

# CONNECTION POINT.

Advice. Life. Investments. Superannuation and Retirement.

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## Check-up checklist: staying healthy at every age

Five lessons from  
the Federal Budget

Life insurance industry's  
new mental health focus:  
create wellness rather  
than just treat illness

Are you smart enough to  
time the market?

Australian economy  
surges as markets  
remain solid

Retirement: live for  
today as well as  
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We hope you enjoy our latest edition of Connection Point.

Please contact our office if you would like to discuss anything in this edition.

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## Check-up checklist: staying healthy at every age

**Staying healthy is the best investment in your future, and early detection of illnesses is important as we get older. Our checklist provides a helpful guide to the regular medical checks we need at different ages.**

Making time to fit in medical appointments when we feel fit and well can be inconvenient when our lives are already busy. While most of the check-ups are quick and painless, some are far from enjoyable. But putting up with some discomfort now is a small price to pay to help detect any serious medical issues in their early stages, when treatment is often simpler and more effective.

Regular medical checks are part of a healthy lifestyle for all of us, just like a balanced diet, regular exercise, and good sleep.

The health checks we need change as we get older, and medical practice also evolves over time as new procedures and guidance are developed. Your GP is a great place to start for more information, and they can perform many of the check-ups themselves. Having a regular doctor you feel comfortable with and who knows your medical history is an important part of good health care.

This checklist is a guide to the different regular health checks we need during our adult lives. Some people may need earlier monitoring or more treatment, such as if you have a family history of particular illnesses, other health conditions, or a higher risk level.

### Everybody

- ✓ **Dental check-up** – Everybody should visit the dentist at least once a year for a clean and check-up.
  - ✓ **Eye examination** – If you wear glasses or contact lenses, you should have an annual check-up with your optometrist. Otherwise, screening is recommended every two years to monitor your eye health and detect any vision changes.
  - ✓ **Vaccinations** – Annual immunisation against the flu is recommended for everybody by the Australian Technical Advisory Group on Immunisation.
  - ✓ **STI screening** – Regular screening before unprotected sex with a new partner is important to protect yourself and the people close to you from sexually transmitted infections (STIs) such as chlamydia.
  - ✓ **Self-checks** – You know your body better than anybody else does. Regular self-examination is the first line of defence to identify changes that could indicate a medical issue.
    - Everybody should check their skin every 3 months for any changes, especially freckles or moles.
    - Each month, women should do a monthly breast check and men a testicle check.
- If you do find something has changed, see your doctor.
- .....



## Over 18

- ✓ **Blood pressure** – Your blood pressure should be checked at least every two years; if you have high blood pressure, more frequent monitoring may be required.
- ✓ **Cervical screening** – Women should be screened every five years from age 25 until 74. This follows a recent change to more accurate and less frequent testing, replacing the two-yearly pap smear.
- ✓ **Depression** – New mothers are screened for symptoms of depression via a questionnaire during pregnancy and shortly after giving birth, as part of a free service to improve mental health during this higher risk period.
- ✓ **Vaccinations** – A whooping cough booster is recommended for adults in close contact with infants who were last vaccinated 10 or more years ago.

## Over 40

- ✓ **Diabetes** – Based on a risk assessment questionnaire, your blood sugar level may need to be checked from age 40 onwards. This occurs either annually or every three years, depending on your risk. If you have high blood pressure or are overweight, earlier screening may be required.
- ✓ **Heart disease and stroke** – From age 45 onwards, the Heart Foundation recommends you have a heart health check with your GP every two years. This involves a lifestyle assessment and checks of your cholesterol, blood pressure and kidney function.
- ✓ **Chronic illness check-up** – People from 45 to 49 years old with a high risk of developing a chronic disease are eligible for a one-off check-up to help prevent and detect serious medical conditions.

