What to do before retiring

A guide to getting your affairs in order

AUSTRALIAN Seniors

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Introduction

Although many of us should be thinking about our retirement from the time we start earning a regular salary, it's something most of us only start focusing on in our 50s and beyond.

Alongside wondering what you could be doing to boost your super, it's also a great time to start thinking about getting your affairs in order.

This might mean being a lot more proactive about paying down your mortgage or other debts, reviewing your will and ensuring you have the right insurance in place. It may also involve checking your beneficiaries and creating an accessible file of key documents that can be accessed in the event of your death.

This eBook covers many useful strategies to help you get started and includes an essentials checklist you can mark off. We hope you find it useful in organising your affairs and planning for a more comfortable retirement in the years ahead.

Note: This document is provided for information only and does not provide financial advice. Examples are for illustration purposes only, we suggest you seek professional advice before making financial decisions.

Superannuation

Looking to boost your super? Here are a few potential wealth-building strategies to consider.

Increase your salary-sacrificing percentage

Although your employer already puts 9.5% of your wage into your superannuation fund (with that figure rising to 12% from July 2025), experts suggest once you hit your 40s and beyond (a time when you're probably at a high-earning capacity), you should bump this up to 15%.

That means putting an extra 5.5% of your gross, pre-tax wage (known as salary sacrificing) into your super. In doing so, you'll pay less tax and can boost your super balance significantly as you move closer towards retirement. You could also consider putting any bonuses, tax rebates or inheritance you receive straight into your super.

Downsizing contribution

If your kids have left home, you may be looking to downsize to a smaller property. Did you know that a portion of funds from the sale of your home can be funnelled into your superannuation? This is known as a 'downsizing contribution' – and both you and your spouse may be eligible to put up to $300,000 each into your superannuation as a non-concessional contribution.

To take advantage of downsizer contributions, there are eligibility requirements to consider. You must be over the age of 65, and you're only allowed to make downsizing contributions for the sale of one home. It will also count towards your transfer-balance cap, currently set at $1.6 million, which applies when you move your super into retirement phase.

Spousal contributions

A partner who earns more – and has already hit the threshold for superannuation contributions – may be eligible to make what's known as a spousal contribution to their partner's super fund. This can be a great way to build the super funds that will benefit both of you in retirement, and the partner who makes the contribution may also be eligible for a tax offset of up to $540 per year.

If your spouse is under 65, you may also opt to split concessional (before-tax) contributions with your partner, effectively boosting their super balance with some of your own savings. Because there are caps on how much you can contribute to super, concessional-contribution splitting can be an effective way to keep you and your spouse under the threshold and avoid extra tax.

Reconsider your investment strategy

Tweaking your super's investment strategy could be a smart way to boost the balance of your savings. But should you go for a high-risk, low-risk or balanced option?

This will mainly come down to the level of risk you're comfortable with, although your age and assets should also be taken into account in making any decisions. You may wish to talk to a broker at your fund or a financial planner about the right course of action for your stage of life.

Self-managed super fund (SMSF) geared to property

There are around 1.1 million Australians with an SMSF – and these privately run funds are regulated by the ATO. You can use an SMSF to invest in property, and although there are strict rules in place, you can use your SMSF to purchase an investment property that you intend to live in when you're fully retired.

If your super is in a growth phase, investing in property using your SMSF could be a savvy way to build wealth. However, this is a long-term commitment so it's important to take your individual needs into account. For instance – if you're nearing retirement age, you might find it more comfortable to keep your assets liquefied so you can draw on them as needed. It all depends on your current and future financial position as well as your plans for retirement.

