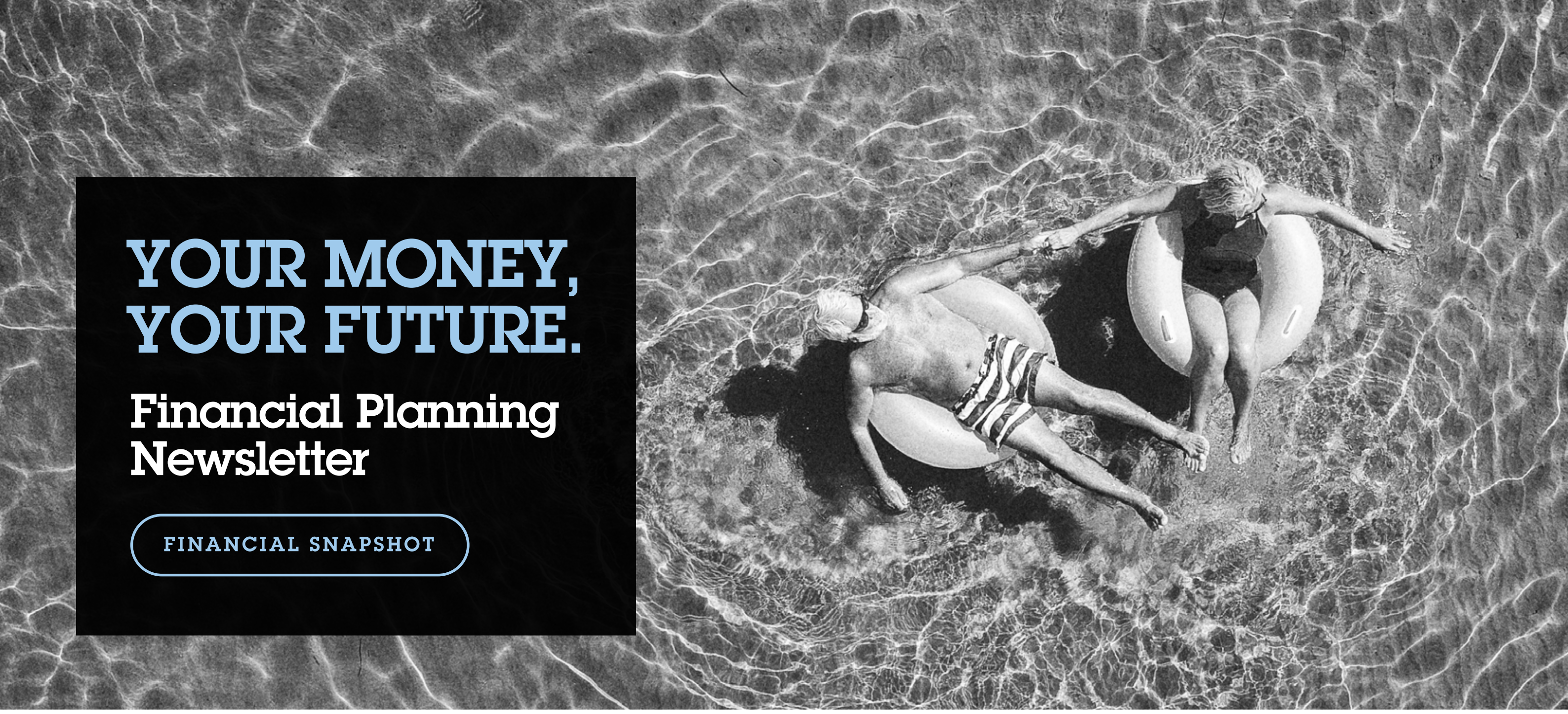

YOUR MONEY, YOUR FUTURE.

Financial Planning Newsletter

FINANCIAL SNAPSHOT

6 ways you can generate an income in retirement

The time has come. You've worked hard over the years contributing to your superannuation to build up your retirement savings.

Now you need to think about the best way to convert your savings into an income stream that replaces your regular pay cheque.

Here are six ways you could generate a steady and reliable source of income in retirement:

1. An **account-based pension** allows you to access some of your super savings as an income stream while investing the remaining balance. You can choose the amount and frequency of pension payments to meet your financial needs in retirement. It's important to consider factors such as investment options, fees and tax when selecting a provider.