## Over 50

- ✓ **Bowel cancer** – The National Bowel Cancer Screening Program is being phased in to screen people over 50 for bowel cancer every two years. The test kit is sent to participants by mail and can be completed at home.
- ✓ **Breast cancer** – From 50 to 74, women should have a mammogram every two years. BreastScreen Australia provides free mammograms to women 40 and over.
- ✓ **Heart disease** – From 50 years of age, an electrocardiogram may be recommended every two to five years to detect potential heart abnormalities. This is a painless, non-invasive procedure.

- ✓ **Osteoporosis** – People over 50 who also have risk factors for osteoporosis should consider having a bone density scan. Risk factors include family history and other medical conditions, low levels of calcium and vitamin D, and lifestyle factors such as smoking.
- ✓ **Prostate cancer** – Routine testing for prostate cancer is no longer recommended by Australian health authorities. Men should talk to their GP about their risk, and seek medical advice for symptoms related to urination.
- ✓ **Vaccinations** – A tetanus, whooping cough and diphtheria booster is recommended at age 50 unless you've had a vaccination in the last 10 years.

## Over 60

- ✓ **Eye examination** – Annual check-ups from age 65 onwards to identify any eye health issues such as glaucoma, cataracts, or macular degeneration.
- ✓ **Hearing** – Annual tests from age 65 onwards.
- ✓ **Vaccinations** – As we age, our immune systems become more vulnerable to infections, increasing the risk of suffering serious complications from certain illnesses. On top of that, immunity from childhood vaccinations gradually deteriorates over our lifetime. The following vaccinations are recommended to help increase protection:
  - Flu vaccination every year from age 65 onwards, which is available at no charge.
  - Tetanus, whooping cough and diphtheria booster at age 65.
  - Pneumococcal vaccination at age 65, which is available at no charge. Some people may need a further dose after five years.
  - Shingles vaccination is recommended for adults aged 60 and over. It's free for people in their 70s.

Your adviser can help you check up on the health of your financial situation. Contact our office today.

# Five lessons from the Federal Budget

**Each year, the Federal Budget brings a host of changes that can affect your individual finances. Here, we look at five things you can do to help maximise your potential benefits.**

This year's Federal Budget moved away from the belt-tightening approach of recent years. Its more inclusive focus has been attributed to signs the economy is gradually improving, along with the prospect of an election next year.

## Get your debt levels under control

Australia is in the grip of a debt problem. The national household debt to income ratio is continuing to climb, and is among the highest in the world.

Any extra cash from tax savings is well spent paying down your personal debt, especially credit cards, which often attract high interest rates on outstanding balances. The new Low and Middle Income Tax Offset and changes to personal income tax brackets are modest, but even \$10 a week can help make a dent in what you owe.

## Keep saving – just don't stash the cash under your mattress

Interest rates are still at all-time lows and forecast to remain that way for quite some time. That means opportunities to get more bang for your buck with savings are rare and precious.

For people trying to break into the housing market, the First Home Super Saver Scheme is a strong motivator to save. It allows first home savers to contribute up to an extra \$15,000 a year to their super for use as a home deposit. This offers the double benefits of concessional tax treatment plus returns that are likely to be higher than available in savings facilities.

Whatever you're saving for, there's a greater push away from holding large amounts of physical cash. New Government measures to tackle the black economy mean that, from July 1, 2019, businesses will not be allowed to accept cash payments over \$10,000.

## It pays to keep working, even a little

Retiring from a full time job doesn't have to mean leaving work behind altogether. A part time role can help ease your transition into retirement, providing important social contact and a sense of purpose. It can also help your superannuation go further.

The Budget has increased the incentive for older Australians to stay in work by boosting the amount you can earn before it reduces pension entitlements. The Pension Work Bonus has also been extended to self-employed people, as part of a broader move to encourage micro-enterprises and entrepreneurialism.

A new one-year exemption from the Super Work Test for people aged 65 to 74 who have less than \$300,000 in superannuation can also help boost pre-retirement savings for those who need it most.

This has been accompanied by greater encouragement for business to employ people over 50 years of age, such as wage subsidies, to help reduce age discrimination in the workforce.

## It's easier to stay at home

The risk of having to leave the family home, either due to financial pressure or ill health, is a very real concern for many retirees. The Budget offers some relief on both fronts.

