Personal Finance

In association with Oakwood Financial Advisors

Planning for a comfortable, resourced retirement

Ronan McGrath of Oakwood Financial Advisors this week commences a series of articles in which he provides GPs with a step-by-step guide on how they can plan adequately for a secure retirement

The purpose of this, and my subsequent articles over the coming weeks, is about advising GPs in preparing for a secure retirement. They will set out clearly the steps GPs can take to ensure they have sufficient resources to maintain their quality of life, and achieve their financial goals, in retirement. These steps apply to both younger GPs in the early stages of their careers and for those GPs closer to or in retirement.

Short- and long-term

When planning for retirement many people struggle to understand what are the critical issues and how to deal with them. In life, we have a tendency to focus on the short-term due to our hectic work schedules – especially so for a self-employed GP. They struggle when it comes to looking at long-term planning. Retirement planning is no different. There are essentially several issues to be mastered conceptually. These will be set out, and answered, in this and our subsequent articles.

A changing retirement landscape

The reality of retirement is constantly changing. Today, only 15 per cent of the population in developed countries is above 65 years of age. By 2050, the proportion will more than double. People between the ages of 40 and 50 are known as the **"Sandwich Generation"**.

Dual responsibilities

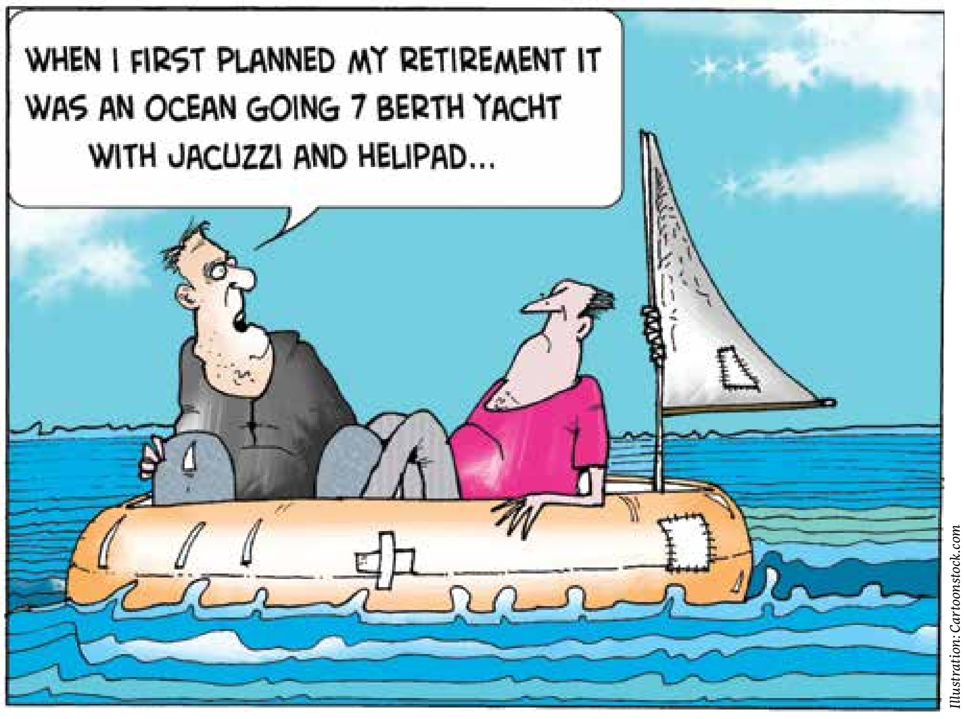
Many had their own children at a later stage than that of their own parents. They now have to look after the needs of their retired parents in addition to their own children. The reality for most workers today is that actual retirement is getting pushed out to increasingly later dates.

GMS retirement age extension

A prime example of this is the General Medical Services (GMS) Pension scheme. The retirement date is now pushed out to a maximum age of 72. For new Health Service Executive (HSE) employees, the retirement age on contracts has now moved from 65 to 70.

Welcome reward

Many view retirement as a welcome reward after a long career. The transition, however, is not always easy. One having an enjoyable retirement is often dictated by many factors, including family, social interaction and



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leisure interests. One of the main dictating factors though is the amount of money an individual has managed to accumulate over their working life.

Three-decade retirement

Statistics show that concerns about not having enough money in retirement are universal and are mirrored in developed nations across the globe. For many couples who retire in their early to mid-60s (in a developed nation with modern healthcare facilities) it will be a three-decade retirement.

The current State Pension is unsustainable

The State Pension age will be 67 from 2021 and 68 from 2028 with the expectation that this will move to age 70 by 2040. In Ireland, currently, there are five people working for each retired person. By 2050 it is expected that this ratio will be reduced to 2:1. On that basis, the current State Pension level is unsustainable. This puts even more emphasis on how a person funds their own retirement.

Traditional approach

Traditionally, when workers approached retirement, the standard advice was to invest in less risky assets.

However, there is a view now that this kind of low-risk investing will most probably not generate sufficient returns needed, especially, given that people are living longer.

Living longer is costly

Increasingly, life expectancy affords people more time in retirement.

The question is, will we be able to financially afford to live longer and what quality of life will accompany this? With the significant advances in healthcare most people can expect many more years of a healthy lifestyle.

This is in contrast to generations that preceded this one. Consequently, it also means retirement savings are going to be required to sustain people for an extended period.

Running out of money in retirement

The first key fundamental or concept to understand in retirement is from a financial viewpoint. Will you have enough money to sustain your quality of life? Or will you outlive your money?

You, your children and grandchildren

Whenever we see advertisements targeting retirees, the characters are always smiling, enjoying a full and active life. You can only be one of these characters, if you are convinced that (on present trends) your capital and income are robust; and that you have sufficient funds for at least your lifetime. Will it also afford the opportunity to help out, or pass on assets, to your children and possibly grandchildren?

The downside/upside

If not, you may watch as your income and capital ebbs away. With it, your enjoyment, comfort and quality of life diminishes for your remaining days. In my next article I will outline how, with prudent management and planning, common financial mistakes can be avoided, and you can structure a secure future.

Understanding the first concept

You begin here, with the realisation that you're going to get one of these two financial outcomes. Because everybody does! You may not yet have any answers, but you now understand the issue and concept at hand. You're seeing retirement — financially — for what it really is. You must now begin to plan to prevent the latter scenario — running out of money.

Era of low returns

In addition to this, we are entering an era of low returns. Since 2009, we have had almost a decade of positive annual market returns. It is time to temper expectations with interest at historic lows. The future is likely to be an era of lower returns and greater volatility. This will mean your money will need to work harder to get the returns you need to maintain your income. Our next article we will set out more key points and put together a financial plan — failing to plan is planning to fail. IMT

"Retirement is like a long vacation in Las Vegas. The goal is to enjoy it to the fullest, but not so fully that you run out of money." — Jonathan Clements

- Oakwood Financial Advisors are specialist financial advisors to the medical profession with a unique understanding of both the GMS Pension scheme and also the Health Service Executive Pension benefits.

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Photos Irish Spine Society

Irish Spine Society

Annual Conference

Date: October 5, 2019 **Venue:** NUI Galway

Rose Anne Matthews speaking at the Irish Spine Society's Annual Meeting, held at NUI, Galway

Andrea Flannery and Bríd Ní Laoire from the Mater Hospital

Photos: Declan Monaghan