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THE HIDDEN COST OF DELAYED RETIREMENT

PENSION AGE, GRANDPARENTAL CHILDCARE, AND AUSTRALIA'S FERTILITY DILEMMA

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INSIDE

BY WEALTH ADVISER

Introduction: Australia's Demographic Crossroads

Australia stands at a pivotal demographic juncture. As the government incrementally raised the Age Pension eligibility age from 65 to 67-a transition completed in July 2023-there is growing debate about the broader social consequences of such reforms. While the stated rationale is to ensure fiscal sustainability and encourage workforce participation among older Australians, emerging evidence suggests that these changes may have unintended effects on family formation and national fertility rates. In particular, the role of grandparents as informal childcare providers is coming under scrutiny, with research indicating that their availability may be crucial for younger generations contemplating having more children.

Pension Age Policy: Intentions and Unintended Consequences

The Australian government's decision to increase the Age Pension age was primarily motivated by concerns about an ageing population, workforce shortages, and the long-term sustainability of the pension system. The policy encourages older Australians to remain in the workforce for longer, thereby reducing the period over which they draw on public funds.

However, as highlighted by Have a Go News, this policy shift may be contributing to a decline in Australia's birth rate, which has fallen to its lowest level since World War I. The article notes, "Raising the pension age means that many grandparents are still working and are less available to provide childcare for their grandchildren," a factor that can significantly affect the ability of younger families to balance work and childrearing responsibilities.

Firstlinks echoes these concerns, suggesting that pension rules and superannuation policies are increasingly influencing not just retirement planning but also intergenerational family dynamics and fertility decisions. The article posits that "when grandparents are less available to help with childcare, younger couples may delay or forgo having additional children due to the high cost and limited availability of formal childcare".

This phenomenon is not unique to Australia. OECD countries that have raised pension ages often see similar trends, with delayed retirement reducing the capacity of older adults to support their children's families, both financially and through direct care. Academic research supports this, showing that intergenerational support is a key determinant of fertility intentions in developed societies.

Environmental Toxins: A Decades-Long Driver of Fertility Decline

While pension reforms and pandemic-era policies have influenced recent fertility trends, they exacerbate a far older and more systemic crisis: the cumulative impact of environmental toxins on reproductive health. Over the past 50 years, endocrine-disrupting chemicals (EDCs) such as bisphenol A (BPA), phthalates, per- and polyfluoroalkyl substances (PFAS), and organochlorine pesticides have been linked to a 1-2% annual decline in global fertility rates. These toxins interfere with hormone regulation, damage reproductive organs, and impair fetal viability, with studies showing that even low-level exposure can reduce ovarian reserve in women and sperm quality in men by up to 40%. For example, PFAS-found in nonstick cookware and waterproof textiles-are associated with a 30-40% reduction in clinical pregnancy rates, while air pollutants like PM10 increase miscarriage risk by 160%. Unlike policy-driven shifts, this decline is irreversible for individuals and spans generations, as toxin exposure alters genetic expression and epigenetic markers in gametes.

Pension reforms and pandemic interventions have intensified this preexisting crisis. While delayed retirement reduces grandparental childcare availability-a key support system for young families-environmental toxins compound the problem by weakening reproductive capacity itself. For instance, women exposed to high pesticide levels face a 26% lower probability of live birth per cycle, and men in industrial areas exhibit 30% higher rates of sperm DNA fragmentation. The pandemic exacerbated these trends through increased stress and isolation during lockdowns, while economic uncertainty and healthcare disruptions further delayed family planning. Crucially, toxin-related fertility damage is not easily offset by policy adjustments: unlike childcare availability, diminished ovarian reserve or sperm quality cannot be restored through fiscal incentives or flexible work arrangements.

