The economic hit on savings means many retirees want to work again. Success depends on working out what your skills are.

Report: David James and Kath Walters

OLD DOGS, NEW TRICKS

● If retirees were being assessed as an investment, you would have to say they have gone down in value. They are being squeezed in two ways. They have lost a substantial portion of their capital in the wake of the global financial crisis, and their cash-flow prospects are not looking very sustainable because they will almost certainly live longer.

Most superannuation portfolios have gone down sharply. The median balanced fund has dropped by 20 per cent over the past year, according to research firm SuperRatings.

Market returns over the past year have increased the likelihood that funds will run out of money for 50 per cent of retirees in 20 years and 80 per cent in 25 years, actuarial consultancy Milliman says. "In practice, many will revise their plans based on the performance of their funds, or return to full or part-time work," a Milliman report says.

Calls are flooding into organisations such as Taxpayers Australia and the Association of Independent Retirees from members who feel they have no choice but to go back to work or to stay in work. "In June last year, people were saying, 'Oh, we will be right'," AIR president Theresa Kot says. "But a few weeks ago I got a call from a member who is looking to take out a reverse mortgage to cover expenses."

Retirement is, in many ways, a 19th-century concept being applied in the 21st century. In the 19th century, men who were alive at 65 could expect to live only about 11 years and women 12.3. Work also tended to be more physically demanding. Retirement was a necessary response to ageing.

The prospects now are very different. By 2025, men who are alive at 65 will live on average for 22 years and women for 25. The figures are even more striking when looking at couples who are both alive at 65. There is a 68 per cent chance that one or both will be alive aged over 90 and 44 per cent will live longer than 95.

The director of superannuation for consultancy Russell Research, Steve Schubert, says it is easy for retirees to underestimate their life expectancy. "Have financial planners failed in their duty? Possibly they have."

Schubert says most of the modelling assumes a life expectancy of 20 years. He notes that on the AMP web site it is possible to increase rates of return by as much of 50 per cent to estimate the financial consequences of retirement, but "you couldn't raise life expectancy [on the web site calculations] to higher than 85 years".

Bob Partington thought he had done his sums correctly, and he and his family were well placed for his early retirement. "I had a medium-risk strategy," he says. "I was working and had property as well as shares."

In 2006, having left a general management role in Asia, he returned to Sydney to retire. "Twelve months ago, the guts fell out of my plans," Partington says. "I didn't want to sell shares at the bottom of the market, so I couldn't retire."

At the age of 60, Partington hit a wall when he explored the job market. General managers were not in demand, but when he tried to apply for positions below that level, he was treated with scepticism.

He began consulting, and found a market among small businesses facing the downturn and desperate for help to find new customers. Emphasising his contacts and knowledge of businesses in Asian countries such as Indonesia, Partington has started building his business.

Faced with returning to the workforce after 14 years running his own business, Mitchell Dobelsky was overwhelmed. His software company was a casualty of the rapid change in the fashion and clothing sector. "The industry has been decimated in the past 10 years, and in the last three it has been dramatic," he says.

Having made the painful decision to close his

Marcos Brindicci/Reuters

How much is enough?

It is the question most commonly asked of financial planners about retirement – how much is enough.

