

## Generational Change

It is now more than twenty years since we established the forerunner of what became Retirement Victoria.

The concept for the establishment of a retirement planning service was forged in a discussion between Alan Cooper and Bob Parr in a restaurant in Melbourne in 1985. The Victorian Secondary Teachers Association (VSTA), of which Alan and Bob were staff members provided outstanding service to members up to the point of retirement. But following retirement there was no service to assist members in what was an increasingly complex world of superannuation strategy, tax, Age Pension and investment.

Alas, a generation has passed by. Alan Cooper retired from RV last year. Bob Parr has recently retired from the AEU. AEU President Mary Bluett and AEU Secretary Brian Henderson will retire as of the end of December. All of them worked together at the VSTA those years ago (as did Geoff Allen, still at RV).

And the baby boomer generation of teachers RV was originally set up to service has already reached, or is reaching, retirement.

The nature of retiring members' superannuation benefits is changing as the generation of retirees is changing. The article on page 3 discusses this issue. And the 54.11 retirees of ten years ago are now 64.11 retirees – and approaching another critical planning and decision point – Age Pension age.

The need for ongoing service and advice in retirement has never been greater. Changes in superannuation rules, Age Pension rules, tax rules and investment options, in conjunction with changing personal circumstances, dictate it.

It was the concept of ongoing relationships and services to members throughout retirement, rather than a single transaction approach, that underpinned the original concept for RV. And so it remains.

**Best Wishes for the holiday season and for 2013 from everyone at RV.**

### RV Office Xmas Closure 2012

Close: Fri. 21 Dec. at 12.30pm  
 Re-Open: Wed. 2 Jan. at 8.15 am  
 Full: Mon 7 January 2013



## Welcome to Sevinc – the new face of RV Reception



with us in other roles.

We have always seen the role of Receptionist at RV as a key role. Our own experiences have taught all of us the importance of a warm welcome.

RV has had fine Receptionists - Maria, Marnie, Emma, Brit, Shannon and Bella among them. Some left for family reasons and some are still

Recently Bella moved to Sydney with her partner and we have had the good fortune to find Sevinc.

She is intelligent, articulate, professional, bright and friendly. Sevinc has a strong base of experience in client service and support and is already proving to be a valuable addition to the RV team.

We asked Sevinc to write a few words about her interests. This is what she wrote -

*"I love travelling, going to the beach, taking a relaxing motorbike ride with my husband on a nice sunny day, shopping and spending time with my family, friends and dog Ponty. I haven't had too much time to do these things over the last year as my husband and I have been renovating a house. We're almost at the end now. I keep saying, never again..."*

## 2013

### The 'Fiscal Cliff' and Beyond

In the mid-year edition of *Client News* we provided a pocket summary of the economic circumstances facing Europe. The view was expressed, at the time, that the probabilities favoured Greece's accepting austerity measures in return for Eurozone loans. That has proven to be the case, with the Greek Government recently accepting further austerity measures in return for ongoing Eurozone support.

In the short term the focus has now moved to the US. Following the re-election of Barack Obama, and with the Republicans still controlling the Congress, the spotlight is now on what is referred to as the looming 'fiscal cliff'.

#### The Fiscal Cliff – What is it?

Unless the US legislature intervenes, a number of pre-set events will commence as of 1st January 2013. These include:

- the end of last year's US payroll tax cuts.
- the scheduled end of US income tax cuts introduced in 2001-2003.
- the start of taxes arising from the commencement of universal health care reforms (Obamacare).
- deep automatic cuts to Government expenditure arising from the US debt ceiling agreements of 2011.

This scenario would remove some \$700 billion from the US economy resulting in an expected cut to GDP of 4% and the loss of some two million jobs. The fragile recovery currently underway in the US would be scuttled and the economy would fall into recession.

This is the outcome which is commonly called the 'fiscal cliff'.

#### Over the Cliff – or Not?

With the Democrat Barack Obama in the White House and the Republicans controlling the Congress, there is an ideological impasse. Obama campaigned strongly on the principle of high income earners having to pay more tax. The Republicans oppose that position but support deep spending cuts – cuts which would necessarily have their major impact on the less well off.

At the time of writing (late November) it is hard to see the fiscal cliff scenario being allowed to eventuate.

