

## Media Release

### Australian retirees will need to seriously consider moving overseas to maximise retirement prospects

**Friday October 23, 2015.** The question of how Australia is going to fund Baby Boomer retirement is the *'elephant in the room'* in Australian politics and far from being a uniquely Australian issue, it is in fact a worldwide problem funding concern that all governments are struggling to solve said Paul Tynan CEO and founder of Connect ASEAN.

Commenting further, Tynan said, "Longer life expectancies and rising cost of living has many Australians that are about to exit the workforce wondering how their nest eggs and savings will provide them with a comfortable retirement. The reality is the majority of Australian retirement aspirations are vastly underfunded and as a result future government budgets will come under immense stress from the strain of paying for age pensions, health services, age care and related housing costs".

It is a frightening scenario for all parties as these costs are not going to go away.

Far from being a government problem, individuals will also have to make some very tough decisions relating to how they want to live out their later years within the constraints of having to maximise and stretch their restricted retirement savings and income.

The Association of Superannuation Funds of Australia (ASFA) has developed standard benchmarks that the annual budget of retirees will need to fund. The following table shows what a comfortable or a modest standard of living in Australia during retirement would look like and provides a good starting point to all retirees to appreciate how much income they will need to live on.

#### **Budgets for various households and living standards for those aged around 65 (June Quarter 2015, national)**

<http://www.superannuation.asn.au/resources/retirement-standard/>

	Modest lifestyle		Comfortable lifestyle	
	Single	Couple	Single	Couple
Total per year	\$23,662	\$34,051	\$42,861	\$58,784

Following is a reality check via real life scenarios:

#### Example 1:

Assumptions: A retired couple, who owns their own home, are in good health and have combined super of \$500,000

Maximum basic pension rate for a couple	\$30,903.60
Plus Super (500,000 x 3%)	\$15,000.00
Total income	\$45,903.60

Could a couple live comfortably on this amount? This amount is below the figure ASFA says will give you a comfortable lifestyle.

#### Example 2:

Assumptions: a retired single female, who owns her own home, is in good health and has super of

Basic age pension rate	\$20,498.40
Plus Super (\$200,000 x 3%)	\$6,000.00
Total income	\$26,498.40

Could a single female live comfortably on this amount? This amount is below the figure ASFA says will give you a comfortable lifestyle.

The majority of Australians will simply not have enough in pension payments and super to live on. What is the solution? Here are some decisions retirees could make:

- |                                   |  |
|-----------------------------------|--|
| 1. Work longer                    | 5. Move living location i.e. a sea change or tree change |
| 2. Live with children             | 6. Sell up and move overseas                             |
| 3. Draw down equity on their home | 7. Rent the family home and reside overseas              |
| 4. Sell the family home           |  |

Tynan continued, "There are many different scenarios however these simple examples highlight that especially single female will be affected in two important ways in their retirement planning 1) lower super balances: and 2) the impact of life longevity".

Tynan also challenges Baby Boomers to review their lifestyle options and ask "do you want to live a modest/comfortable lifestyle with very limited lifestyle choices, or do you want to consider a different option and live a better life in an overseas destination like Malaysia?"

Why Malaysia?

Malaysia has a very attractive initiative that is marketed as Malaysia My Second Home (MM2H) which the government actively markets internationally to Baby Boomers inviting them to consider Malaysia as their retirement destination.

Using Penang as a retirement option in Malaysia Tynan provides the following comparison. The cost of renting a three bedroom apartment in the city is 80% lower in Penang than in Sydney. When it came to dining at restaurants, the meals were more than 70% lower and groceries 60% cheaper.

- |  |                                 |
|--|---------------------------------|
| ▪ It's the unofficial food capital of Malaysia | ▪ International airport         |
| ▪ Centre of excellence for medical services    | ▪ English speaking              |
|  | ▪ You can buy freehold property |

"This will not be the retirement solution for every Australian Baby Boomer however Australians in growing numbers will explore this option in the years to come", said Tynan. "Living overseas will allow Australians to maintain their current living standards in their later years and I foresee many relocating offshore as politicians debate how best to balance their budgets and cost of living increases erode retirement nest eggs".

Health care and aged care (including retirement living) in countries to Australia's north such as Malaysia and Thailand are world class and much more affordable when compared to Australia.

The tyranny of distance is not an issue either as connectivity with loved ones, family and friends is made easier by rapid advances in technology (communication) together with daily direct flights from most Australian capital cities to destinations such as Malaysia, Thailand, Bali, etc

Tynan also pointed out that whilst maintaining their Australian citizenship, retirees can keep their financial assets in Australia and access money through ATM's and overseas banking institutions. The skills and experience of these talented retirees could also see them maintain active lifestyles as teachers, mentors and business consultants".

When considering a move overseas as a retirement destination, it is important to consider the following factors:

- Climate
- Cost of living
- English speaking
- Healthcare
- Environmental conditions
- Expat community
- Safety
- Real estate
- Entertainment
- Food
- Transportation

“Australian Baby Boomers are very fortunate that they have a choice whereas many in overseas countries don’t”, said Tynan. “I do however acknowledge that relocating offshore will not suit everyone because of family ties and unwillingness to adapt to a different culture and way of life – however there are those with an *‘adventurous spirit’* that will see this as an exciting final chapter in their lives”.

Tynan also offers some words of caution and the need to *‘filter the whole world’* to find that tropical paradise and move to a new destination.

Australian Baby Boomers will also need to question keeping the sacred family home especially as leaving it so that it can be passed on to the next generation will come under more political scrutiny practical financial planning pressure. Gen X and Y’s that expected to inherit the family home will also find themselves undergoing a *‘reality check’*.

“To me the future is clear. In order for Baby Boomers to maintain a comfortable lifestyle in retirement they will need to use the family home as a productive asset and not a long term shrine or asset to be bequeathed to children and family. It will challenge past norms and conventions whilst opening up new adventures that will provide fuller lives in retirement for Baby Boomers!” concluded Tynan.

**ENDS**

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