Addressing fertility decline requires confronting both immediate policy trade-offs and systemic environmental threats. While pension reforms aim to balance fiscal sustainability and workforce participation, their impact pales beside the silent crisis of toxin accumulation. A 2024 European Society of Human Reproduction and Embryology report warns that EDCs alone could push global fertility rates below 1.0 by 2070-a trajectory no pension policy can mitigate. Solutions demand a dual approach: revising retirement policies to support intergenerational caregiving while regulating industrial pollutants and funding detoxification programs. Without tackling environmental root causes, even the most family-friendly pension reforms will struggle to reverse a fertility crisis decades in the making.

Grandparental Childcare: The Missing Link in Fertility Decisions

The impact of grandparental involvement on fertility intentions is well documented in demographic research. A seminal study published in Demographic Research examined four European countries-France, Norway, Bulgaria, and Lithuania-and found that both emotional support and childcare help from grandparents were associated with increased intentions among mothers to have a second or third child, especially in wealthier countries and financially secure households.

Key findings include:

- "Mothers who received grandparental child care help were more likely to say they intended to have another child in France and Norway".
- "Mothers who received emotional support from grandparents were more likely to say they intended to have another child in France, Norway, and Bulgaria".

- The effect was strongest in financially secure households, suggesting that grandparental support provides the "extra push" needed for families already considering more children.

The study further highlights that the availability of grandparental support is not uniform. Maternal grandparents, particularly grandmothers, tend to be the most active supporters, but grandfathers are increasingly important, especially as gender roles evolve1. The overlap between emotional support and practical childcare is significant: "Grandparents who offer emotional support may signal to parents that they are willing to provide child care or other forms of help as needed, such as financial assistance. In this case, the involvement of grandparents may represent a kind of 'insurance' for parents concerned about whether they have sufficient resources to support their children".

In Australia, where formal childcare is expensive and often difficult to access, the withdrawal of grandparental support due to delayed retirement can represent a substantial barrier to family growth. As Have a Go News observes, "If grandparents are not available to help, many parents may decide that having another child is simply too hard or too expensive".

International Perspectives and Australian Realities

Comparing Australia's situation with European countries provides valuable context. The Demographic Research study found that the positive association between grandparental support and fertility intentions was most pronounced in France and Norway-countries with generous public childcare and family benefits1. In contrast, Bulgaria and Lithuania, with less public support and lower household wealth, showed weaker or even negative associations.

This suggests that the impact of grandparental involvement is context-dependent. In environments where the state provides robust family support, grandparents supplement these services, enhancing family resilience and enabling higher fertility. Where public support is lacking, families may be more reliant on grandparents, but if those grandparents are unavailable-due to work or health-fertility intentions may stagnate or decline.

Australia, with its high cost of childcare and patchy support for working parents, appears closer to the latter scenario. As Firstlinks notes, "The intersection of pension policy, superannuation, and family support is becoming a critical issue for wealth advisers and policymakers alike". The implication is clear: policies that extend working life for older Australians may inadvertently undermine the very demographic sustainability they seek to protect by discouraging family growth.

Policy Implications and Wealth Management Strategies for Advisers

Philosophical and Practical Insights

The intersection of pension policy, family support, and fertility raises profound questions about how societies balance economic resilience with demographic sustainability. For financial advisers, this means adopting a holistic approach that considers not only individual wealth accumulation but also the broader context of intergenerational support and family wellbeing.

Actionable Advice for Advisers and Families:

- **Plan for Intergenerational Support:** Encourage clients to consider how their retirement timing and financial decisions may affect their children's ability to raise families. Where possible, structure wealth management strategies to allow for flexible retirement and the capacity to assist with childcare.
- **Explore Flexible Work Arrangements:** Both older and younger family members may benefit from part-time work, job sharing, or phased retirement, enabling grandparents to remain engaged in the workforce while still providing support to their families.
- **Leverage Superannuation and Pension Planning:** Use superannuation products and pension planning to build in options for early or flexible retirement, recognising the value of grandparental involvement in family life.

