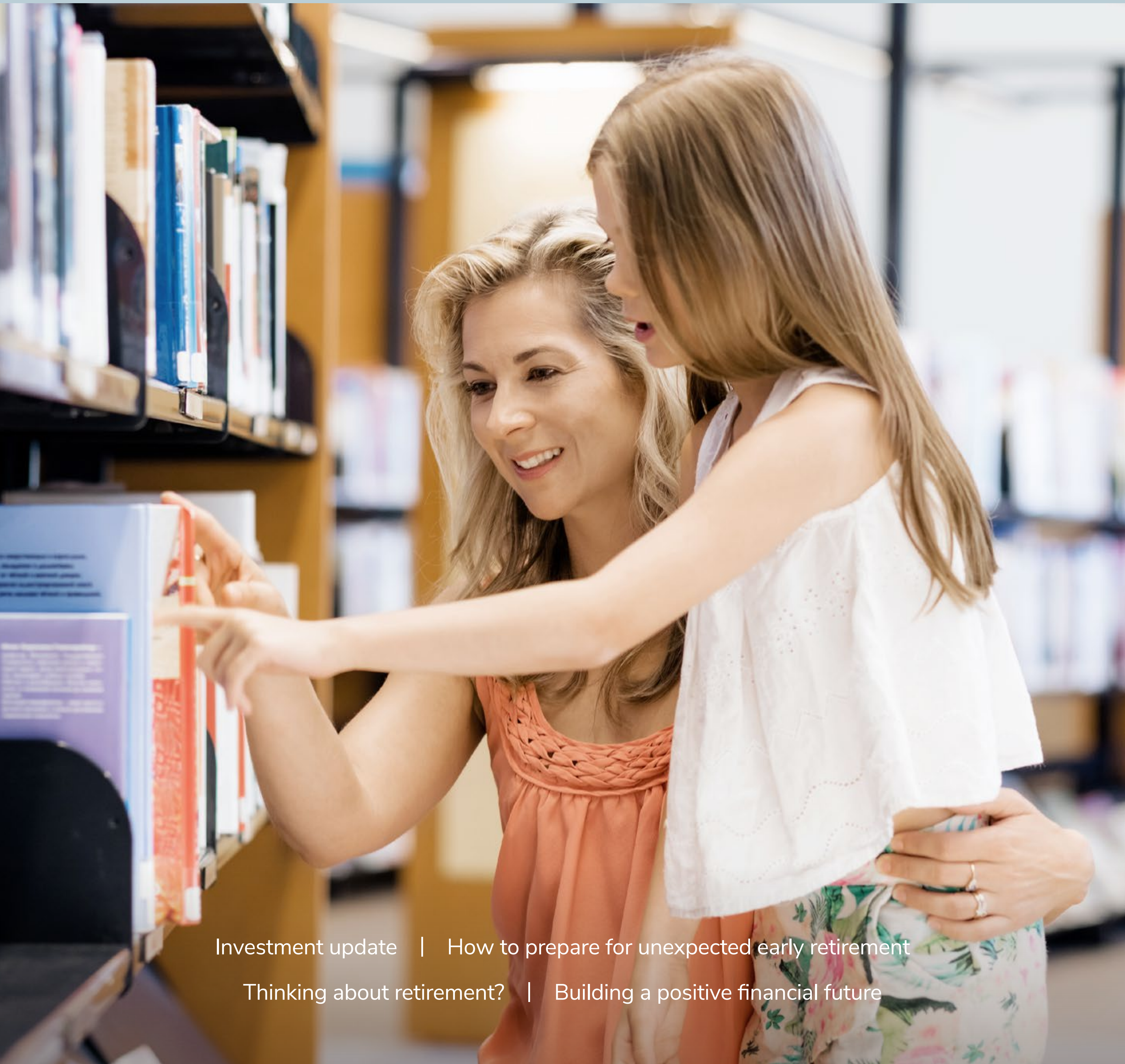
vision super

Insight

MEMBER NEWSLETTER **AUTUMN 2023**



Investment update | How to prepare for unexpected early retirement

Thinking about retirement? | Building a positive financial future

Investment Update – March 2023 market review

Investment markets generally had a strong start to the year following double digit losses in some major equity and bond markets in 2022. Overall, our Balanced growth investment option (the MySuper option) returned 4.47% during the March 2023 quarter.

In the first half of the quarter, markets rallied, in part due to China shifting away from its Covid-zero policy. This gave investors hope that the global economy would receive a welcome boost and supply chain issues would be reduced. However, equity markets took a turn when the US released its January inflation numbers, which were higher than expected. Combined with a tighter-than-anticipated labour market, investors were concerned that the US Federal Reserve would tighten monetary policy more than had previously been expected.

