

Podcast Transcript: Key things to think about for your retirement

Talent: Hank Jongen (General Manager) and Justin Bott (Financial Information Service Officer)

Hank Jongen: So today we'll be discussing some key considerations that people have when approaching retirement. And these include downsizing and selling the family home, wills, powers of attorney, and volunteering and paid work. Now let's talk about downsizing and selling the family home. Now there's some traps for new players aren't there?

Justin Bott: The main thing is actually there is a real benefit. There is a very generous Centrelink rule when it comes to downsizing and selling the family home. And what I should say first off is that this is a very handy time to make an appointment for the Financial Information Service. Selling and downsizing, potentially releasing a whole lot of capital you didn't have beforehand, is a great reason to make an appointment with your local FIS officer because we can help you. What to do with the money, what the effect of your pension is going to be, how to invest it, those sorts of questions. So highly recommend making an appointment with us when you're facing that. But the generous rule that exists is this idea that I sold but I actually don't know where I'm going to buy. I haven't worked out exactly where I'm going to be living. Now I live on the northern beaches of Sydney, I sell a property, I'm going to get a large amount of money. But that doesn't necessarily mean that I'm going to be able to or want to buy into the northern beaches of Sydney. So I want to move somewhere else and I actually don't know where it is. The department gives you 12 months to look for a new home and during that 12 month period of time, this is complicated so you've got to listen, the money that you receive from the sale of your home that you plan on using to spend on your new home is not counted as an asset for Centrelink for 12 months. If I sell for one million and I plan on spending seven hundred thousand dollars on my new place we don't count the Seven hundred thousand dollars as an asset. I need 300,000 dollars that I think I'm going to have left over afterwards. Now if in the end after the 12 month period of time I only spent 650. That's fine. That's not a problem. We don't come back and say oh look you didn't tell us the truth because let's face it you're just guessing. But you've got that period of time where you can actually try different places you can rent in a couple of suburbs and try different areas around the country to find out where you want to live. So the asset doesn't count but the income does.

So although we're not going to count in that example the 700000 dollar asset we are going to deem the interest on the whole one million dollars. And it might be that my pension isn't affected because of the asset. But my pension may well be affected because of the interest that I generate.

Hank Jongen: Okay. And your key advice is talk to a FISO.

Justin Bott: Although I don't give advice what I would say is yes that's a very good recommendation, talk to Financial Information Service Officer.

Hank Jongen: And of course that gets the heart of what is a FISO. You're not a financial adviser are you?

Justin Bott: That's absolutely correct. None of us are licenced as financial planners or advisers. We are just there to provide independent information for people. So we're there to help. That's all we're there for. So it's a lot of fun and a great job to do, to just be there and help people understand and make sense of the issues that they're potentially facing.

Hank Jongen: Great. Now let's talk about wills and power of attorney. They're also important at this stage of life.

Justin Bott: Absolutely vital, at any stage certainly. If I've got a home and I've got kids, I should have a will and I should have a power of attorney. This is not something that I only need to worry about when

I'm in my 60s and if I'm 30 I should have that because unfortunately things happen to people at any stage of life. And if I don't have a will or a power of attorney I'm not prepared for when those sorts of things occur.

Hank Jongen: I get that they're important. What are they and how do they work?

Justin Bott: OK. So for two very different circumstances. Power of Attorney is authorizing another person, third party, or a group of people to look after your circumstances when you're not physically able to do it yourself.

You might be overseas, you might be incapable, in a nursing home, in hospital. You're giving another person the power to make financial decisions on your behalf. And without that power of attorney, nobody can make those decisions. They can't change bank accounts. They can't pay bills. They're very stuck in how they can help or what they can do for you when you're not able to make those decisions or authorize them to do that. A will being very different, is telling the world how you want your estate or what you own to be dealt with when you pass away. And now that's important because if you don't have a will, you're what's described as intestate, a person that hasn't told anybody what they want to do, and government organizations called Public Trustee or in NSW, for example, New South Wales trustee and guardian. They then make that decision for you. Now if you're a pretty straight forward arrangement with a partner and children then that won't be really complicated and that should be alright. But if you've got more complicated family arrangements with potential de facto relationships or multiple wives from previous relationships, it's a pretty safe bet that they won't actually do what you want them to do. The public trustee won't recognize or distribute your assets in the way you want them to be done. So if you want to make sure your money goes where you want your money to go you need to have a will, you need to have it well worded you need to have it done properly so that your wishes can be respected when you pass away.

Hank Jongen: Basically it's in the family's interest for you to do this as well.

Justin Bott: Yeah absolutely.

Hank Jongen: What happens if you're living in a granny flat on one child's land, but the other one has power of attorney?

