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How to retire early

Whether you choose or need early retirement, having a plan can give your money the best chance of lasting the distance.
Whether lifestyle preferences or circumstances beyond your control are behind your decision to retire early, you'll need to make a plan to help your retirement savings last, while still enjoying a few of your favourite comforts in life.
Here are some retirement planning tips to consider when thinking about retiring early in Australia.

Understand how much money you may need in retirement

Assuming you own your home outright and are relatively healthy, the Association of Superannuation Funds of Australia (ASFA) estimates that single Australians will need $43,317 a year, while couples will need a combined $60,977 a year for a comfortable retirement. A comfortable retirement is defined as being involved in a broad range of leisure and recreational activities and having a good standard of living.

That said, the question of how much money you'll need in retirement really is an individual one. It largely depends on your current lifestyle and how you want to live when you're retired. Consider trying a retirement calculator to determine how much you're likely to have if you continue saving at your current rate, and compare that to how much ASFA indicates you might need.

When can you withdraw your super?
You can access your super once you reach your preservation age, which ranges from age 55 to 60, depending on when you were born.

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But sometimes life forces events upon us, such as sickness, injury or redundancy, which could lead to an early retirement. If this applies to you, there are some circumstances when you may be able to have early access to super.
You would need to contact your super fund provider to see if you qualify for accessing super early.

8 tips for an early retirement
If you're dreaming of an early retirement, the following financial tips might help your dream become a reality.

1. Have a financial plan
It's a good idea to have a financial roadmap that spells out things like your financial goals, expenses and debts so you always know where you are. A detailed plan can also help you stay on track with your goals, as you can check in regularly to see how your savings are going, and how any big expenses can set you back.

2. Set up your savings goal and reduce your expenses
You could consider spending less and saving more by embracing the FIRE (Financial Independence, Retire Early) philosophy of living frugally, saving hard and investing wisely. This means spending less now in order to put more aside for your retirement, so you may be able to better enjoy those work-free years.

3. Pay off your home loan
A mortgage is probably something you don't want to take with you into retirement, so prioritise paying it off to give yourself greater financial freedom. If you can do this, then when you retire you won't have to spend a portion of your savings on continued mortgage repayments. Plus, paying off your mortgage early (without incurring fees from your provider) could mean you pay less interest overall. Be sure to speak with your provider about maximum early repayments before making any changes.

4. Boost your super
While you may not be able to access it straightaway, your super will most likely make up a major portion of your retirement savings, so increasing it while you're still working is like making a payment to your future self. You could try adding lump-sum payments into your super whenever you can manage putting more money aside.

5. Create a retirement budget
Calculate how much you may need in retirement. You may not have as many expenses but you wouldn't want your standard of living to drop substantially. Think about dividing your outgoings into essentials, like groceries and utility bills, and discretionary, like overseas trips and a new car. And consider how you'll cover expenses like home repairs and renovations.

6. Increase your income
Are there ways you could increase your income in the lead-up to retirement? Could you increase your hours at your current role or take on more work? You could try anything from talking to your boss about a pay rise to putting a few hours of overtime occasionally.

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7. Build the right investment portfolio
Make sure you're investing in the right mix of assets to achieve your investment goals and build your wealth for retirement. You could consider talking to an adviser about developing an investment strategy that's right for your particular circumstances.

8. Plan to cover healthcare costs
As you get older you could be faced with increased healthcare costs so it's important to factor these into your long-term retirement budget.

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