is Essential



A Retirement Plan for Success

- know what your financial target is (so you know when you have succeeded!)
- identify assets available to achieve your target
- mitigate your risks along the way
- measure, monitor and review progress and relevance of your strategy
- invest according to your risk tolerance

How Much is Enough?

- what percentage of current income would you like to have available throughout your retirement?
- include or exclude NZ Super?
- major expenses or likely income changes

Wealth Target

55 year old
$150k annual gross salary
Retire at 65 years
25 years in retirement, age 90

Annual gross equivalent
$101,167

Frequency
Monthly

Net retirement income: today $
$6,288

Net retirement income: future $
$8,017

RETIREMENT INCOME RATIO

70%

Risk profile used for plan
Moderate

Include New Zealand Super?

NO SINGLE COUPLE

WEALTH TARGET

$2,255,823

Wealth Target

55 year old
$150k annual gross salary
Retire at 65 years
Assume couple for NZ Super
25 years in retirement, age 90

Annual gross equivalent
$101,167

Frequency
Monthly

Net retirement income: today $
$6,288

Net retirement income: future $
$8,017

RETIREMENT INCOME RATIO

70%

Risk profile used for plan
Moderate

Include New Zealand Super?

NO SINGLE **COUPLE**

WEALTH TARGET

$1,272,488

Big Numbers - You Can Do It!

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Step 1: Emergency Fund

- maintain 3 months required living expenses (bank or line of credit)
- eases the pressure of unexpected situations
- time to think and act rationally
- likely to fit with your stand-down period for personal insurances

Step 2: KiwiSaver/Superannuation

- are you maximising your opportunity?
  - from 1 April KS contribution options extended to 3%, 4%, 6%, 8% and 10%
- are you in the right KiwiSaver fund?
- not likely to be sufficient on its own – limitations re access
- low fees because “locked-in”

KiwiSaver Will be Significant!

