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Boomers & Retirees: See Your Adviser

Despite widespread headlines of doom and gloom as a result of the much over-hyped Global Financial Crisis, it could actually prove to be the real break Baby-Boomer and Retirees have been hanging out for – they just need to make sure they have had their portfolio reviewed and if necessary, reweighted says Adelaide-based financial strategist Theo Marinis.

"Baby Boomers who are over 55 and still working are in a fantastic position so long as they are using Transition to Retirement (T2R) legislation to help them supercharge their retirement savings. They are using near tax-free dollars to buy heavily discounted assets which means when the market returns to good health (and it will as sure as day follows night) they will have had a double win," he said.

"Working Baby Boomers should make sure their adviser reviews the asset classes of their existing portfolio and if necessary, reweight it to take advantage of the time they have left until retirement and the projected income they will be getting between now and then."

"While many predict the future will be bleak for Boomers and Retirees, these prophets of gloom are forgetting that there is still a looming skills shortage in Australia. If you look at the public service, one of the major employers in the country, for example, it is estimated that 30 per cent of the work force will be eligible to retire by 2013. Further, it is a similar situation in every sector of the economy!"

"Baby Boomers will have the potential to be recruited and even retrained for new careers, on their own terms (probably therefore on a part-time basis) to fill these vital roles in administering the Government's policies and the great news is that they will be able to do so using a T2R approach thereby paying little or no tax."

"As strange as it seems, retirees who have provided well for their own retirement are in a very good position as well, so long as their portfolio has a balance between a strong cash buffer and believe it or not, growth assets. The cash buffer allows them to see out the present difficulties while the growth assets will help them make the most of the impending upswing in the medium to longer term."

"In fact, retirees will be enjoying the cost of living reductions brought on by the Global Financial Crisis including cheaper fuel, airfares and food items.

"In addition, people should not lose sight of the fact that 21st Century Australia is very generous by world standards. We look after pensioners by providing up to 25 per cent of the average working man's wage in Centrelink Age Pension benefits in addition to allowing people have their own private pensions (through super) providing significant additional income to supplement the basic Age pension even for those with relatively modest private savings."

"All those scaremongers talking of another Great Depression need to be reminded that this was not the case in the 1920's and 1930's."

"In fact, the Great Depression was the main impetus for the creation of our safety net Social Security system. It was to ensure that in time of economic downturn people would not be forced to live in the streets and line up at soup kitchens for a feed."

“Self funded retirees too, need not panic. For example, a self funded retiree of 65 with $1.0 million in a superannuation pension has options even if their pension investments are not currently, correctly allocated.

In this case, they need to review their investment allocation with the aid of a quality adviser. A good adviser could for example, reallocate $200,000 of the portfolio into cash investments with the balance remaining exposed to growth assets (subject to the clients risk tolerance).

This cash allocation acts as the portfolio’s “shock absorber” to cushion the portfolio from market volatility and is the account where the pension payments will be paid from, ensuring none of the growth orientated assets in the portfolio are crystallised at a loss, in the current environment.

Now, if this self funded retiree pensioner draws $50,000 pa (tax free super pension) as “pay” taken from their “shock absorber” cash portfolio, they have about four years of pension payments in the starting $200,000 cash account.

However, this ignores that the entire portfolio is receiving income (eg; interest and dividends) even though the portfolio value has fallen during the current crisis. If we assume a conservative 4% pa net income yield that equates to around $40,000 in income flowing into the cash account whilst drawing $50,000 pa in pension payments from the cash account.

Quite clearly therefore, the $200 000 cash account will be self funding for many, many years providing plenty of time to ride out the current volatility and allow the growth assets to recover their capital value, as they certainly will in due course.

“In my more than 20-year career including my time at the ATO, Centrelink and the Insurance and Superannuation Commission before establishing Marinis Financial Group, I have observed one golden rule of the world – times are never as good as they seem and they are never as bad as they seem.

“I remain very optimistic that Australia will pull through the current global financial crisis and will spring back to its position of robust growth, having learned the lesson about getting rich slowly – it is about the strategy rather than the trying to pick the best underlying investments or the best time to buy.”

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