

How to start saving for your future in your 40s



In your 40s you'll potentially be earning more money than you may have previously but you may also have unexpected or unwelcome expenses, like divorce. When these life changes happen, it's the perfect time to re-evaluate your assets and income and look at how you can maximise savings.

Calculate how much you'll need for retirement

Keep tabs on how much you're likely to need in retirement by checking the retirement standards published quarterly by the Association of Superannuation Funds of Australia (ASFA). Calculate this against your own super balance to give you an idea of how soon you'll be able to say goodbye to the 9 to 5.

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 working toward your overall retirement goal.

Live within your means

Your 40s are typically peak earning years. It's important you consider funnelling some of this cash into actively saving for your retirement.

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 home loan, 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

Whether there's an unexpected emergency or you suffer an ongoing illness, having the right kind of insurance can help create peace of mind when you need it most.

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' education fees, so you don't have to dip into your retirement fund. As an alternative, aggressively paying down your home loan may give you access to a redraw facility which could assist with education costs down the track.

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. They're never too young to develop a healthy understanding of finances and budgeting.

Further information

For further information please contact Everalls Wealth Management on 02 6232 4561 or info@everallswealth.com.au.

Source: AMP



Everalls Wealth Management Pty Ltd is a Corporate Authorised Representative (No. 465367) of Capstone Financial Planning Pty Ltd. ABN 24 093 733 969. Australian Financial Services Licence No. 223135. Information contained in this document is of a general nature only. It does not constitute financial or taxation advice. The information does not take into account your objectives, needs and circumstances. We recommend that you obtain investment and taxation advice specific to your investment objectives, financial situation and particular needs before making any investment decision or acting on any of the information contained in this document. Subject to law, Capstone Financial Planning nor their directors, employees or authorised representatives, do not give any representation or warranty as to the reliability, accuracy or completeness of the information; or accepts any responsibility for any person acting, or refraining from acting, on the basis of the information contained in this document.

