vision super

# Insight

MEMBER NEWSLETTER **WINTER 2020**

CEO Update — Investment Update

Insurance — 2020 Vision — Work Test Changes — 12% Superannuation Guarantee

# CEO Update

**You may have seen media reports that superannuation returns were negative for the year – I'm pleased to be able to report that this isn't the case for Vision Super, and that our default Balanced growth option had a modest positive return of 1.96% (and 2.22% in our pension plans) for the year ending 30 June 2020.**

While this wouldn't be a great achievement in other years – Balanced growth has returned a healthy 8.13% over ten years – with the current pandemic and resulting economic downturn, it's a relief to be able to tell most of our members that your super balance has still gone up this year in what's been very tough times for a lot of people. To give our result some context, SuperRatings looked at returns across all balanced funds and found the median return was negative 1.2% for the year. Our result puts us in the top ten performing funds in the country over 1, 3, 5, 7, and 10 years – you can find all the details in the Investment update included in this newsletter. AustralianSuper, which is the biggest fund in the country, is reporting a 0.52% return for their default option for the financial year.

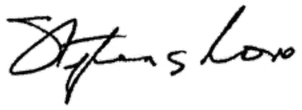
In our pension plans, the Balanced growth option returned a healthy 2.22% for the financial year – which makes Vision Super the number 1 performing pension option in Australia over one year.

Part of the reason for Vision Super's result is that we were taking less risk than most funds going into this crisis, and that we took some more risk off when we saw how things were heading. We were fortunate though that luck was with us and markets went our way when we added some of that risk back in.

It's impossible to say what the next year will hold – as I write this, Melbourne is now in stage 4 lockdown for at least the next six weeks – but I want to reassure you that our Investments team is closely monitoring developments on a daily basis and looking at both the short term and the long term implications for our portfolio so we can continue to safeguard your retirement savings in the midst of uncertainty.

The Vision Super team are working from home and will continue to work from home until it's safe to return to the office, but we're still here whenever you need us – the Contact Centre is still available during normal business hours, both on the phone and by email. If you need more in-depth help with your super or financial planning, our planners are still able to help via phone or video conferencing.

I hope you and your loved ones stay well during these difficult times.



Stephen Rowe
CEO

Investors should be aware that returns may go up and down, so past returns are not a guarantee of future performance.

# Investment Update

**Despite the difficult market conditions, Vision Super has delivered strong results. Our pension option was the number one performing option in the country, and our default Balanced growth option (where most of our members are invested) had a modest positive return of 1.96% for the year ending 30 June 2020.**

**While this wouldn't be a great achievement in other years – Balanced growth has returned a healthy 8.13% over ten years – with the current pandemic and resulting economic downturn, it's a solid return in context and puts us in the SuperRatings' top ten performing MySuper options for 1, 3, 5, 7 and 10 years:**

| 1 year rank | 3 year rank | 5 year rank | 7 year rank | 10 year rank |
|---|---|---|---|---|
| 3 | 4 | 5 | 7 | 8 |

## June quarter

The June quarter was very strong for risk assets, equities and credit, following a sharp meltdown at the end of the March quarter due to the COVID-19 pandemic. The background to the strong quarter was massive fiscal and monetary stimulus from countries that could afford to undertake it. The US Federal Reserve printed more money over the June 2020 quarter than over all of 2008 and 2009 combined. The US government announced spending measures of 10% of GDP, stimulating the economy over the same period. Packages in other developed nations, including Australia, were of a similar scale.

## April, May, June

The bottom for equity markets occurred on 23 March. April saw strong returns for equities as markets continued to factor in good news and benefited from surging liquidity. April saw Italy and other European countries begin to contain the virus, and developed country's governments and central banks increase stimulus. Technology companies continued to benefit throughout the quarter as online activity continued to ramp up. The announcement by the US Federal Reserve in April that it would buy high yield bonds unfroze credit markets and led to a strong rally in credit.

May saw a continuation of strong markets as lockdowns continued to have an impact on infections across the developed world with new cases falling in most major economies including the US.

As developed nations began to ease lockdown, economic data improved, with retail sales beginning to rebound sharply albeit from low levels and markets continued to surge. Confidence also began to rise that effective treatments for the virus would be found and eventually a vaccine.

June was less positive for most markets. Markets peaked early in the month as it became clear that some countries had come out of lockdown too early (notably the United States) whilst less developed countries, continued to see a surge in new cases. Volatility in markets gradually eased over the quarter.

