SUPER INFO
SUMMER 2020

What's inside:

Troubled times, buoyant shares

Policy makers and investors fretted about the state of the economy for much of 2019, but equity markets continued to perform strongly.

In December 2018 the United States and China agreed to defer tariff increases and exercise a temporary trade-war truce, giving economists hope that the faltering global economy would rev up again in 2019. But those expectations were quickly dashed as it became apparent that US President Donald Trump intended to fight his war until the bitter end.

In May, Trump announced that previous tariffs of 10% on US$200 billion worth of Chinese goods would be raised to 25%, prompting a retaliation, with China increasing tariffs on US$60 billion worth of American goods.

The trade war weighed on both American and Chinese growth as 2019 progressed, and other international economies – including Australia's – soon began to struggle, too.

The big theme of the past year has been this slowdown in global growth, which, in more recent quarters, has become increasingly synchronised. The escalation in trade tensions between China and the US has been a large factor behind that downturn.

Trump's willingness to undermine the post-WWII rules-based global trading order generated considerable uncertainty in the manufacturing sector and, as the year progressed, it filtered across the broader international business community. Uncertainty in the Eurozone, largely tied to Brexit and a wobbly German economy, compounded fears of an impending global crash.

All this uncertainty led to a capital strike against investing in new manufacturing capacity, particularly cross-border capacity.

And while the 2019 slowdown has been largely confined to manufacturing, economists expressed growing concern from mid-year onwards that services sector activity and consumer spending could also take a dive.

There are certainly concerns that if this downturn in manufacturing investment continues to deepen, those hitherto resilient sectors might come under pressure.

Global recession fears get tongues wagging

Talk of a global recession reached fever pitch in June and July in the wake of a collapse in bond yields. Notably, long-term US bond interest rates fell lower than short-term rates – known as an inverted yield curve – which signalled, in simple terms, that investors were worried about the future.

In Australia, bond yields also fell to historic lows. Meanwhile, worsening Australian GDP figures and a weakening Aussie dollar had many market watchers bracing themselves for what could have been the first Australian recession in nearly three decades.

As GDP growth slowed in the United States, and downside risks appeared to be building, the Federal Reserve cut rates twice. Here in Australia, the Reserve Bank slashed rates three times – in June, July and September – to historic lows, and many other developed and emerging nations around the world made similar moves.

This action helped brighten sentiment, and by October 2019 a majority of economists were no longer predicting a global recession.

There is now this narrative emerging that, rather than big risks of recession, a lot of developed economies might be increasingly facing long periods of economic stagnation.

Aussies are punching above their weight

Despite the struggles both at home and abroad, Australian shares performed strongly.

The troubles elsewhere in the Australian economy actually helped support the share market.

Strong performance is largely due to the aggressive rate cuts, the collapse in bond yields and the fact that the Australian market offers a relatively high dividend yield of around 4%. Opportunities to make money have become very limited, so that high dividend yield has really been a source of support.

High yielding defensive sectors, property trusts and the like, have performed particularly strongly. Cyclical stocks and value stocks have underperformed by contrast.

Source: **Mercer**

How to have a contented retirement

Retirement is something that most people look forward to. It's a chance to put your feet up, relax, take an overseas trip, or just spend some time in the garden. But that sudden sense of freedom can be intimidating – especially if you've spent your entire adult life working.

Enjoying retirement means more than just financial security, it's about finding a sense of purpose. Here are five ways to help make that happen.

Connect

One of the major differences between working life and retirement is the change in social interactions, and this is something to stay aware of. Beyond Blue's Dr Stephen Carbone says, "People who are lonely or feel socially isolated are often at a higher risk of developing depression. Having that social support network is just as important at 65, 75 or 85 as it is at any other time in your life."

Building new connections within your community is important, as is continuing to foster strong relationships with your family and friends. Trying new activities by joining like-minded groups is one method of staying socially active and will help keep you around people you like and doing things you enjoy.

Beyond Blue's Connections Matter booklet offers some further suggestions for helping retirees stay mentally active through social engagement.