2. The Australian Government provides **the age pension** to eligible individuals who have reached the qualifying age and meet income and asset tests. The age pension offers a regular income stream to supplement your retirement savings. It's crucial to understand the eligibility criteria and work with a financial adviser to maximise your entitlements and enjoy a seamless transition into receiving the age pension.

3. Investing in **dividend-paying stocks or managed funds** can be a valuable source of income during retirement.

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Dividends are regular payments made by companies to shareholders, providing a potential income stream. Seek professional advice to identify companies with a history of consistent dividends, while considering the level of risk that aligns with your financial goals.

4 Investing in **rental properties** can generate a steady income stream for retirees. Australia's property market has historically shown growth, making it an attractive option for long-term investment. But it's essential to thoroughly research the market and consider the pros and cons of using property to fund retirement.

5 Exploring **part-time employment** or leveraging your expertise through **consulting** can offer an additional income stream during retirement. Continuing to work not only provides financial benefits but also keeps you engaged and socially connected. Identify opportunities that align with your skills and interests, allowing you to strike a balance between work and leisure.

6 **Annuities** provide an income for life or a specified period, offering protection against market fluctuations. Talk to us to determine the most suitable type of annuity that aligns with your income goals and risk tolerance.

We can guide you through the complexities of retirement planning and help you generate an income stream to enjoy a financially rewarding and worry-free retirement.

What the manufacturing downturn means for investors and the economy

After a post-Covid boom, manufacturing around the world is slowing down, which is affecting the global economy.

Manufacturing took a hit during the initial stages of the pandemic in 2020 but rebounded quickly in 2021 thanks to massive monetary and fiscal stimulus. However, as monetary policy tightened over 2022-23, conditions weakened, and activity is now contracting.

Until now, demand for services has helped to balance out the weakness in manufacturing but this is expected to slow due to rising interest rates and unemployment. As a result, global growth is predicted to be lower in 2024.

Ups and downs

Historically, manufacturing has gone through cycles that last around 18 months. Manufacturing Purchasing Managers' Indices (PMIs) peaked in mid-2021 and have been declining since, with forward-looking indicators suggesting further weakness to come as consumer spending slows down.

PMIs are surveys conducted across large global companies in manufacturing and services industries. They provide monthly updates on forward-looking measures like orders, prices, employment and inventories.

Different countries have been affected in different ways

A varied picture

The outlook varies across the manufacturing industry, with textiles, clothing, footwear, plastics, furniture, household goods and vehicles expected to face challenges. Machinery and equipment manufacturing are likely to do better due to demand for tech goods.

And different countries have been affected in different ways, with China, South Korea, Japan and Germany among the most exposed to manufacturing.

China's post-Covid rebound has been softer than expected, while Germany has entered a mild technical recession. Meanwhile, Japan's growth has been solid, supported by low interest rate settings by the Bank of Japan.

Other countries are also heavily reliant on global manufacturing as many industries have input into the manufacturing process. In general, developed markets such as Europe and the US look worse than emerging markets, with conditions holding up in the Middle East, India and Indonesia.

Overall, global growth is expected to be around 2.7% this year, below the historical average of around 3%. Growth in 2024 is expected to be even weaker at around 2.3%, as services activity slows.

And there could be more storm clouds on the horizon for global trade, as disputes over semiconductors continue between the US and China.

What this means for share prices

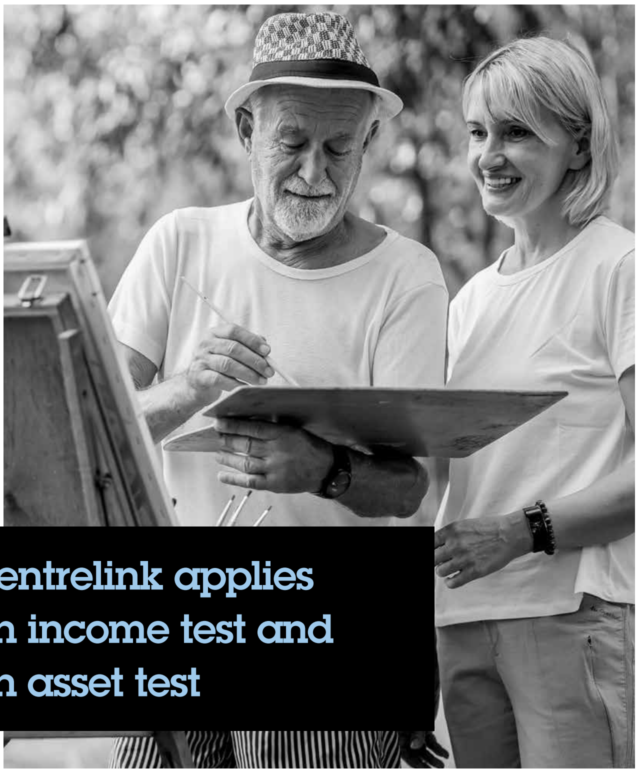
The impact on share markets has been mixed. The broad weakness in the Chinese economy has led to poor performance in local shares, while investors have looked beyond Germany's technical recession to deliver solid growth in shares. Meanwhile in Japan, share markets have been tracking around their highest levels since 1989.

