Self-funded retirees must dig in, diversify

ANTHONY KEANE

SELF-funded retirees should double-check their assets and income after missing out on government assistance during COVID-19, despite losing money on shares, property and cash.

As billions of dollars in stimulus payments flow across the nation, older Australians not on a pension are largely on their own.

For many, the only help has been the Federal Government temporarily halving the minimum drawdown required on their superannuation pensions and annuities, which helps them preserve their account balances during the downturn.

For example, a 67-year-old now must withdraw at least 2.5 per cent of their balance annually rather than the pre-COVID 5 per cent.

However, this doesn't solve retirees' income crunch, and Association of Independent Retirees president Wayne Strandquist said many were now suffering financial hardship.

"They have lost income from dividends and rents and, of course cash doesn't pay anything," he said.

Mr Strandquist said the rules should be changed to allow no minimum drawdowns next financial year, and he said people who didn't qualify for an age pension should reassess their eligibility for the Commonwealth Seniors Health Card.

"It's an income test, and if you have income for a couple of less than $89,000 you could be eligible," he said.

"If you get a Commonwealth Seniors Health Card that gives you the $750 income supplement (to be paid in July)."

Planning for Prosperity director Bob Budreika said some superannuation funds might automatically halve retiree drawdowns from July 1, while others would leave it unless asked.

"Each fund has got their own way of doing things," he said, adding it's wise to check if you were unsure.

Mr Budreika said two important tips for self-funded retirees to cope with COVID-19 were to have cash available and to diversify investments beyond one or two large fixed assets. "As much as it may sound boring, there's real value in making sure a portfolio is diversified," he said.

Adelaide retirees Marlene and Dom Henschke, both 63, have avoided much of the coronavirus financial carnage because they have a cash buffer.

"Our portfolio has definitely gone down, but because we don't need to draw on it immediately we are hoping that it will bounce back," Mrs Henschke said.

She said she knew self-funded retirees who were doing it tougher and drawing down on their super. The couple are also saving money because they are unable to take trips to see their children in Japan and interstate.

Mrs Henschke said their financial adviser, Theo Marinis, had structured their portfolio in a "fairly conservative manner, as I'm a bit of a worrier when it comes to anything financial".

CASH BUFFER: Dom and Marlene Henschke's diversified portfolio has helped them during the coronavirus. Picture: Tom Huntley

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