Now that the US elections are over, US politicians of both parties have a strong vested interest in keeping the economy out of recession and assisting economic recovery. Ideology is likely to take a back seat to pragmatism over the coming month and year,

with a compromise agreement reached on tax and spending cuts – at least for the short to medium term.

#### The US Deficit

The US, of course, still faces long term budget deficit problems. US gross public debt is significantly higher than that of Europe, and unless it puts in place a program to reign in its budget deficit over time, the US will face the prospect of a ratings downgrade before too long.

But first things first. Avoidance of the fiscal cliff will be US Legislators' immediate priority.

And the US Federal Reserve is likely to continue to provide sufficient stimulus to ensure the current signs of recovery are sustained in 2013.

#### What About Us? - Australia 2013

The Chinese economy appears to be stabilising, Europe remains weak, and in Australia, while the heat has now gone from the mining boom, there is evidence of an emerging recovery in new housing starts.

The Australian dollar appears likely to remain strong and inflation to be benign.

The Reserve Bank is likely to continue its current program of interest rate cuts.

From a retiree perspective this will, of course, reduce income from cash and deposit holdings – an issue for retirees with a strong bias to cash in their retirement portfolio. (At the time of writing the 90 day bank bill rate was around 3% p.a. and falling)

At present the differential between the dividend yield from Australian Shares and cash rate interest is large, and is increasing. An Australian share fund of quality, high dividend shares can currently provide a dividend yield of 6.0% p.a. or above - for retirees who receive a refund of franking credits this becomes 8.6% p.a..

**Poor sharemarket performance over the past five years in an Australian environment, until recently, of relatively high interest rates, has resulted in a large transfer of money from shares to bank deposits.**

**But there is a cyclical element to markets. With declining cash interest rates and strong dividend yields from shares, we are likely to start to see the trend reverse as investors go in search of the higher income yields from Australian shares.**

**It is, perhaps, an argument for always remaining diversified across different asset classes. These are issues you should discuss with your RV Adviser in terms of your personal situation.**

## Retirement Income Lump Sums and Annuities

**As the years pass we are seeing a reducing proportion of teachers retiring from the ESSSuper Revised Scheme (the pension scheme) and a greater proportion retiring from the New Scheme (the defined benefit lump sum scheme).**

It reflects a combination of the fact that the Revised Scheme closed to new members in June 1988, and some existing Revised Scheme members transferring to the New Scheme when the option was available in 1988 and again in 1993/4.

Thus, the proportion of members retiring without a lifetime pension income is increasing.

Structuring an effective retirement income and capital model generally involves using some capital to provide a component of regular income, in conjunction with an accessible pool of capital to provide flexibility and service capital needs.

Revised Scheme pensions and/or Account Based Pensions have tended to provide the regular income elements for many members, in conjunction with Age Pension.

### New Scheme Retirees

With the increasing numbers of New Scheme retirees there has been a growth in the need for lifetime guaranteed income stream products. Annuities are such a product. A lump of capital is handed over in return for a guaranteed income for life. Until recently, however, the only available guaranteed lifetime annuity products tended to offer poor rates of return.

The amount of capital which needed to be used to buy a reasonable level of income was so great it discouraged most people. They preferred to retain access to their capital and risk it running out, rather than buy an insufficient income and lose access to their capital.

### New Style Annuities

In recent times two factors have intervened to influence this approach –

- the appearance of a new style of guaranteed lifetime annuity which can offer guaranteed lifetime income along with flexibility in terms of access to capital;

- the global financial crisis and the extended period of poor market returns which have followed it.

Some New Scheme retirees will be attracted to using part of their lump sums to buy a guaranteed lifetime

income, while still retaining a degree of capital flexibility.

Others who are already retired, and are perhaps anxious about aspects of their current income and capital model as a consequence of the GFC, may be attracted to the prospect of using part of their capital to buy a guaranteed lifetime income.

There are advantages and disadvantages, trade-offs, in all such decisions.

But the Age Pension friendly nature of annuities, and the fact that there are now lifetime annuities which offer guaranteed lifetime income with a measure of capital flexibility, are likely to make them more appealing to investors, and particularly to more conservative investors.

