Penniless at 100 is the New Black, that article has got a lot of traction because it speaks to financial planners and clients that some of the assumptions, we're making are wrong. Most SMSF investors, and let's take an example of one guy we had in, he had a million-dollar portfolio, million-dollar house paid off and he would live off the income.

And this is what most retirees tend to do or have done, they have a bank account that they set up and every share they buy be it National Bank, Westpac, they will fill out the piece of paper which says, where do you want your dividends paid? And they pay into this particular bank account and in retirement they treat that bank account as their income and only when the money comes in can they take it out. And they lose sight of the capital which is flying up and down.

And this guy appeared after the GFC and he said, "Marcus, I've got a bit of a problem because the money coming into my income account as halved, we're poor. My wife is now embarrassed to ask me for cash to go shopping." Because his focus was on this account with the income coming in, and his expectations had been set on something we all knew in the past, which was our parents could buy a 10 year bond when they retired, in 1992 you could have bought a 10 year bond in Australia and got paid 16 and a half percent for 10 years. Imagine now a 16 and a half percent, if I told you I could earn your 16 and a half percent risk free, I would be hit with not billions, but trillions globally.

But here you were in 1992 you could retire with $1 million. You get paid $165,000 a year, which you wouldn't spend, you'd only spend some of it, so your capital was growing and the next year you get $180,000 and you wouldn't spend it all. And your assets were growing and you were living very comfortably and that's what retirement was and how we grew up, probably expecting it to be. That we could at some point have no risk and a decent income.

Of course, what has happened is that income has diminished. This chap's problem was because of the GFC, because share prices fell, some of the banks cut their dividends and the money went down. But what he'd lost sight of was he's looking at four grand a month coming into this account and what he's lost sight... Because he

had $1 million, so the average yield's 4.5%. So with a million-dollar portfolio, 4.5% yield, about four grand a month or so.

Now what was happening was that that had dropped, but he'd lost sight of the fact that the GFC had wiped out a half a million dollars of his million-dollar portfolio, because he's focused on the income. Anyway, that was a formula there and by focusing on income you lose sight of the capital, which is vastly more important. But the issue we've got now, using his example, was he felt he was poor but he still had a million-dollar house and he still had 500 grand, 600, 700 grand in inequities. Truth of the matter was at the age of 80 which he was, he and his wife could've taken the $1.8 million, or however much they had, chop it up per year and not earn any income on it at all and live in Vegas, because they're actually quite well off. But what stops people doing that is this idea that they have to grow their capital all the time and they have to pass it onto their kids.

There is a couple lived opposite me, lived in abject poverty, older couple. He died first, she died soon after and we would see her walking up the road with a plastic bag going to the shops, having to walk two kilometres there and back. We'd pick her up and take her and wait for her and bring her back. But living in abject poverty and eating digestive biscuits, not chocolate digestive biscuits. And then when she died the for sale sign went up on a house and they sold the house for $999,000. And she only had one daughter and the daughter was at the auction, turned up in a BMW with her husband and they went off with $999,000.

And the point being that if we're going to live in a zero interest rate world, which looks like it's coming, it's not going to be high rates anyway. That cycle of interest rates has gone. But if the current trend continues, we're just going into a black hole with no returns. And if you assume therefore bonds are going to pay you nothing, then nothing's going to pay you. There is no risk free return, the only returns, the returns we're telling people they're going to get five, 10 percent returns, the assumption of a lot of financial plans, that's not a risk free return. That's a risky return, five percent is going to become the new sexy.

The problem we've got is people are now not getting any money into that income account. So what are they going to do? And I think we all have to start rejigging our

financial plans to say, "I'm sorry, but your kids are not going to get your equities and they're not going to get your house, because you're going to need it. And you're going to need your capital to live on." And when a millionaire instead of earning $165,000 a year is earning $10,000 a year, I'm afraid it's an inevitable thing.

And if you've got $1 million that's 20 years at 50 grand, you can still make it, but you've got to wind back the expectation that your capital is going to continuously grow, and that you're going to pass everything off to your kids. Tell your kids, "You're not getting a thing." Because that's the reality.

And it also means if you think about it, the bar for retirement is much higher now because in order to earn 165 grand, you've got to have 16 and a half million dollars. So the bar's gone up. So what I would say to people who aren't retired and people who are looking at retirement, is don't go and buy that Mercedes-AMG 63 because that money is going to be 10 years worth of living if it compounds for the next 20, 30 years.

And you have to start worrying about your capital a lot earlier. You have to start building your super to make sure it's there because if you end up stranded at an age where you will no longer want to or are capable of providing value to a business or an employer and you don't have the money in the bank, you're going to be on the pension, which is not luxurious living, in fact it's pretty much close to poverty compared to most people's lifestyles.

So start early, start now, build your capital. I think I had lunch with one of my great clients last week and the two of us discussed, "We really don't want to retire, do we? No." And I don't think we're going to be able to, quite honestly, we just going to have to keep working, keep our brains going and I'm happy with that.

Hopefully, I die in front of a computer with the stock market prices on it because that's why I love doing! But it is a reality for everyone, that it's going to get a lot more difficult to earn income, in which case you need capital, in which case - Get on with it.