The Pension Loans Scheme will be extended, enabling more people to draw on the equity in their homes to fund an improved quality of life in retirement. This 'reverse mortgage' can help pensioners and self-funded retirees who are asset rich, but cash poor.

There's also more funding for in-home care to help older people stay living at home for longer rather than moving into assisted care facilities. On top of increased home care packages, additional mental health services will support retirees who are at high risk of isolation and depression.

## Change is inevitable, but support can help

Retirement goalposts are always shifting. Every year, the Government of the day tends to tinker with pension rules, superannuation, and tax rates. Keeping up with what the changes mean and how they can affect you can be challenging. Regular financial advice can not only help you stay up to date, it can suggest ways to get the best outcome for your individual circumstances.

Your adviser can help you navigate the impact of the Budget and plan for your future. Call our office today.







## Life insurance industry's new mental health focus: create wellness rather than just treat illness

**Mental health conditions can destroy lives and careers, but better help can reduce the impact. The life insurance industry is starting to tackle the issue.**

Australia is in the midst of a mental health epidemic and the life insurance industry is at the epicentre.

One in five Australians in any given year are experiencing mental health conditions and almost half the population will experience mental health conditions during their lifetime, according to a recent Mental Health Australia and KPMG report. The life insurance sector, which paid nearly \$9.2 billion in claims in 2016-17, is witnessing the changes first-hand.

"There's a growing volume of mental illness claims in life insurance," says Monash University Professor Alex Collie, who has researched the ways mental health conditions and insurance systems interact.

"People are usually very sick by the time they enter a life insurance scheme. They often have to wait for months for insurance payments to start or for claims to be determined, and during that time may become detached from their

employer. Returning people to work with mental health conditions is more challenging than returning them to work with a physical injury because we just don't have as much knowledge about what works."

Mental illnesses such as depression and post-traumatic stress disorder are increasingly common claims under life insurance total permanent disability (TPD) policies, prompting life insurers to actively consider how they can help employers deal with some of these issues in the workplace.

"Addressing these issues while the person is still working has the dual benefit of limiting the impact of mental illness and preventing the claim from occurring," Collie says. "But when a person does leave the workplace due to mental illness, there is also an opportunity for insurers to play a role much earlier than they are at the moment through early intervention. That's an area in which some insurers are getting more active."

For example, life insurers are increasingly employing rehabilitation specialists to provide occupational or vocational rehabilitation support to manage ongoing disability claims.





A Parliamentary Joint Committee inquiry into the life insurance industry earlier this year backed life insurers offering broad-based preventative initiatives. Over the longer-term, it could result in life insurers more actively promoting and funding evidence-based best-practice preventative health measures targeted at promoting good mental health.

But the life insurance industry would like to go further and remove current regulatory constraints on its ability to provide early rehabilitation benefits and medical expenses.

“If these restrictions were removed, life insurers would be able to use more effective early claim intervention practices which would increase a life insured’s probability of successful rehabilitation to assist in a speedy recovery and associated long term benefits for the individual and society,” the Financial Services Council (FSC) argued in a submission to the Parliamentary Joint Committee inquiry.

There are some concerns that such a move could create a conflict of interest because life insurers would be paying a policy claim while also trying to encourage the policyholder to return to work. However, enabling people to live as normal

a life as possible both during and after mental illness can provide benefits to them and even help recovery.

It is just one element of the complex and multi-faceted mental health conditions challenge, which extends across several types of income support including workers compensation, superannuation, disability, the Age Pension and other social security payments.

“There's opportunity for those various systems to work better together,” Collie says.

The FSC has set up a biannual mental health roundtable to bring together life insurance, mental health organisations, and medical association CEOs to work together on solutions to mental health. The Collaborative Partnership is another effort by public, private and not-for-profit organisations to improve work participation for people suffering physical or mental health conditions.

For advice on how life insurance can help protect you and your family, contact our office to speak with your adviser.



