

# The Count Report

Make the most of  
the family home

Life, interrupted

Getting your retirement  
lifestyle right



SPRING 2015

ISSUE NO. 121

Count 



# Welcome

Welcome to the Spring edition of  
The Count Report.

For many people, owning a home has long been regarded as the great Australian dream. With property such a hot topic right now, this edition's feature article 'Make the most of the family home' looks at how your home might be used to potentially assist in wealth and lifestyle creation.

Have you ever thought about how you'd be placed financially if a major life event occurred? Those that find themselves starting over can face surprisingly difficult financial challenges. In 'Life, interrupted' we investigate five common interruptions that many people will have to face throughout their lives.

In 'Getting your retirement lifestyle right' we speak with an expert who identifies the most important ingredients in the creation of retirement bliss, which could be helpful if you or someone you know is at this stage of life. And finally, our back page 'Facts & Figures' has some interesting stats about home ownership in Australia, including median house prices across each of the capital cities.

We hope you enjoy reading this edition of The Count Report and look forward to helping you reach your financial and lifestyle goals in the future.





# Getting your retirement lifestyle right

**How do you plan a perfect retirement?**  
We asked an expert to identify the most important ingredients in the creation of retirement bliss.

The very act of stopping paid work can introduce a sudden lack of routine, a shortage of networking and socialising opportunities and the purpose that a retiree may have enjoyed in the workplace. So how do you get around these challenges and ensure your retirement is a joyful and productive period?

Those that get the most out of retirement, says Dr Ruth Williams, a Research Fellow at the National Seniors Productive Ageing Centre, tend to be the ones that plan in advance. And the years leading up to your retirement are the very best time to put these plans in place.

Concentrate on the following specific aspects of lifestyle, and it is very likely that your retirement will be even more fulfilling than any period that has come before. Here are a few lifestyle approaches she recommends.

## Fitness and health

“Maintaining a healthy lifestyle is extremely important. A lot of people who work full-time

probably don’t have a great deal of time to do physical exercise, but in your retirement you need to make a plan for physical health. Some people join clubs, like tennis or golf, so they can socialise as they maintain their physical fitness. It’s also important to maintain your cognitive health, such as doing things like crosswords and Sudoku puzzles.”

## Socialise by volunteering

“Socialising in retirement is very important. Many choose to volunteer, and that could be through formal volunteering. For example, a lot of organisations are now looking for experienced people to sit on Boards. There is also informal volunteering, like grandparents taking on caring roles for their grandchildren.” Volunteering also gives people a sense of meaning, community and purpose. That is extremely good for mental health.”

## Make a transition

“A lot of people don’t retire immediately anymore, they go into a semi-retirement. Even if they do fully retire a lot of people still make themselves available for consultancy work where they can still contribute knowledge on specific projects. There is an opportunity for skill-sharing

and mentoring enabled by keeping a foot in the door of your organisation.”

## Indulge in hobbies

“This is the time when a lot of people are looking forward to finally pursuing whatever it may be that they love. It could be travel or home renovations. Having time to pursue personal interests is a big drawcard for people in retirement. A lot of these activities are often through community houses and local municipal sectors, so there is a lot of opportunity for people to engage in an interest and develop local social connections as well.”

## Be a lifelong learner

“An attitude of lifelong learning is something that I am quite passionate about. Learning should not end at retirement, and there is an opportunity to mix this in with personal interests. It could be to do with knowledge or to do with learning new skills. This not only maintains cognitive health but contributes to your social networks.”



## Make the most of the family home

For the majority of families, their home and superannuation will be the two most valuable investments they will own in their lifetime. Here we discuss how the family home might be used to potentially assist in wealth and lifestyle creation.

For those that have purchased their family home, a great deal of value is often held within its walls. This value comes in many forms including physical, emotional, financial and more. Specific wealth strategies can be created around anything of financial value and, once in place should be fine-tuned throughout various life stages. So what should property owners consider when it comes to utilising, most effectively, the home in which they live?

### I am accumulating wealth

Income potential is high in this age group. If you are not already salary sacrificing into superannuation, this is a good period in which to begin. Alternatively, and particularly in order to take advantage of historically low interest rates, increasing mortgage repayments could make a big difference in the time it takes to pay off the house, and the amount the mortgage eventually costs you.