Policy Directions:

- **Integrate Family-Friendly Pension Reforms:** Policymakers should consider the broader social impact of pension age increases. Options include allowing more flexible retirement for those with caregiving responsibilities or providing tax incentives for grandparents who assist with childcare.
- **Incentivise Grandparental Involvement:** Recognise and support the role of grandparents in family wellbeing through targeted subsidies, caregiver credits, or direct payments for informal childcare.
- **Support Working Parents:** Expand access to affordable, high-quality childcare and parental leave, reducing the reliance on grandparents where necessary but also enabling intergenerational cooperation where possible.

Conclusion

Australia's challenge is to design policies that support both economic resilience and family growth. As the evidence shows, grandparental involvement is a critical-if often overlooked-factor in fertility decisions. Pension reforms that delay retirement may inadvertently reduce the availability of this support, contributing to lower birth rates and a less resilient society. For wealth advisers, families, and policymakers, the message is clear: a holistic, intergenerational approach is needed to navigate the demographic crossroads ahead.

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BALANCING REFORM AND RESILIENCE

HOW AUSTRALIA'S POLITICAL VALUES AND FISCAL DISCIPLINE SHAPE WEALTH AND OPPORTUNITY

BY WEALTH ADVISER

Introduction: Australia at a Crossroads-Political Values, Fiscal Choices, and Wealth Resilience

Australia stands at a pivotal moment. The 2025 federal election has sharpened the national conversation around inflation, cost-of-living pressures, and the competing visions of the country's major parties. As voters weigh their choices, the intersection of political philosophy, fiscal discipline, and practical wealth management has never been more relevant. The Albanese Labor government faces a complex economic environment: inflation, while moderating from its 2022 peak, remains above the Reserve Bank of Australia's (RBA) target band, and real household disposable income has suffered its "largest and most protracted" decline in 65 years. Meanwhile, the Liberal opposition calls for a return to traditional values of thrift, individual dignity, and fiscal restraint.

This article explores how Australia's evolving political values and fiscal choices shape the nation's resilience and wealth-building capacity. Drawing on recent expert commentary, historical context, and philosophical insights, we examine the practical implications for advisers, investors, and households seeking stability and opportunity in uncertain times.

The Case for Fiscal Discipline: Cutting Government Spending and Its Impact on Wealth Creation

One of the most pressing debates in Australian economic policy is the role of government spending in driving inflation and shaping living standards. The argument for fiscal discipline is clear: "Reducing government spending is the only credible way to reduce inflation and take pressure off interest rates," as highlighted in Firstlinks' analysis of current policy debates.

Recent budget decisions have seen substantial new net spending, with the 2024-25 Budget decreasing the underlying cash balance by around $24.4 billion over four years. While some of this spending is targeted at directly reducing the consumer price index (CPI), the broader economic consensus remains that increased government expenditure typically leads to higher inflation, prompting the RBA to maintain or raise interest rates.

This dynamic has real consequences for wealth creation. Persistently high inflation erodes purchasing power and can force central banks to keep interest rates elevated, increasing borrowing costs for households and businesses. As Saul Eslake notes, the sharp decline in real household disposable income per capita since 2021 reflects the combined impact of inflation and stagnant wage growth, undermining material living standards for many Australians.

Internationally, the risks of unchecked government spending are well documented. The European debt crises of the 2010s, for example, demonstrated how fiscal profligacy can undermine investor confidence and trigger painful austerity measures. In contrast, countries that have pursued credible fiscal consolidation-such as Germany in the early 2010s-have generally enjoyed lower borrowing costs and more stable economic growth (OECD, 2022).

For investors and advisers, the lesson is clear: fiscal discipline at the national level supports a stable investment environment, while excessive spending can fuel volatility and reduce long-term returns.

Reclaiming Menzies' Values: The Role of Philosophy in Economic and Social Resilience

Beyond the technicalities of fiscal policy, Australia's economic resilience is deeply rooted in its political and philosophical traditions. The call for a return to Menzies' values-"grounded in the dignity of the individual, the importance of the family, and the value of thrift"-resonates in today's uncertain climate. These principles, articulated by Sir Robert Menzies and championed by the Liberal Party's founding generation, emphasise personal responsibility, prudent management, and the centrality of community.

