

Special Edition

15th March 2014

Dear Owners and Investors,
I have covered this topic before but I think it is appropriate that I revisit it. Superannuation and how much do you really need to retire is the topic of this Special Edition.

One of the biggest things that I find when I speak to people is that they can't honestly tell me what they need each year to be able to live the way they want to when they retire. I think we are so busy each and every day going to work, making the money, paying the bills and living life that many of us just don't find the time to stop and really answer the question. I think that in some deep dark corner, there are some people that just don't want to answer the question as they will have to face the truth of their retirement future.

There is one other factor we all need to take into account - life is going by so quickly. I can't believe that it has been almost 21 years that Ramon and I have been married. Life goes past quickly, and whilst we are all healthy and the money is coming in, retirement really isn't something that we think about.

I have said it many times, it is one thing to be old but to be old and poor is my personal nightmare. I have just been on to find the rate for the aged pension - for a single is it \$842.80 and a couple, each person receives \$635.30. Remember this is PER FORTNIGHT! There is a link that you should all go to. It is a website by the Association of Superannuation Funds of Australia. They do the numbers for you, and there is even a break up of how they come to this. The link is

<http://www.superannuation.asn.au/RS/default.aspx>

For a COMFORTABLE couple, according to their budgets, you will need to have an annual income of \$57,665 - not each - combined. They do make the assumption that you do own your own home outright - not renting or have a mortgage. So today I am going to go through how they come to this figure and be honest about how this works in with our personal retirement plans. I do this in the hope that just one of you will be honest with yourselves about how much you actually need to retire and take a step towards making this happen for yourselves. How you do it is up to each of you - but the time to start doing it is now.

Building and Contents Insurance - \$27.56 per week or \$1433.12 per annum. Well these people obviously don't live in Far North Queensland where our last premium was just over \$3500. If that is all I am allowed, I don't want to think what they are going to want me to miss out on.

Rates - \$32.36 or \$1682.72 per annum, again these people obviously don't live in Far North Queensland where the rates are on average \$2400 per annum.

Home Improvements - \$9.18 per week or \$477.36 per annum. You won't be paying some one to come in and paint the house, change the curtains or upgrade the bathroom or kitchen on that budget.

Repairs and Maintenance - \$16.07 per week or \$835.64 per annum. On the surface this sounds like a fair amount of money but is it really? More importantly what you can physically do at the age you are now - is it going to be something you want to do when you are older?

I really don't want Ramon up on the roof cleaning out the gutters, or out there with a chain saw cutting down the trees - but on this budget will you be able to get the things done you need doing?

Electricity and gas - \$59.16 per week or \$3076.32. Ramon and I are fortunate that we do live in the tropics, so we don't have to allow for heating. We are also fortunate that we aren't air conditioner people so we will actually be under in this one - well for now. I did hear that the electricity has gone up 25% just recently but we haven't received our latest bill. I am pretty pleased we will be fine on this one, maybe we can use the small excess to pay our Council Rates or Insurance.

Food - groceries and other fresh food - \$194.51 or \$10,114.52. This one sounds like it is generous - they do this because you have no money to go anywhere or do anything and will be constantly at home! When we were poor back in the Mission Beach days it was scary to go to the supermarket. I would have to try to count the cost of the things going into the trolley and say a little prayer when it came time to pay hoping that there would be enough money in the account to pay for it all. We would have all the cheap stuff - sorry but I am now used to having the nice triple ply toilet paper and I am not going back to the scratchy stuff. I want to be able to go to the supermarket and put whatever I want in the trolley and not have to worry that there isn't enough in the account to pay for it.

Bundle of home phone, broad band and mobile - \$33.61 per week or \$1747.72. We may have to do a bit of culling of our services if this is the case. At the moment we have a mobile each, mine is an unlimited one that costs \$100 per month. Then we have the home internet and we each have an Ipad with a sim card each. There is no way our bill is going to be \$1747 per annum. Does this include buying a new phone or Ipad? I just got a smart phone and I am loving my Samsung Note - that was about a third of the budget just on that alone.