Too few people review their home loans, instead allowing the mortgage to take care of itself. A mortgage review may mean you discover a better deal elsewhere. But it might also simply lead to a discussion with a representative from your lender, revealing a better way to manage your account. An offset savings account connected to the mortgage account, for instance, can save a considerable amount of interest over time. And a redraw facility that offers essential funds at mortgage interest rates, rather than personal loan or credit card interest rates, can also make a real difference.

Paying down the mortgage on the family home as quickly as possible is important as interest on this loan is typically not tax deductible. At the same time, the more you pay down the debt, the more equity is held in the house itself – assuming the value of the house is not decreasing.

Finally, during this period it is very important to ensure that your investment is protected. Has your home and contents insurance kept up with the current value of the property? Have any improvements you have made along the way, or valuable items within the house, been added to your insurance policy? Don't let your most valuable asset go unprotected or under-protected. Review insurance on an annual basis.

### Key takeaways:

- Consider salary sacrificing or increasing mortgage repayments
- Review your home loan
- Check your insurance levels



## I am looking forward to my retirement

The children are older and are perhaps even at the stage where they have moved out, or are at least paying their own way. You are working on maximising your retirement savings and your income is reaching, or is at its peak. Then why do you feel cash poor? As a home owner it is important to realise that you are also asset rich. So how do you release some of the value in that asset?

Some decide this is a good time to downsize, which achieves several valuable goals. Firstly, it gives you the freedom and the time to downsize at your own pace and on your own terms, rather than suddenly having to do so when health or other issues force a move. This means you can take your time to plan and choose the lifestyle you desire, rather than having to accept whatever is available in your price range at the time that an urgent move is required.

### Key takeaways:

- Consider downsizing
- Can you create income from your house?
- Borrow against equity to invest
- Review your insurance levels
- Put an estate plan in place

It also frees up a lot of equity for investment elsewhere, money that was previously locked up in the value of the family home. This allows for diversification and different investment strategies to be put in place, such as a balanced mix of income and growth, instead of growth alone. Additionally, the money that is now available could be used to generate an income. However, as with any investment strategy, you should consider the level of risk you are comfortable with, your goals and the investment timeframe.

A family home containing spare bedrooms can itself be used to generate additional income. Granny flats can be rented out to long-term tenants or short-term visitors. Other areas of the house can be renovated to create spaces that can also be rented. In the age of property-sharing websites such as Airbnb, spare rooms in a house located in a desirable area can

provide an impressive income for those that welcome the company of travellers. Such income can continue into the future in order to help fund a retirement.

A third option, if you haven't done so already and if it fits your risk profile, is to borrow against the equity in your house to boost the value of your investment portfolio in a potentially tax-efficient manner.

Be sure to constantly review your insurances, particularly if you make the choice to take in renters, and to evaluate your home loan arrangements to ensure you are receiving the very best deal. Now is also the time to put in place a solid estate plan, including wills and enduring powers of attorney, to make sure the value in the family home is looked after and is distributed in accordance with your wishes - should anything happen to you.

## I am enjoying my retirement

Your home now, most likely, is completely mortgage-free. But requests may come from your children, to act as a guarantor over their mortgage. Try to remove any emotion from such a decision and consider it, as you would any other investment, rationally. As with any agreement it brings with it an amount of risk, perhaps this fits your risk profile, perhaps it does not.

If you have not yet put an estate plan in place, it has now become a necessity. The wealth you have created throughout your working life can be looked after and distributed according to your wishes if wills and enduring powers of attorney are

in place. This is important for everybody at this life stage, but even more important for those that own all or part of a business, or have children from another marriage. Clarity around your final wishes is vital.

### Key takeaways:

- Consider guarantor requests very carefully
- Review your estate plan
- Consider lifestyle benefits of downsizing
- Speak with an expert about the family home in relation to benefits etc

Downsizing is a popular decision during this life stage, and for good reason. There is an emotional side to moving out of the family home, but once that original hurdle has been negotiated, most retirees feel a sense of release and relief. They are no longer responsible for the physical and financial demands of the upkeep of a large home. And a move can bring them closer to friends and family, or to an area offering better infrastructure for the elderly.

Perhaps most important at this stage is the bearing of the family home on matters such as aged care and Age Pension, which can be substantial. The issues around this topic are broad and complex. Be aware that expert advice is highly recommended in order to assist with any major decisions regarding your family home.