# Are you smart enough to time the market?

Are you smart enough to time the market? Many investment professionals have tried and failed ...miserably! Missing just the 10 best performing days over a 20 year period can reduce returns by more than 30%. Dollar cost averaging is often seen as the best way to spread risk as it does not rely on timing investment markets.

Approximately 25% of financial advisers only recommend 'bucket strategies' to pensioner clients, 62% only recommend 'dollar cost averaging' withdrawal strategies to pensioner clients, with 13% recommending combination of both strategies to pensioner clients. So which option is better (and safer) for pensioners – 'dollar cost averaging' strategies or 'bucket strategies'?

## Bucket strategies

Bucket strategies involve establishing a series of funds (or buckets) of differing assets classes, where money is withdrawn from the most conservative bucket first (cash) to provide money for immediate living expenses, and the most aggressive bucket last (shares). Ideally, this strategy involves having 3 to 5 years of cash in the first bucket in order to overcome any volatility that may occur in the share markets. The potential issue with this approach is that too much cash often results in reduced investment performance over the long term. While the 'bucket strategy' asset allocation is easy to understand, it often results in investors being too heavily weighted to cash in early years and too heavily weighted to shares in later years (after the cash fund is exhausted).

## Dollar cost averaging strategies

Dollar Cost Averaging strategies involve withdrawing money in proportional amounts across all of the assets or funds available. These may be set up as a series of sector specific funds with a strategic model overlay, or alternatively as balanced or diversified funds that are regularly rebalanced to original asset class weightings by fund managers over time to account for the regular withdrawals. As an example, if a member of a pension fund has their investments 50% in shares, 30% in property, and 20% in cash, then if the member receives \$100 from the pension fund, it would be paid as \$50 from the share fund, \$30 from the property fund, and \$20 from the cash fund. If these investments grow or fall in value, the fund manager will regularly (often monthly or quarterly) adjust the investments (rebalance by buying or selling assets) so the proportions remain at 50% shares, 30% property, and 20% cash (as an example). While

these strategies are more predictable over the long term, behavioural finance research has discovered that investors are more likely to panic over the short term if market fluctuations cause the value to fall below expectations.

## Comparing the two approaches

The results from various analysis has demonstrated that in short term share market downturns, bucket strategies perform better than dollar cost averaging strategies due to the higher overall weighting to cash. Alternatively where the long term share market is growing, bucket strategies will underperform dollar cost averaging strategies.

Bucket strategies may also outperform dollar cost averaging strategies where investors are able to successfully time the market. For this to occur, pensioners who utilise bucket strategies would need to redeem (sell) their shares at the top of the market to top-up (replenish) the cash bucket. While this may be possible over the short term, as we discussed previously, missing just 10 of the best performing days over a 20 year period can have adverse consequences to investment portfolios.

Finally the lack of dollar cost averaging may also adversely impact performance. The bucket strategy approach normally has lumpy ad hoc redemptions from the least conservative bucket (shares) after pension payments have depleted the cash bucket and it needs to be replenished. There is no guarantee that these redemptions will occur when the share market is high (in order to lock in the growth of the shares). Alternatively, regular rebalancing of balanced funds, diversified funds, and strategic investment models that occur under dollar cost averaging after pension payments are made (whether the payments are monthly or annually) minimise short-term volatility risk.

## Summary

While both bucket strategies and dollar cost averaging strategies have inherent benefits to pensioners, research and analysis has demonstrated that over the long term dollar cost averaging strategies perform better than bucket strategies.

Contact our office today to speak with an adviser about what investment strategy is best for you.









## Australian economy surges as markets remain solid

**The Australian economy is booming and markets continue to perform strongly, but uncertainty lingers on the horizon, suggesting investors should remain focused on their long-term goals.**

The Australian economy has posted its fastest growth since 2011 as investors continue to enjoy strong investment market conditions.

Economic growth lifted 1% in the March quarter and 3.1% over the year to March 2018, outpacing the 2.75% predicted in the 2017-18 Federal Budget. The result was led by surprisingly strong mining commodity exports, as well as robust employment, business investment and government spending.