As interest rates continued to rise, some US regional banks began losing the confidence of their customers, reflecting factors such as a significant mismatch between their assets and liabilities. For some of these banks, the sharp increase in interest rates resulted in a substantial decrease in the values of their long-term assets, such as US government bonds. Consequently, some depositors withdrew their funds fearing some banks would fail. This issue was more pronounced for banks with a higher proportion of uninsured deposits, as well as those concentrated in the technology industry, which was also experiencing a sharp downturn.

To prevent a larger banking crisis, the US government guaranteed deposits in two of the three banks that failed and provided generous borrowing terms that enabled banks to source liquidity at short notice. This policy action was very important in reducing the impact of the US banking problems. As the banking system continued to experience some strain, the market reduced the likelihood of additional rate hikes by the US Federal Reserve, as stabilising the financial system became the primary focus.

The interest rate rises over the past year or so had a negative impact on the Australian property market. According to CoreLogic, the Australian national home value fell by 8% over the year to March 2023. However, there was an increase of 0.6% in March 2023, which was the first month-on-month rise since April 2022. The main contributing factors to the recent improvements were low stock levels and a tight rental market. The outlook for housing supply remains uncertain as several construction companies have collapsed in recent months, such as Porter Davis, the 12th largest home builder, and Lloyd Group, a company that specialises in building schools and government infrastructure. The reasons for these failures included rising material costs, delays in supply chains and labour shortages.

Outlook

The failure of three US banks in a short space of time has resulted in markets switching focus from inflation to the health of the US financial system. Fixed income markets are pricing the US banking problems as a material hit to the global growth outlook that is likely to reduce inflation pressures. Expectations about the Fed have shifted materially, with markets now pricing interest rate cuts in the second half of this year.

The banking problems are likely to tighten US conditions further from a level that is already consistent with the US entering a recession in 2023. Other leading indicators also suggest a US recession is likely. We also expect that US inflation will fall relatively quickly later this year reflecting the lagging impact of weaker growth.

There is a wide range of potential outcomes for equity markets over the next 12 months. In our central case, we expect that the trough in equity markets has not yet been realised, with that likely to occur in 2023. This is because the peak impact of higher interest rates on earnings is likely to be near the end of 2023, with the equity market pricing that a few months before it occurs. The main upside risk to our central case is the US avoiding a recession and inflation falling faster than the market currently expects. On the downside, the main risk is that the global economy is more sensitive to the interest rate increases than the consensus currently believes. We continue to monitor the outlook closely.

> **“Overall, our Balanced growth investment option (the MySuper option) returned 4.47% during the March 2023 quarter”**

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

How to prepare for unexpected early retirement

Retirement is a significant life event that many of us look forward to with great anticipation. It's a time to relax, enjoy the fruits of your labour, and spend time with family and friends. However, unexpected early retirement can throw a spanner in your retirement plans and leave you feeling unprepared. Whether you're forced into early retirement due to redundancy, illness, or other unforeseen circumstances, it's important to prepare for the unexpected so you can still enjoy a comfortable retirement. Here are some tips to help you get started.

Assess your current financial situation

The first step in preparing for unexpected early retirement is to assess your current financial situation. If you had to retire today, how's your superannuation balance look? Knowing how much money you could have available if you stopped working unexpectedly is a good first step in your planning.

When reviewing your finances, consider your assets, debts and income sources, such as government assistance. For example:

> Your superannuation

> Any savings you have

> Any debts you have, such as a credit card or home loan

> Income from personal investments such as shares or property

> Your eligibility for Government payments.

Review your living expenses

Once you understand your assets and income sources, calculating your living expenses is a good idea. This helps you estimate how much you'll need to spend each year in retirement. Retirement expenses include rent, bills, food and entertainment, holidays, insurance, home or car repairs, and health expenses.

Knowing how much super is enough to last you in retirement and understanding if your savings will give you the lifestyle you want can be challenging. Use the super projection calculator on our website to see how much income you could have in retirement. You can also see how adding extra money to your super could increase your balance over time.

Explore how to turn your super into a regular income

If an early retirement comes unexpectedly and you've reached preservation age, you have a few options. These include taking your super as a lump sum or moving it to a specially designed retirement account, such as an account-based pension. With an account-based pension you can:

> Receive a regular income from your super – similar to receiving a salary or pay from your employer

> Access extra money from your super whenever and for whatever you need

> Keep your balance invested where it has more time to grow.

Get professional financial advice

Retiring earlier than planned means relying on your super for longer. This may seem daunting but speaking to a financial adviser can help you understand and feel more confident in your finances. The earlier you start planning, the more control you will have.

Explore your retirement advice options at:
visionsuper.com.au/retire/financial-advice/

Although unexpected early retirement can be stressful and challenging, with careful planning and preparation, you may still enjoy a comfortable retirement.

Thinking about retirement?

How do you envision your ideal retirement? Perhaps it involves globe-trotting, cherishing moments with your grandchildren, or pursuing a hobby you're passionate about.

If you're thinking about retirement, you might be making progress toward a sound financial future, or there may be additional measures you need to take. The following are some essential steps you can take to set yourself on the path to success.

