

# Cornucopia

Hudson Retirement

*/kornyoookopi/ • noun -an abundant, overflowing supply*



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Hello [membersalutation],

I know I say it every year, but Christmas has snuck up on us again – It only feels like yesterday that I indulged in over-spending and over-eating... maybe it was, but you know what I mean.

For many it is a time to catch up with family and friends, many of whom we don't see as often as we would like throughout the rest of the year. If you are travelling this Christmas, or have loved ones travelling - may the journey be a safe one.

I'd like to take this opportunity to thank all the readers of Cornucopia for their support, ideas and feedback over 2009, and wish you all and your families a very happy and safe Christmas ,and a prosperous 2010.

P.S. A BIG THANK YOU to Rebecca Redding and Monique Arrighi for their hard work in putting Cornucopia together in such a professional and entertaining format.



As always, if you have any questions or topics you wish to know more about, please do not hesitate to drop us a line.

Until next time, take care,

**Stephen Rake - Retirement Planner**



## Making sense of redundancy

Understanding redundancy and its financial implications has become more relevant than ever in today's turbulent economic environment.

In Australia, many major corporations have had to downsize as a result of the global financial crisis. Small businesses have not escaped the downturn either, and reducing headcount may be a necessary means for many companies to scale back their operating costs.

This mass scale back is having very real effects on the Australian job market. The Australian Bureau of Statistics reports that the Australian jobless rate rose to a two-year high of 4.5 per cent in December 2008, with 44,000 full-time jobs lost. In February 2009, 53,800 full-time jobs were lost and the unemployment rate rose to 5.2%. In June 2009, the unemployment rate hit 5.8% and the government budget forecast predicted unemployment could reach 8.5% by mid-2010, although this has recently been scaled down.

These job losses are making redundancy a more common issue in many Australian lives. Welcomed by some, but dreaded by most, redundancy generally makes for a stressful time where big lifestyle and financial decisions need to be made, and making sense of it all can be tricky.



Fully understanding the financial implications of redundancy, such as tax consequences and changes to social welfare entitlements, helps you make an informed decision around making the most of your redundancy package. Once you know where you stand, there are a number of strategies you can take advantage of to ensure you get the best outcome from your payout.

Don't try and deal with everything on your own – you are probably suffering enough stress already. The difference between no advice and good advice may be the difference in how well you manage the

redundancy process.

### Where to start?

The first step is being aware of what you're entitled to and how the payments affect your current plans and income. Ensuring you get your full entitlements can make a big difference in dollar terms. Many people are unaware of what they can expect from a redundancy package. Any outstanding wages, unused annual leave and long service leave should be taken into account. Then, depending on the nature of work and workplace agreement, there can also be a termination payment, some of which may be in the form of a tax-free lump sum.

### Tax implications

Where things start to get complex is with the tax consequences of payments. Each component of the package is taxed differently and depends on a number of factors, so there are no hard and fast ways of discussing redundancy taxation – it all depends on the individual.

What each individual has in common, however, is the need for professional financial planning advice. Depending on what stage in life you are at, the financial planning opportunities can be quite different. For example, in some cases you could direct your payment into superannuation to generate tax savings. If you are approaching preservation age or retirement you might be able to draw this out as a superannuation pension.

Or, if you're receiving any government benefits, such as family tax benefits, baby bonus, or low income tax offset, these could be impacted by a termination payment. A financial adviser can outline how other benefits may be affected and find ways to minimise the impact.

### Make sure you're covered

In the event of redundancy, a natural reaction is to make cutbacks to maximise cash flow. In the absence of an employment income, people often look for ways to reduce expenses. Some may view the reduction or cancellation of an insurance policy as a quick way to reduce costs. But at this time, it's even more important that you are covered in case something happens. Our Insurance Adviser can help you review your insurance arrangements to determine whether your premiums could be funded more effectively. An adviser can also explain how unemployment could impact the potential benefits payable under your insurance policy.

### Managing debt

The continuance of good debt management is often front of mind for those who have recently lost their main source of income. One common issue with lump sum payments is whether or not you should use it to reduce debt, such as mortgage or credit card debts. There are different tax and social security implications between using redraw facilities and mortgage offset accounts, and these need to be taken into consideration.

Like the other aspects of redundancy, we recommend seeking advice to help you with debt management. Solid strategies to help you manage the debt, superannuation, insurance and tax implications of redundancy may help you get the best outcome out of your situation.

