vision super

Insight

MEMBER NEWSLETTER **WINTER 2023**

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Investment update – June 2023 market review

Global equity markets have been relatively robust over the quarter and financial year amid a rising interest rate environment. Our Balanced Growth investment option returned 2.97% over the June 2023 quarter and 10.96% for the financial year.

Compared with other MySuper investment options, our Balanced growth option return for FY2023 was very favourable (ranked 2nd out of 41) – see table below in a widely used survey. Over the five years to 30 June 2023, the Balanced growth option is ranked 5th out of 39 in the SuperRatings survey as outlined in the table below.

Table 1: Balanced growth performance
(periods ending 30 June 2023)

	1-year	3-years	5-years
Return (annualised)	10.96%	8.32%	6.82%
Rank*	2nd out of 41 funds	9th out of 41 funds	5th out of 39 funds

*SuperRatings Fund Crediting Rate survey, SR50 MySuper Index, June 2023

Global equity markets have risen over the financial year (see **Chart 1**), supported by factors such as: markets pricing less concern about US inflation; a relatively resilient US economy; the emergence of generative Artificial Intelligence (AI); a positive resolution on the US debt ceiling; and some unwinding of negative investor sentiment. The main driver of the rise in equity markets has been rising valuations rather than profits. For example, US profits on a rolling 12-month basis have been contracting moderately over recent quarters.

US inflation appears likely to fall materially over the next year or so, which enabled the Federal Reserve to pause on raising rates in June. However, Fed officials are suggesting that some further rate increases may be required. **Chart 2** shows US core inflation falling moderately from its peak.

Relative to the US, Australia has experienced more elevated inflation pressures recently. Across Australia's capital cities, housing rents have surged by over 10% during the 12 months to June 2023 according to CoreLogic. This has reflected factors such as high immigration levels and limited housing supply.

Consequently, the Reserve Bank of Australia (RBA) increased the cash rate by 0.25% at both its May and June meetings, following a pause in April. In July, it decided to pause again but still has a bias to increase interest rates further. The market is anticipating one or two additional increases over coming months.

One notable theme driving equity markets recently is AI, with AI-related stocks like computer chip design firm Nvidia increasing sharply. The recent development of generative AI capability, such as ChatGPT, has the potential to significantly enhance productivity in the medium term. However, this advancement brings challenges relating to aspects such as ethical concerns and data quality. Investor enthusiasm in relation to AI has contributed to the recent rally in the US equity markets which has been very narrow, with a large proportion of the gains in the S&P 500 index concentrated in large technology stocks.

While the US banking sector came under pressure after three midsize banks collapsed in March 2023, investors are largely pricing this issue as being isolated to the banking sector. However, the growth in US bank lending has slowed materially since the end of 2022 and further slowing appears likely. We expect that this will underpin weaker US economic and profit growth.

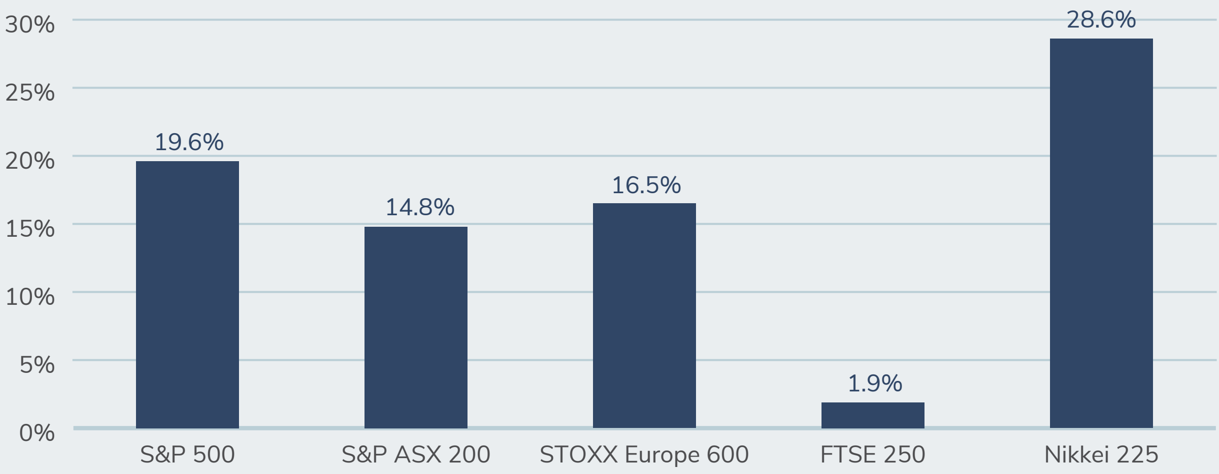
Outlook

Relative to the start of 2022, the global economy is more balanced, with less inflation pressure. However, the full impact of the rapid rise in interest rates in most parts of the world over the past year or so is yet to be felt. We anticipate that this will occur during the remainder of 2023 and in 2024. Labour markets remain at very tight levels in the developed world and further rate rises may be required as central banks continue to try and reign in demand. The combined impact of rate rises is likely to be a recession in the US and other developed economies. In this environment, profits are expected to contract, putting some downward pressure on equity markets. The main upside risk to this view is that inflation falls back to levels consistent with central banks' targets without a material slowdown in economic growth.

Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

Chart 1: Equity markets

Total return in local currency for the 12 months to 30 June 2023



Source: Bloomberg

Chart 2: US core inflation (year on year %)

Source: US Bureau of Labor Statistics

Chart 3: RBA cash rate target (%)

Source: RBA

What type of investor are you?

There are many different ways to invest your money. Your investing approach depends on your goals and objectives, age, financial situation, and risk appetite. When it comes to super, there are three key considerations in choosing the suitable investment for you – how long you're investing for, how hands-on you want to be when managing your super and how much investment risk you're comfortable with.

1 How long do you want to invest for?

Your investment timeframe is how long you plan to invest your super savings before you retire and how long you want your savings to last once you've retired.

Even if you don't know when you'll retire, considering your investment timeframe can help you choose an option that matches your goals.

2 How hands-on do you want to be?

Choosing the right investment option that considers your goals, risk appetite, and timeframe can greatly impact how much your savings grow and how long they last.

Vision Super allows you to choose sector-specific investment options if you would like to be more 'hands-on' with your investments, such as Australian or International Shares or Cash. Vision Super also has a range of diversified pre-mixed options available to you. This means that the specialist Investment Team invest in a range of different assets and constantly makes changes in line with expected market movements.

Whichever way you choose to invest, there are options that can match your goals, risk appetite and investment timeframe. You'll find the details of our range of investment options on our website: **visionsuper.com.au/invest/investment-options**

3 How much risk are you comfortable with?

Different investment timeframes and options come with different risk levels. An investment's risk can vary depending on how long you invest in it.

> Short-term investing (five years or less) means more exposure to market fluctuations. For example, if you plan on retiring in four years and using a substantial amount of your super to repay debt, but are aggressively invested, a sharp drop in the share market may have an immediate impact on your retirement plans, and you may not have as much at retirement to pay off debt and retire as you had planned.

> Investing with a long-term time horizon means you will give your investments the ability to ride out the short-term ups and downs. Investing for the long term allows you to take advantage of compounding interest (Einstein called this the 8th wonder of the world). Compounding interest will enable you to make money on money. The risk here is that if you are not invested in line with your investment timeframe, you may miss out on the full benefits of the compounding interest.

With any investment option and asset class, there is risk involved and being able to juggle your individual circumstances, risk appetite, timeframes, and goals is imperative.

If you're uncomfortable making choices about your money without some help and guidance, that's ok – many of us struggle to understand the financial terms and accurately assess the risks.

We can help you find the right option for you – our highly qualified financial advisers can generally advise you on a single issue, like your investment options, without charging you any additional fees. You can book an appointment today by calling **1300 300 820** or filling out the contact form on our website: **visionsuper.com.au/book-an-appointment**

A step in the right direction for working women

At Vision Super, we support measures to boost women's retirement savings.

Currently, women make up the majority of the part-time and casual workforce. Before 2022, many of these working women did not qualify for superannuation guarantee (SG) payments because the government had set the threshold pay for employers to pay SG at $450 a month.

And many casual workers work multiple jobs but earn less than $450 a month from one employer – they were also missing out on super.

Vision Super advocated for the government to drop this threshold by lobbying the government, explaining the need for change to our members.

Gwen Blazely, a Vision Super member, and casual crossing guard of 25 years was fortunate enough to have her employer pay her superannuation before this legislation was introduced last year. This has allowed Gwen to continue to contribute to superannuation savings for many years after retiring from full-time work.

Estimates show that before 2022, around 220,000 Australian women and 145,000 Australian men were missing out on around $125 million of superannuation contributions each year due to not satisfying the $450 monthly earnings threshold.[1]

Removing this threshold not only helps women like Gwen to boost their super savings but also provides superannuation coverage to all workers, easing the pressures on taxpayers to fund the government Age Pension.

[1] Association of Superannuation Funds of Australia research: www.superannuation.asn.au/media/media-releases/2017/media-release-19-june-2017

> **"I love my job, and even at 85, I don't want to give it up anytime soon. Being paid super all these years has been a blessing, and I always encourage my daughter to contribute more to her super while she's young to have financial freedom in retirement like me."**
>
> Gwen Blazely

Super 101

Have you ever pictured yourself enjoying a life of leisure in retirement, travelling to new places, spending quality time with your loved ones, or simply relaxing?

While retirement may seem far off if you're starting your career, it's never too early to start planning. One of the essential components to achieving a comfortable retirement is your superannuation. In this article, we'll cover the basics of super and how it can help you create the future you envision.

What is superannuation?

