



THE FUTURE'S IN OUR HANDS

The question of retirement savings was highlighted recently in a story I read about a man who went on a spending spree after being given weeks to live. He later learned his diagnosis was incorrect but by then had blown all his savings. His plight captured public attention because we all wonder what we'd do if we knew for 'sure' how long we had to live. Is it really best to save for the twilight years that may never arrive, or should we make the most of now and spend while we can?

Retirement is in the spotlight in New Zealand as the government rolls out KiwiSaver and tries, once more, to move us to greater

self-reliance. But retirement shouldn't be the only topic on the agenda. In early April, at the Social Policy Research and Evaluation Conference in Wellington, Joakim Palme, the director of the Swedish Institute for Futures Studies, told delegates how the Scandinavian countries are working not just to achieve economic growth, but to reduce inequalities in society – for example gender inequalities in pay. He pointed out that a disparity in income can easily undo the social benefits of wealth creation.

Joakim believes that political and social discussion has been unduly focused on pension reforms and retirement savings when we should focus more on how social policy interacts with education, fertility and other fundamentals that will influence our future society.

I agree with his conclusions. In order to design social policies that are sustainable for the future, we still need to put our children and youth first. ■



MONEY TALKS



Susanna Stuart discusses the importance of retirement savings in the scheme of things

MAKING CENTS

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Q Where can I get easy-to-understand information about family trusts?

Jacinta, Christchurch

A I recommend Martin Hawes' book *Family Trusts: A New Zealand Guide* (Longacre Press, \$29.99). He is plain speaking and covers the subject well. The Public Trust website (www.publictrust.co.nz) is another useful resource. Remember: family trusts require serious thought – they're relatively easy to set up but, if 'tuned' wrongly, can be problematic. Trusts require ongoing maintenance, including the preparation of annual accounts and the filing of a tax return if the trust earns any income. Trustees have an obligation to manage the trust's assets in a prudent manner, so detailed record keeping is essential. A trust involves more than you think!

ready to retire? Youth aside, there's a real squeeze on the baby boom generation. The good news is that from April 1, New Zealand superannuation rates were boosted. A single person aged 65+ and living alone will now receive \$14,407 net per annum. A couple, where both people qualify for superannuation, will receive \$22,164 net per annum.

Here are some tips for being well prepared for retirement:

- * Ask yourself how much you realistically need to get by, given your chosen lifestyle.
- * Work out how you will top up your superannuation if it isn't enough, eg with rental income.
- * Many people don't like the idea of giving up work and it's social and financial benefits at 65. Consider extending your working life by a few years.
- * Invest your savings. If you've saved into a managed fund (eg a superannuation scheme) you will have a lump sum that can be meted out over your retirement years. At retirement, you simply can't afford to lose your nest egg so carefully weigh up the risk and returns of your investments. Seek the opinion of an independent advisor.
- * Choose how much to spend. Consider how you intend to live when retired. You may be able to have it all by opting for a frugal lifestyle that also allows you to splurge on the things you love.