Household cleaning and other supplies - \$25.47 per week or \$1324.44 - my Dinosaur neighbour will be laughing at this and thinking exactly the same thing. You want me to give up the house cleaner and go back to actually cleaning the house MYSELF! I am sorry, I will take the food budget and move it to the cleaner - I would rather not eat and have a lovely clean house. Plus, she is so much better at this than I could ever be.

Cosmetic and personal care items - \$3.04 per week or \$158.08 per annum. I am nearly falling off my chair with laughter. That doesn't even pay for my nails to be done and if you think after all these years I am going to give up my fake finger nails - think again. I could barely buy the shampoo and conditioner that I use with this budget, let alone share this with Ramon for his needs!

Barber or hairdressing - \$20.38 per week or \$1059.76 per annum. I guess when you retire they expect you to stop getting your hair coloured. I am not sure who did the research on this one, but let me tell you a lady with long hair that wants to be a Barbie blonde but is naturally dark cannot get her hair done for this budget. I am hoping they are soon going to have an allowance for waxing my legs - I am not going to be old and have hairy legs.

Music or CD's - \$2.13 per week or \$110.76 per annum. I think this is a joke section, does that mean I have to save up my allowance to buy the new Kylie album? Any thought of flying down to Sydney, staying at a four star hotel and being in the mosh pit will need to be removed. With this allowance I can afford to buy the DVD and watch it at home.

Newspapers and magazines - \$8.16 per week or \$424.32 per annum. What I will have to do from now on is go to the supermarket, with my trolley of food that I have a good allowance on, pick an aisle with lots of people in front of me with really big trolleys and read all the magazines whilst I wait in line. I won't be able to afford to buy them and take them home.

Computer, printer and software - \$4.18 per week or \$217.36 per annum. At this point of the exercise, I have scrolled down to the rest of the list looking for the section that gives me an allowance to upgrade my computer, tablet or printer but sadly there isn't one. I just upgraded our company tower and it was \$1000 - so I am not sure where in the budget I can buy a new one when I retire.

Household appliances - \$11.70 or \$608.40 per annum. You may think this sounds generous but let's look at this realistically. If we have no reserve in the bank and are just relying on this budget to live each year - how are we going to buy a new big flat screen TV? I guess going down to buy the latest flash coffee maker is not going to be possible either. The things that I think could be included in this category are television (assuming you only have one in the house), fridge, wine fridge, washing machine, kettle, toaster, cook top, oven - not to mention all those fancy gadgets we have in the kitchen that we absolutely have to have. Is a budget of \$608.40 per annum realistic in my world? Probably not if I am honest.

Pest Control, Alarm Service - \$12.51 per week or \$650.52 per annum. We don't have an alarm system but we do live on a large block surrounded by rain forest - and termites. We will be fine as this budget will cover the visits by our trusty bug inspector, but we won't have any money left to treat the termites.

Clothing - \$58.30 per week or \$3031.60 per annum. I know you are laughing at the thought of me having this budget - I am, so it is alright to be laughing. Oh dear, don't they realise that there is Online Shopping now and I can spend lots of money without having to leave the comfort of my computer chair! Seriously, I am hoping this is just for clothes. Surely they don't think this will be for shoes as well! If you think I am going to be old and not wearing my Barbie high heel shoes and my bling outfits - you are sadly mistaken. How on earth am I going to get new formal dresses for the cruises on this budget? Did I mention that we love to cruise? Oh and you want me to cloth Ramon as well for this money!

Car Transport and running costs - \$140.01 per week or \$7280.52 per annum. At first glance this sounds like a lot of money. We have three cars, with three registrations and three insurances. This alone is \$4800 of the budget gone. That leaves us just \$47 per week - and out of this I have to fill up the cars with fuel, get them serviced and buy new tyres! I guess we will have to sell one of the cars as we won't be able to afford to keep it, and we won't be able to drive very far as we don't have a lot for fuel. I will deviate for just a minute.