However, household spending and wages growth remain weak while high personal debt levels are an ongoing cause for concern. Middle East tensions and concerns over Venezuelan oil supply drove up petrol prices, which reached near four-year highs in May across some cities.

Property prices continued to weaken, particularly in Sydney and Melbourne, with national auction clearance rates reaching a five-year low of 58% in May.

The Reserve Bank of Australia held interest rates at a historic low of 1.5% for the 20th consecutive time in June. However, rising inflation in the US is expected to slowly filter through to the local market and place upward pressure on rates.

The US Federal Reserve lifted its benchmark overnight lending rate by a further 0.25 percentage points in March to a range of 1.5-1.75% - the first time it has passed Australia's rate in 17 years. The US economy continues to grow strongly, prompting the Fed to slowly unwind years of monetary support and normalise interest rates.

The Australian share market has been largely flat this year with the S&P/ASX 200 posting total returns (including dividends) of 0.99% over the calendar year to May 31, 2018. The Financial Services Royal Commission has weighed on the financial services sector with

concerns it may curtail access to credit.

Global equities fared more strongly with the MSCI World (ex Australia) posting a 4.25% gain over the same period.

However, uncertainty remains on the horizon with trade tensions rising since March, when US President Donald Trump put tariffs of 25% on imported steel and 10% on imported aluminium. How countries such as China and parts of Europe react will play an important role determining future global growth. A new populist government in Italy, the Eurozone's third largest economy, also posts a new challenge for the region.

Your adviser can help you structure an investment portfolio that meets your risk profile.



# Retirement: live for today as well as tomorrow

**Retirement should be a time to enjoy the fruits of a lifetime's labour. So why do so many retirees spend so little?**

Building a retirement nest egg over a working lifetime is one thing – spending it over the rest of your life is quite another.

Retirees might joke about 'spending the kids' inheritance' but in reality, it's the last thing on their minds given they don't know how much money they'll need or how long they'll live.

"Evidence suggests that the major worry among retirees and pre-retirees is exhausting their assets in retirement," according to the government's Financial System Inquiry (FSI), which conducted its own research on the issue.

Less than a third of super assets are taken as a lump sum and when they are, retirees tend to pay down debt or purchase durable goods that will last through retirement, according to an earlier report by the Productivity Commission. Retirees also tend to invest heavily in income stream products like

account-based pensions, which deliver an income but maintain the flexibility to access capital.

But the key problem remains – many retirees still think they'll run out of money and it affects their quality of life, according to the FSI report.

"An individual with an account-based pension can reduce the risk of outliving their wealth by living more frugally in retirement and drawing down benefits at the minimum allowable rates. This is what the majority of retirees with account-based pensions do, which reduces their standard of living."

## Cost of living can fall during retirement

Many retirees assume that their spending needs will rise over the years. It's a natural assumption given that inflation tends to make most goods and services more expensive over time.

However, new research using big data from real retirees is increasingly casting doubt on that assumption.

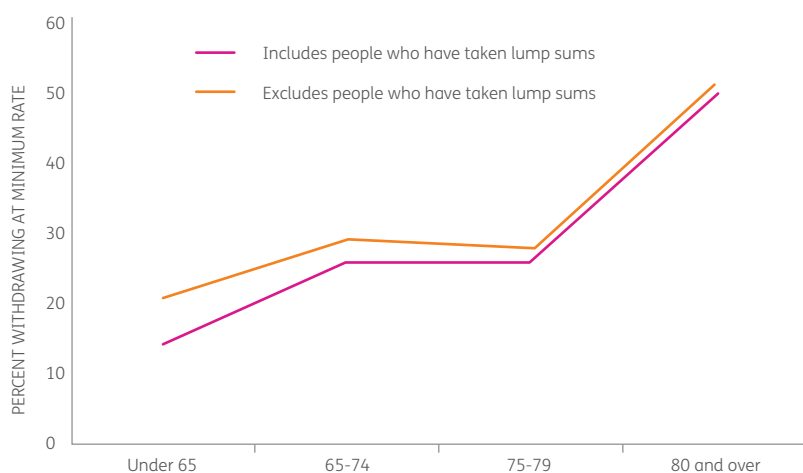
An analysis of the bank account data of more than 300,000 Australian retirees by global actuary and risk management firm Milliman found that the median retired couples' expenditure falls by more than one-third as they move from early retirement (65 to 69 years of age) and into older age (85 years and beyond).

