



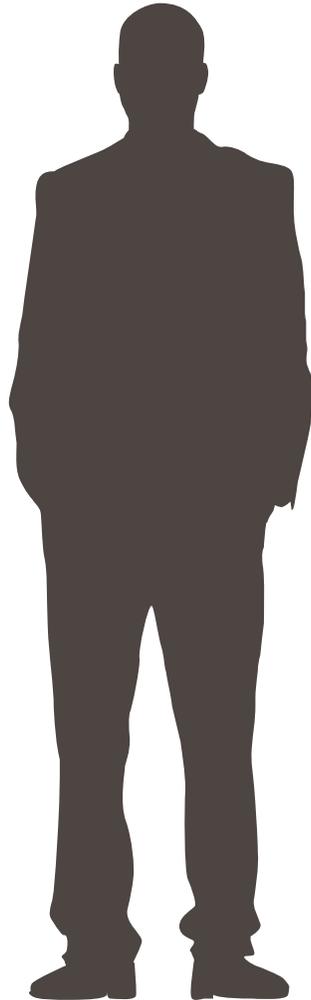
Advice in demand

The hot areas of advice, now and in coming years to support women in super

Jenneke Mills | Manager, MLC Technical Services



Women in super



Women typically take more time out of the workforce



Lost contributions and opportunities (some progress here)

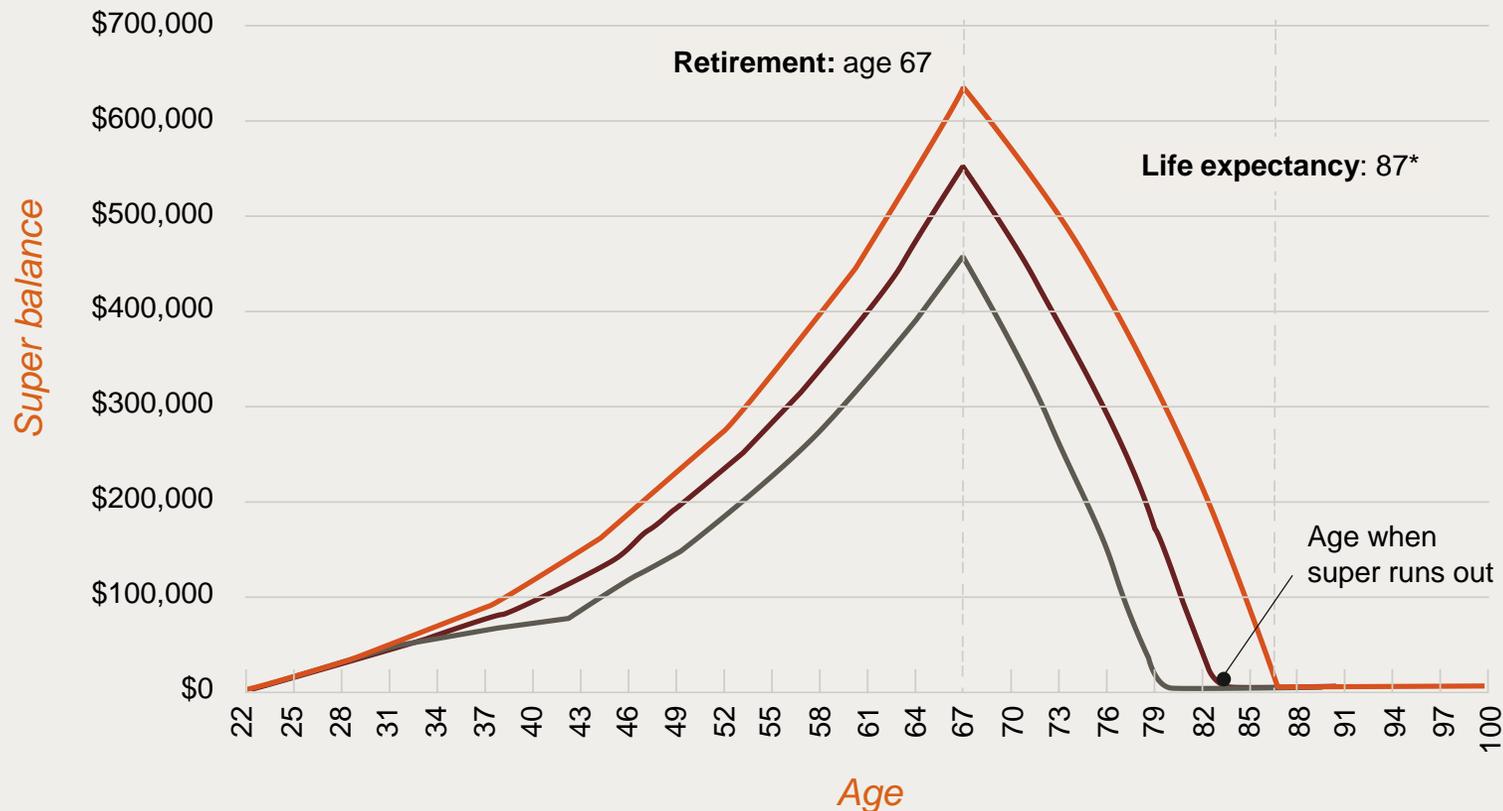


Potentially less appetite for risk when investing

Impact on retirement savings - super



Taking time out from the workplace: the impact on super



- Taking a 10 year break (age 32-42).**
Balance at retirement = \$462,196
- 10 years flexible: 1 year off, 9 years of 3 days/week (age 32-42).**
Balance at retirement = \$558,034
- No break.**
Balance at retirement = \$640,756