Transition to retirement (TTR)

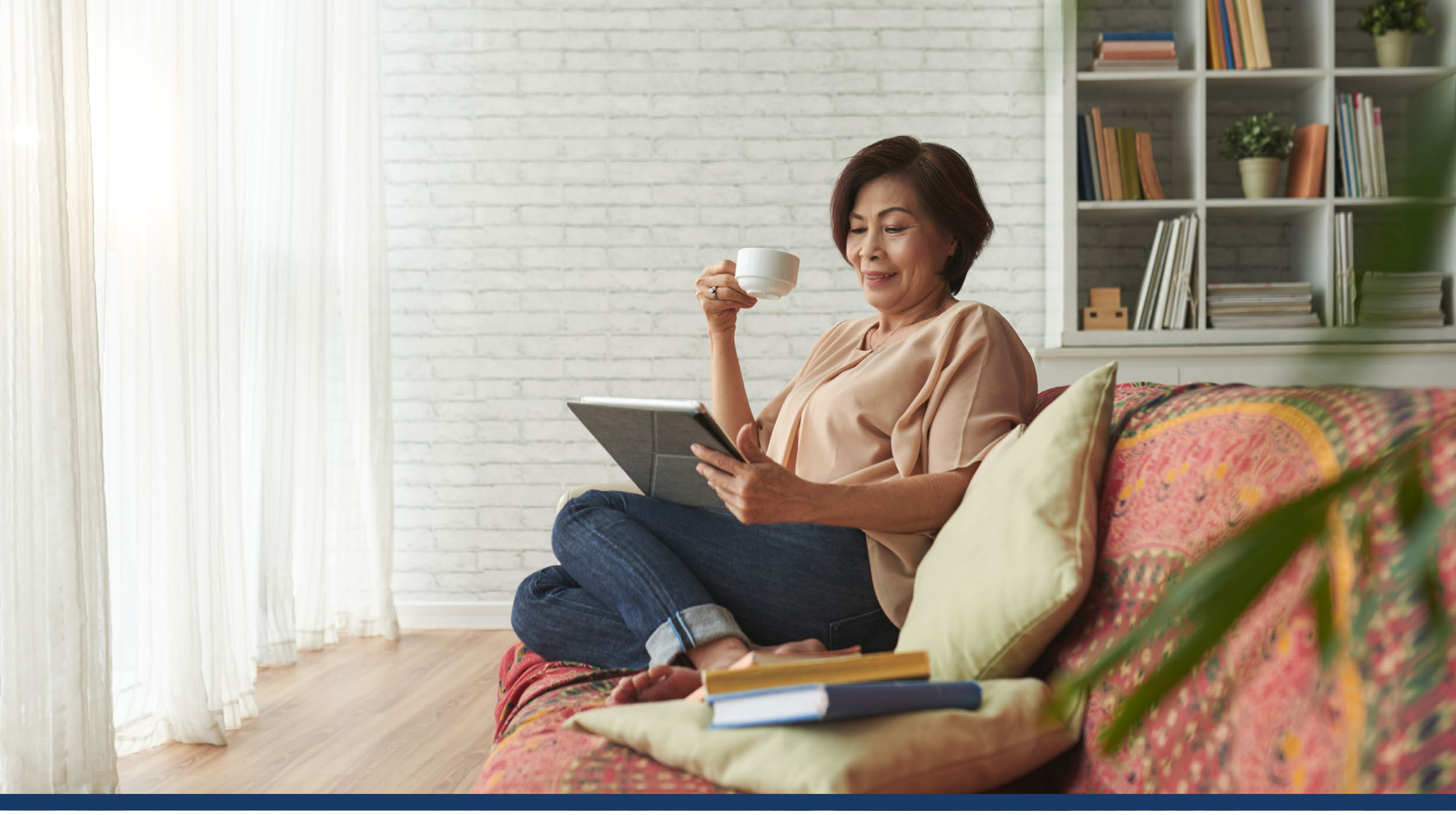
Want to keep working as you move towards retirement but not leave the workforce completely? A TTR strategy may be suitable. It's a way to reduce your work hours, supplement your salary and maintain your lifestyle.

You can also continue building on your super with employer contributions, and you can also salary-sacrifice extra funds into your super to save on tax. Some criteria does apply, so check here to see if you're eligible and if it's suitable for your circumstances.

What happens to your super when you're gone?

Your super is typically paid out to your beneficiaries in what's known as a 'super death benefit'.

Part of this benefit will be paid tax-free (the after-tax contributions and government co-contributions) while the rest will be taxed, including the employer contributions, salary-sacrificed contributions and personal contributions where a tax deduction was claimed.



