





# OUR CHANGING TIMES



Approaching retirement? It may be a good time to re-visit your plans. Some of Australia's most influential economists and financial commentators share some key insights

Investment portfolios, income strategies and financial advice are all important factors when planning for your retirement strategy. And the time may be close at hand when you may have to adjust your retirement expectations. Leading economists and financial commentators from AMP group came together to discuss why.

Participants included Dr Shane Oliver, Chief Economist and Head of Investment Strategy at AMP Capital Investors; Paul Clitheroe AM, Executive Director of ipac Securities; Jeff Rogers, Chief Economist at ipac Securities; Mark Dutton, Chief Investment Officer at AXA; and Brad Matthews, Head of Investment Strategy – AMPFP/Hillross Research.

**Q: HOW WOULD YOU CONSTRUCT AN INVESTMENT PORTFOLIO FOR SOMEONE APPROACHING OR IN RETIREMENT?**

**Jeff Rogers:** Retirement requires a movement away from thinking about wealth to thinking about income streams, and that has implications for the type of assets and strategies you choose. Make sure that you've worked long enough so that your assets will support an income stream capable of rising with the cost of living to fund your retirement.

**Mark Dutton:** This environment reinforces the need for a well-structured plan. If you're focused on a pre-retirement phase or another phase where income is the main priority, the strategy has to be more focused on income. Well-structured plans avoid triggering the risk of permanent capital loss caused by becoming a forced seller. You want to avoid having to dig into your long-term asset portfolio to meet short-term needs. You'll have enough set aside

for that, and that's a strong defence against some of this volatility.

**Q: MANY PEOPLE ARE CONSIDERING TERM DEPOSITS AS PART OF A SECURE INCOME STRATEGY. WHAT WOULD YOU SAY ABOUT THAT?**

**Dr Shane Oliver:** If you want income and those getting close to retirement or in retirement want that, term deposits aren't the only way to go. You can actually do better in sharemarkets, particularly the Australian sharemarket and credit market at the moment, where gross dividend yields and credit yields are currently well above term deposit rates.

**Paul Clitheroe:** The biggest threat to my capital is that I live to a ripe old age. I may think I can afford to stop working soon, but if I live into my nineties then I'm really concerned about age risk. That'll be a newer part of the debate. I can spend time worrying about my property and shares, but I should be more concerned about creating surplus income, topping up my super, trying to watch what I'm spending and maybe working part time for three or four years.

**Q: WHAT CHANGES DO YOU SEE IN THE WAY FINANCIAL ADVICE IS DELIVERED?**

**Jeff Rogers:** Financial planning will include lifestyle and career planning advice. If you are approaching retirement and have previously established a sensible strategy, you shouldn't just change it because of some market circumstances. You may want to challenge whether you have a sensible strategy, but you should do that in an unemotional way. There are a lot of uncertainties in life and to the extent



Dr Shane Oliver, Chief Economist and Head of Investment Strategy at AMP Capital Investors (L); Paul Clitheroe AM, Executive Director of ipac Securities

that you can work longer, work part time, spend a little less, build up that capital base, it all means that you've got greater sustainability of your assets to deal with your own longevity risk.

**Brad Matthews:** Staying diversified has to be part of that asset allocation strategy. We've seen time and time again that, when equity markets sell off, fixed interest markets rally and the Australian dollar depreciates. That's actually a very reliable way of reducing volatility in most balanced portfolios. Diversification has to remain a key to asset allocation strategies.

**Feel you should take another look at your retirement plans? Call us today to discuss more.**

**What you need to know**

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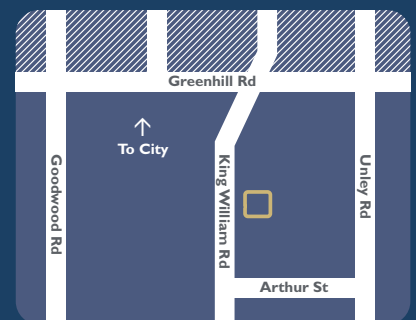
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