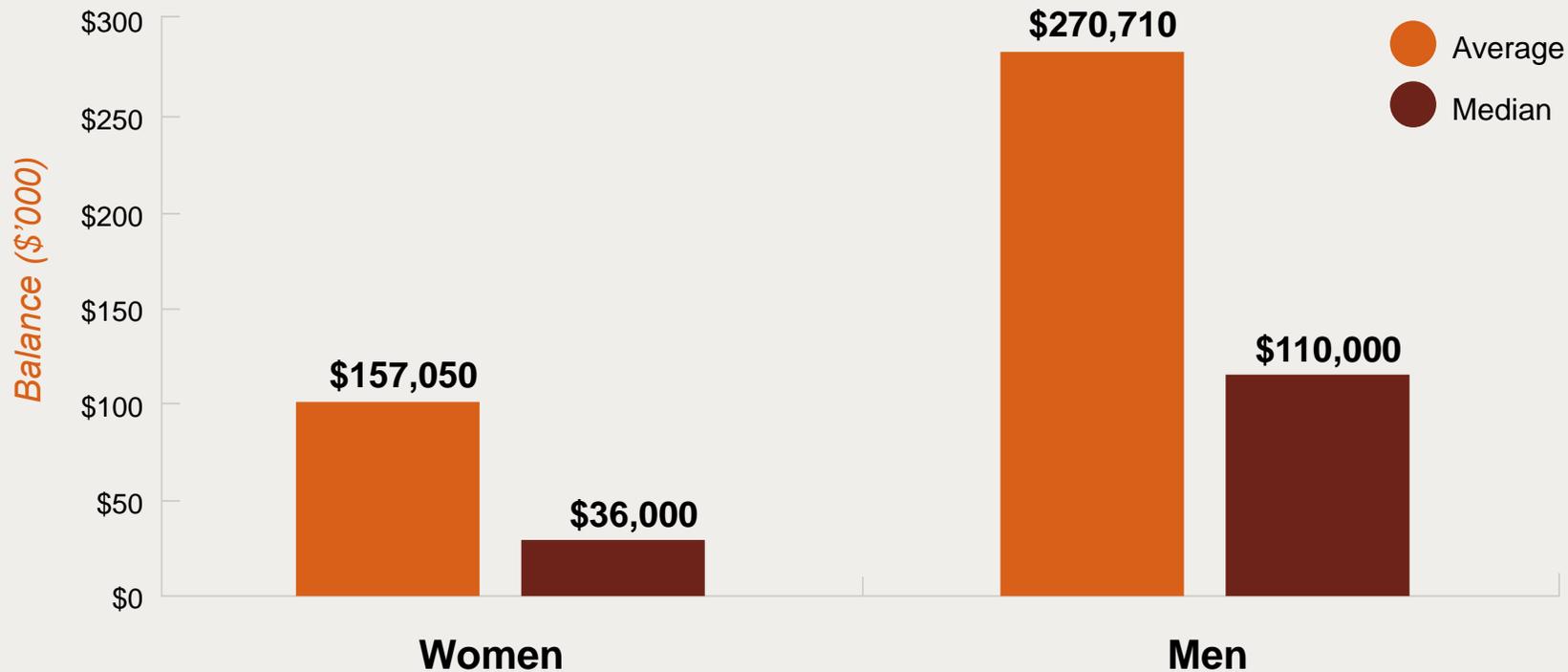
Amounts are shown in today's dollars: the person starts working at age 22 and retires at 67. Initial salary \$50,000 pa, 1% salary increase pa. Salary increases during the time off work. 9.5% pa of salary contributed to super. Retirement income is \$47,000 pa. The assumed fund average return is 4.5% pa. When on leave for 10 years, no super is contributed. When working flexibly, salary is calculated at 60%, during ages 32-42. No Age Pension received. Insurance premiums haven't been taken into account, super taxes have. Other investments are not taken into account. Do not rely on this chart to make decisions about your retirement.

*The life expectancy of a 67 year old woman today is 87 years. Source: Based on Australian Bureau of Statistics data, Life Tables, States, Territories and Australia, 2014-2016. Catalogue no. 3302.0.55.001.

Source: mlc.com.au/personal/retirement/retirement-today/narrowing-the-retirement-savings-gap-for-women

Impact on retirement savings - super

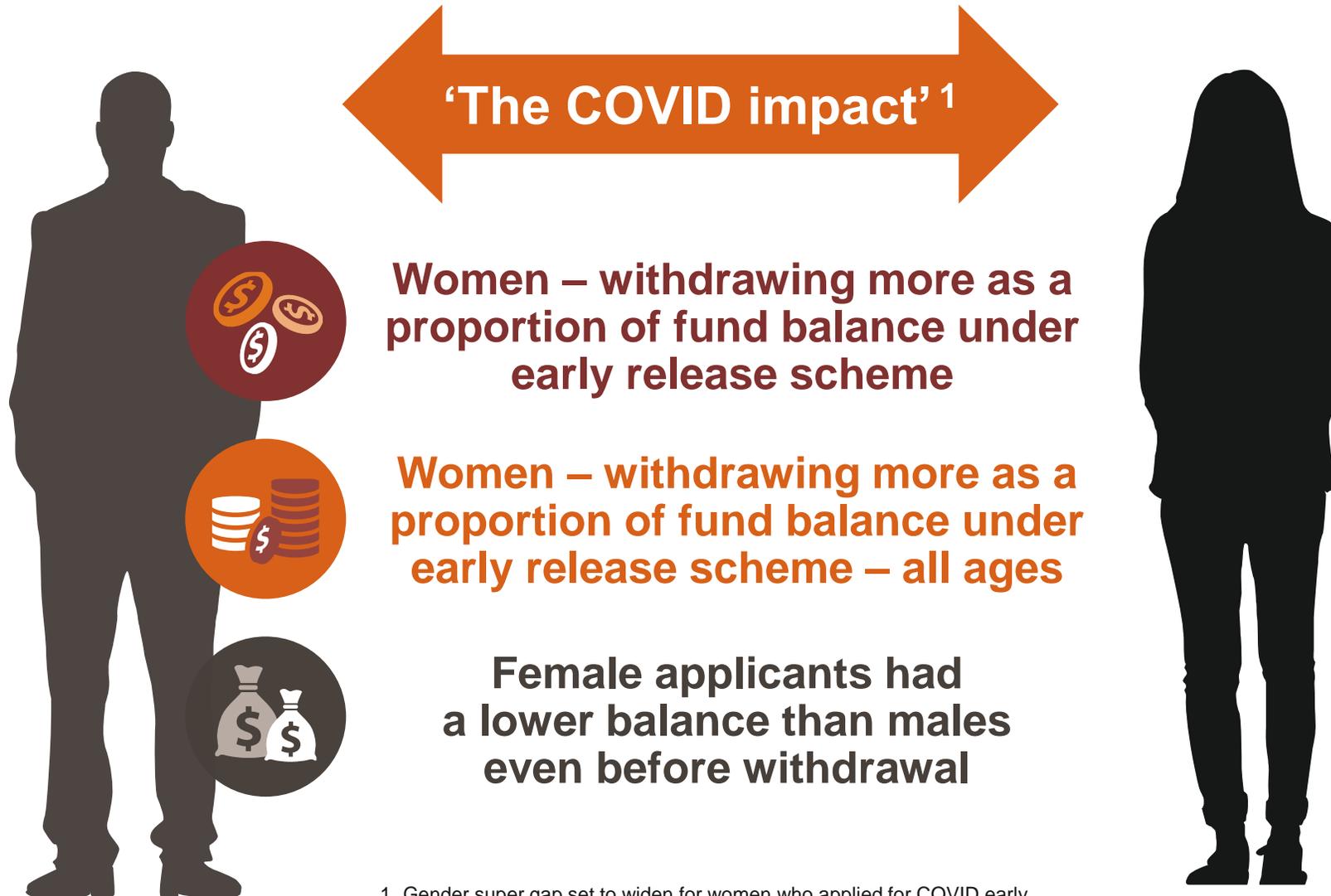
Superannuation balances at retirement



Source - bar and pie charts: 'Superannuation account balances by age and gender', Association of Superannuation Funds of Australia, October 2017.

