Negative super no reason to panic

ANTHONY KEANE

SUPER funds' poor start to the financial year has put them on track for their first negative result in a decade but savers are being urged to avoid knee-jerk reactions.

Almost one-third of the 2018-19 financial year is over and most superannuation fund returns have been in negative territory amid share market weakness in Australia and overseas.

Not even their conservative investment options have dodged the falls.

However, super specialists warn that panicking and switching to so-called safer investments could lose people money in the short term, and will almost certainly cost them in the long term.

Rainmaker Information director of research Alex Dunnin said the latest volatility on financial markets was normal and super was a 70-year investment for many people.

"Every time there's a big whack, there's always a big rally," he said.

It's been super's worst start to a financial year since 2015-16, although back then still finished the year higher.

Since the Global Financial Crisis 10 years ago, super has delivered a positive annual return every year.

Most Australians hold their retirement savings in their funds' default or MySuper options – typically a mixture of shares, bonds, property, infrastructure and other assets.

Mr Dunnin said during the GFC, some super funds reported up to one-third of their members switching to safer but low-return cash investment options.

"A lot of people who went to cash never got back in, and missed all the upside," he said.

Financial Strategist Theo Marinis said October was "always spooky" for investors as a traditional time of financial market weakness.

"It's almost psychological – there's no reason why it's different from any other month," he said.

"Keep your emotions in check. If it's your super, it's long term."

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