

Investing in Retirement is Different

Adviser webinar series

+ Module one

Retirement Risks and Challenges

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You should be able to see us, just not hear us until we start at 11.03am

Investing in Retirement is Different Series

+ Module 1

Retirement Risks and Challenges

Tuesday 11 August 2020
11:00 am – 11:45 am

+ Module 2

Building Portfolios for Retirees

Tuesday 18 August 2020
11:00 am – 11:45 am

+ Module 3

Building and Modelling Retirement Portfolios

Tuesday 25 August 2020
11:00 am – 11:45 am

+ Module 4

Retirement Tools and Solutions

Tuesday 1 September 2020
11:00 am – 11:45 am

Unprecedented Shift



1,175

per day



\$1.9tn

Over the next 15
years



24 years

average time in
retirement

1. Roy Morgan Press Release: Age of intending retirees increasing, March 2018.
2. Rice Warner – Ageing and Capital Flows: Financial System Inquiry, May 2014.
3. ABS 3302.0.55.001 - Life Tables, States, Territories and Australia, 2014-2016 , October 2017.

The Maths of Retirement

Technical Risks of Retirement

Longevity Risk	The risk of outliving your savings.
Sequencing Risk	Sequencing risk is the risk that the order and timing of investment returns are unfavourable, resulting in less money for retirement.
Biometric Risk	Advised clients are often wealthier and therefore healthier than the average, resulting in longer than average lives.
Interest Rate Risk	The risk of investment losses due to a change in interest rates.
Inflation Risk	The risk that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power.
Withdrawal Rate Risk	The risk of drawing down on your assets at a rate that is not sustainable over the long term.
Tax and Policy Risk	The risk that government policy and tax changes negatively impact retirement income.
Expenditure Risk	The risk of incurring a large unexpected cost, often medical related.

Impact of Sequencing Risk is Significant

If you lose this much:	At 4% p.a. it would take:	At 6% p.a. it would take:	At 8% p.a. it would take:
-10%	<i>Never</i>	9.0 years	3.1 years
-20%	<i>Never</i>	<i>Never</i>	8.1 years
-30%	<i>Never</i>	<i>Never</i>	18.2 years
-40%	<i>Never</i>	<i>Never</i>	<i>Never</i>
-50%	<i>Never</i>	<i>Never</i>	<i>Never</i>

Dollar cost averaging becomes dollar cost ravaging in retirement!

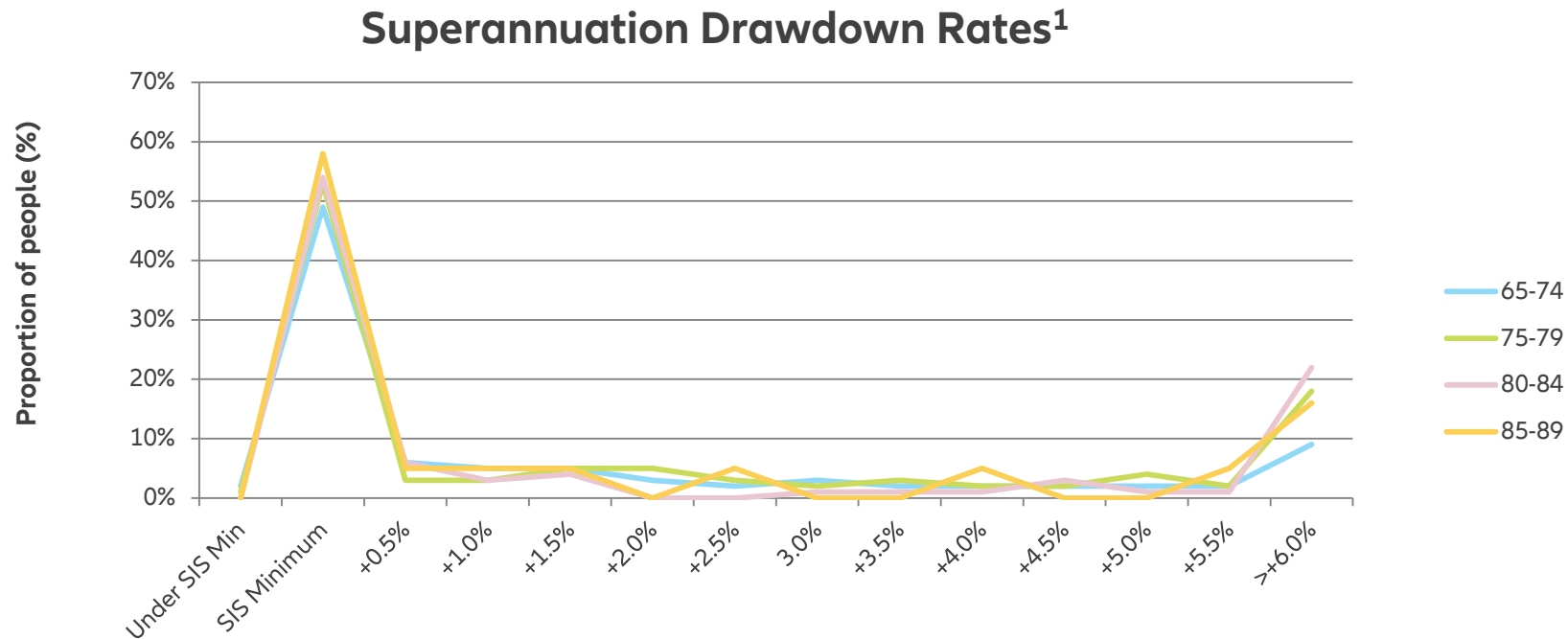
1. Annual drawdown rate of 4% of initial balance indexed to inflation of 1.50%. For illustrative purposes only.

Retirement Feels Different

Behavioural Factors of Retirement

Hyper Loss Aversion	People's preference to avoid losses to acquiring equivalent gains; increasing significantly in retirement.
Framing	The positioning of a product or solution dramatically influences its attractiveness.
Vividness	Making the future easier to imagine can impact client behaviour.
Cognitive Impairment	Declines in cognition can significantly impact an individual's decision making process.
Mental Accounting	Individuals classify assets differently, resulting in irrational decision making in spending and investment.
Evaluability	Retirees show a preference to select options that are easiest to understand.
Money Illusion	The risk of thinking of money in real terms and therefore underestimating the impact of inflation.
Fairness	People's tendency to dislike unequal payoffs in their own or someone else's favour.

Retirees Respond with Frugal Living



1. Superannuation drawdown analysis conducted by Centrepont Alliance

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