Be active

There are strong links between physical health and mental health, so being active – in ways that work within your lifestyle and abilities – is vital.

This can be challenging for some. "As you get older, physical health problems can start to kick in and we know that these can increase the risk of experiencing depression and anxiety, particularly when the person is in pain or the condition is causing a loss of independence," says Carbone.

However, it's important to do what you can. "Looking after your health in general is good for you – eating well, regular physical activity, adequate sleep – and looking after your mental health is just as important," Carbone says. "Stay stimulated, challenged, involved, connected; these things help reduce stress, prevent loneliness and decrease the risk of depression and anxiety."

Take notice

Self-awareness and mindfulness are powerful tools in staying mentally well, helping with your emotions, sleep and self-esteem. These strategies include being present during your day and purposeful about the actions you take, which in turn can help you plan activities and interactions that you enjoy. "Anything that gives you a sense of satisfaction, stimulation, relaxation or purpose is the stuff we need," says Carbone.

Taking notice of how you're spending your days is also a good way to decide what you want to do. "Retirement can be overwhelming if you have all this time and you're not sure what to do with it," Carbone says. Finding your purpose within retirement will help you feel happier and increase your mental wellbeing.

The Black Dog Institute has evidence-based suggestions for incorporating mindfulness, meditation and relaxation into your life.

Keep learning

You actively learn through all stages of your life, and retirement is no different. Learning new skills and adding to your current skillset and interests can be done formally, with courses or schooling, or informally as you take part in activities you enjoy.

It's possible there are things you've always wanted to try, but never had the time for, so this is your chance to consider those things, too. This can help you have goals to aim towards and give you a sense of achievement. "Retirement is a sizeable chunk of your life, so it's good to figure out what you hope to do," Carbone says. "Some people find that change in identity a challenge," he adds, suggesting that adding to your skillset can help you find who you are in retirement.

Give

Research shows that giving back to your community increases your connection with your community, helps increase self-worth and can teach you new skills. All of these things are great for your mental wellbeing.

Senior Australians contribute the highest number of volunteer hours of any age group, with around 2.9 million people over 65 taking part in voluntary activities, showing that volunteering is seen as an important part of retirement for many.

When looking for ways to volunteer, consider your own abilities, skills, interests and personal goals, in addition to the needs within your community.

How much will you need?

Be Confident about the future.
Enjoy retirement, and do the things you love.

While every individual's circumstances and spending habits are different, an often used measure is ASFA's (Association of Superannuation Funds of Australia) Retirement Standard, which suggests that a retirement income of $59,000 p.a. for couples, or $43,000 p.a. for individuals, will support a comfortable lifestyle*.

That equates to a superannuation balance of approximately $645,000 in super for a couple, and $545,000 for individuals. It also assumes you own your own home, and are not making any mortgage or rent payments. Of course, if you believe you'll need more for the lifestyle you aspire to, then your super balance will need to be higher on retirement.

While those numbers can provide a baseline figure, they don't tell the whole story. Age pension entitlements, part time work, and your investment choices can help top up your retirement funds and help your money last longer.

Travel on a Budget

We look at easy ways to save $$$ while planning and taking that big trip

Get technology on your side

Technology is scarily good at knowing what you're looking at online. When you're searching for flights or accommodation, bear in mind that websites can track what prices you've been quoted in the past, so make sure you're being stealthy with your browsing. Always make sure you clear your browser cookies, or use a private window like Chrome's Incognito. Prices can also vary depending on where you're booking from. Using a virtual private network (VPN) like the Hola extension in Chrome can trick the internet into thinking you're booking from another place.