Paying off debts

We all want a comfortable retirement. For most of us, this means the opportunity to enjoy our later years, spend time with the people we love and hopefully not worry too much about money. But that's bound to be challenging for many Australians heading into their retirement years while still in substantial debt.

In fact, data by the Bank of International Settlements (BIS) shows that Australians' household debt is the second-largest in the world behind Switzerland. Our household debt is on the rise – and nearly half of homeowners aged 55–64 are still paying off a mortgage, according to a study by the Australian Housing and Urban Research Institute (AHURI).

The AHURI research also found that the growing numbers of older Australians who carry mortgage debt into retirement may suffer an increase in psychological distress. Similarly, older Australians with a mortgage may decide to cover repayments by drawing down on their superannuation, rather than using it to meet their spending needs in retirement. Long-term, this may leave you short for expenses related to health or other necessities.

That's why it can be important to plan ahead and be as proactive as possible in paying down your debts prior to retiring.

If you have a mortgage

There are lots of ways to whittle down your mortgage prior to retirement. Seeking advice from a financial advisor is a good first step, with some strategies including:

- Making extra repayments into your mortgage – every little bit helps.
- Funnelling any bonuses or an inheritance lump sum into your mortgage.
- Depositing tax rebates you receive straight into your mortgage.

Paying off personal debts

Whether your credit cards are maxed out or you're struggling to pay off a personal loan, it's all too easy to accumulate debt. And it can be hard to extricate yourself from it. To pay off debts faster, here are some ideas to get you started:

- Create a budget or review your existing one to see where you can cut back, and put any extra funds towards your debts.
- According to MoneySmart, it may be a good idea to prioritise your debts and focus on the smallest one first , as this can help you get on top of things faster.
- Sell items you no longer need on Facebook Marketplace or Gumtree and use the proceeds to make payments towards your debts.
- Take on extra work or a side hustle.
- Cancel credit cards once they're paid off.
- Talk to the National Debt Helpline for free advice and strategies to help you avoid getting into debt in the future.

Key documents to organise

Let's face it: no one wants to have an awkward conversation around the dinner table about their death – especially if it's a long way off. However, if you pass away suddenly, you wouldn't want your affairs to be left in chaos or to make more work for your loved ones.

That's why it's essential to talk about the future, plan for it and ensure key documents are accessible by your family. You may also want to have a conversation with your loved ones about your will and your wishes, which can go a long way towards managing expectations among your family and children.

What documents should you compile? This key list is a great place to start. And here are some extra considerations:

Your will

You'd be surprised at just how many people don't have a will – in fact, it's estimated that nearly half of Australians die without a will, or 'intestate'. If this happens to you, it means that a court-appointed administrator can pay your bills and taxes from your assets, then distribute the remainder according to a formula. If you want your assets distributed in a certain way or to certain members of your family, you need a valid will in place.

It can be a good idea to make your family aware ahead of time how you intend to divide your estate and give any adult children a copy of your will. You will also want to appoint executors of your estate – you may wish to appoint both a solicitor and a family friend to handle the legal work and inform all beneficiaries.

Your insurance

Working out the type of insurance you need or ensuring you have the correct cover for your age and lifestyle is important. As your super fund often bundles insurance as part of the service, it's also important to check that you're not paying for unnecessary cover.

Don't forget to regularly review the beneficiaries on your insurance policies and make sure they are current. The next chapter delves into the types of insurances you might want to consider having and why.

Other records

It's a good idea to keep copies of your birth certificate, will, insurance policies and personal and financial records in a safe and accessible place, such as a folder that's clearly marked. Make sure your power of attorney, spouse and/or children know where to find it – in the event of your sudden death, it will save a great deal of stress having all this information in one place.

Review your insurance

Knowing that you have appropriate and adequate insurance in place can mean peace of mind both for you and your family. Reviewing the type of cover you do hold is a great first step – and here are the types of policies you may wish to consider.

Life insurance

Life insurance (also known as death cover) can pay out a lump sum to your nominated beneficiaries in the event of your death, which can ensure your loved ones have the means to clear the mortgage or any personal debts your family may have.

Funeral insurance

Research shows that funeral costs are rising, with the cost of a basic cremation doubling in the past eight years. So it's not surprising that one in three Australians have admitted to suffering hardship when paying for a loved one's funeral.