## Life, interrupted

Those that find themselves starting over in life can face surprisingly difficult financial challenges. Here we investigate five common interruptions that many will have to face throughout their lives.

### Relationship breakdown

The breakdown of a relationship can have an extremely damaging effect on a person's financial state. The issue is greatest for women with dependent children who, the Australian Institute of Family Studies (AIFS) states, even six years after a divorce find it difficult to recover their pre-divorce income.<sup>1</sup> The same report said the

negative effect of divorce on assets and income can last into older age.

Re-partnering can offset the financial effects, but those that remain single often find themselves reliant on Government income support systems, according to AIFS. There is a significant economic advantage associated with living with another person and when this comes to an end, costs increase. Financial planning is vital, as is a thorough understanding of one's legal rights and responsibilities.

### Illness

With obesity overtaking smoking as the leading cause of premature death in Australia,<sup>2</sup> mental illness affecting

one in five adults<sup>3</sup> and the number of annual cancer diagnoses more than doubling between 1982 and 2010<sup>4</sup>, the likelihood of one's career being interrupted by illness is very real.

The insurance industry has developed products to help look after a person's financial responsibilities during such an illness, but returning to work after a medical battle can be testing all the same. Research by Macmillan Cancer Support has revealed that some employers fear the expense<sup>5</sup> of changes that may be required when a person returns from illness.

At the same time, returning to work is not only important financially for the individual, but also signals a return

1 [aifs.gov.au/media-releases/financial-impact-divorce](http://aifs.gov.au/media-releases/financial-impact-divorce)

2 [modi.monash.edu.au/obesity-facts-figures/obesity-in-australia/](http://modi.monash.edu.au/obesity-facts-figures/obesity-in-australia/)

3 [sane.org/stigmawatch/204-facts-and-figures-about-mental](http://sane.org/stigmawatch/204-facts-and-figures-about-mental)

4 [canceraustralia.gov.au/affected-cancer/what-cancer/cancer-australia-statistics](http://canceraustralia.gov.au/affected-cancer/what-cancer/cancer-australia-statistics)

5 [theguardian.com/careers/returning-work-illness-support-employees](http://theguardian.com/careers/returning-work-illness-support-employees)



to normality. One of the secrets to success, they say, is constant and open communication between the individual and the organisation during the absence, and a gradual transition back to work afterwards.

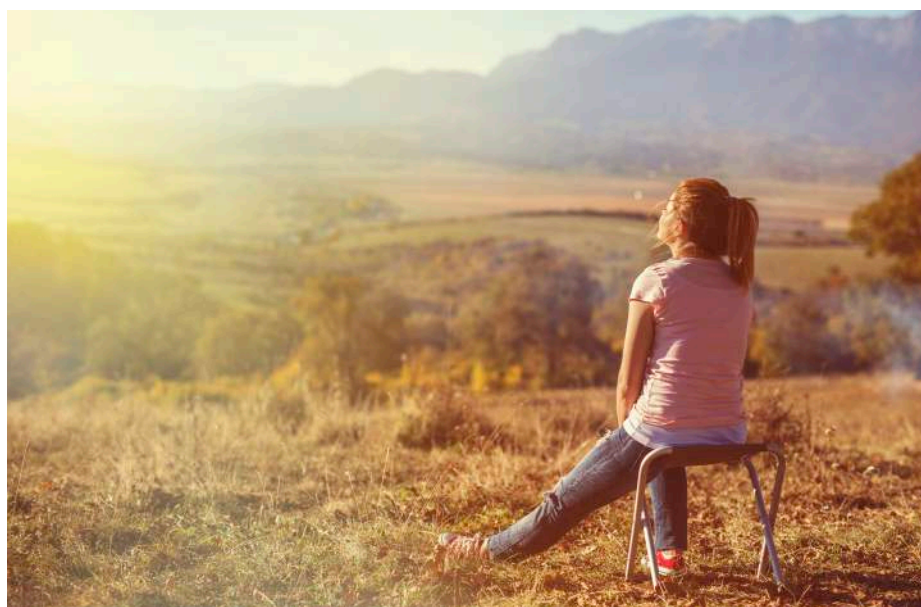
## Redundancy

Being made redundant or fired, especially when the event is unexpected, is a blow both financially and in terms of confidence. If it should happen, the worst thing you can do is mope about the house.