As the Menzies Research Centre notes, "A strong economy is the foundation of a country's resilience and strategic weight. Our strong and flexible economy has served us well...helped Australia to achieve almost three decades of uninterrupted economic growth, despite many external shocks, including the Asian Financial Crisis and the GFC". This resilience was not accidental; it was built on policies that encouraged private enterprise, rewarded thrift, and invested in skills, training, and education.

The tension between individual responsibility and collective action remains at the heart of Australia's policy debates. While Labor's recent budgets have emphasised targeted investment in renewables, housing, and social services, critics argue that such measures risk crowding out private initiative and increasing the tax burden on future generations5. Conversely, the Liberal platform's focus on fiscal restraint and support for small business seeks to empower individuals and families to build wealth independently.

Philosophically, this debate echoes the work of thinkers like Max Weber, who linked the "Protestant ethic" to the rise of capitalism, and Amartya Sen, who emphasised the role of individual agency in economic development. Both perspectives highlight the importance of values-thrift, responsibility, and community-in fostering resilience and prosperity.

Navigating Uncertainty: Practical Strategies for Advisers and Investors

In the face of economic volatility and shifting policy settings, advisers and investors must prioritise resilience. As Shane Oliver of AMP notes, "There are always opportunities in periods of volatility for those who remain disciplined and diversified." This advice is particularly relevant as financial markets respond to the prospect of continued fiscal expansion or, alternatively, a return to tighter budget controls.

Key strategies for navigating uncertainty include:

- **Diversification:** Spreading investments across asset classes and geographies reduces exposure to specific risks and enhances long-term stability (Vanguard, 2024).
- **Risk Management:** Maintaining liquidity and managing debt levels are essential in an environment of higher interest rates and uncertain inflation trajectories.
- **Long-term Perspective:** Avoiding short-term market noise and focusing on fundamental value creation helps investors weather policy shifts and economic cycles.
- **Adapting to Policy Change:** Monitor government policy closely, as shifts in fiscal stance, taxation, or regulation can have material impacts on sectors such as infrastructure, housing, and financial services.

For example, Labor's support for renewable energy and institutional build-to-rent housing may benefit infrastructure and ESG-aligned sectors but could also increase public borrowing and inflationary pressures in the medium term. Conversely, the Liberal Party's focus on small business and tax incentives may spur consumer spending but reduce fiscal space for new investment.

Recent research from Morningstar and the OECD underscores the importance of resilience in portfolio construction, particularly in periods of elevated inflation and policy uncertainty. Maintaining a disciplined, evidence-based approach to asset allocation can help investors preserve wealth and seize opportunities as they arise.

Conclusion: Towards a Balanced Future-Integrating Values, Discipline, and Opportunity

Australia's future prosperity depends on its ability to balance reform with resilience. The lessons of the past-whether the long boom under Menzies or the rapid policy responses to the pandemic underscore the need for both visionary leadership and fiscal discipline. As the 2025 election demonstrates, the choices made by policymakers, advisers, and households will shape the nation's economic trajectory for years to come.

By integrating traditional values of thrift and responsibility with pragmatic policy reform, Australia can build a more resilient, dynamic, and inclusive economy. For advisers and investors, the path forward lies in disciplined wealth management, informed by both historical lessons and contemporary realities.

As respected economist Saul Eslake reminds us, "The reality of the cost of living is more complicated than either Anthony Albanese's or Peter Dutton's talking points." True resilience requires looking beyond political slogans to the underlying drivers of wealth and opportunity.

In the end, the challenge is not simply to choose between reform and restraint, but to forge a new synthesis-one that honours Australia's traditions while equipping the nation to thrive in a rapidly changing world.

