



## From Saver to Spender: Mastering Your First Year of Retirement

"I feel guilty every time I spend money now." After forty-two years as a teacher, Margaret had saved diligently, built a solid super balance, yet couldn't bring herself to book that long-awaited European trip.

She's not alone.

### **The paradox of spending what you've saved**

Research shows that about 25% of retirees decrease their spending in retirement<sup>1</sup>, even when they have more than enough. After decades of building and protecting, flipping that psychological switch from accumulation to drawdown feels like breaking a lifelong rule.

In Australia, the government has set minimum pension drawdown rates from your super retirement account<sup>2</sup>. Yet many retirees treat this minimum as a maximum, living more frugally than necessary.

### **From building to spending: The mental shift**

During your working years, every deposit felt like progress. Now, watching your balance decrease, even when it's the plan, triggers what psychologists call loss aversion. This is the pain of seeing your balance go down, feeling more powerful than the pleasure of watching it grow.

The key? Reframe your thinking. That super isn't there to admire, it's your deferred salary, finally coming due. You've already earned this money. Now it's simply changing form.

### **Managing the unpredictable**

The first year of retirement brings expenses you didn't anticipate. Car insurance premiums have risen at double or triple the overall inflation rate for most of 2025, catching many new retirees off guard. Overall, the average annual health service cost per person for people in their last year of life was 14 times as high as for those not in the last year of life (\$24,000 and \$1,700, respectively)<sup>3</sup>.

### **Create a three-tier approach:**

- **Essential expenses** (housing, insurance, groceries) – covered by your pension
- **Regular irregular expenses** (car services, rates, insurance renewals) – build these into monthly budgets

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<sup>1</sup> <https://morningstarinvestments.com.au/the-psychology-of-retirement-income-from-saving-to-spending/>

<sup>2</sup> [Payments from super | Australian Taxation Office](#)

<sup>3</sup> [The last year of life: patterns in health service use and expenditure, Key findings - Australian Institute of Health and Welfare](#)



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- **Surprise costs** (hot water system, dental work) – maintain an accessible cash buffer

Many financial advisers recommend the "bucket strategy," which treats your portfolio as a set of compartments. One bucket holds 1-2 years of living expenses in cash, providing security and reducing the pressure to sell investments during market dips. This psychological safety net helps you spend more confidently.

### **Permission to enjoy**

Your first year of retirement is about learning to trust your planning. You didn't save for forty years to die with the biggest bank balance in the cemetery. You saved to live - meaningfully, comfortably, generously.

Start slowly if you must but start. Book that trip. Upgrade the kitchen. Help the grandkids. This is what you worked for.

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