Now&Next

SUMMER 2025
ISSUE 25

Understanding the 3 stages of retirement and what they mean for your money

Living longer: how to future-proof your retirement income

Count
The confidence to look ahead

Understanding the 3 stages of retirement and what they mean for your money

Retirement isn't one-size-fits-all. We examine the three stages of retirement – and how each one affects your spending, planning and financial wellbeing.

Retirement marks the beginning of a new chapter for most Australians. And as we step into the unknown, we often envision spending the same amount year-by-year.

While this thinking certainly makes planning simpler, it's not realistic. The average retirement might last between 20 and 30 years[1] – a long time over which our spending needs will change.

When we understand how our needs shift, we're in a better position to make informed decisions about our money, lifestyle and long-term wellbeing.

Stage 1: The honeymoon

People often kick off retirement by taking a long-planned holiday and by making lifestyle purchases – such as a new Winnebago or an extension to the backyard deck. With the diary freeing up, Stage 1 retirees generally go out more and seek out fun activities with friends and family.

In Stage 1 it's important to do all the activities – such as that trip around Australia – that you might find harder to do later if your health declines.

Stage 1 is also when many retirees make decisions about downsizing or relocating. Typically, they're looking ahead and setting themselves up in housing that's suitable in case they're less mobile in the future. Downsizing might also be a strategy to help release capital to fund retirement.

For retirees in good health, Stage 1 can last many years. That's why it's important to talk to your financial adviser about your budget so you can get the balance right between your immediate aspirations and the need to have funds stashed away for the future.

Stage 2: Adjustment and stability

In Stage 2, many of the lumpy lifestyle expenses are behind us and the big trips have been ticked off.

For the average retiree, life slows down and assumes a steady rhythm. Spending declines, even after considering the impacts of inflation.

For many in Stage 2, their attention turns to simplifying their finances so that they're easier to manage, and to estate planning to ensure family members are cared for by revisiting wills and updating powers of attorney.

Stage 3: Frailty

Most types of spending continue to decline in Stage 3, however medical expenses and aged care costs may increase.

For some retirees, higher health and care costs may be offset by lower spending elsewhere. For others, medical and care costs can be hefty and hard to plan for.

A particularly challenging scenario is when one partner must move into care while the other partner remains at home.

From 1 November 2025 the new Aged Care Act increases the contributions some people pay towards their care. If you're already receiving aged care as at 31 October 2025, you'll continue to be assessed under the previous rules.[2] And if you're assessed as having low financial means, then the new law is unlikely to impact you.

But for people with income and assets above a certain level, the cost of care is likely to increase.[3] This means late-stage retirement could end up being more costly.

From 1 November 2025 a new Aged Care Act increases the contributions some people pay towards their care.

This means the costs of late-stage retirement could be higher than for previous generations.

Every retirement journey is personal

Spending isn't constant throughout retirement, so looking ahead may enable you to confidently enjoy spending in Stage 1 – knowing that in Stage 2, your spending is likely to decline.

Ultimately, your spending depends on your personal circumstances, and that's where your financial adviser can help. They'll be able to factor in your likely longevity and help you prepare for the true costs of retirement. They'll also be able to work through whether the new aged care rules apply to you and their impact, and if so, help you plan for those additional costs.

How your Count Financial adviser can help

Your Count Financial adviser can make sure your finances are set up for each stage of retirement. They'll be able to help you plan so that you can enjoy your retirement with clarity and confidence.

1 Australian Bureau of Statistics, **Retirement and Retirement Intentions, Australia, 2022-23 financial year**, 22 May 2024 and **Australian life expectancy decreases for second year in a row**, 8 November 2024. Both accessed 29 October 2025. The difference between retirement age and life expectancy is used to estimate retirement duration.

2 B Logan, **Preparing for aged care**, FirstLinks, 1 October 2025, accessed 29 October 2025.

3 **Ibid**

Living longer: how to future-proof your retirement income

With more Australians living well into their 80s and beyond, managing your longevity risk is more important than ever. Learn how income products like annuities can support your lifestyle for the long haul – no matter how long your retirement lasts.

In many ways, living longer is a nice problem to have. Life expectancy in Australia now exceeds 81 years for men and 85 years for women.[4] Yet, behind these averages, there are huge differences in how long people actually live.