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BUFFETT'S FAREWELL AND THE FUTURE OF US EXCEPTIONALISM

LESSONS FOR INVESTORS IN A CHANGING WORLD

BY WEALTH ADVISER

Introduction: Buffett's Legacy and the Crossroads of US Exceptionalism

Warren Buffett, often dubbed the "Oracle of Omaha," has long stood as a symbol of American capitalism's resilience, rationality, and optimism. For decades, his steady hand at the helm of Berkshire Hathaway has reassured investors that, despite market turbulence or economic shocks, the underlying dynamism of the United States would ultimately prevail. Yet, as Buffett's retirement becomes a real possibility, a deeper question emerges: does his farewell represent not just the end of an era, but a turning point for US economic exceptionalism itself?

This question is not merely philosophical. It has profound implications for investors worldwide, especially as the "peak America" narrative takes hold. As one recent analysis put it, "Buffett's departure may signal a broader shift in market psychology, where the 'peak America' narrative challenges decades of growth optimism." (Firstlinks, *Does Buffett's Farewell Represent Peak America?*) In an environment marked by geopolitical uncertainty, technological disruption, and shifting global capital flows, understanding the future of US exceptionalism-and how to adapt investment strategies accordingly-has never been more critical.

In this article, we explore the structural drivers and risks shaping US markets, map the opportunities and challenges for future returns, and distil practical lessons for investors seeking resilience in an era of uncertainty.

The New Capital Cycle: Drivers of US Exceptionalism

To understand whether US exceptionalism is sustainable, it is essential to examine the underlying forces that have set American markets apart. Historically, the United States has benefited from a unique combination of technological innovation, entrepreneurial culture, capital market depth, and demographic vitality. But are these advantages still intact?

According to Firstlinks' *New Capital Cycle is Driving US Exceptionalism*, the US is entering a rare and powerful phase of capital expenditure and productivity growth:

"The US is entering a rare phase where capital expenditure, productivity gains, and reshoring synergies could sustain growth despite global headwinds."

This "new capital cycle" is being fuelled by several interlocking trends:

1. Technological Innovation and Productivity

The US continues to lead in high-impact sectors such as artificial intelligence, cloud computing, and biotechnology. As the article notes, "US tech giants are deploying capital at an unprecedented scale, driving network effects and productivity gains that are difficult for other markets to replicate." (Firstlinks, *New Capital Cycle is Driving US Exceptionalism*)

2. Energy Independence and Reshoring

The shale revolution and investment in renewables have made the US less reliant on foreign energy. Meanwhile, the reshoring of manufacturing-partly in response to geopolitical tensions and supply chain vulnerabilities-has created new domestic investment opportunities.

3. Demographic and Institutional Strength

While the US population is ageing, it remains more dynamic than many developed peers, with higher fertility rates and strong immigration flows. Its legal and financial institutions continue to attract global capital.

These factors, taken together, suggest that the US may be better positioned than many expect to weather global headwinds. As Ray Dalio observes in Principles for Navigating Big Debt Crises (2018), "Countries with deep, liquid capital markets and innovative cultures tend to recover faster from shocks and attract capital during times of global uncertainty."

However, these strengths are not unassailable. The very forces that have propelled US exceptionalism-such as technological concentration and globalisation-also create new risks, as we will explore.

Mapping Future US Market Returns: Opportunities and Risks

For investors, the critical question is not just whether the US remains exceptional, but what this means for future returns. The past decade has seen extraordinary gains, driven by low interest rates, tech dominance, and a flood of global capital into US equities. But can this performance continue?

According to Firstlinks' *Mapping Future US Market Returns*:

"Over the next decade, US equities may deliver 3-5% annualised returns, far below historical averages, as valuations normalise."

This sober assessment reflects several key realities:

1. Valuation Headwinds

US equities, particularly large-cap technology stocks, are trading at historically high multiples. The Shiller CAPE ratio, a widely respected measure of cyclically adjusted price-to-earnings, remains elevated. As Robert Shiller has warned in Irrational Exuberance (2000), such valuations often precede periods of lower returns.

2. Demographic Drag

An ageing population and slower workforce growth may dampen economic expansion, even as productivity gains from technology offset some of these effects.