Your contribution

10% 8% 6% 4% **3%** 0%

Employer contribution

8% 7% 6% 5% 4% **3%** 0%

CURRENT KIWISAVER BALANCE	$120,000
TOTAL ANNUAL CONTRIBUTION	$8,036
KIWISAVER AT RETIREMENT	$326,853

Your contribution

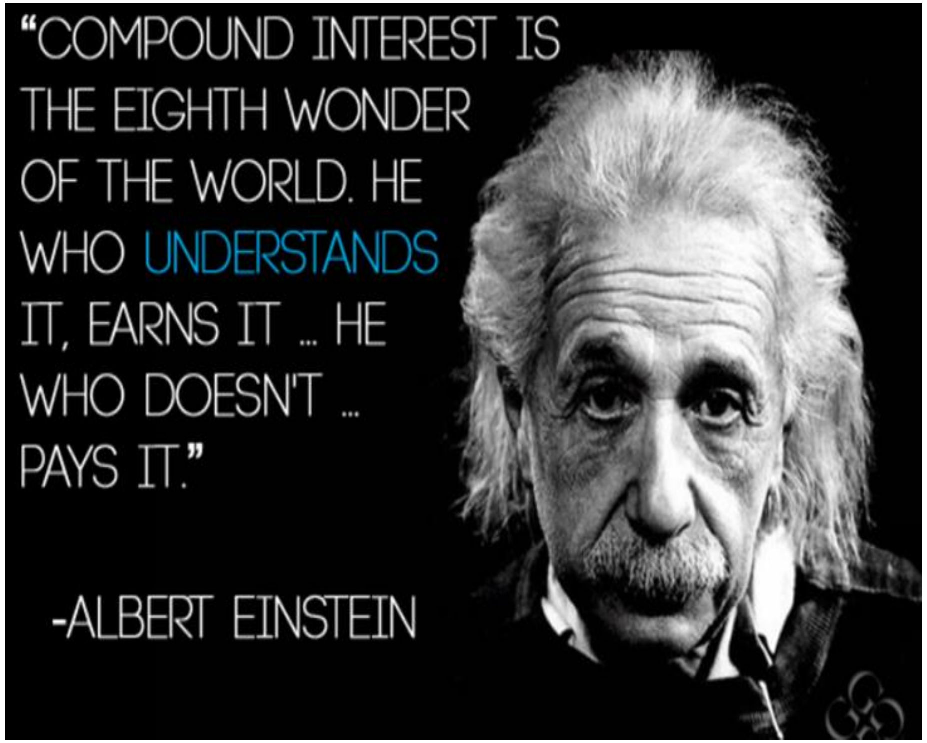
10% 8% 6% 4% 3% 0%

Employer contribution

8% 7% 6% 5% 4% **3%** 0%

CURRENT KIWISAVER BALANCE	$120,000
TOTAL ANNUAL CONTRIBUTION	$18,536
KIWISAVER AT RETIREMENT	$473,318

Step 3: Regular Savings



- a little and often for a long time is a certain winner
- just start – no room for procrastination
- watch your savings grow – visibility is reassuring!
- diversification

Regular Savings Impact

Description	Amount	Frequency
Regular Savings	$3,000	Monthly

MONTHLY SAVINGS	ANNUAL SAVINGS	SAVINGS AT RETIREMENT
$3,000	$36,000	$473,342

Description	Amount	Frequency
Regular Savings	$3,000	Fortnightly

FORTNIGHTLY SAVINGS	ANNUAL SAVINGS	SAVINGS AT RETIREMENT
$3,000	$78,000	$1,031,474

For the Young

30 year old saving $500 per fortnight for 35 years – the world is at their feet!

WEEKLY SAVINGS	ANNUAL SAVINGS	SAVINGS AT RETIREMENT
$250	$13,000	$1,808,623

Step 4: Future Additions

- sale of your practice
- inheritance
- sale of practice building/rental (or utilise the income)

As an Example

Description	Amount	Estimated date
Sale of Practice	$100,000	2028
Inheritance	$50,000	2025

FUTURE SUM AT RETIREMENT

$209,645

Description
Rental

Property value
$400,000

Mortgage value
$200,000

Mortgage interest rate

4.00% 5.00% 7.00%

Mortgage payment
$4,000

Frequency
Monthly

PROPERTY EQUITY

Release property equity to fund retirement

100%

MORTGAGE REPAYMENTS

5 yrs

$48,000 p.a.

PROPERTY EQUITY RELEASED AT RETIREMENT

10 yrs

$509,973

Overview

WEALTH TARGET

RETIREMENT INCOME: TODAY $	70% | $75,456
LESS NEW ZEALAND SUPER	Couple | $16,446
RETIREMENT INCOME GOAL	$59,010

WEALTH TARGET $1,764,155

SINGLE KIWISAVER

WORK STATUS	Employed
YOUR CONTRIBUTION	3%
EMPLOYER CONTRIBUTION	3%

CURRENT KIWISAVER BALANCE	$80,000
TOTAL ANNUAL CONTRIBUTION	$8,036
KIWISAVER AT RETIREMENT	$276,915

MANAGED PORTFOLIO

CASH	$0
INCOME	$12,500
INFLATION	$33,325
GROWTH	$204,175

CURRENT RECOMMENDED PORTFOLIO	$250,000
YEARS TO RETIREMENT	10
PORTFOLIO AT RETIREMENT	$402,930

REGULAR SAVINGS

REGULAR SAVINGS	$3,000
FREQUENCY	Monthly
ASSET TYPE	Managed Portfolio

MONTHLY	$3,000
ANNUAL SAVINGS	$36,000
SAVINGS AT RETIREMENT	$473,342

FUTURE SUMS

2025	INHERITANCE	$50,000
2028	SALE OF PRACTICE	$100,000
		$0

TOTAL AMOUNT	$150,000
NUMBER OF FUTURE SUMS	2
FUTURE SUMS AT RETIREMENT	$154,753

PROPERTY STRATEGY

PROPERTY EQUITY	$200,000
MORTGAGE PLEDGE RATIO	0 %
EQUITY RELEASE	YES

EQUITY RELEASED AT RETIREMENT	$509,973
PLEDGE SAVINGS AT RETIREMENT	$0
PROPERTY EQUITY AT RETIREMENT	$0

103 PERCENT

THIS PLAN MEETS 103% OF YOUR WEALTH TARGET

PROJECTED CAPITAL AT RETIREMENT $1,817,912

Diversification Essential

- Australasia makes up less than 2% of world markets
- home bias & strong dividend yields
- global diversification decreases risk, greater opportunities
- easy to access through funds
- if holding direct consider currency risk

Responsible Investing (the new norm)

- All fund managers are now incorporating ESG to their holdings
- exclusion based
- internal agitation
- very subjective
- even the experts don’t agree but it is changing behaviour!