From MLC website: *Narrowing the retirement savings gap*, June 2018.

Super and COVID-19



¹ Gender super gap set to widen for women who applied for COVID early release: <https://www.aist.asn.au/>
Based also on analysis performed by MLC in June 2020, based on applications to withdraw from MLC product

Women in super

Where to now?



Key advice needs and opportunities today



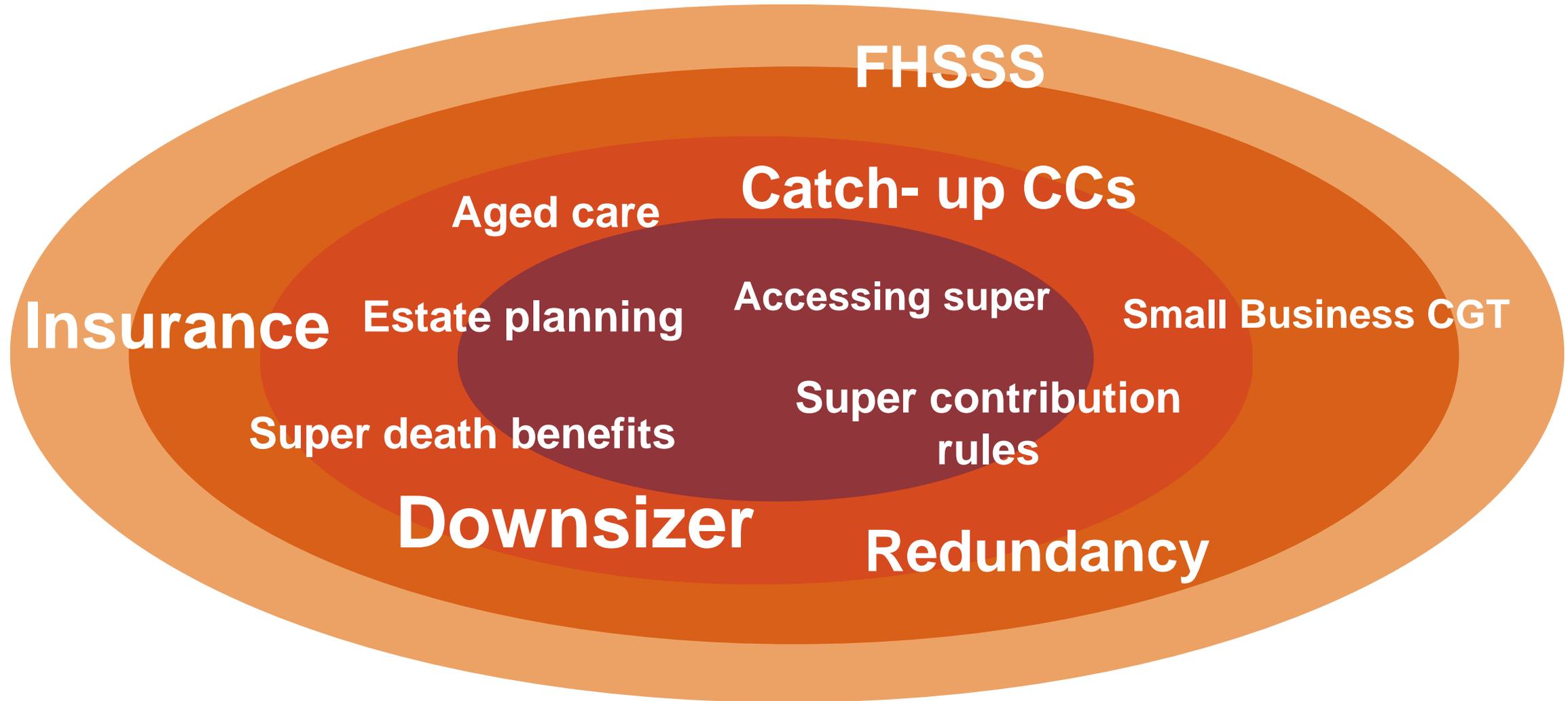
Help get retirement savings back on track into the future



Consider retirement plans – any changes?

Advice in the spotlight

Top advice strategies and areas



Where to today

Agenda



**In demand advice
– the years ahead**

Line ball strategies

- Law is not always black and white
- COVID-19 induced trends where care should be exercised