3. Interest Rate Normalisation

The era of ultra-low rates is ending. Rising yields increase the discount rate applied to future earnings, putting downward pressure on equity valuations.

Despite these headwinds, there are reasons for cautious optimism. As Jeremy Siegel argues in *Stocks for the Long Run* (2022), equities remain one of the most reliable long-term hedges against inflation and economic shocks. Moreover, the US market's ability to adapt-by fostering new industries and reallocating capital-remains a powerful advantage.

As the Firstlinks article notes:

"While the path forward is unlikely to match the extraordinary gains of the past decade, the US market's depth and adaptability continue to offer unique opportunities for discerning investors." (*Mapping Future US Market Returns*)

For investors, the implication is clear: future returns may be lower and more volatile, but the US remains a critical anchor in global portfolios.

The Case For and Against US Stock Market Exceptionalism

No discussion of US markets is complete without addressing the debate over "exceptionalism." Is the US truly unique, or are its advantages overstated in a world of rising multipolarity and deglobalisation?

No discussion of US markets is complete without addressing the debate over "exceptionalism." Is the US truly unique, or are its advantages overstated in a world of rising multipolarity and deglobalisation?

Firstlinks' *The Case For and Against US Stock Market Exceptionalism* presents a balanced view:

"While the S&P 500's concentration in tech giants creates fragility, no other market offers comparable scale in high-margin industries."

Let's break down both sides of the argument.

Arguments For US Exceptionalism

1. Innovation and Corporate Governance

The US remains the global leader in innovation, with a culture that rewards risk-taking and a regulatory environment that supports entrepreneurship. Its corporate governance standards are among the highest in the world, providing transparency and accountability.

2. Market Depth and Liquidity

The sheer size and liquidity of US capital markets attract global investors, reinforcing a virtuous cycle of investment and innovation.

3. Sector Leadership

The US dominates in high-margin sectors such as technology, healthcare, and finance. As the article notes, "No other market offers comparable scale in high-margin industries."

Arguments Against US Exceptionalism

1. Concentration Risk

The S&P 500's heavy weighting in a handful of tech giants-Apple, Microsoft, Alphabet, Amazon, and Meta-creates systemic risks. As the article cautions, "The S&P 500's concentration in tech giants creates fragility."

2. Deglobalisation and Geopolitical Risk

Rising protectionism, supply chain disruptions, and geopolitical tensions (notably with China) threaten the global order that has benefited US multinationals.

3. Political Polarisation and Fiscal Imbalances

Domestic political gridlock and rising public debt pose long-term risks to economic stability.

External comparisons reinforce these points. The MSCI World ex-US index, which tracks developed markets outside the US, has lagged US returns for over a decade but may offer diversification benefits as relative valuations become more attractive. European and Asian markets, while less dynamic in some sectors, provide exposure to different economic cycles and regulatory environments.

As Firstlinks concludes:

"The US market's exceptionalism is real but not immutable. Investors must weigh its strengths against rising risks and the potential for mean reversion." (*The Case For and Against US Stock Market Exceptionalism*)

Strategic Lessons for Investors: Building Resilience in Portfolios

For investors, the challenge is to translate these insights into actionable strategies that balance opportunity with resilience. Here are several key lessons:

1. Diversification Beyond US Equities

Allocating to Australian equities, private assets, and alternative strategies can reduce portfolio volatility and capture growth in underappreciated regions.

2. Hedging Currency and Geopolitical Risk

With the US dollar near multi-decade highs, currency risk is a growing concern. Investors should consider hedging strategies or currency-diversified assets to protect against dollar depreciation.

3. Thematic Investing in Structural Trends

Investing in themes such as artificial intelligence, energy transition, and healthcare innovation can provide exposure to long-term growth drivers that transcend national boundaries. As the Firstlinks article on the new capital cycle notes, "AI and energy transition are not just US stories-they are global, and advisers should seek diversified access."

4. Emphasising Quality and Resilience

In an era of slower growth and greater uncertainty, quality matters. Focusing on companies with strong balance sheets, pricing power, and sustainable competitive advantages can enhance resilience.

