

Salary Sacrifice Or Negative Gearing

Australians are living longer and therefore need to think carefully about their finances before they retire.

Surveys have found the average life expectancy for an Australian woman is now 86 years and men are living to an average age of 82. Financial advisor Ellen Schafer believes that whilst it is great that we are all living longer we need to be careful about retirement planning, especially when we are talking about money.

Armed with the wisdom of 21 years of investment advisory experience, Ellen suspects that the most challenging years of life may well be towards the last quarter. So it is likely to be very important how much money you have managed to accumulate to see you through what could very well be a 20 or 30-year retirement.

Ellen says that many people don't get serious about creating wealth until they are in their late 40s or early 50s and by that time they are already on the home run to retirement. It then becomes a critical issue as to how well they organise themselves to maximise their wealth creation.

"Salary sacrificing has had a lot of good press lately but is that the only alternative and indeed is it the best choice to maximise wealth before retirement?" Ellen asks.

Ellen believes that the answer to that question is not purely a mathematical equation because each individual has a different risk tolerance. She says that it would be nice to be able to start weighing it all up from some standpoint, however and that is exactly what Ellen will be doing in her next investment workshop.

"The next workshop will explore the tax and the investment benefits of both salary sacrifice and negative gearing by comparing apples with apples. We have already done the maths and the results will surprise most people but there are other aspects of both modes of investment that also have to be addressed and our workshop will cover those as well," Ellen says.

"If you are about 10 years out from retirement you can't afford to get your investment strategy wrong because there will be no second chances," Ellen warns.

"Then again maybe you are somewhere in your mid to late 30s and want to learn how to implement the best possible financial strategy for your savings without leaving it until you are so close to retirement," Ellen says.

The other question that confuses people is how much will be needed



Looking to the future.



Home run to retirement.

in retirement. "Again, that will depend on the individual but with the vast experience we already have with retired clients we can give people some really good information on that issue as well," she says.

Of course, there will always be some people, including Ellen, who may choose to work on as long as their health will allow if they enjoy their work. For example, John Howard turned 67 in July. We all know that the Prime Ministers' retirement funding is well and truly catered for but it seems the Prime Minister loves his job and, much to Peter Costello's annoyance, Mr Howard does not want to retire just because he has reached retirement age.

Ellen believes that if you enjoy your work and do it well it may be to your advantage to stay in the workforce for as long as possible. "If you are healthy, working into your 60s or even into your 70s can be a great lifestyle choice and it certainly preserves your retirement nest egg," Ellen says. "Working into the normal retirement years should not be seen as a substitute though for the

accumulation of a solid retirement nest egg. In the end, the one thing that will give you the greatest degree of lifestyle choice will always be money," Ellen says.

"What an interesting workshop this one is going to be and if you are in the last 10 years of your working life you would not want to miss it," she says smiling.

Those interested can attend this free Buderim workshop on Wednesday 9 August at 6pm by phoning 5445 6044 or go to ES&A's website www.esafinance.com.au and register your interest.

The workshop is expected to go for three hours with a break at about half time when a light supper will be provided but seating is limited so bookings are essential for attendance.

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