Milliman senior consultant Jeff Gebler says retirees should seek quality personal advice to maximise their retirement lifestyle. However, Milliman's research suggests that more retirees could be spending extra in the early years of retirement when they are most active.

While health spending increases over time, all discretionary expenditure, such as travel and leisure, declines throughout retirement.

"Our research is consistent with what financial planners have known for years. Retirement can be viewed as several discrete stages with changes in spending needs throughout," he says.

## Percentage of retirees drawing down their superannuation at the age-specific minimum rate, 2011-12<sup>a,b</sup>



<sup>a</sup> The percentage of people who draw down the minimum (excluding lump sums) is calculated by dividing annualised income from superannuation by an individual's superannuation balance at the beginning of the period. The drawdown rate, which includes lump sums, is calculated by summing annualised income from superannuation and the total value of lump sums (total superannuation benefits) and dividing this by the value of superannuation balances before superannuation benefits were taken. <sup>b</sup> SIH does not separate out ages above 80 years. The Commission has taken an average of the proportion of people who draw down between 7 and 14 per cent - the minimum drawdown rates for those aged 80-84 years to those aged over 95 years. Data source: Commission estimates based on ABS (Survey of Income and Housing, 2011-12, Cat. no. 6553.0, basic CURF).



## Enjoy retirement and consider new ways to generate income

It's crucial to understand your own retirement goals in order to have a financial plan to help you achieve them.

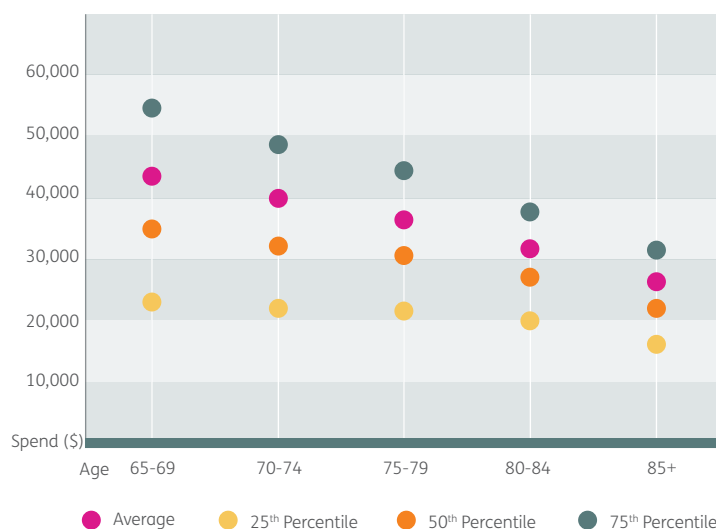
Saving for retirement is relatively simple but drawing down those savings is complex given superannuation is just one factor underpinning a comfortable lifestyle. Key considerations include access to the Age Pension, whether retirees own their home or rent, and the type of lifestyle they plan on living.

The government's latest Budget has proposed several changes to the retirement system, including making new income-producing products that pool longevity risk (the chance a person will outlive their savings) across all investors more attractive.

The government has also proposed a range of ways for retirees to boost their retirement incomes, whether by working longer without affecting access to the Age Pension or by expanding its Pension Loans Scheme which allows home equity to be drawn down.

Retirement doesn't have to mean penny-pinching and going without. With the right advice, it can be a time to enjoy the rewards of a lifetime of hard work.

### Spend by Wealth Band (Couples)



Data source: Australian Government Productivity Commission, Superannuation Policy for Post-Retirement Research Paper Vol 1: Chapters, July 2015



Contact our office today to speak with an adviser about how to enjoy your retirement today while planning for your needs tomorrow.



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