## Looking forward

We expect that interest rates will remain very low for some time and that governments will continue to supply fiscal stimulus to try and sustain their economies. Recent events indicate how difficult it is and will be to emerge from lockdown and keep the virus under control. A breakthrough in vaccine or treatment would be very positive for our investments. For many emerging nations, suppression is unlikely to be possible and huge public health crises followed by a significant level of immunity in the population looks likely. This will lead to additional stress in global economies and we are likely to see tensions rise, for example US-China tensions, and a possible flare up in the trade war. For Australia, the tensions between our largest trading partner and our strongest ally is particularly problematic and we have already seen some adverse consequences in our trading relationship with China.

From a markets perspective all this is likely to mean an elevated level of volatility but a return to the extraordinary market conditions of March 2020 is unlikely.

https://am.jpmorgan.com/ch/en/asset-management/institutional/insights/market-insights/market-updates/monthly-market-review/

# Our vision is 20/20

## It seems like most of the world has been turned upside-down this year.

## The COVID pandemic has hit hard and made it incredibly difficult to continue operating as normal, but through the noise, Australians have made positive changes and learnt to slow down.

There's greater support for our small local businesses, we make taking care of the most vulnerable an urgent priority, and we've started to check in on our loved ones more than ever before.

At Vision Super our members are always our priority, and when we started locking down, our attention moved to the wellbeing of our members who may be anxious about the markets. For that reason, we picked up the phone and started calling.

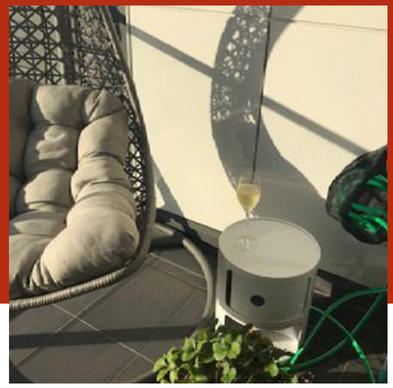
We have called over 5,000 members to check-in to see if they're okay and if they wanted help understanding their super and give some reassurance about market fluctuations. We asked whether they needed help if they were changing their investments, and whether they were comfortable with their current arrangement, and simply made ourselves available.

While many people only needed the reassurance that Vision Super are there for them, many others did ask for help, and you can read their stories.


### Frank, 61

I've been really cautious [of checking investment returns] because for the longest time I didn't want to look because I knew that it would be a scary thing to do because of the downturn, but just knowing that it wasn't as bad as I thought it would be… I was going "wow this is fantastic" and I think a lot of people would be pleasantly surprised how much things have lifted since that big hit and thanks to my mates at Vision I am invested in the right option [for me].

Photo supplied by Frank.



### Kerryn, 59

I had a meeting with Jason, and we filled out some surveys to understand how I feel about 'this and that' to figure out what my split in my super should be. I had been thinking about that anyway. I was happy to have a conversation and we spoke a couple of times. From that, he showed me on the app how to change the percentages based on the questions he asked and the answers I gave. Filling out the documentation he gave me, we figured out the risk area I want to be in the foreseen future. A "risk profile", and it was really good. I hadn't had that done before and it was quite interesting based on the questions you asked.

Photo supplied by Kerryn.

### Rosemary, 70

I feel Vision Super is a reliable, established fund, and I've appreciated the visits from the Growth team. I find the visits Vision Super does in the workplace to be valuable, and I tell the girls at work to think about salary sacrificing. I try to tell my kids when they listen to me that by the time you are 60, you should be able to utilize the tax advantage.

Recently, both advisers have been so amazing with any queries. They've helped to create a retirement plan. The pension is my only income apart from the Centrelink. Dealing with Centrelink, and not having a huge amount of super due to having kids, I needed all the help I could get to ensure my super was safe, yet could offer a good return.

Photo supplied by Rosemary.

## Why Vision Super?

**We're proud of our service. When you call us, you talk to a friendly Member Services consultant from our offices in Melbourne (currently from their offices at home!) – not an outsourced call centre or a computer. Super's a complex topic, so we keep things simple – we're always here to help you make sense of your super.**

Our investment strategy is focused on providing our members with solid long-term performance, and the results speak for themselves – we're a strong performing fund, and that means more money for your retirement.

## Need advice?

The best investment option for you is the one that suits your personal goals, so it's never too late or early to get advice. Doing so could make a big difference to your retirement savings. Call us on **1300 300 820** Monday to Friday 8:30am to 5pm to find out how Vision Super can help.