Putting funeral insurance in place or starting an emergency fund for funeral costs can help ensure your family isn't scrambling to find funds at a vulnerable and highly emotional time.

Home & contents insurance or landlords insurance

Your home is usually your biggest asset during retirement as it gives you a level of financial security when planning out your new lifestyle. Whether you're thinking of using it as your main residence or even selling it and moving to your dream location, it's always worth considering whether your Home & Contents are covered for unexpected damages or losses.

If you're planning on downsizing during retirement, you may want to consider using your main property to earn rental income and boost your retirement finances even further.

This is where Landlords Insurance can help as it can provide cover for common expenses such as unpaid rent, damage done by tenants, and even some related legal costs.

Car insurance

For other types of insurance that you may have, it's also worth checking if your policy is the best fit for your new lifestyle. E.g. – if you have comprehensive car insurance and don't drive many kilometres each month, you may be able to save on your car insurance by considering a Pay As You Drive (PAYD) policy, which means you'll only pay for the number of kilometres that you plan on driving.

Products like this can be great for those of us who spend less time on the road and more time enjoying other things after leaving the workforce.

Who are your beneficiaries?

If it's been years since you've nominated any beneficiaries to your super fund or your insurance, it's a good idea to review it and make any necessary changes.

For example, you may have nominated a spouse as your beneficiary years ago, but if your situation has changed, you will need to update those details. There may also be tax considerations depending on who you nominate as your beneficiary – be it a spouse or adult children – so it's a good idea to talk these over with a financial advisor.

Your essential checklist

It can be time-consuming and tricky to get your affairs in order, and this checklist will help guide you through the process.

Superannuation

- [ ] Consider increasing your salary-sacrificing percentage to 15%.
- [ ] If mortgage-free, consider funnelling extra funds you have (tax rebates, inheritance) into super.
- [ ] Ensure the beneficiaries of your superannuation are correct and current.
- [ ] Talk to a financial planner about growth and investment options.

Outstanding debts

- [ ] Consider arranging with your lender to pay extra on your mortgage payments.
- [ ] If you have lots of debt, consider debt consolidation (talk to your bank or financial adviser).
- [ ] Consider depositing any extra funds or bonuses you receive into your mortgage.
- [ ] Consider prioritising your debts and paying them off as a priority.

Insurance

- [ ] Review your insurance and make any necessary changes.
- [ ] Consider funeral insurance to alleviate the financial burden for your family.
- [ ] Ensure your insurance beneficiaries are correct and current.
- [ ] Talk to a financial planner about any tax implications.

Key documents

- [ ] Review and update your will, ensuring it is valid and legal.
- [ ] Check beneficiaries of your will are still current and accurate.
- [ ] Let family and loved ones know about your wishes.
- [ ] Leave a copy of your will with adult children and your spouse.
- [ ] Create a folder of key documents (will, birth certificate, insurance policies, financial documents), mark it clearly and let loved ones know where to find it.

Miscellaneous

- [ ] Involve your partner in your finances and introduce them to the people you use to manage your financial affairs.
- [ ] Ensure bank accounts can be accessed by your partner if you die.
- [ ] Write detailed instructions on how to access joint assets and bank accounts (leave in a secure place that your loved one knows about).
- [ ] Have regular conversations with family about your end-of-life wishes.

Conclusion

Your 50s and beyond are a good time to take stock. You still have many years ahead of you, but it'll give you great peace of mind to know your affairs are in order and your loved ones know about your wishes in the event of your death.

It's also important to remember that there's lots you can do to prepare for retirement even if you're middle-aged. Taking care of existing debts, paying down your mortgage and even downsizing are all ways to help create a more comfortable retirement.

Making sure you have the right level of insurance – and the right policies in place – is also key when organising your financial affairs.

Similarly, being proactive about boosting your superannuation balance with more salary sacrificing, a downsizing contribution or by opting for a higher-risk investment strategy can help boost your super balance as you approach your retirement years.

And ensuring the person who'll be managing your estate has access to a file of your key documents – in both hardcopy and a digital file.

We hope this eBook has been useful to you!