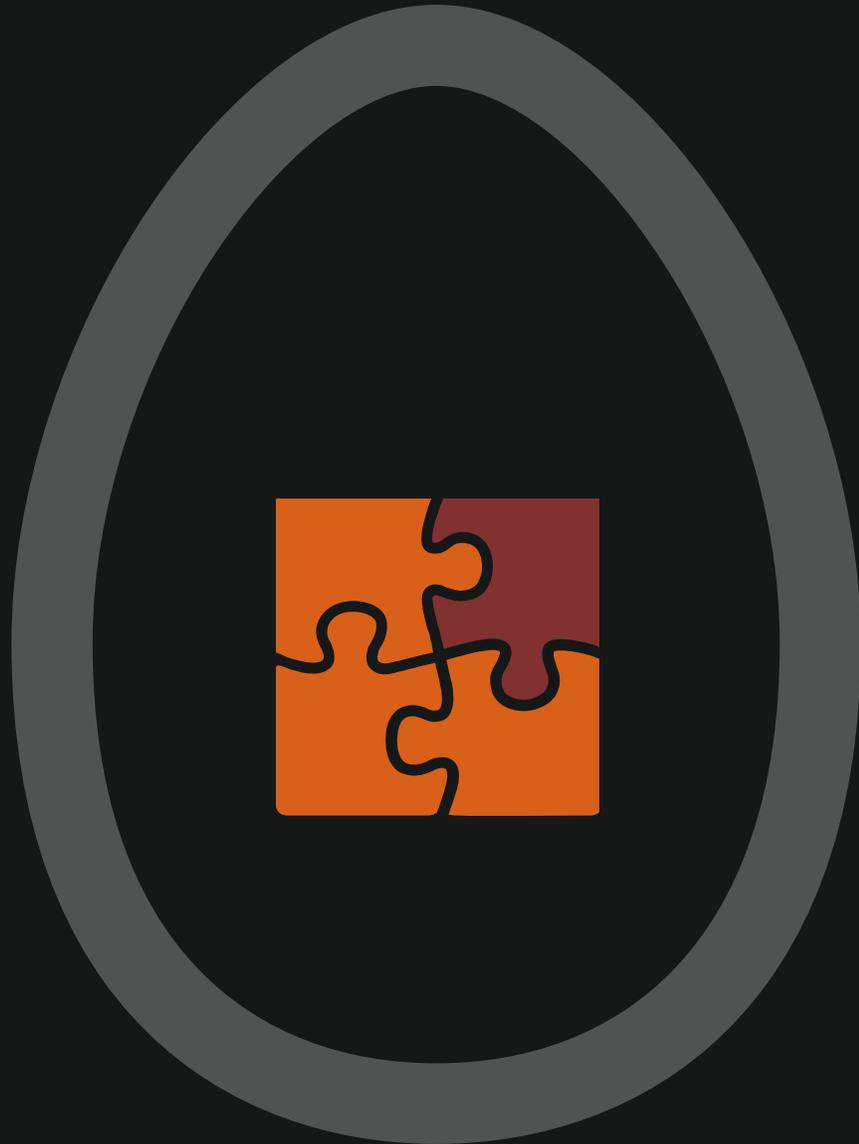
Key advice needs in the post-COVID-19 world

- Rebuilding retirement savings
 - Shift in retirement plans
- Alternative retirement funding sources

Learning outcomes

- Identify trending advice strategies that may be seen as an attempt to circumvent tax and super law
- Discuss issues related to these strategies to help identify and form a position on appropriateness
- Discuss with clients important considerations and factors when determining whether they're eligible to access super
- Identify COVID-19 impacts on retirement plans, including super balances, alternative investments, and be able to discuss with clients alternatives and considerations





Line-ball strategies

Trending advice topics to exercise caution

Advice in the spotlight

Line-ball strategies...



FASEA Standard 1:

'You must act in accordance with all applicable laws, including this Code, and not try to avoid or circumvent their intent.'



Advice in the spotlight

Line-ball strategies...

Ceasing gainful employment – meeting retirement definition

- What is retirement?
- Is there a *strategic* way I can meet a condition of release?



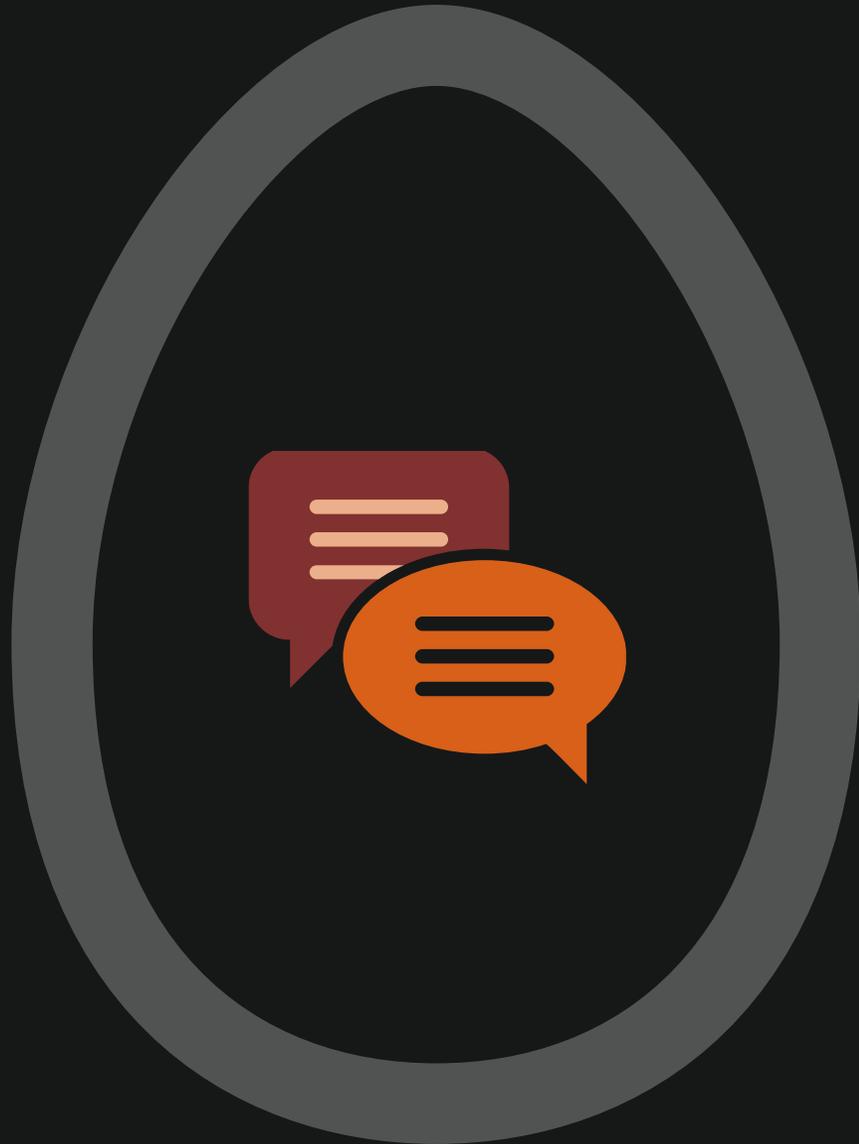
Recontribution of COVID-19 benefits

- Can I recontribute unused amounts?
- Making a personal deductible contribution



Supplementing reduced income – TTRs

- Maximum annual payments
- How many refreshes?



COVID-19

*Temporary grounds for super
release and re-contributions*

Recontribution of COVID-19 payments

Question for you



**38 → 10 hours
per week**



**Withdraws
\$20,000**
COVID-19
compassionate
grounds



**Returns to 38 hours
in September**
Recontributes funds,
and lodges a Notice
of Intention to claim

POLLING QUESTION:

Is this acceptable?