# The value of insurance

## Ever wonder how your family would cope if the unthinkable was to happen? How would you keep your independence, or protect your family if you weren't able to work?

Hopefully nothing bad does happen, but unfortunately, some lives are interrupted by an accident, illness or premature death, so why not put yourself in a position where you can control your financial situation and help you and your family in difficult times?

While we often prioritise travel insurance or home and contents insurance, why don't we cover ourselves in the same way? The average Australian family is only covered for 47% of its basic needs or 28% of the amount they would need to maintain their existing standard of living[1].

# Superannuation and insurance

**Approximately 80% of Australians have some form of default life insurance through their super according to ASIC[2], and with Vision Super you could be eligible for the following types of cover:**

> Life cover, which is also known as 'death cover'. It pays a set amount of money when the insured person passes away.

> Total and permanent disability (TPD) cover. A lump-sum amount of money paid to you when you're unable to work again; and,

> Income protection (IP), also known as 'temporary disability' and 'salary continuance cover', which replaces the income lost through a temporary inability to work due to injury or sickness.

Cover through your super means you're able to enjoy a group policy which could potentially be cheaper than sourcing insurance yourself, and the money comes out of your super balance so it's easier to pay.

While it can be hard to protect yourself from illness and injury, the right life insurance can make sure that you are always financially safe and give you peace of mind. If you're not sure what you need, check out this IP calculator, Death and TPD calculator or call our Member Services team on 1300 300 820 Monday to Friday 8:30 to 5pm.

To find out more about our insurance, including terms and conditions, refer to the relevant Insurance Guide available on our website.

[1] https://www.canstar.com.au/life-insurance/underinsurance-australia/

[2] Insurance in Superannuation 2019–20: Industry implementation of the Voluntary Code of Practice, ASIC, December 2019 https://download.asic.gov.au/media/5411791/rep-646-published-13-december-2019.pdf

**15.6m**
15.6 million Australians have superannuation

**12m**
An estimated 12 million hold life insurance in their superannuation

**9.6m**
Of these people, an estimated 9.6 million - 80% - hold some form of default life insurance

# The impact of delaying SG increases

## Superannuation guarantee (SG) is the amount your employer pays into your fund on your behalf

The purpose of super is to provide income in retirement to substitute or supplement the government age pension, so the rate of the SG should be set at a level that will provide enough income to provide a comfortable retirement for most Australians.

At the moment, SG is set at 9.5% of your wages, and the federal government has legislated that it will increase steadily to 12% by 2025

Although there has been speculation that the increases might not go ahead, the Prime Minister and the Treasurer have both made a number of public assurances that the increase in super contributions will proceed as legislated. However there continue to be people pushing to have increases put on hold. The legislated increase to 12% SG is important for the retirement outcomes of millions of Australians. Without the increase, many workers will retire without adequate savings for a comfortable retirement. The government has already stopped planned SG increases twice before, and there continues to be commentary calling for SG to be 'frozen' at 9.5%.

### What a freeze to SG would mean for you?

**We calculated the effect the SG freeze would have on a hypothetical member's retirement balance. Our hypothetical member, Nicola, has $95,000 in her account and was 45 years old on 1 July 2020.**

**If the SG doesn't get frozen**
If the SG increases proceed as legislated, in today's dollars Nicola will have $358,538 when she reaches 67.

**If the SG is frozen**
If the government decides to leave the SG rate at 9.5% it will cost Nicola – she'll only have a projected $319,762 in her account when she reaches 67. That would mean the government's super freeze would cost Nicola $38,776.