### Talk to Your RV Adviser

**Retirement Victoria advisers have access to a full suite of Annuity style investments and are well versed in their suitability for inclusion as part of an efficient long term retirement income and capital model.**

**They will not suit everyone, but for a proportion of retirees they will offer a level of certainty which is essential to their peace of mind.**

## AEU/RV Seminars Retirement 2013

At the AEU Offices  
112 Trenerry Cres. Abbotsford

Tues. 15	Jan. (Hols)
Sat. 16	Mar.
Tues. 2	Apr. (Hols)
Sat. 18	May
Tues. 2	July (Hols)
Sat. 10	Aug.
Tues. 24	Sept. (Hols)

All Seminars run from  
10.00am - 12.00 midday

#### Bookings:

Via the booking portal on the AEU Website  
or

Via the Links section of the Retirement Victoria website which has a direct link to the AEU booking portal.

If you have any difficulty booking, ring Sevinc at Retirement Victoria on 03 9820 8088.

## Unclaimed Super Searches

The ATO estimates some \$20 billion of superannuation money lies unclaimed. Much of this money originated from employer contributions and was 'lost' as a consequence of employees changing jobs, names or addresses. Some lost super accounts contain many thousands of dollars so the effort to track them down can be very worthwhile.

RV has located lost super accounts for clients but it is an exercise you can undertake and complete yourself in a few minutes. Here are two methods you might like to try:

- The ATO offers a 'SuperSeeker' tool on its website to find accounts transferred to the ATO by employers or super funds. You need to enter your name, DOB and TFN to undertake the search.

- Conduct a search of Ausfund, a fund specifically designed to hold unclaimed super accounts. These accounts are transferred to Ausfund by super funds. Follow the directions on the Ausfund website. You need to provide your name and DOB.

If you locate some lost super you will then have to decide what to do. This will depend very much on personal circumstances and care should be taken to ensure that you don't disadvantage yourself in any way.

### Be Wary

Some large superannuation funds offer to do the searching for you and then encourage you to roll all of your super into their fund. It is a marketing exercise without reference to your needs or situation. The fine print in their marketing material says as much, stating they accept no responsibility for any adverse outcomes. A rush to act may undermine your existing strategy and investment structure, combine different tax free and taxable amounts to your disadvantage, or in the case of withdrawals, have immediate tax or Centrelink implications.

If you become aware of any additional super you may have, then first talk to your RV Adviser before taking any action.

## 64.11 – Approaching Age Pension Age

Ensure efficient choices and decisions. Make an appointment with your RV Adviser before reaching 65.

## Super Contribution Limits 2012/2013

A reminder and a warning. Total super concessional contribution limits for 2012/13 are \$25,000 p.a. for all contributors. It includes all Employer Contributions and Salary Sacrifice Contributions. See the article in the Winter 2012 News. If in doubt consult your RV Adviser.

**Mary Bluett** President (AEU Vic.)

**Brian Henderson** Secretary (AEU Vic.)

Mary Bluett and Brian Henderson have announced their retirement effective from the end of the year.

RV clients with a background in State Education will be well aware of the ability, commitment, dedication and energy that Mary and Brian have brought to their many roles, initially in the VSTA and subsequently the AEU, over more than three decades.

They retire with the thanks and appreciation of teachers and those in the wider community who believe all students are entitled to quality educational opportunity.

Mary and Brian have also offered strong support of RV in its work on behalf of AEU members across the last twenty years.

We extend to them our best wishes for a long, happy and peaceful retirement where mobile phones no longer ring twenty-four hours a day!

**Bob Parr** Industrial Officer (AEU Vic.)



Bob Parr has also retired after 27 years committed service as a staff member of the VSTA and subsequently of the AEU.

Bob has been a builder of relationships - a peerless unifier. He built networks with principals and staff in schools across the state, and within the senior levels of the education bureaucracy, which enabled the union to deliver for both teachers and school communities.

While the above is systemic, Bob had, as a primary focus throughout his career, the service of individual VSTA and AEU members - the resolution of their individual industrial issues. He made superannuation a core area of expertise and was important in encouraging the development of the retirement advisory service offered by RV.

Members will miss his expertise, patience and warmth. Our thanks and best wishes go with him.

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