

# The bridge to retirement

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As your golden years get closer, do you have a financial plan for how to bridge the gap between what you are likely to have and what you will actually need?



If you have budgeted well and saved your way into the property ladder early in life, you're probably feeling reasonably comfortable about your financial future. After all, building wealth while enjoying a good lifestyle is really what living is all about. For those lucky

enough, sufficient wealth has been accumulated that removes all fears of what the future holds, and they move forward with confidence that few adjustments to lifestyle will be required in retirement. That is not the situation for many of us!

As I've moved further into my 50's, I've noticed a change in conversations. With teenagers becoming adults and (hopefully) flying the nest, minds have shifted from giving our children the best start in life to "have I saved enough for my own future?" Consider this, at 55 you have ten years left until retiring and hopefully 20 years plus of retirement to fund. Life's been good, but are your savings on track to deliver the same lifestyle once you stop earning? Even those that have saved well are unlikely to be sure of the answer. It's quite possible you still have a large mortgage to deal with!

Over the last couple of housing market cycles, we have often blamed the baby boomers (in part) for driving up prices and shutting out first home buyers in an attempt to fast track retirement savings. In the context of the discussion above, we can see the causes of baby boomers' concerns. Housing has delivered good investment outcomes for many investors, albeit primarily because of the ability to gear investment returns. In part, the problem may become generational because our expectations around lifestyle have changed. Our parents knew or learnt from their parents about recessions and were more focused on saving rather than consumption. We, on the other hand, want it all - now!

On one of my first client interactions as a financial adviser, the client said straight up, when you retire - money becomes the most important thing in your life bar none! Before retiring what we spend, we can replace, and on this basis, our health and family rank alongside savings. However, on retirement, how we live is entirely based on what we have saved. It can be a very alarming place, not knowing how your retirement is going to pan out financially.

It might be a stretch, but as a way of focusing your mind on the issue, think how you would feel if you were made redundant and lost your key source of income. All of a sudden, there is the stress of paying the bills and looking after your family. The faster your savings

disappear, the more stressed you become. Retirement can feel the same to some people – and knowing it's coming years out from the actual event could represent a long and challenging time!

Here's where your financial planner can help. A financial plan helps build the bridge from today to your retirement. They will learn about your goals and formulate an action plan or budget based on investments and structures that suit your personal circumstances. Not all goals may be achievable, but at least you then have the power to decide what your priorities are and time to adjust your mindset. A financial adviser can also share the experiences of their clients to explore your alternatives. Often the solutions are not quite what you think, but they get you where you want to be. Downsizing, moving regions, inheritances and the value of NZ Superannuation should all be considered. Your dreams of helping your children into their own homes (or similar help) may also need to be discarded.

Having provided financial advice through the Global Financial Crisis, one aspect particular to business owners is the heavy reliance on a single asset to fund retirement. Events like the GFC can make business sales tricky or impossible. This may delay the sale process or worse. Having a savings plan outside your business can be crucial to peace of mind. It's all part of having a robust plan for the future.

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