

## Media Release

Thursday 9 April 2020

### Financial advice provides much-needed peace of mind for retirees during COVID-19 pandemic

Retirees and pre-retirees are being urged to seek financial advice from organisations they know and trust before making significant changes to their long-term investment strategy in response to the COVID-19 pandemic.

First State Super CEO Deanne Stewart said research clearly showed that retirees and pre-retirees who had sought advice felt significantly more confident and financially secure.

She said this has been demonstrated time and again within her own fund over the past few weeks with less than a quarter of one per cent of advised members changing their investment approach in response to the COVID-19 pandemic.

While all Australians are understandably concerned by the health and economic impacts of COVID-19, the effect on self-funded retirees and pre-retirees has been particularly acute as they consider the ramifications of the market volatility on their retirement nest egg.

Between its high on 20 February and 23 March, the ASX 200 dropped more than 36 per cent, significantly reducing superannuation savings across the country. At the same time, Australians searched google for 'The Great Depression' five times more than usual and, searches on the phrase 'How long did the Depression last?' are up 350 per cent. It is clear, consumers are worried.

Ms Stewart said that in the current climate, it was more important than ever for retirees and pre-retirees to seek financial advice from their super fund or independent financial adviser.

'Many retirees have had their financial plans seemingly thrown into disarray as a result of the share market volatility and are responding by switching to more conservative investment options including cash; which could have a major impact on their long-term financial future,' Ms Stewart said.

'This is an understandable response to a downturn such as this, but for many, particularly those with some years before their retirement, this may be the wrong time to do this.

'Switching to cash requires you to make two significant decisions, when to switch and when to switch back out again. The research shows that most investors don't get the timing of these two decisions right.

'We would strongly encourage anyone thinking about changing their long-term investment options to seek advice from an organisation they know and trust like their super fund.

'First State Super has the largest member-owned financial advice service and provides our members with general and intra-fund advice at no cost.

'This advice can assist members to better understand the current market movements and trends and help them to navigate short-term cashflow issues while retaining a long-term perspective. Advisors are also able to assist members to understand the government and other support options available to them during this uncertain time.

‘We have worked hard over the past few weeks to expand our telephone and online financial advice services to ensure that our members can access the information they need to respond to the current challenges.

‘We’ve also reduced fees for members in our retirement products to provide them with additional savings and security right when they need it the most. These fee reductions could save members up to \$500 per year, depending on a member’s investment option.’

Ms Stewart said it was important to remember that despite the unprecedented nature of the current health and economic crisis, the markets would rebound in time.

‘When we’re in the middle of a major downturn it can appear that things will never improve, but history has shown that these types of economic events do pass and those who were able to stick to their long-term plan generally ended up better off than those who changed investment options.

‘We saw this during the global financial crisis, when a number of Australians changed to conservative investment options, but many did not change them back again when the market recovered. This has had a significant impact on their retirement savings.

‘For example, a 54-year-old member with around \$200,000 of super savings who switched to cash during the GFC and did not switch back would have lost around \$130,000 in retirement savings 11 years later. That’s a significant amount of money.

‘It is never too late to get advice. Part of getting through today might mean making a small adjustment rather than a wholesale change, while accessing the different types of assistance offered by government and the broader community,’ she said.

‘Organisations like First State Super are here to support our members and the community during this time. Making informed decisions now will make a very real difference to our members’ long-term financial outcome.’

## Support available to retirees

### *Ways the government is supporting retirees:*

- Retirees receiving the Age Pension may receive two payments of \$750, the first paid from March 31 2020 and the second paid from 13 July 2020. You must be receiving the Age Pension between 12 March 2020 to 13 April 2020 to receive the first payment and on 10 July 2020 to receive the second.
- If you are receiving the Age Pension, the deeming rates have been reduced meaning you may get a higher Age Pension payment. On average, Age Pensioners will receive around \$324 more from the Age Pension in the first full year from May 2020.
- If you’re drawing an income from your super and can reduce your expenses, you can now draw 50 per cent less from account based pension or income stream so that you can leave more money in your super for when markets recover, rather than selling when prices are low.

### *How First State Super is supporting retirees:*

- First State Super has reviewed and restructured its fees to deliver savings of between 10% and 40% for members in its retirement products.
- These changes mean that an average member with a Retirement Income Stream product could save between \$225 and \$500 per year depending on their investment option, while an average member with a Transition to Retirement Income Stream will save as much as \$500 per year.
- We can provide telephone-based or online general and intra-fund advice at no cost.

### *Other ways to manage your finances in the short term:*

**first & foremost for you**

- Pay less for rates and insurance policies like health insurance, which have been frozen by some councils and insurers - please check with your relevant council or insurer;
- Ask your landlord to reduce or defer your rental payments;
- Ask your bank if you can defer your mortgage or credit card payments (some are even willing to put your interest on hold);
- Cancel or defer memberships and subscriptions;
- Ask your utility providers whether you can pay in installments or defer bill payment.

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#### Media enquiries:

Di Lloyd, Senior Manager Corporate Affairs, [diana\\_lloyd@firststatesuper.com.au](mailto:diana_lloyd@firststatesuper.com.au), 0419 177 599

Trinity Frederick, PR to First State Super, [trinity.frederick@coxinall.com.au](mailto:trinity.frederick@coxinall.com.au), 0413 99 22 82

Molly Bruce, PR to First State Super, [molly.bruce@coxinall.com.au](mailto:molly.bruce@coxinall.com.au), 0448 290 662

#### Note to editors:

##### First State Super

First State Super is one of Australia's largest industry funds providing superannuation, advice and retirement solutions to those who teach, nurse, care, respond and help others in our communities.

We aim to deliver strong long-term returns and keep our fees low, so members can retire with more. We have a diverse range of investment options and we provide members with access to advice about their super and the investment options available to them.

The way we invest benefits members as well as the communities in which they live work and retire. With more than \$103bn\* in assets we often invest directly in assets that create jobs and benefit communities.

*\*As at 29 February 2020*

We believe in the value of advice and the difference it can make to our members retirement outcomes and are proud to offer members access to our over 220 qualified financial planners across a broad regional network. We also host over 300 free seminars across Australia each year - some in the workplace and others in community-based locations.

We have achieved the highest platinum performance rating from SuperRatings for the past decade. ChantWest, another independent rating agency has awarded us their highest 5-star rating.

We're dedicated to helping our members to 'Feel future ready'.