Understanding your preservation age

While it's entirely up to you when you finish working, you typically won't be able to access your super until you hit 'preservation age' – which may impact when you choose to retire. Your preservation age depends on when you were born:

Date of birth	Preservation age
Born before 1/7/1960	55
1/7/1960 to 30/6/1961	56
1/7/1961 to 30/6/1962	57
1/7/1962 to 30/6/1963	58
1/7/1963 to 30/6/1964	59
Born after 30/6/1964	60

Calculating how much money you'll need

Understanding how much money you'll need is an all-important step when thinking about retirement. This number differs for everyone, but what does it look like for you?

The Vision Super retirement income calculator can help you work out if you need to boost your super savings to achieve your dream retirement.

Go to retirement income calculator at:
visionsuper.lifetimesupermodeller.com.au/supermodeller/

Get expert advice

Planning for the financial aspects of retirement can be complex. There's no hard and fast rule, as everyone's lifestyle, situation, and finances are different. That's where expert advice can help.

The Vision Super financial planners can help you to start planning for your retirement and make the best possible decisions based on your situation. Get advice on:

> **Setting goals:** How do you picture your retirement?

> **Facing facts:** How realistic are your goals and will you have enough money to reach them?

> **Building a plan:** How will you get from where you are to where you want to be?

> **Taking action:** What do you need to do to implement your plan?

> **Staying on track:** Are you getting closer to achieving your goals?

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.

Building a positive financial future

It may be fast approaching or still a way off, but it's always the right time to start thinking about the future you deserve. Whatever your situation, it's important to think about what you want in retirement – so you can confidently enter the next stage of your life.

The basics of retirement

Retirement is a milestone marking the start of a new phase in your life. If you're well-prepared, you can look forward to freedom from a set routine and the opportunity to enjoy many things you haven't had time for while working.

Your level of financial security and quality of life post-retirement relies on having a sufficient retirement income. Making informed decisions about investing your superannuation and other savings can therefore be crucial. Whether you plan to retire entirely or gradually reduce your working hours, there are several factors you need to consider before you take any steps.

Planning ahead

As you approach retirement, obtaining information and guidance is important for evaluating your circumstances, defining your retirement objectives, and establishing a viable and realistic strategy.

Superannuation presents a significant benefit for those who wish to take advantage of current tax treatment. For instance, with the transition to retirement legislation, individuals who reach preservation age can access a portion of their super funds via a 'transition to a retirement income stream' while still working full-time or reducing their working hours – and this may mean you pay less tax.

When planning your retirement, some things to consider include the following:

> When you want to, or are likely to, retire

> Whether you want to retire completely or scale down to part-time work

> How much super you have

> How much income you will need

> How long will your money last based on your life expectancy

> What do you want to achieve in retirement?

A regular income

When you retire, knowing you have a regular, reliable income is important.

An account-based pension (our retirement pension) is the most popular and tax-effective way to arrange a regular income stream. This is because:

> If you're 60 or over, lump sum or pension income payments are completely tax-free*

> If you're over 55 and under 60, you will receive a 15% tax offset on pension income payments received as part of a transition to retirement strategy*

> Earnings in the fund are tax-free.*

Control and flexibility

By opting for an account-based pension, you have the flexibility to decide on the amount of regular income you wish to receive as long as you withdraw at least the annual minimum amount (which is legislated by the government, and based on your account balance and age). While lump-sum withdrawals are possible, additional contributions cannot be made to your pension once it's established.

*Applies to taxed funds only.

Getting your affairs in order

A comprehensive retirement plan should include a review of your will and how you'd like your estate to be distributed after your death. The right advice from a solicitor can avoid many common pitfalls that occur in family or business situations.

It's also important to seek advice on the tax implications of how your estate will be distributed to ensure your beneficiaries receive all that you would like them to.

Expert advice on your retirement

Our Vision Super financial planners can help you plan your retirement and make decisions based on your needs.

You can request an appointment here with a Vision Super financial planner who can provide information and advice about your super or pension. Bookings can also be made by calling **1300 300 820**.

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.

"It's always the right time to start thinking about the future you deserve"

Your quarterly newsletter

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

How much is enough?

The Vision Super retirement income calculator is designed to give you an idea of how much retirement income you could expect based on your current situation and how long your super balance might last you.

To use this calculator scan the QR code opposite or visit: visionsuper.lifetimesupermodeller.com.au/supermodeller/

Are your contact details up to date?

Keeping your contact details up to date, like your mobile phone number and email address, helps us ensure we're talking to the right person whenever you contact us. When your details are correct, it gives your super account multiple layers of protection and helps us confirm your identity to keep your super safe.

More ways to get in touch

Whether you have a question, need to discuss your options or want to learn more about what we can offer you to get the most out of your membership, there are many ways you can get in contact with us.

Scan the QR code to learn more or visit: visionsuper.com.au/more-ways-to-get-in-touch/