EVANS EDWARDS

FINANCIAL ADVISORS | WEALTH CREATORS

# How to save for retirement in your 40's

Let's start with the good news: studies show that your income peaks between the ages of 45 and 54. You'll potentially have more money than ever – but you may also have unexpected or unwelcome expenses. At this age you might also put retirement planning on the backburner in favour of more pressing financial commitments, such as your mortgage and kids' school fees. Use these potential life changes as the impetus to re-evaluate your assets and income, and look at how you can maximise savings for your retirement.

In your 40s, retirement age is still some 20 years away and, while that seems like plenty of time, your decisions now can help secure your financial future. Read on to find out how to save for retirement in your 40s.

## CALCULATE HOW MUCH YOU'LL NEED FOR RETIREMENT

According to the Association of Superannuation Funds of Australia, by the time you reach 49 you'll have between around $87,500 and $145,000 in your super account. The same group estimates singles will need retirement savings of $545,000 for a comfortable retirement, while couples will need combined retirement savings of $640,000. Are you on track to getting there in the next couple of decades?

## SET REALISTIC FINANCIAL GOALS

While your financial goals in your 20s and 30s may have been idealistic, as you get closer to retirement, they should become realistic. It's time to develop a clear plan for your savings, with achievable short, mid and long-term targets in working towards your overall retirement goal.

## LIVE WITHIN YOUR MEANS

Your 40s are typically peak earning years, but with Australia in the grip of a recession, many things aren't typical right now. One thing that's changed is where we do our work. At the start of the coronavirus epidemic, more than 10.5 million Aussies swiftly transitioned to working from home, and many people are yet to go back to the workplace. While there might have been some initial expenses to set up a suitable home workspace, there's also a reduction in day-to-day costs like commuting. Consider funnelling any of this cash into your savings instead, to actively save for your retirement in your 40s.

Become more mindful around spending on big-ticket items as well – before a splurge, try taking a day (or a week) to give yourself time to think about how much you really need the item. You'll be surprised at how often you decide it's not essential to your life, and the money you save can be added to your retirement savings instead.

## REVIEW YOUR INVESTMENTS

Your super might be ticking along, but what about other investments? It's not too late to start saving and investing. Work out what style of investor you are so you have a better understanding of how comfortable you are with risk. Then talk to a financial adviser about creating a portfolio that suits you, which might include property, shares and other investment classes.

## AIM TO BE DEBT FREE

Entering retirement with debt means juggling repayments with a high interest rate, which will eat into your retirement income.

To enter retirement debt free, look at paying off your home loan before you retire. Preparing for retirement in your 40s might mean getting a better deal on interest rates or creating a budget that allows you to make extra contributions to your mortgage, above your minimum monthly repayments.

Make sure you pay off your credit card balance in full each month so you don't accumulate interest. Be cautious about borrowing money that you won't be able to pay off in a short period of time.

## UPDATE YOUR INSURANCE

For many people, COVID-19 has been a strong reminder of how much we value good health and wellbeing – and how quickly things can change. Having the right kind of insurance can help create peace of mind when you need it.

Review your private health insurance to make sure it's still right for your needs, particularly if your circumstances have changed or you have a growing family. Income protection and life insurance help to protect you and your family if you can't work due to injury or illness, so you can continue to pay the bills without dipping into your savings.

## PLAN FOR YOUR KIDS' FUTURES

Your kids mean the world to you – we get it. But their education doesn't have to come at the expense of your retirement. As part of your retirement planning, consider setting up a separate savings account to fund things like your kids' school and university fees, so you don't have to dip into your retirement fund for their education.

Show your children how and why you're cutting back on discretionary spending (meals out, trips to the movies) to make their long-term goals (like getting a job) a priority. You're never too young to develop a healthy understanding of finances and budgeting.

Source: AMP

**We will guide you with a tailored approach that works for your circumstances. Give us a call on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help**

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