When Ramon and I first met, it was through the Young Variety Club and CanTeen. Our charities were going to go on a car rally and our kids from CanTeen were invited to come along. I was to be one of the drivers, whilst Ramon was one of the organisers.

Before the event, we had to meet at a property in Midland, Perth where a lovely man allowed us to choose a car that we would be driving for the day. He had this massive shed - I am talking industrial size shed, not your back yard stuff, and when he swung open the doors there were cars everywhere. I chose a Red Convertible VW beetle - one of the original ones. I want to be that person with so many cars that I just don't know which one to take out for a drive for the day - I don't want to HAVE to sell a car because I can't afford the registration and insurance.

Public Transport - \$5.43 per week or \$282.36 per annum. I can't remember the last time I was on public transport so I guess we can use this to buy a pair of Barbie shoes or two.

Health Insurance - \$74.66 per week or \$3882.32 per annum. This is about the only one that they got right. We have top health cover and there is no way that we will be down grading this when we get to retirement age. It may have been fine to lower the coverage when we were younger, but really the chance of needing it as we get older increases not decreases.

Chemist - \$21.95 per week or \$1141.40 per annum. Now I really don't know enough about the pension and health care cards to understand it, but my guess is that if I am going to be a self funded retiree and not relying upon a pension, then I won't be entitled to a Health Care Card and its cheap prescriptions. We will have to be paying full price for the medicines we need. I haven't tallied it up but I think you will have to be healthy when you retire and not take too many medicines!

Co-payment and out of pocket expenses - \$38.52 per week or \$2003.04 - again if you aren't able to get a Health Care Card you will have to be paying the gap. Unless you are in hospital at the time of getting the test done, the health fund won't cover it. I never want to be in a position where I think to myself, can we afford to get that Cat Scan done? If it needs to be done, it needs to be done.

Membership Clubs - \$9.66 per week or \$502.32 - guess you won't get a membership at the posh golf club for this amount of money! Luckily for me I am not a member of a gym - no laughing for those that know me - so I can save some money on this section. For the first few cruises I packed the gym clothes and trainers - we don't even bother doing that any more.

TV, DVD and digital camera - \$1.78 per week or \$92.56 per annum. I am sorry people, but our Foxtel bill per month is \$120 and there is no way on earth I am giving up my East Enders or Coronation Street fix when I get old.

Alcohol consumed in home (or equivalent spent) - \$40.32 per week or \$2096.64 per annum. Sounds like alot doesn't it? We started out drinking cask wine when we were poor, I really am not going back to that when I am old. We aren't big drinkers at all, but it is nice to have a glass of wine with our meal.

Lunches and dinner out - \$80.63 per week or \$4192.76 per annum. Remember this is for two people for the whole week. When we retire we will have more time on our hands to be able to go to lunch and enjoy life - I want to be able to do this when I want and as often as I want - and drink what I want whilst I am there. We go out for dinner on Sunday nights and our bill is more than this - and it isn't at the posh places. I don't want to be in a position that I don't invite someone to come to lunch or go to lunch because I can't afford to pay for the whole bill. I have learnt this from my Auntie Maria - you never say no to going to coffee with her, and you never offer to pay.

Cinema, plays, sport and day trips - \$13.52 per week or \$703.04 - I actually had to double check that I was looking at the right column. This is for a couple, not per person. At this budget, we couldn't afford to go to the movies once a week. When I went to check the power the other week at the older couple in Woree, they said they wouldn't be home the next day as they were going to the Casino in the morning. They go there because they play free movies each Tuesday morning - now I understand why! We looked at going to a play in Sydney - I guess we won't be able to make that on this budget!