Stay in fewer places for longer

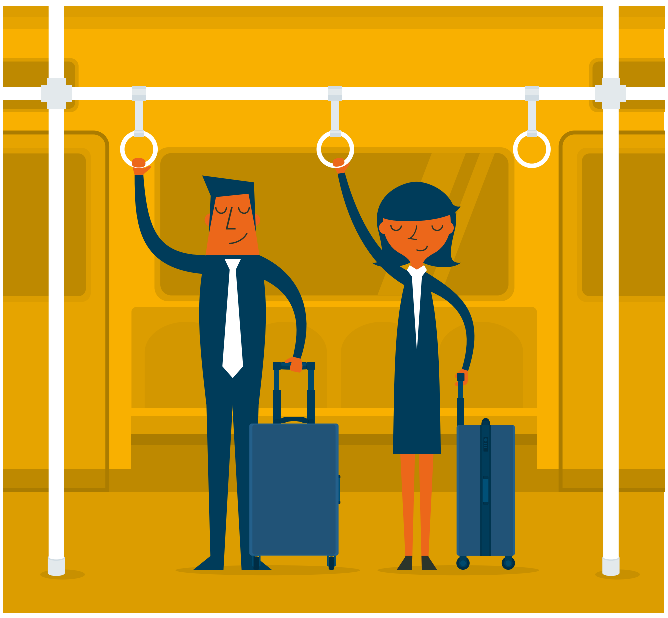
If you try to take a trip that ticks off lots of destinations you'll quickly find your travel budget getting eaten up. Taking lots of journeys over a short time span is not only exhausting, it's expensive. So, think about taking the slower option. Not only will you get a better feel for the country or city that you're in, but you'll also spend less on accommodation. Accommodation sharing sites often give discounts for longer-term rentals, plus you'll only have to pay the cleaning fee once.

Focus on lunch

If you do decide to eat out in more expensive restaurants, go for lunch instead of dinner. In most places a lunch deal is a lot cheaper than the full price charged at dinner. This is because the portions can be a bit smaller and people tend not to stay as long at lunch.

Enjoy culture for free

Many big cities are full of museums, including numerous collections of art and history that are free to the public. Others charge a small fee for entrance into their museums, but even those places frequently offer discounts and even free days. There are also free walking tours (for a tip) of many major cities that you can join. They're a great way to get your bearings in a city, as well as meet fellow travellers.



Protecting Your Super Package (PYSP)

The Commonwealth Government's Protecting Your Super legislation came into effect on 1 July 2019.

The Commonwealth Government's Protecting Your Super legislation came into effect on 1 July 2019. Because the Scheme is an exempt public sector super scheme, it is governed under South Australian state government legislation, so the PYSP measures do not apply to your account. The Scheme is reviewing the elements of this legislation and may adopt some of these measures on a voluntary basis in the future. You will be notified if we implement any of the PYSP proposals and they impact your account.

Investment Costs

Investment management costs and Investment cost ratios (ICRs)

Your annual statement shows "Indirect costs of your investment". Indirect investment costs are associated with investing and managing the assets of the investment option in which your super is invested. These are included in the Indirect Cost Ratio (ICR).

The ICR varies depending on the scheme and investment option, the option's asset allocation, the investment managers and their performance. It varies from year to year.

Unlike the administration fee, these costs are not deducted directly from your account.

Instead the investment management costs are deducted from the assets of the investment options and are reflected in the unit prices before they are applied to your account. When you view the value of your investments or the investment returns for the options, these figures are shown "net of investment costs".

All super funds are required to estimate each member's investment management costs and list them on members' statements as a separate dollar amount.[1]

What are the 'Indirect costs of your investment'?

These are estimates of the underlying costs of managing the investments in your super.

These costs include fund manager fees (such as performance fees, and transactional and operating costs), asset consulting fees, custodian fees, investment-related legal advisory fees, and an administration fee that covers expenses incurred by Funds SA in managing the funds.

A performance fee is a fee paid to certain managers if their performance exceeds an agreed benchmark.

Transactional and operating costs include brokerage, stamp duty, transaction settlement costs, clearing costs and buy and sell spreads.

More information

See the Member Benefit Guide, available at www.samfs.superfacts.com.au for further information. Other fees may also be charged.

[1] Commonwealth Government rules, introduced by ASIC and effective 30 September 2017, resulted in an increase in the disclosure of fees and costs. These are summarised in updated Regulatory Guide 97 (RG97). The effect of these changes is that 2018–19 annual statements are not comparable with those of previous financial years because the investment management costs are disclosed differently