How we allocate funds to timeframes

Cash Category

Cash – Bank Deposits
Funds required in next 12 months
Full liquidity & security

Income Category

Income – Government & Corporate Bonds
Funds required in 3-5 years
Stable over short term

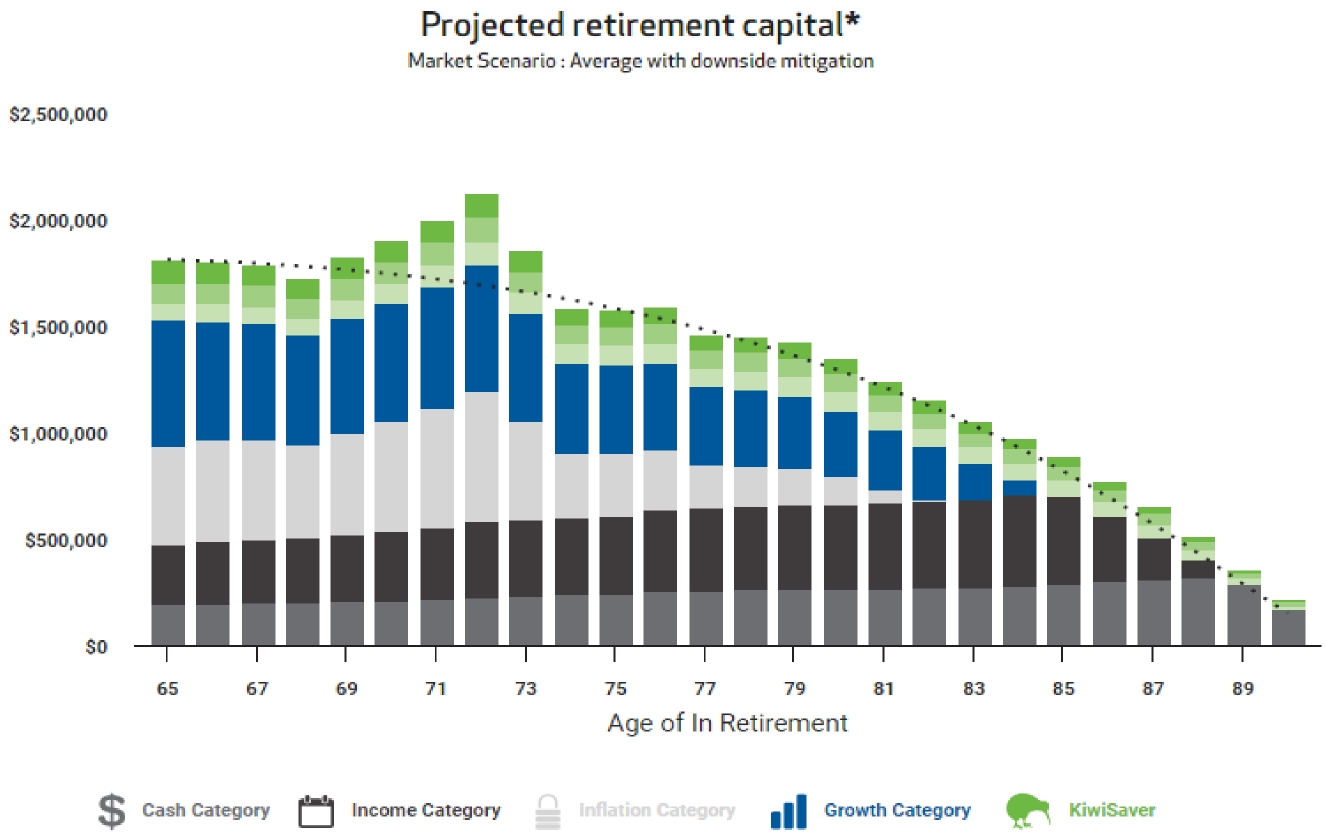
Inflation Category

Inflation – Utilities,
Funds required in 5-10 years
Protect your purchasing power

Growth Category

Growth – Global equities
Funds required in 10 years+
Provides growth & longevity

Utilising your Savings in Retirement



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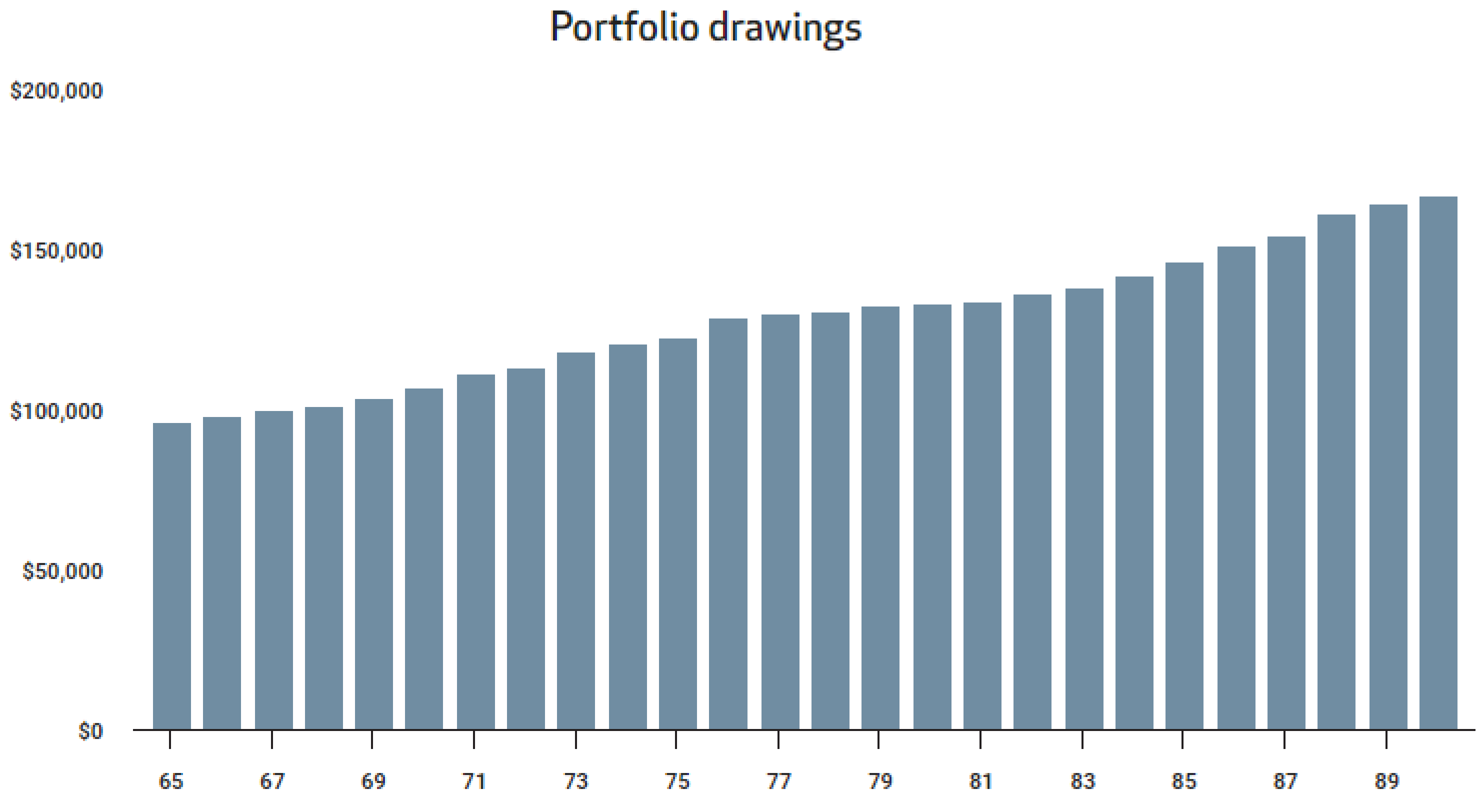
Income needs to keep pace with Inflation



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Mitigating Your Risks

Insurances

- your income (and future income) is likely your largest asset
- family and business considerations
- policy wordings vary between providers
- holistic approach between investment strategy & insurance requirements

With MFAS You Are In The Driver's Seat!

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Tomorrow is good.

Today is better.

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