Superannuation, also known as 'super', is a way for Aussies to save money for retirement. Building a healthy super balance is one of the best ways to enjoy a comfortable lifestyle in retirement, with the little luxuries and fun you've always dreamed of.

While working, your employer must pay a percentage of your salary into the super fund of your choice. This is known as the superannuation guarantee. The minimum super guarantee is set at 11% of your ordinary time earnings (that is, your basic wage, not counting any overtime or allowances), but this is legislated to increase incrementally to 12% by July 2025. Visit the ATO website for more information – **ato.gov.au/Rates/Key-superannuation-rates-and-thresholds**

When it comes to eligibility for super payments, the rules are simple: your employer must pay super if you are over 18. Whether you're a casual, part-time, or full-time employee doesn't matter. If you're under 18, employers must pay super if you work more than 30 hours per week. Generally, your fund holds your super until you retire from the workforce and have reached the 'preservation age'. This varies between 55 and 60 years old, depending on when you were born.

What do super funds do?

Your super fund is responsible for safeguarding and optimising your superannuation until you can access it.

Super funds typically invest in various assets to grow their members' balances, including cash, shares, property and fixed interest. Each asset type has a different risk and return level – so it's essential to check the various investment options at **visionsuper.com.au/invest/investment-options** and decide what's right for you.

How do I choose a super fund?

You generally have the right to choose your super fund. It's a good idea to spend some time researching, as selecting the right fund can make a big difference to your balance when you retire.

It's particularly important to look at the fund's performance and fees, as these will directly impact your savings. But you may also want to consider insurance, other services like financial advice and help, investment options, and the fund's attitude towards responsible investment.

How can I grow my super?

The more you can do to maximise your super, the better your position can be when you retire. There are a few things you can do:

> Check your fund's net benefit
> Consider making additional contributions
> Look into consolidating your super – **visionsuper.com.au/super/find-or-transfer-your-super**
> Consider your investment options
> Consider getting financial advice before you make a decision – **visionsuper.com.au/retire/financial-advice/**

Wherever you are in life, your super is one of the best ways to give your future self a financial boost.

The information in this article is accurate at the time of publication.

New financial year goals and wellbeing

The start of July and the new financial year can be a timely reminder to check in on your financial goals and well-being Here's a four-point checklist for the new financial year:

Revisit your financial goals

Most people will have a mix of short-, medium- and long-term financial goals. This could be anything from taking an overseas holiday next year to buying a house or investment property or saving for retirement.

Often these goals or time frames might be affected by a significant change in your life, like getting married, having a baby, buying your first home, or a sickness in the family, meaning your priorities change.

Checking in with how your circumstances have changed over the past 12 months can help ensure you have the right strategies to allow you to reach those goals within the timeframe you set.

Rethink risk

As your life changes, how much investment risk you want to take on may too. For example, if you are early on in your career and have a long time before you can access your super, you may decide the time is right to try and maximise your investment returns by accepting more risk.

Alternatively, if something has happened in your life to make you more risk averse – say because your partner has had to give up work for some reason – then you may decide that it is better to reduce the level of risk in your overall portfolio.

However, the important thing in assessing risk levels during a regular review is considering how changing the risk in your portfolio will likely affect your chances of achieving your goals on time.

It's important to understand that changing risk levels may also necessitate changing your goals or timeframes.

Beyond investment risk, it is also worthwhile to consider whether any changes in your life over the past year have changed the amount and type of insurance you will likely need.

Reassess insurance needs and coverage

While you may get into the habit of paying your insurance premiums when they arrive, the new financial year often brings changes in those premiums. It is a good time to take stock of your insurance and ensure you are not under or over-insured.

Review super contributions

Weighing up 'extra super contributions' or 'extra mortgage repayments' is something that many people grapple with at various times. Unfortunately, there is no simple answer to which is best. And even if you find the right solution for you at a point in time, that may change as interest rates and expected returns for your super move around or your pay and the income tax bracket you fall into change.

Depending on your circumstances, you might pay less tax when you put extra into your super via salary sacrifice.

But you should be aware there are caps on how much you can put into your super before tax and continue to receive the concessional rate. The ATO website **ato.gov.au** is the best place to view the most up-to-date information about these limits.

Get expert advice

When it comes to your goals for your super and beyond, our experienced financial advisers take the time to understand who you are and what's important to you. So whether you want to grow your super faster or plan your retirement, they can help.

Explore financial advice services at **visionsuper.com.au/retire/financial-advice/**

Depending on the nature and extent of the advice provided to you, advice fees may apply – but we'll always discuss this with you before starting work.

Your quarterly newsletter

Log in to Vision Online to keep up to date with your account and what's happening at Vision Super

Vision Super and Active Super merger

We wrote to you recently to let you know Vision Super and Active Super had signed a heads of agreement.

Keep up to date here: visionsuper.com.au/merger

Cyber security tip

Constantly updating your devices – keeping up to date with the latest software can mean avoiding unwanted bugs and glitches while increasing your device's information security.