- A** Yes
- B** No
- C** It depends



Advice in the spotlight

Recontributing COVID payments



**Recontributing
COVID-19 released
amounts**



**‘...can have a range
of tax outcomes’**



**‘money must be to assist
you deal with the adverse
economic effects of COVID-19’**



**‘if you withdraw for the main
purpose of recontributing to
claim a PDC you may no
longer be eligible and be
subject to tax consequences.’**
– ATO



Retirement

*Meeting the definition of
retirement to access super*

Advice in the spotlight

Have I retired?

QUESTION:

Charlie (57) ceases to receive employment income from his family trust and is no longer on the books as an employee. He receives passive trust distributions. Has he retired?

- A** Yes
- B** No
- C** It depends



Advice in the spotlight

Have I retired?

QUESTION:

What if I told you that Charlie continues business related physical exertion? Has he retired?

- A Yes
- B No
- C It depends



Advice in the spotlight

Have I retired?



**HUSBAND
IN COVID
LOCKDOWN**
~~Retired:~~

(ri-tird) adj.

1. thrilled to be on their own
2. no alarm clock, no commute
3. knows it all and has plenty of time to tell you about it.



**If preservation
age to 59**



If 60+

Advice in the spotlight

Have I retired?



See:
**ATO 'Charlie, Crackle
Discretionary Trust'**



Would arrangement usually have someone not employed or contracted carrying out duties?



Is a 'reward' being provided, even if not salary or wages and is this amount linked to activity or performance?



What would be the impact on the business if Charlie didn't perform duties?

Advice in the spotlight

Have I retired?



What if Charlie was a sole trader?

How can he meet the retirement condition of release?

- ATO/legislation is not prescriptive
- Tools of the trade sold?
- Income – tax return?
- Sale of business premises/termination of lease?
- Difficulty – activity during COVID



Transition to retirement pensions

Maximising drawdown

Advice in the spotlight

TTR pension and refreshes

QUESTION:

Stella has taken her maximum annual payment from her TTR of 10% this year. How many times can she refresh her TTR through the year to get access to additional funds?