Domestic Vacations - \$77.24 per week or \$4016.48 per annum. I guess that is a fair budget - so long as you don't want to go away often, and will be staying at friends houses. This won't get me too far at a 5 star hotel!

Overseas Vacations - \$29.81 per week or \$1550.12 per annum. I guess that this doesn't include going on too many cruises a year. If you wanted to go to Europe, you would have to go once every six years - you would need to save the money to buy the tickets, hotels and spending money - and it wouldn't be very long or very flash.

Sundry Items - \$29.81 per week or \$1550.12 per annum. The next thing on the list says "Gifts and/or alcohol or tobacco - \$0.00". I am not sure what they define in their sundry items, but here are a few things I can think of that aren't on the list.

Smoking - well that you will definitely have to give up, there is nothing in the budget for this.
Christmas presents - by the time you retire you should have everything you could ever want or need so you won't need to buy each other presents. If you have family or friends, well maybe you could make them a lovely handmade card, after all it is the thought that counts.

Birthday Presents - guess we will have to start making presents to give away, as we don't have the money to buy you anything.

Pets - there is absolutely no mention of pets in this budget. Our boy Tucker has Cushing's which is treatable by a tablet - \$4.40 per day. He also has doggy dementia which is also treated with a tablet. Our girl Holly now has heart disease and that is treated with two tablets - yes we have the tripecta in the animal department but we wouldn't be without them or the \$10 per day tablet bill they cost us. This doesn't include the vet visits or the tests they have to do.

Upgrading the car - you may have a nice car right now, but as time goes on will it be what you need? That flash little sports car is great when you can actually get in and out of it, but throw a dodgy hip in and you may want to trade up to a SUV. Unless you have reserves in the bank - how are you going to buy this and do you want to think about the price rather than the car you want?

Renovations to the House - even something as simple as having the house painted costs money. I guess before you retire you should make sure you have done everything to the house you want done.

Helping friends and family - there are times that you want to be able to do something for someone, and ultimately the best way is to help them out with money. Doesn't seem to be alot left in the budget to do this.

Charity - Ramon and I are not ones to just give a cheque to a charity, we like to see something for our money. We send a parcel of goodies each month to YAPS our local animal shelter, we sponsor two guide dog puppies and also two Assistance Dog puppies in training - seeing a theme here? We want to continue doing this, and actually start increasing it as we get a bigger income.

Weddings - we don't get to go to these often, but when you do, you can't exactly rock up with a handmade gift!

Special Events - each year Ramon and I travel down to Brisbane to attend the ANZAC Day Dawn Service with Bob and Gwen. There are flights, hotels, car hire and then of course it means that I am near a shopping centre with time to shop - so it can be an expensive exercise. There is no way that we have worked this hard, for this long not to be able to do things like this. Ramon and I have been honest with ourselves and worked out what we need to retire on - and let me tell you it isn't the Comfortable Couple income of \$57,665 per annum.

In my newsletters, I do try to be personal and you all know a lot more about me than I do about you. Ramon and I are just ordinary people, we have worked hard, invested heavily and had a plan that is coming together for us. It hasn't been an easy ride and as you know it was a pretty difficult start to the year. It has been a difficult road in Cairns property and although we are turning the corner it still has a while to go before we can put the final pieces of the retirement puzzle together and retire with the income we want.

Whilst we were on the last cruise - did I mention that we love to cruise - to myself I was thinking, maybe we could adjust the expectations that we have for retirement. Maybe if we did this, then we could get out quicker and start a new chapter of our lives. Maybe I don't need that new flash Boxster, maybe we could take a cruise or two less a year, maybe we could live a simpler life. Although I wasn't really convincing myself, I was trying really hard to do it.

There were two events that happened that shook me back to reality. The first was on the return leg from Auckland to Sydney. We had just been upgraded to Elite Status by Princess Cruises. This means free internet, a free mini bar set up each cruise from now on and the best one of all - FREE LAUNDRY. Ramon packed up all his clothes and sent them off to be cleaned. He even got his shirts starched. When they came back, he said "I could get used to this".

