Financial impact of a global pandemic

It took us by surprise – a 100-year event with an impact the world feared might approach the devastation of the Spanish Flu pandemic and the black cloud of the Great Depression. So how has it affected Australian retirees? MIKE GRIBBLE investigates

Having killed more than 250,000 people, COVID-19's fallout is taking its toll on the very psyche of generations.

Alongside Australia's bushfires of 2019-20, viral risk put us on high alert. We had to quickly adjust to co-existing apart, living in a confluence of fear and confusion, anticipating a permanent shift in social and financial behaviour.

With stock markets hit and big businesses quitting trade, world leaders governed on the fly for the first time since the global financial crisis (GFC) of 2007-09.

Veterans of the retired workforce – and those approaching retirement – are feeling saddled with the prospects of their nightmares under superannuation losses and the new spectre of retirement blues. All this while suspended from visiting family members struggling with isolation in homes – whether their own, aged care or retirement homes.

But there is optimism. Today's generations were afforded relative prosperity from their forbears' resilience, taught to adapt and that good can come from bad. The market-smashing GFC proved Australia has resilience. Social distancing has put focus on compassion. Small businesses are surviving on ingenuity and the strengths of their community ethos. We are revisiting self-sufficiency and home delivery.

Necessity also forces demand. Retired industry experts are being offered consulting roles or returning to shifts. Last month alone, the Federal Government announced a target to increase the number of ICU nurses from 10,000 to 35,000, including re-registering those recently retired. The plan included urgent funding for online training for 20,000 nurses, with 18,000 registering in the first two weeks.

Theo Marinis, financial strategist from The Marinis Group, says the sky is not falling on Australians' financial outlook.

"When the GFC happened, markets fell 55 per cent," he says. "During COVID-19, they fell half that – and today's government assistance programs are unprecedented. It's doom and gloom only as far as we're locked down and people have lost their jobs through no fault of their own."

"It's not comparable to WWI, the Spanish Flu and the Great Depression, or history's subsequent wars. Part of the problem with focusing on gloom is that the western world has been so successful at pushing risk away we've cocooned ourselves and, all of the sudden, we think we can't cope."

"We'll get through this and, when we do, people will go out and celebrate life."

Mr Marinis says investors and those planning for retirement should avoid panicking about current losses in superannuation.

"Anybody who is approaching retirement should not look at their super and think the sky is falling in," he says. "They only have a problem if they act irrationally. Draw on any cash buffers instead of investments. It's a matter of staying calm."

Ian Henschke, National Seniors chief advocate, says there is good reason to be concerned about the future but adds government also has an opportunity to adapt with, and for, our ageing population.

"I'm very concerned but I worry about health before I worry about my superannuation," he says. "At the same time, a disruption such as COVID-19 presents an opportunity for the Federal Government to review the nation's approach to financial security in retirement.

"It's a good time for Australians and the Morrison Government to think about what we really want around work, pensions and superannuation. Our retirement income system could be far better and simpler if we adopt a universal pension scheme similar to that of New Zealand, whereby pensioners can continue to work if they choose without penalties. They also pay tax on all their income including the pension. This eliminates complicated means testing.

"Instead of taking 50c in the dollar for pensions over a certain threshold, the government could encourage Australians to focus on accumulating more of their own income to pay for their retirement."

"Under such a system, everybody benefits," Henschke says.

"This would also put more tax back into the system, easing the burden on all taxpayers – and the overall economy," he says. "Canada has a similar system and, while both those countries have lower GDP than Australia, they also have much lower rates of pension poverty and much higher participation rate of older workers."

Bob Budreika, Planning for Prosperity senior advisor, says COVID-19 presents an opportunity to take responsibility for financial security.

"Long-term security is a marathon, not a sprint," he says. "Often, what people don't see or don't understand is viewed as risk. Many people in industry funds, for example, don't really understand them."

"As new government legislation makes it more expensive to seek financial advice in order to make more meaningful decisions, people need to do more of their own research before firing from the hip … and, through staying home, people are realising they can live on less. They're making important savings."

"In order to make those meaningful investment decisions, look at the big picture of their circumstances and consider a broad plan and a fallback position. In the future, there will be all kinds of events, not just COVID-19, that will challenge us. And doing nothing is still a decision."

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