- A** Once
- B** Twice
- C** Three times
- D** Unlimited

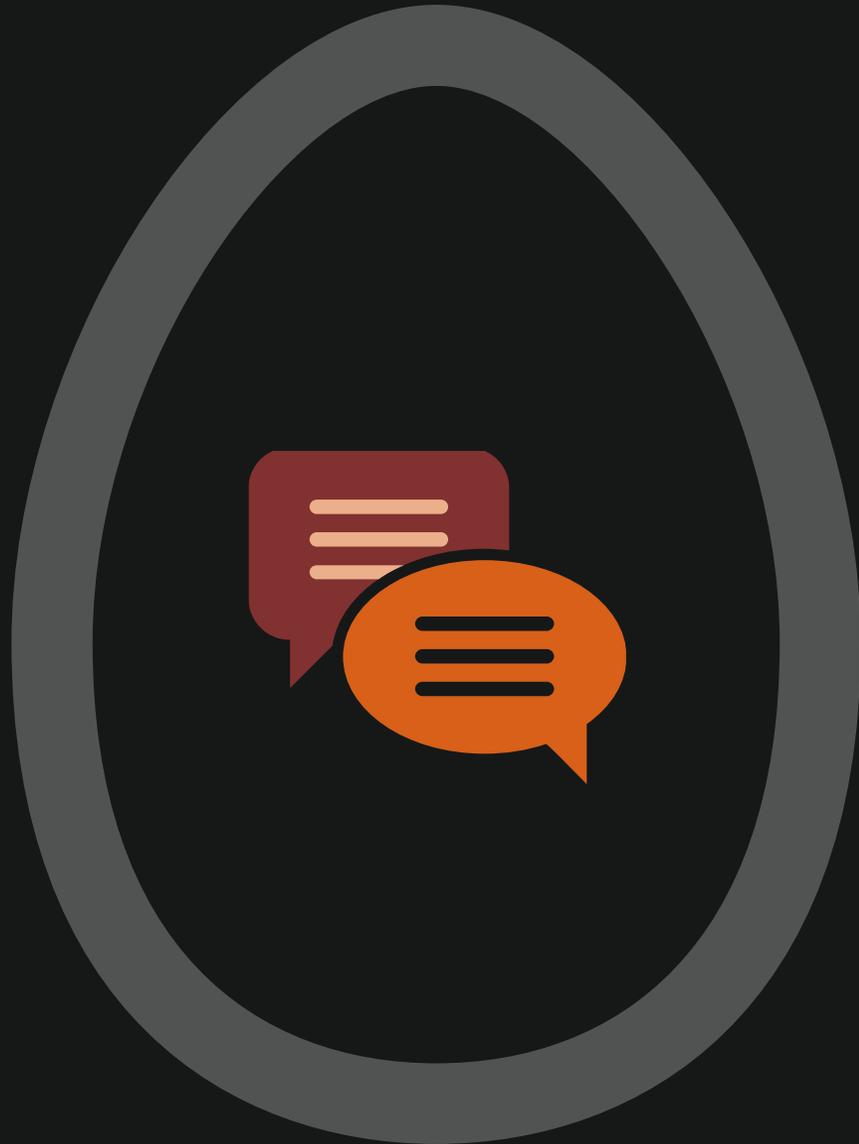


Advice in the spotlight

TTR pension and refreshes



**What's the core
purpose of your
advice?**



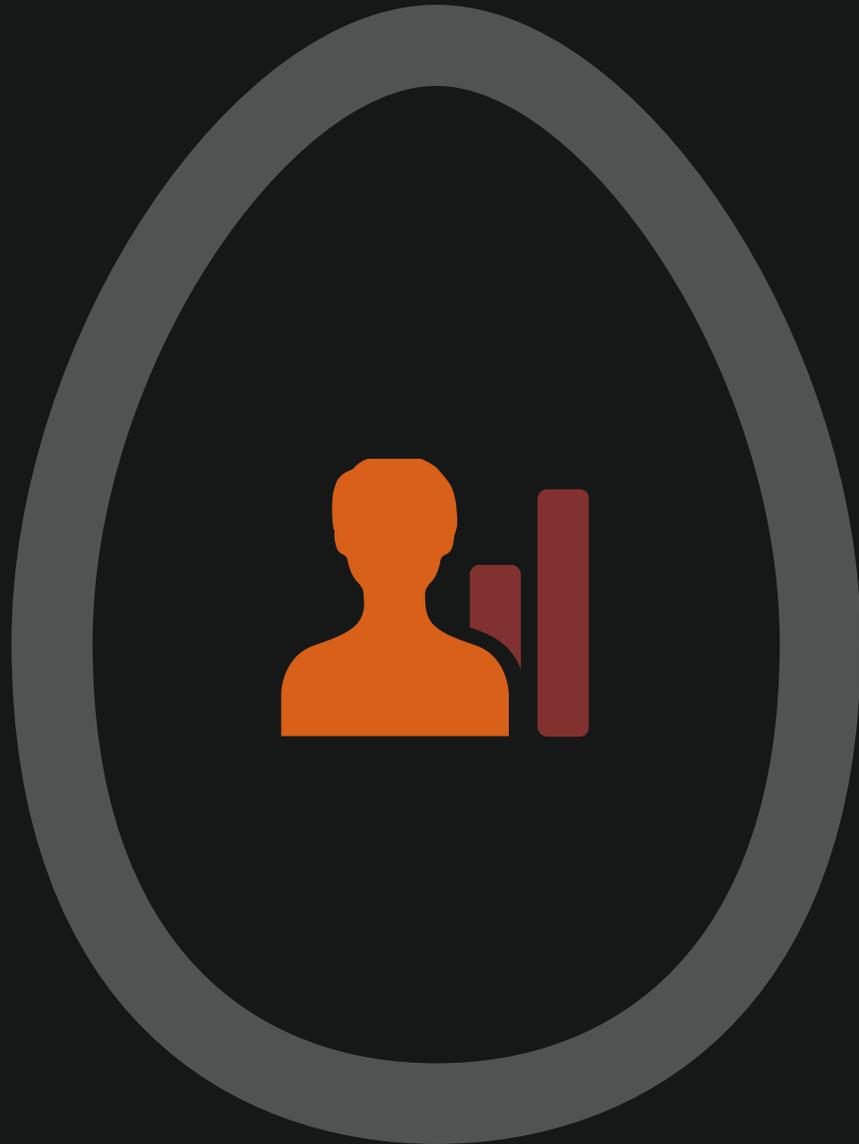
Advice strategy

*Top advice topics and strategies
in a post-COVID world*

Advice strategy post-COVID

The post-COVID landscape





To rebuild or reassess retirement...

...that is the question

Rebuilding super

Strategic opportunities

Impact on projected contributions

- New opportunities?
(TSB, redundancy payment or age based 67+?)
- SMSFs



Voluntary contributions

- Salary sacrifice vs PDC
(review – change in employment?)
- Catch up contributions
(manage tax on redundancy?)
- Co-Contribution/Spouse con tax offset
(new opportunity – lower income spouse?)



Downsizer contributions

- 65+
- Remember:
No Centrelink exemption

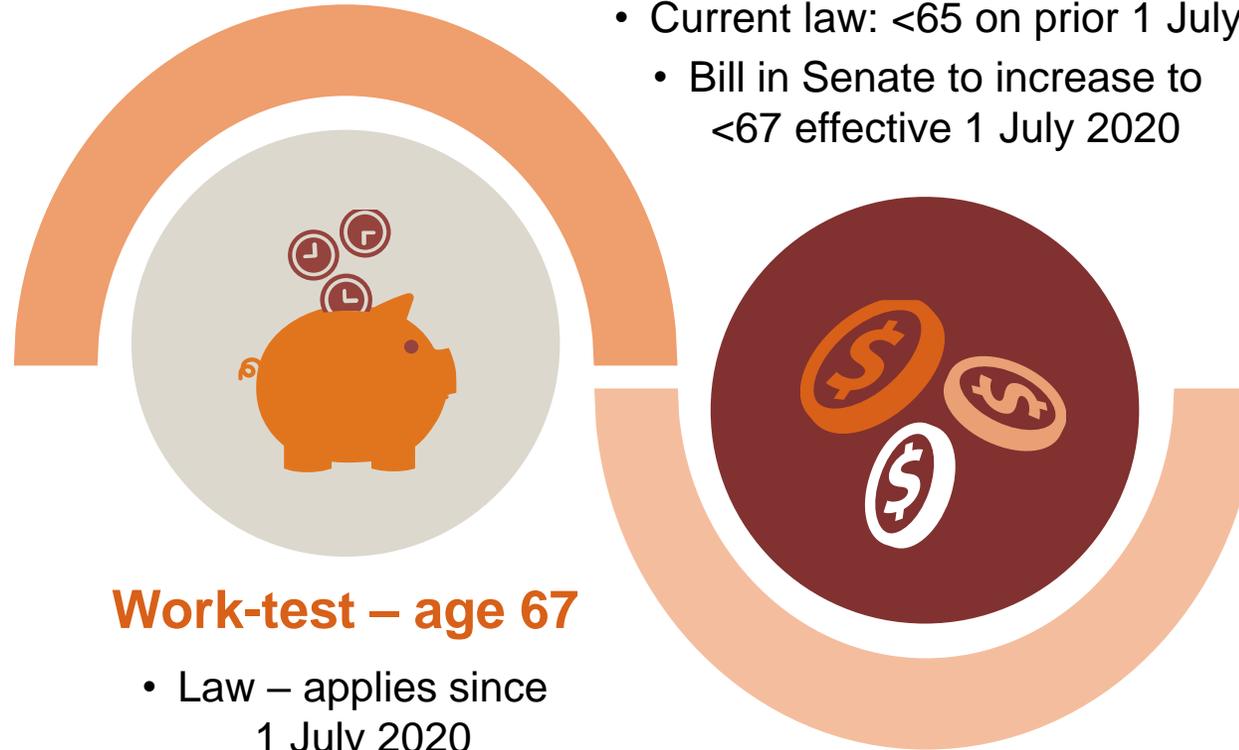
Is super the right investment?

- Effective tax-free threshold
- Assessment for Age Pension
 - Contribution limits
 - Death benefit tax
 - Estate planning



Rebuilding super

Older Australians



Super

Early release



QUESTION:

How do your clients feel about their retirement savings where they have withdrawn some of their super to assist with current expenses?