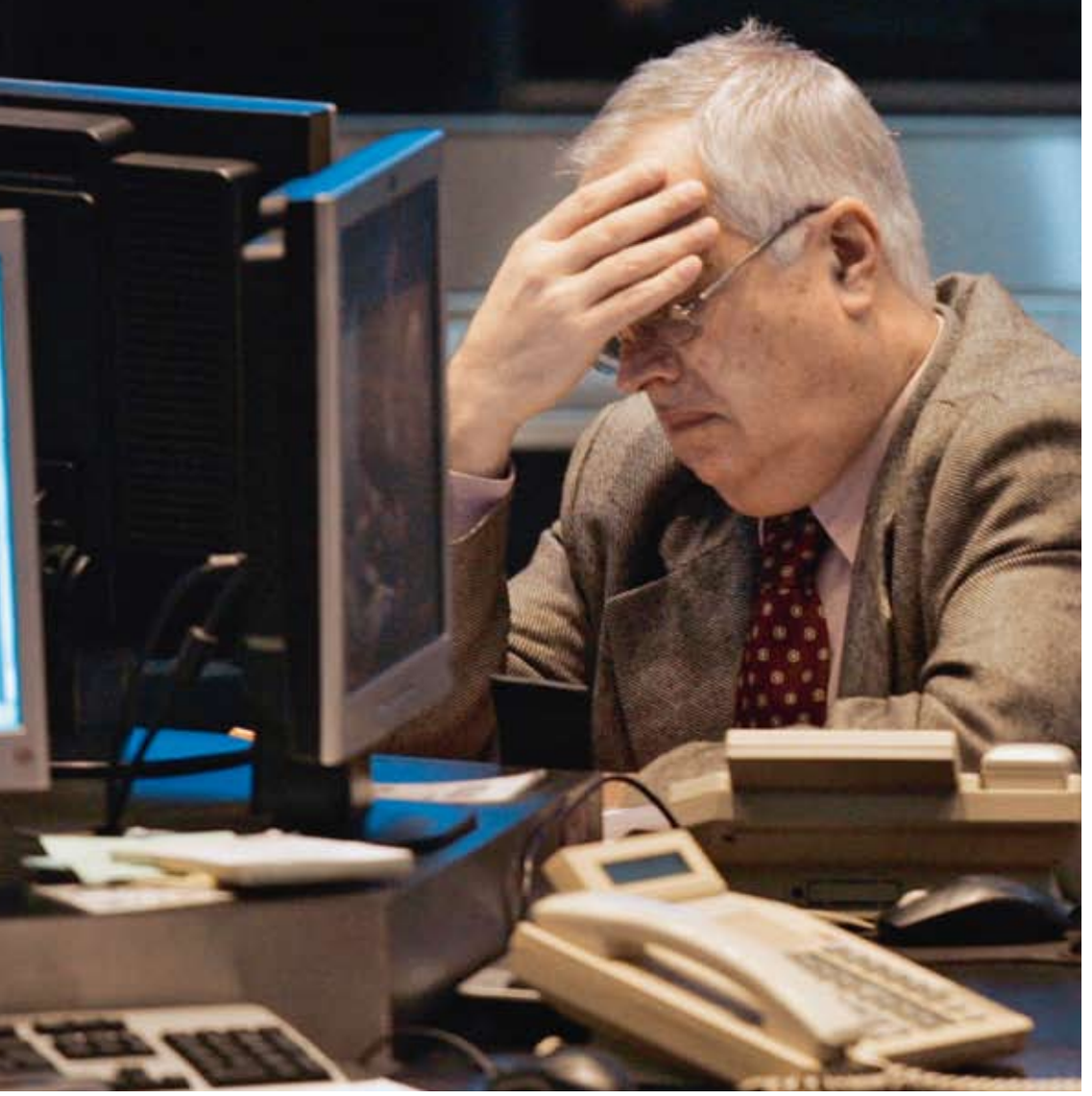
For a superannuation fund of $500,000, the income for 20 years, based on a 4 per cent real rate of return, should be about $36,000, the director of superannuation for consultancy Russell Research, Steve Schubert, says.

Live any longer and it falls sharply. "It drops down 3 per cent if you last 21 years, and falls by 22 per cent if you last 30 years," Schubert says. "You could try to live on that, or squeeze an extra 2-3 per cent out of your investments."

Few would-be retirees have anything like $500,000, particularly after the financial crisis. The average amount of superannuation for people who are retiring is below $150,000, although the figure is not especially illuminating.

This is only an average, and the differences are quite wide, the general manager of strategic development for Lifeplan Funds Management, Matt Walsh, says. Some people have only negligible amounts while others have substantial sums.