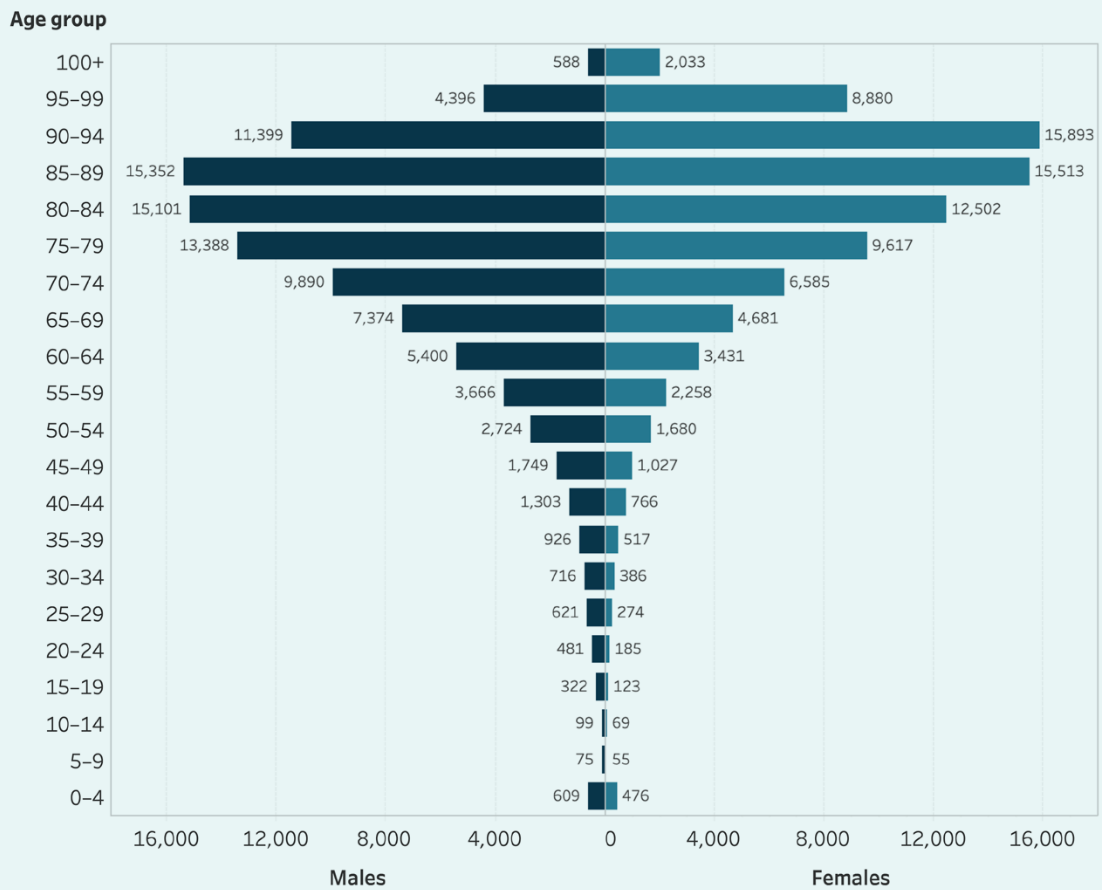
In 2023, the median age at death was 79.6 years for males and 84.6 years for females. Yet half of the people who died that year were older, with many much older (see Figure 1)[5]. So, if you were working towards your money lasting to age 79.6 as a man or age 84.6 as woman, then you'd have a 50% chance of outliving your money.

That's why a 'one size fits all' approach to retirement planning doesn't work. As medical innovations continue to extend our years, factoring in the age that your parents died may not be a good indicator of your own life expectancy.

Running out of money – a common fear

One of the biggest fears many retirees have is that they will outlive their money. This fear results in many retirees drawing down no more than the compulsory minimum from their account-based allocated pension. The risk here is that retirees may later regret being so frugal and they may pass away with a relatively large fund balance – savings that could have made their retirement much more enjoyable and comfortable.

Figure 1 *Deaths in Australia by sex and age group, 2023.*
Source *Deaths in Australia, Age at death - Australian Institute of Health and Welfare*



4 Australian Bureau of Statistics, **Life expectancy, 2021 - 2023**, 8 November 2024, accessed 29 October 2024.

5 Australian Institute of Health and Welfare, **Age at death**, 9 April 2025, accessed 29 October 2024.

Hedging your bets against longevity risk

The good news is that a range of financial products have been designed to help retirees spend their savings with confidence while also protecting against longevity risk. Here are some of the options available.

1. Lifetime annuities

Immediate lifetime annuities provide a regular income stream that's guaranteed for life – regardless of investment returns, or how long you live. Both the investment risk and the longevity risk are transferred to the investment manager.

2. Deferred lifetime annuities

Unlike immediate annuities, which begin payments straight away, deferred annuities pay an income from a future date, such as age 80. A deferred annuity can protect against late-life income shortfalls enabling retirees to enjoy spending retirement savings now, knowing that guaranteed income kicks in later.[6]

3. Investment-linked annuities

Investment-linked annuities, or market linked lifetime income streams, combine guaranteed lifetime payments with exposure to investment market performance. Investment-linked lifetime annuities may appeal to those comfortable with investment risk and who seek potentially larger payments than a lifetime annuity.[7]

4. Allocated pensions

An allocated pension, also known as an account-based pension, offers investment choice, the flexibility of being able to withdraw lump sums, and a regular income. The flexibility of allocated pensions makes them a cornerstone of many retirement strategies.

6 M Ly, **What makes today's lifetime annuities different?**, Challenger, 31 May 2025, accessed 29 October 2025.

7 J Hennington, D Orford, P Rowe, **What is an investment-linked annuity?** Superguide, 3 April 2023, accessed 29 October 2025.

The right income strategy depends on personal circumstances

Today's retirees generally have a mix of needs, including the desire to spend their retirement savings without the fear of running out of money. Easy access to capital for lumpy expenses (such as overseas holidays or emergencies) is another common need – as is the ability to choose how their savings are invested. Finally, many retirees want a regular income for the rest of their lives and the ability to leave a bequest for their children.

When multiple needs are in play, a combination of retirement products may be the best way to meet them. An account-based allocated pension could be the repository for ready-to-access capital that can be invested as the retiree chooses. And an annuity could be set up to manage longevity risk. Indeed, multiple annuities may be used to manage shorter-term and longer-term income needs.

How your Count Financial adviser can help

If you'd like help to balance your spending today while also protecting against your longevity risk, talk to your Count Financial adviser. They'll be able to help you plan so that you can enjoy your retirement with clarity and confidence.

The numbers

15.0%

of people aged 0-64 years had disability, compared with

52.3%

of people aged 65 years and over [8]

95.9%

of older Australians were living in households, while

4.1%

lived in cared-accommodation [9]

39.8%

of older Australians living at home needed some assistance with everyday activities [10]

130,000

people retired in 2022, with an average age of

64.8 years [11]

Pension

was the main source of income for most retirees [12]

8 Reference period: 2022
9 Reference period: 2022
10 Reference period: 2022
11 Reference period: 2022-23 financial year
12 Reference period: 2022-23 financial year

CONTACT YOUR COUNT ADVISER AT: