

## Superannuation

### Disastrous retirement strategies

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We all know that there is no such thing as a low risk, high growth investment product, which provides a guaranteed return. And we also know that in order to maintain a good lifestyle in retirement, our super savings need to be fairly substantial. But many Australians continue to play Russian roulette with their retirement incomes, either because they fail to consider that they may live well past age 80, or they buy dodgy investments in the hope of making a quick buck.



The worst retirement strategy, according to Lisa Faddy, financial planner at Majella Wealth Advisers, is forgetting to have one, or just leaving it far too late. "We've seen people at age 50 with a superannuation balance of one year's salary, expecting to be able to save enough by retirement to live off." And now that the government has placed restrictions on how much we can place in our retirement accounts each year, Faddy says everyone needs to make superannuation a priority much earlier.

Financial planner Ray Griffin, of Griffin Financial Services, says he has witnessed a few people who were convinced they would have a short life expectancy, and thought it was ok to spend more than their investments could generate. "They suffered from an out of control declining income position – spending more than you earn means you're eating into capital. Reduced capital generates less income, and so more capital is spent to fund living costs." As a result, Griffin says any retirement capital was diminished to the point where the individuals were ultimately reliant on the age pension. He adds: "Money won't make people happy, but it does give them more choices in life."

In terms of investments, investors should always ensure that they don't have all their eggs in one basket. After all, even good companies can suffer a plummet in share price. Faddy says: "There have been many well-publicised corporate collapses of late and for retirees especially, the high yield debenture companies that have gone under have caused significant losses. Large retirement savings losses have occurred lately when most of someone's savings were invested with one 'high yield' issues – especially those that looked like a term or bank deposit, but in reality were actually a high risk investment sold to people mostly without financial planners."

Taking out a margin loan to fund investments should also be viewed with caution. Andrew Buchan, director of financial planning at HLB Mann Judd, gives one disastrous case study. "I knew an 80 year-old couple who had a seven-year margin loan. As their equity increased in the loan, they would extract that value to live on. They were capitalising the interest, which was basically a house of cards that you knew one day would collapse."

According to Griffin, many people fall into two