Justin Bott: Yeah. So what this brings up is one of the fundamental problems that do occur and as good as your family is, there's nothing like shoving a whole lot of money in the middle there to make sure it explodes and bad things happen. And so what you've got in that circumstance is that you've got your sibling responsible for paying or arranging money to their brother or sister. Now sometimes that can work fine but sometimes they can be absolutely horrendous. And when you're setting up these sort of power of attorney arrangements or doing these sort of granny flat arrangements where large lump sums are being moved between siblings and mum and dad, it can really cause damage. So you've got to make sure that you're protecting yourself. And I think also protecting the family to make sure that certainly once you're gone, brothers and sisters are able to talk to each other and still have a decent relationship with each other.

The only solution that I've really come up with is talk about it first. Everybody sits down. The whole family gets together and everybody sits down and talks through what mum and dad are trying to achieve. First, up front, done, so that there's no confusion, no misunderstanding and the family is hopefully protected that way.

Hank Jongen: So clear and open communication is the key?

Justin Bott: Yeah. I unfortunately had too many people that decided that the kids didn't need to know and they're going to leave this big surprise of one child is going to get more than another child and

we'll just let them deal with that when I'm gone. And it's just unfair, it's unfair for the kids, it's unfair for everybody really, so upfront, clear is generally going to be the best way to go.

Hank Jongen: Great. Volunteering versus paid work. Why is this an issue? And what do people need to know.

Justin Bott: Well normally if you're just a straight-out volunteer it's not an issue and the department doesn't need to know. It's fine. If I'm in on Age Pension and I'm working for the Salvation Army or working at a zoo, for example, as a volunteer. That's great. Enjoy yourself. The department doesn't need to know.

Hank Jongen: And in fact we commend you for it.

Justin Bott: Yes. So being involved and still being contributing is great. Fantastic. And a lot of retirees are doing it. But the issue is sometimes you actually get some payment when you're doing that and it's not because you're getting paid for the work but you might be paid for lunches or you might be reimbursed for travel or something along those lines. Now I'm actually receiving some form of potential income, and is that an issue for the department? So first thing would be, the best way to find out is to talk to us. So if that starts happening, get in contact with the department, tell them, and the rules are within 14 days. So tell them within 14 days that that money's starting to come through so that we can work through with you whether that's going to be an impact. Now in most cases if it's just a reimbursement of payments that you might have made to do it there won't be an issue. That's fine. But there are circumstances where it could cause an impact. So best thing to do is talk to us first, not afterwards. Talk to us first so that you can work it all through and we know exactly what's going on.

Hank Jongen: And of course this raises the issue of the importance of letting us know about your changes of circumstances. Life gets busy. But it's important to let us know, isn't it.

Justin Bott: And it's not just that life gets busy. There is a myth out there that we know. I mean it's a huge myth a lot of people expect us know. There's an underlying thought process that with my Human Services computer I can hit alt tab and call up your St. George bank account or whatever it might be and I know the balances. And that's just not the case. We do not, and cannot do that. So we don't know that your circumstances have changed. We don't know that your bank balance has reduced or gone up. We don't know that you sold and you're buying somewhere new. It's up to you as a recipient of a payment, as part of your obligation, to keep us informed of those changes. And as I said before that's 14 days. So you know if you're a recipient of a payment, and you tell us within 14 days, you're safe you've covered your bases, you've let us know everything, whatever happens you're fine. It's when you don't tell us within 14 days and then potentially have issues of either missing out on money that you might have otherwise been eligible for, or us asking for money back because you've got money you shouldn't have received. And that will all happen if you don't notify us within that 14 day window.

Hank Jongen: So what's the best way to notify the department?

Justin Bott: Well the best and easiest way is actually register for myGov and our online services. And once you've done that you can use the app and through that you can tell us of so many different parts of your circumstances that have changed. So for example, I had a change in my bank account. In the past people used to write letters or ring up to say that, but you can actually use myGov to tell us of that change.

If it's a big change, like a hundred thousand dollar change, then we are actually going to want to know more details. We're going to get in contact with you. But if it's something small, a couple of thousand dollars' worth of change, you can do that and it will be accepted. So you are now changing your Human Services record yourself. Your payments will be altered based on the information that you are directly

putting in. And we're not involved. It just goes straight from you to your record and it just happens within minutes, within seconds. It's a great way to do it.

Hank Jongen: So Justin you can do your business with us in the palm of your hand.

Justin Bott: Absolutely.

Hank Jongen: No need to wait in queues.

Justin thank you very much for your time today and the useful information that you've provided us.

Justin Bott: Thanks Hank.

Hank Jongen: Remember there are FISOs just like Justin in every state and they're available by phone or appointment. For a list of FIS seminars in your local area go to humanservices.gov.au/fis. Don't forget to like and follow my official account. And our new Seniors Update on Facebook and Twitter to keep up to date.

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