Develop a plan that begins with finding out what support you could be offered. Are there any Centrelink benefits you might qualify for? Could your mortgage repayments be covered by insurance? Can your insurance providers waive costs for the period you're unemployed, or suspend a policy such as Income Protection? Is your ex-employer providing you with all of the redundancy benefits they should be? Are they offering assistance in finding a new role at another organisation? Then move on to applying for new roles, including contacting recruiting agencies. A gap in your CV becomes more difficult to explain the longer it lasts.

## Back to work after children

Coming back into the workforce after a period in which childcare has been your main role can be difficult emotionally (leaving the children), technically (do you still have the knowledge?) and socially (getting to know a new group of people).



Experts say it is a good idea to conduct a career evaluation that looks backward and highlights your specialist knowledge, talents and achievements, then looks forward and selects certain roles in which you would shine. This way you are basing your decision on solid fact, which will boost confidence levels. Don't be afraid to turn down jobs you don't think you'll enjoy, and never accept a position just for the money. And don't forget to include in your CV all of the voluntary work you have conducted at your child's school, or the pro-bono marketing consulting you did for a friend who was launching a new business etc.

Finally, network both online and offline. Positions are filled by people that know people, so make sure you're top of mind.

## Mortgage difficulties

If a household's income at any stage is unexpectedly lowered, this can lead to mortgage stress. Once a person is facing serious financial hardship as a result of a reasonable and unforeseen issue such as illness or job loss, lenders are obliged to make certain hardship provisions available in order to allow the person an opportunity to find a way out of their situation.

Start by speaking with your financial adviser or a not-for-profit financial counsellor, who will help you to figure out exactly where you are financially, whether you might be able to increase your income and what assets you may be able to sell. Importantly, they will also put deadlines in place so a solution doesn't take so long that the problem compounds.

## Tips to stay on track

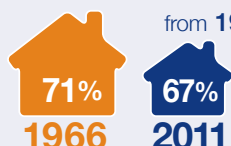
- Always set deadlines for each goal you set. Without deadlines, many plans never come to fruition.
- Break down your plans into achievable pieces and put each onto a timeline, so you can track your progress.
- Develop a very clear picture of your finances including debt, income, savings, super and other incomings and outgoings.
- Be creative about increasing your income. If there is an adult child living with you, perhaps it is time for them to help cover their costs.
- Seek advice on benefits that may be available to you as you re-build.

# Facts & figures

## Property in Australia

### Home ownership

The percentage of **Australian owner occupied** households was **4% down** from **1966 to 2011**<sup>1</sup>



### Outright ownership of houses has fallen



### Australian home owners love a free-standing house on a block of land



The Australian Bureau of Statistics says that of the **5.7 million households** that were **owner occupied** in 2009-2010, 88%<sup>3</sup> were **separate dwellings**.

In **2011**<sup>4</sup>



median age of **37** was housed in **9,117,033** private dwellings

**Average household**

median mortgage repayments **\$1800** monthly

**2.6 people**

**1.7 cars**

### Median house prices

in September quarter **2014**<sup>5</sup>

Sydney	\$843,994
Melbourne	\$649,000
Brisbane	\$465,500
Adelaide	\$412,500
Perth	\$535,000
Hobart	\$360,000
Canberra	\$525,000
Darwin	\$610,000

**30.8%** The proportion of the median family income required to meet average home loan repayments in Australia<sup>6</sup>

HEAD OFFICE: Level 3E, Commonwealth Bank Place, 11 Harbour Street, Sydney NSW 2000

P. 1800 026 868 W. [count.com.au](http://count.com.au)

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#### Sources:

- 1 Australian Bureau of Statistic Census 2011 / Australian Bureau of Statistic Census of Population and Housing 1966.
- 2 Australian Bureau of Statistic Census 2011 / Australian Bureau of Statistic Census of Population and Housing 1996)
- 3 Australian Bureau of Statistic Year Book Australia 2012 – Home owners and renters
- 4 Australian Bureau of Statistics 2011 Census Quickstats
- 5 REIA Real Estate Market Facts Report
- 6 REIA Housing Affordability Report 2015

CONTACT YOUR COUNT ADVISER AT:

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