About 80 per cent of households have mean assets of $250,000 or less (20 per cent have mean assets of about



FIVE STEPS BACK TO WORK

01 Define your strengths, interests and values. Think about what you do. If you have been retired, emphasis the skills you have used as, for example, the president of the golf club.

02 Assess your knowledge of current industry and business practice. Find out what is happening in the industries you are targeting.

03 Ask, 'Do I have a skills gap'. Update technology, financial or management skills with a short professional development course.

04 Tap into the formal jobs market by looking at which sectors are the most viable in the downturn, and which potential employers will value age and diversity, wisdom and experience. In a downturn, employers take less risk. To beat younger, cheaper applicants, you need to clearly explain the benefits you bring with experience.

05 Tap into the informal job market, through which 42 per cent of jobs are filled. Use your contact and referral list. Use online networking sites such as Linked-In. "Don't ask your contacts for a job, ask, 'what advice can you give me?' " Dianne Jacobs says. "Be confident in your pitch about what you have done. Be thoughtful and take a careful approach."

Source: The Talent Advisors

$40,000), actuarial consultancy Milliman says. Fifteen per cent have mean assets of about $1 million, and 5 per cent have mean assets of $3.5 million.

The implication is that at least four-fifths of the population will be looking hard at their approach to work and longevity.

"We are so trained to think in terms of wealth, we have trouble thinking in terms of income," the director of investment strategy for Russel Research, Don Ezra, says.

Retirement tends to be seen in stark terms as occurring in two phases: accumulation and decumulation. "In the decumulation period, the aim is to manage both longevity risk and return risk," Ezra says.

He cites the 10-30-60 rule. Assuming an individual saves a constant percentage of pay from 25 to 65, then typically decumulates for 25 years, each dollar decumulated or spent will consist of 10¢ of original savings, 30¢ of investment return in the accumulation phase, and 60¢ of investment return in the decumulation phase.

Such an approach reflects the rigidities of financial advice. An obvious alternative way to manage the risk is to reduce the amount of decumulation by continuing to earn an income.

company's doors, he was in no position to take an early retirement. Although his last job was as a senior executive for Gloweave, then the biggest shirt manufacturer in Australia and Asia, he knew he could not get straight back into senior management. "I stood in the middle of the room and said to myself, 'What do I do now?' You look at [online website] Seek and there are umpteen million jobs. I thought, god, what do I go for?"

A close friend referred Dobelsky to a career coach, Dianne Jacobs, for advice. "I took a step back. Dianne asked the pertinent question, 'What have you been doing in this particular business'. I said, 'Selling software'. She said, 'Why don't you get a job doing that?' You could have knocked me down with a feather." Within a week, Dobelsky had a new job.

Jacobs says making a comeback into a professional career can be difficult. There are five steps to re-entering the formal job market, Jacobs says. (See Five steps back to work, above)

For some, retirement is not all it is cracked up to be – they are looking for a way out.

Ceasing to work can create psychological issues as the habits of a lifetime are ended, especially for men, personal trainer Michael Atkinson says. "It is a very common scenario. A man's role changes from being a high-powered decision-maker to a candidate for men's health programs. A pattern of organisation hallmarked by prospective thinking has provided shape and meaning to his life. When this is removed, the risk of depression and associated illness is almost tangible. We need to prepare by investing in a new model of activity that provides a prospect of growth relevant to the skill sets of each individual."

Baby boomers are looking for a more meaningful, challenging way to move on from their careers than simply stopping, Jacobs says. "They have a strong desire to contribute more broadly, pursue multiple passions and skill sets. They love autonomy and balance."

A portfolio career offers an alternative for those with senior executive experience, she says. "It is built around combining your own business activity with sitting on boards and taking community roles all simultaneously."

The downside is the need to constantly look for new opportunities and constantly market yourself, balancing the competing demands for your time and facing unexpected downtime.

For those made redundant, having a range of interests and employers diversifies the risk of their losing income again. BRW