### Early Retirement

For some, a redundancy package might be the cursor for semi-retirement or an earlier than planned retirement. Australians are living longer and retiring earlier and many people are now spending more than a quarter of their lives in retirement. The global financial crisis has highlighted the importance of protecting your retirement savings against market and longevity risk. While a redundancy package may make you feel you now have sufficient funds for retirement, careful planning should still be undertaken to ensure you will be able to maintain your savings throughout retirement. Here are some important questions to consider:

- What lifestyle do you want in retirement?
- How much super do you have?
- How much income will you require in retirement?
- How will market performance affect your retirement income?
- How many years of retirement do you need to plan for?

**At Hudson, we can work through the options with you and help put you in the best financial position.** The difference between no advice and good advice can be the difference between the family needing to subsidise the costs or not. ***Make an appointment to talk your financial advisor today.***

\* Source: 'Australia's Demographic Challenges' 2004, Australian Government Treasury.



## In the news...



### The Global Financial Crisis - Keeping Retirees in the Workforce Longer

I think we would all agree, it's been a tough couple of years for many retirees, with retirement savings battered by the financial crisis. But hopefully, many of those retirees have not resorted to crime to replenish their depleted savings.

However, in Germany we have seen a case of an elderly woman charged with 55 criminal offences (17 from this year alone) with some relating to as far back as 1956. Until now, she had not done a single minute of jail time – only two suspended sentences.

Her latest offence was pick-pocketing a lady of similar age to herself (70 y/o) at the local bus stop. But it appears police are now fed up with her antics and have placed her behind the iron bars. Some of her known offences include:

- Robbing fellow occupants at her nursing home.
- Cash, wallets and medical equipment often went missing during her hospital stays.

However the authorities, after the latest offence, decided enough is enough and sentenced the petty thief to some time behind bars

Source: Money Management, December 3, 2009

**Want to know more about making the most of your retirement?** Book a consultation with Stephen Rake by calling **free call 1800 804 296** or **book online**. [READ OUR GENERAL ADVICE WARNING](#)

## Retirement Planning Checklist



One of the most common questions we get about Retirement Planning is "How do I start?" The decision to retire permanently largely depends on whether you have the financial resources available to last the rest of your life (which could be over twenty years). However, determining this can be quite difficult.

The best way to start is by planning, especially if you don't want to live solely on the government pension. The sooner you start planning, the better off you will be.

For many, getting started on the planning exercise is the most difficult part of the exercise. Here's a simple checklist, which should give you an idea of what you have and haven't already organised.

Yes No Unsure

**Before you Retire**

Have you decided on a retirement date?  
(If yes, write it here \_\_\_\_\_)

Have you decided how many years of retirement you need to plan for?  
(If yes, write it here \_\_\_\_\_)

Have you decided how much money you need to live on each year?  
(If yes, write it here \$\_\_\_\_\_)

Do you know how much money you need to deliver the retirement income you want?  
(If yes, write it here \$\_\_\_\_\_)

Do you know what your Centrelink entitlements are?

### Superannuation

Do you know where all your super is?

Do you know how much super you have in total?  
(If yes, write it here \$\_\_\_\_\_)

Do you have any lost super?

### Estate Planning

Do you have an up-to-date will?  
(If yes, write where it is \_\_\_\_\_)

Do you know where your family would stand financially if you were to die suddenly?

Have you organised an enduring power of attorney?

Have you nominated an executor for your will? (with their agreement)  
(If yes, write their name here \_\_\_\_\_)

### In Retirement

Do you know what you plan to do with your time once you retire?  
(If yes, write it here \_\_\_\_\_)

Have you included the costs of your hobbies in your financial predictions - set up and ongoing costs?  
(If yes, write them here \_\_\_\_\_)

Do you intend to work part-time?

Have you considered what you will need to maintain your health?  
(If yes, write it here \_\_\_\_\_)

Do you need to plan for any major expenses? (eg new car, home renovations, a major trip).  
(If yes, write it here \_\_\_\_\_)

### The Next Step

Make an appointment to speak with your Hudson Financial Adviser. They will go through your checklist with you and discuss what the next planning step and any other considerations should be. You are now well on the way to Retirement Planning.