5. Applying "All Weather" Portfolio Principles

Bridgewater Associates' "All Weather" approach-balancing risk across asset classes and economic scenarios-remains highly relevant. As Ray Dalio writes, "The biggest mistake investors make is to believe what happened in the recent past is likely to persist." (Dalio, *Principles for Navigating Big Debt Crises*)

Conclusion: Embracing Uncertainty in the Post-Buffett Era

Warren Buffett's farewell is more than a personal milestone-it is a metaphor for a broader transition in the global investment landscape. The era of unchallenged US dominance may be giving way to a more complex, multipolar world, where innovation and adaptability remain critical, but risks are more diffuse and returns harder won.

For investors the lesson is not to abandon faith in US dynamism, but to temper optimism with pragmatism. As the articles reviewed here make clear, "The US market's exceptionalism is real but not immutable." (Firstlinks, *The Case For and Against US Stock Market Exceptionalism*) By diversifying across geographies, themes, and asset classes, and by focusing on quality and resilience, investors can navigate uncertainty and preserve wealth in a changing world.

In the end, the spirit of Buffett endures-not in blind optimism, but in disciplined, adaptive thinking. As he famously said, “The future is never clear; you pay a very high price in the stock market for a cheery consensus.” The challenge for today’s investors is to embrace that uncertainty, and to build portfolios that can weather whatever comes next.

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Q&A: Ask a Question

Question 1:

I heard that some people are using their super to hold insurance. Should I consider that, and are there any downsides?

Having insurance through your superannuation can offer several benefits. It is often more affordable due to group discounts negotiated by the fund, and premiums are paid directly from your super balance rather than your take-home pay, making it easier to manage cash flow. You are also generally not required to undergo extensive medical assessments when you first obtain the cover, making it more accessible.

However, there are also potential downsides. Premiums deducted from your super will reduce your retirement savings over time, which could impact your future balance. The default cover provided may not be sufficient for your needs, and policy terms can be more restrictive, with limited definitions or exclusions that may make it harder to claim. Additionally, your insurance may be cancelled automatically if your account becomes inactive or has a low balance.

It is also possible to hold retail insurance through super, which offers more tailored cover, better definitions, and more certainty at claim time. This means your cover can be customised to suit your needs, but it may come at a higher cost. Your financial adviser can help you determine if holding insurance in super is the right choice for you and whether retail or group insurance through super may be more suitable.

Question 2:

My friend mentioned something about the Work Test for super contributions. I'm still working part-time at 68, do I need to worry about this?

The Work Test is a rule that previously applied to Australians aged 67 to 74 who wanted to make voluntary superannuation contributions. Essentially, it required you to work at least 40 hours within a 30-day period during the financial year in which you made the contribution. However, from 1 July 2022, the rules were relaxed. If you are making non-concessional contributions (such as after-tax contributions) or using the bring-forward rule, you no longer need to meet the Work Test. The Work Test still applies if you want to claim a tax deduction for your contributions (concessional contributions) once you are over 67. Given your age and work situation, understanding these rules is critical to making the most of your super.

Seek advice from a financial adviser who can clarify how these rules apply to you and help ensure you maximise your retirement savings.

Question 3:

I've heard the term annuity mentioned when talking about retirement income. What exactly is an annuity, and how does it work?

An annuity is a financial product that provides a guaranteed income stream for a specified period or for life, depending on the type of annuity you choose. When you purchase an annuity, you pay a lump sum to an insurance company or financial institution, and in return, you receive regular payments. These payments can be structured to occur monthly, quarterly, or annually and can be set at a fixed amount or adjusted for inflation. Annuities can be either fixed (providing a guaranteed, consistent payment) or variable (where payments may vary based on investment performance). They are popular among retirees who want certainty in their income, as they provide protection from market fluctuations. However, they can have limited access to capital and may not always offer the same growth potential as other investments.

Your financial adviser can help you determine if an annuity is a suitable option for your retirement strategy.

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