- A** Didn't even ask the question – in too much pain today
- B** Wanted to know the dollar impact on future savings
- C** Concerned, but had no choice
- D** Ok, once I reassured them we could get them back on track



Super

Impact of COVID-19 withdrawals

Who	Strategies	Super balance at retirement after withdrawal and rebuilding strategies
Bobby Age: 30 Salary: \$45,000 Super balance (before withdrawal): \$40,000	Salary sacrifice: \$20 per week Personal contribution: \$1,000 per year Government co-contribution: Amount varies, based on income limits and thresholds	Approximately: +\$77,195 better off
Peter Age: 40 Salary: \$80,000 Super balance (before withdrawal): \$120,000	Salary sacrifice: \$30 per week Personal contribution: \$540 using tax refund from spouse contribution tax offset	Approximately: +\$16,264 better off
Greg Age: 50 Salary: \$125,000 Super balance (before withdrawal): \$220,000	Salary sacrifice: \$100 per week Personal deductible contribution: \$1,000 per year using bonus received and any tax refund due	Approximately: +\$80,508 better off

Modelling estimates are based on a range of assumptions and individual outcomes may vary. Outcomes are displayed in today's dollars, Annual salary increases are in line with assumed rates of CPI, with employer contributions at the legislated minimums. Recommended contributions are unindexed. Government co-contributions are calculated annually based on entitlement resulting from salary and projected income thresholds. Investment returns are based on a return rate of 7.77%, and ignores fees for simplicity. Based on current tax and superannuation rules which are assumed to remain unchanged. Retirement age is 65 in all case studies.



Retirement funding alternatives

Accessing home equity

Advice strategy post-COVID

The post-COVID landscape

1
Downsize home,
purchase new
residence

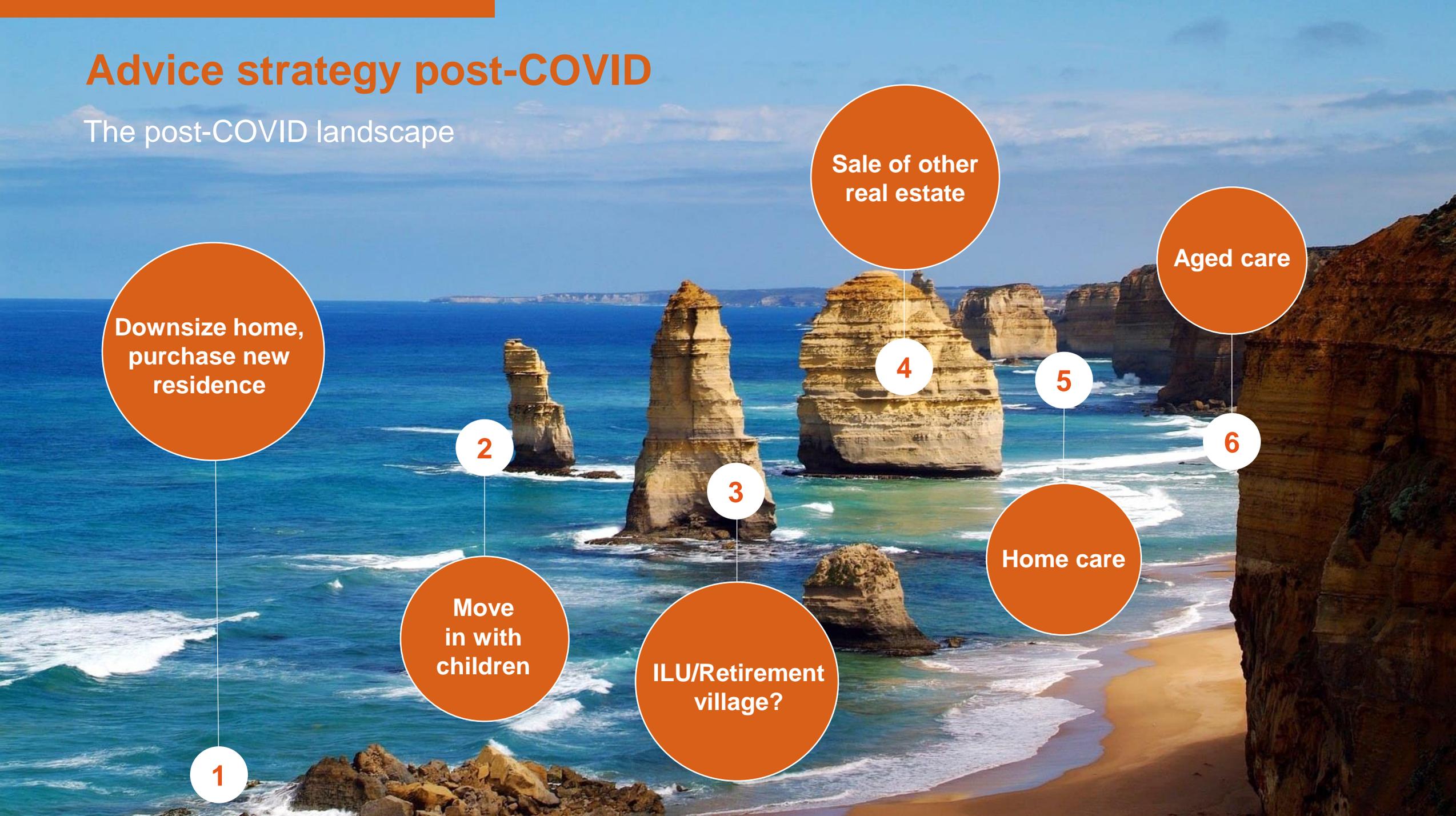
2
Move
in with
children

3
ILU/Retirement
village?

4
Sale of other
real estate

5
Home care

6
Aged care



Retirement funding

Accessing equity in the family home

Top advice areas and opportunities



Downsizing

- Proceeds?
- Social security?
- Gifting
- Future care needs?



Moving in with the kids

- Benefits transferred?
- Granny flat right?
- Social security issues?
- Future care needs?
- Lawyer up!



ILU/Retirement villages

- Contract review?
- Exit costs and complexities
- Wait times – residential care
- Social security
- Residual proceeds from home?