Source: [www.colonialfirststate.com.au](http://www.colonialfirststate.com.au) (table)



Christmas is a time of year when many of us pack up and head off to spend time with our families and friends – often leaving our home vacated, quite possibly, for an extended period of time. As a result (and sadly), Christmas is also the time of year where we see a significant rise in break and enter crimes.

However, just like most other things in life, a little planning can help reduce the risks of you being a victim of such circumstances.

- Firstly and probably most importantly (after ensuring you lock up the house), is ensuring your home and contents insurance policies are up to date and have not lapsed.
- If you have home security installed (cameras, alarms etc), ensure all are operational. If you have a 'Back to Base' system, have someone who you trust and convenient to your home's location as a contact for the security firm.
- Let trusted friends and neighbours know of your planned absence so that they can keep an eye on your property, while you are away. It's also a good idea to let your local police station know as well. Also let them know where you will be and how to contact you.
- Make your house look occupied. Have friends or neighbours collect mail and papers, collect bins etc.
- Place timers on a few of your inside lights to give the appearance that someone is home. It is always smart to vary the time every few days so that a pattern is not realised, if would-be crooks are casing you.
- If you have an answering message on your home phone, do not say you are away, just state you are unable to take the call at the current time. Check your messages regularly if possible. Better yet, forward all of your home calls to your mobile.
- If your last name is posted on your mailbox, a burglar may be able to get your phone number from the phone book (if listed). By ringing your phone with no answer, they would be able to assume that you are not home.
- Keep valuables out of site from anyone that passes your home. Don't present invitations!

These are just a few tips that come to mind. There are probably many other things you can do as well. A little planning can assist in reducing the risks of becoming a victim of crime and increases the chances of a happy and worry-free Christmas period.

## GLOSSARY OF TERMS

Building you a comprehensive glossary of terms through Cornucopia.

We thought we'd end the year in a light-hearted manner, with financial definitions as compiled by David Bond on his website [www.woopidoo.com](http://www.woopidoo.com). We hope you get a smile from them and that some of them don't ring too true!

**Advertisement:** A tool used by business to get money out of people that don't have it, for something that they don't need.

**Alimony:** Two-person mistake paid for by one.

**Auditor:** Person that arrives after battle to finish off the wounded.

**Bank:** A place that will lend you money only when you don't need it.

**Bear Market:** Eight months when the kids get no allowance, the wife gets no jewellery and the husband gets no sex.

**Broker:** The person that you trust with thousands of your hard earned dollars. Hello!

**Broker:** What my broker has made me.

**Broker:** Poorer than you were last year.

**Budget:** Written proof that you can't afford the things you want.

**Bull Market:** A random market movement causing an investor to mistake himself for a financial genius.

**Cash Flow:** The movement your money makes as it disappears down the toilet.

**CEO:** Chief embezzlement officer.

**CFO:** Chief fraud officer.

**Day Trader:** A more socially acceptable gambling addict.

**Discounted Stock:** A stock that is less expensive than last month and more expensive than it will be next month.

**EBIT:** Earnings before irregularities and tampering.

**EBITDA:** Earnings before I tricked the dumb auditor.

**EPS:** Eventual prison sentence.

**Financial Planner:** Someone who remembers to take their wallet/purse, when they make an emergency "toilet paper" dash to the supermarket.

**FRS:** Fantasy reporting standards.

**Institutional Investor:** Past year investor who is now locked up in a mental institute.

**Market Correction:** The day after you buy stocks.

**Momentum Investing:** the fine art of buying high and selling low.

**P/E Ratio:** The percentage of investors wetting their pants as the market keeps crashing.

**Profit:** A man that prays to God.

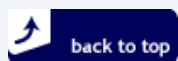
**Standard and Poor (S&P):** Your life in a nutshell.

**Stock Analyst:** Idiot who just downgraded your stock.

**Stock Market Correction:** The term your broker uses for a stock market crash.

**Stock Split:** When your former wife and her lawyer split all your assets equally between themselves.

**Value Investing:** The art of buying low and selling lower.



*General Advice Warning* Information contained herein is general financial product advice and does not take into account individual situations, needs or goals. It should not be relied upon and persons should satisfy themselves through independent means that any decisions based on this material are appropriate. **We recommend that you consult with your qualified and licensed Hudson Adviser who will be able to make a recommendation based on your specific circumstance**

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