Contact us if you have any questions.

Source: Econosights: The global manufacturing downturn, AMP Chief Economist Diana Mousina, https://www.amp.com.au/insights-hub/blog/investing/econosights-global-manufacturing-downturn

Can I go back to work if I've already accessed my super?

Generally, you can, but there may be other things to consider.



Centrelink applies an income test and an asset test

When you access your super at retirement, depending on your age and personal circumstances, your super fund may ask you to sign a declaration stating you intend to never return to work again. However, there could be compelling reasons as to why you might go back in the future.

Figures from the Australian Bureau of Statistics reveal financial necessity and boredom are the most common factors prompting retirees back into full or part-time employment[i]. Whatever your motivations might be, if it's something you're considering, there are things you should be aware of.

What is your situation?

I reached my preservation age and declared retirement

If you reached your preservation age (which will be between 55 and 60, depending on when you were born) and declared you'd permanently retired, this would typically have given you unlimited access to your super.

Your intention to retire must have been genuine at the time, which is why your super fund may have asked you to sign a declaration stating your intent.

Depending on your circumstances, you also may be required to prove your intention to retire was genuine to the Australian Taxation Office.

I stopped an employment arrangement after I turned 60

From age 60, you can stop an employment arrangement and don't have to make any declaration about your retirement or future employment intentions, while gaining full access to your super.

If you're in this situation, as there was no requirement for you to declare your retirement permanently, you can return to work without any issues.

I'm aged 65 or older

When you turn 65, you don't have to be retired or satisfy any special conditions to get unlimited access to your super savings, so regardless of whether you're accessing super or not, you can return to work if you choose to.

What happens to your super if you return to work?

Regardless of which group (above) you fall into, you may have taken your super as a lump sum, income stream, or potentially even a bit of both.

If you chose to withdraw a regular income stream from your super savings and are wondering whether you can continue to access these periodic payments, the answer is yes you can - and that's irrespective of whether you return to full or part-time work.

What are the rules around future super contributions?

Unless you plan on being self-employed and paying your own super, your employer is required to make super contributions to a fund on your behalf at the rate of 11% of your earnings.

This means you can continue to build your retirement savings via compulsory contributions paid by your employer and/or voluntary contributions you make yourself.

Note, once you reach age 75, you're generally ineligible to make voluntary contributions (unless they're downsizer contributions), while compulsory contributions paid by an employer under the super guarantee (if you're an employee) can still be paid no matter how old you are.

Could returning to work affect your age pension?

If you're receiving a full or part age pension from the Government, you'd be aware that Centrelink applies an income test and an assets test to determine how much you get paid.

Your super, as well as any new employment income will be considered as part of this assessment, so make sure you're aware of whether earnings from returning to work could impact your age pension entitlements.

If you're eligible, the Work Bonus scheme reduces the amount of employment income, or eligible self-employment income, which Centrelink applies to your rate of age pension entitlement under the income test.

Where can you go if you need a bit of help?

For information and tips around re-entering the workforce, check out the Department of Education, Skills and Employment website, which includes a Mature Age Hub, as well as details around the government's Jobactive initiative and New Business Assistance for those looking to become self-employed.

There are also websites like Older Workers and Seeking Seniors, which focus specifically on mature-age candidates.

If you have further questions on how a return to work could impact you, speak to us today.

i ABS - Retirement and Retirement Intentions, Australia

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