The second was when we got off the Diamond Princess in Sydney and headed to our hotel for the night. We got a great deal and stayed at the Hilton. The taxi pulled up and as quick as a flash the Bellboy had the suitcases out of the boot and was wheeling them towards the front. He then turned to say "Welcome Mr and Mrs Tuck, we have been expecting you". How special did we feel at that moment in time? He was great and had young eyes that could read our luggage tags. We were then upgraded to a bigger room which had the biggest bed with a huge amount of pillows and the fluffiest doona. They even had a welcome free bottle of wine in the room for us.

Do we really want to have worked this hard for this long and have to settle for less? The answer is no so you are all stuck with us for a while longer.

Now for the fun stuff - today it isn't going to be a tenant story but one about me. I know I am my own worst enemy - I have not got enough hours in the day to do everything, but this is how we have got to where we are. I say to each new client, that we will look after your property as if it were our own, and we really do mean that.

We recently had to upgrade a unit, which I will be writing about and sending you photos very soon. It was a fairly big upgrade and the owners agreed also to upgrade the fans, and unlike most of our other units three of these had lights in the bottom. I could have just decided to get the electrician to pick up the standard white powder coated ones with the plain looking glass cover - but that would have been too easy.

I first visited Bunnings to see what they had on offer. There was a huge array of fans, but the prices were up there particularly if you wanted one with a light in it. The ones I liked were over \$250 each. I then went to Masters and became even more confused. There were some good ones at good prices, but I have to remember to think TENANT PROOF.

Lots of the new styles of fans are coming out with timber blades. There are two things wrong with these - tenants will break them when they go to clean them and more importantly we live in the wet tropics. I have seen my share of sagging timber bladed fans. They are difficult to clean and keep clean. There was a great looking fan, with a light and it was under \$100. It had a few things wrong with it - timber blades and pull chains for both the light and fan. There is no way this is going to last the distance. It wouldn't be long before I would have to ask the owner to spend more money to upgrade the fans yet again.

The search continued to Early Settler where we had bought the beautiful stainless steel fans a few years ago. How lucky were we that they were having a sale again. The deal wasn't as good as what I scored a few years ago, but it was still a great deal. You buy one fan for \$160 and get another one for Free. These are good quality, stainless steel fans with four blades. They didn't have lights that went with the fans - so the search continued. I at least had the fans as an option.

I went to Beacon Lighting but the owners would have to sell a body part to get the fans I liked, so I left that store.

The last stop was Galaxy Lighting. They were having a sale on fans as well, but they were over \$120 just for the fan - then I had to buy the light as well. I dislike buying fans and lights, nearly as much as I dislike buying curtains. It isn't what I like, it has to come down to how tenant proof it is, the price and what it looks like. I still want to have the property looking nice, but I have to be realistic on other levels. I was going to go for a round glass light fitting but seeing as I was going stainless fans, I decided to go a three spot light fitting - which was just as cheap. They even had ceiling light fitting on super special. They all even came with the globes. Seriously it costs us between \$10 - 15 dollars for a new round fluoro light - just the globe part. I got a beautiful stainless and glass light fitting AND the globe for \$23.

All of this took hours of our time, but when you see the final result it is well worth it. The best part is that the rent went from \$225 to \$280 per week and a fantastic new tenant moved in yesterday. We have a very happy owner, we have a lovely new tenant and we now have a well presented unit to rent.

I hope you have enjoyed the latest Special Edition. If you have any questions or just want to send me a note to say that you read it that would be lovely. Some days I wonder if it just goes into cyberspace and any one actually reads it!!

I hope you are all happy and well in your world.

Linda Tuck

PS The count down clock has started. It is just 79 sleeps until the next cruise on the Diamond Princess in Japan.