Home Care/ Aged Care

- Advanced planning
- Costs
- Wait times
- Social Security
- Estate Planning
- Elder abuse



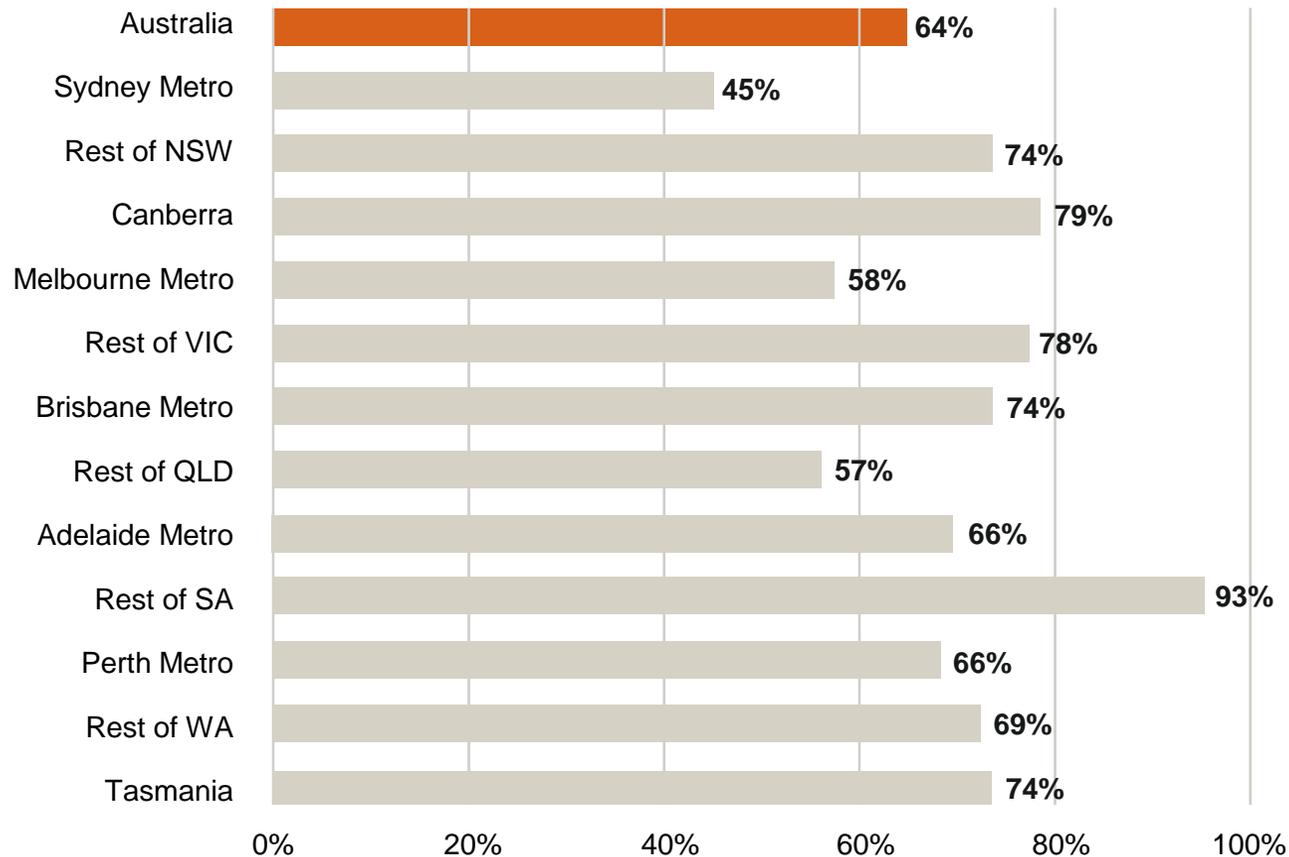
Other home equity release option?

- Reverse mortgages
- Pension Loans Scheme

Retirement funding

Accessing equity in the family home

Average two bedroom ILU as a % of postcode median house price



PY

(64%)

(44%)

(68%)

(69%)

(55%)

(76%)

(62%)

(67%)

(66%)

(97%)

(67%)

(86%)

(83%)



Residential Care
Average RAD
\$422,000 (30 June 2018)

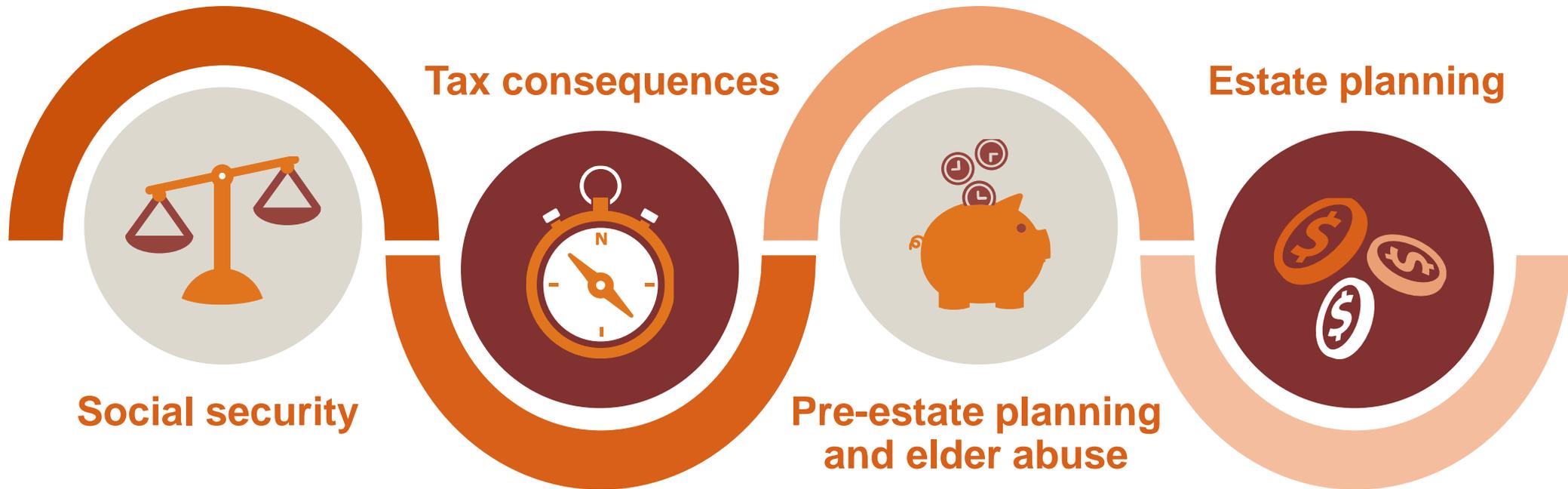


47% RAD
29% DAP (daily)
26% Combination

Retirement funding

Accessing equity in the family home

Aside from advice relating to retirement funding:





Where to for more support?

MLC Technical Services

P: 1800 645 597

E: mlctechnical@mlc.com.au

O: Technical library and resources:
MLC Adviser Online



Facts and Figures 2020/21
Available now!