### What would an extra $38,776 in your super mean to you?

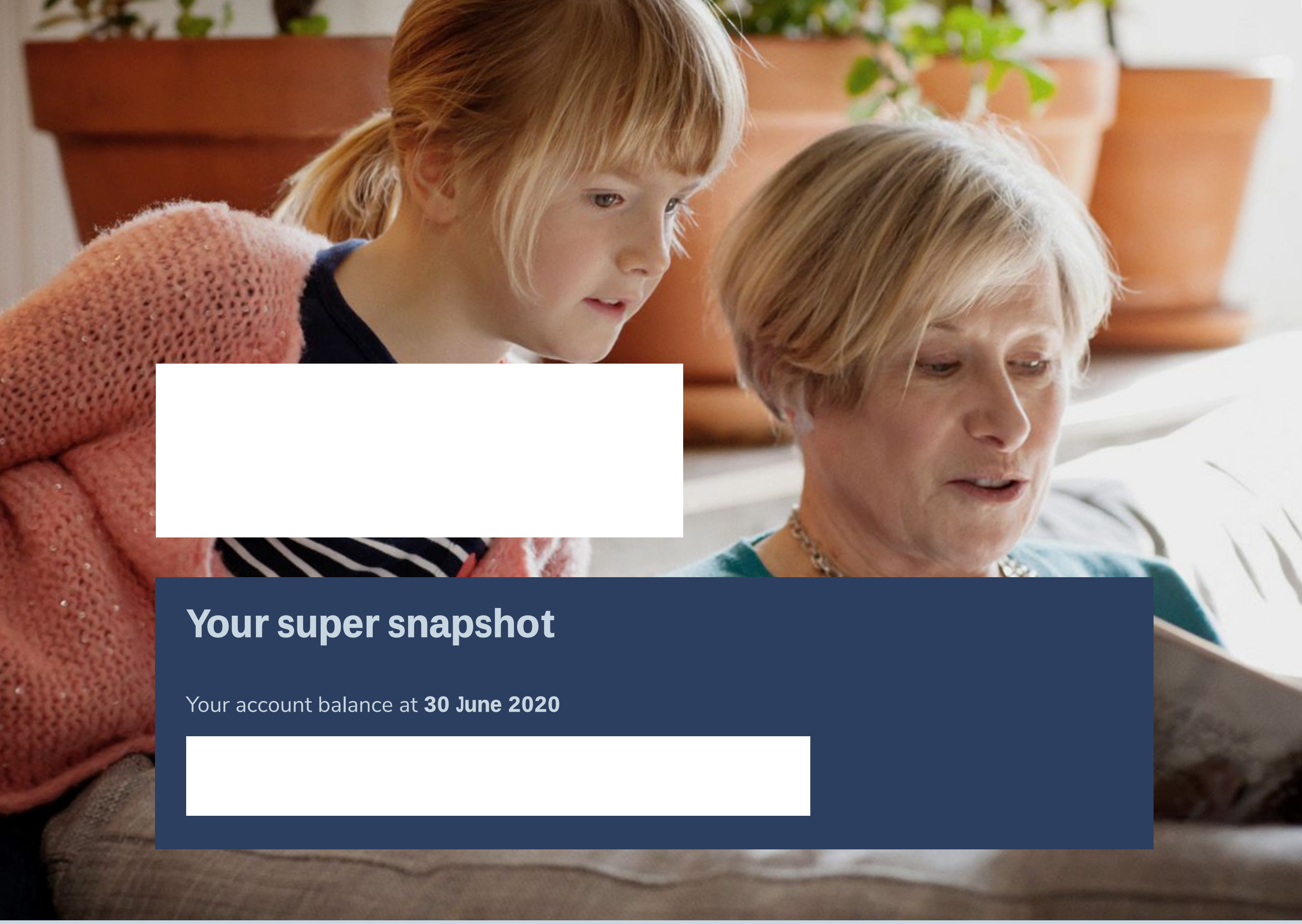
**$319,762***
Super balance if SG remains at 9.5% (no increase)

**$38,776***
Additional super if SG increases to 12% (as legislated)

| Nicola | Annual income | Superannuation | Retirement age |
|---|---|---|---|
| 45 years old | $80,000 | $95,000 | 67 years old |

If you have any questions, don't hesitate to contact our Member Services team on 1300 300 820 Monday to Friday, 8:30am to 5pm.

Assumptions: returns are 6.2% (net of fees and taxes), CPI & Cost of living 4%. Please remember that past performance is not a reliable indicator of future performance.
* todays dollars



## Your super snapshot

Your account balance at **30 June 2020**

# Work Test and spouse contribution changes

**When it comes to superannuation, age 65 is pretty important, because it means you have access to all of your super funds. Though it's much easier to access your super, it means adding money into your retirement could become a bit more difficult.**

New regulations that take effect from 1 July 2020 have increased the age for satisfying the "work test" providing more time to grow your and your spouse' retirement savings.

Once you've turned 65 you needed to prove that you meet the "work test" which is working at least 40 hours in a 30-day period in the same financial year that you're making contributions.

The good news is from 1 July 2020 you don't need to satisfy the work test until you're 67, giving you another 2 years to build your retirement nest egg. The cut off age for spouse contributions is also changing from 69 to 74.

### How can I contribute?

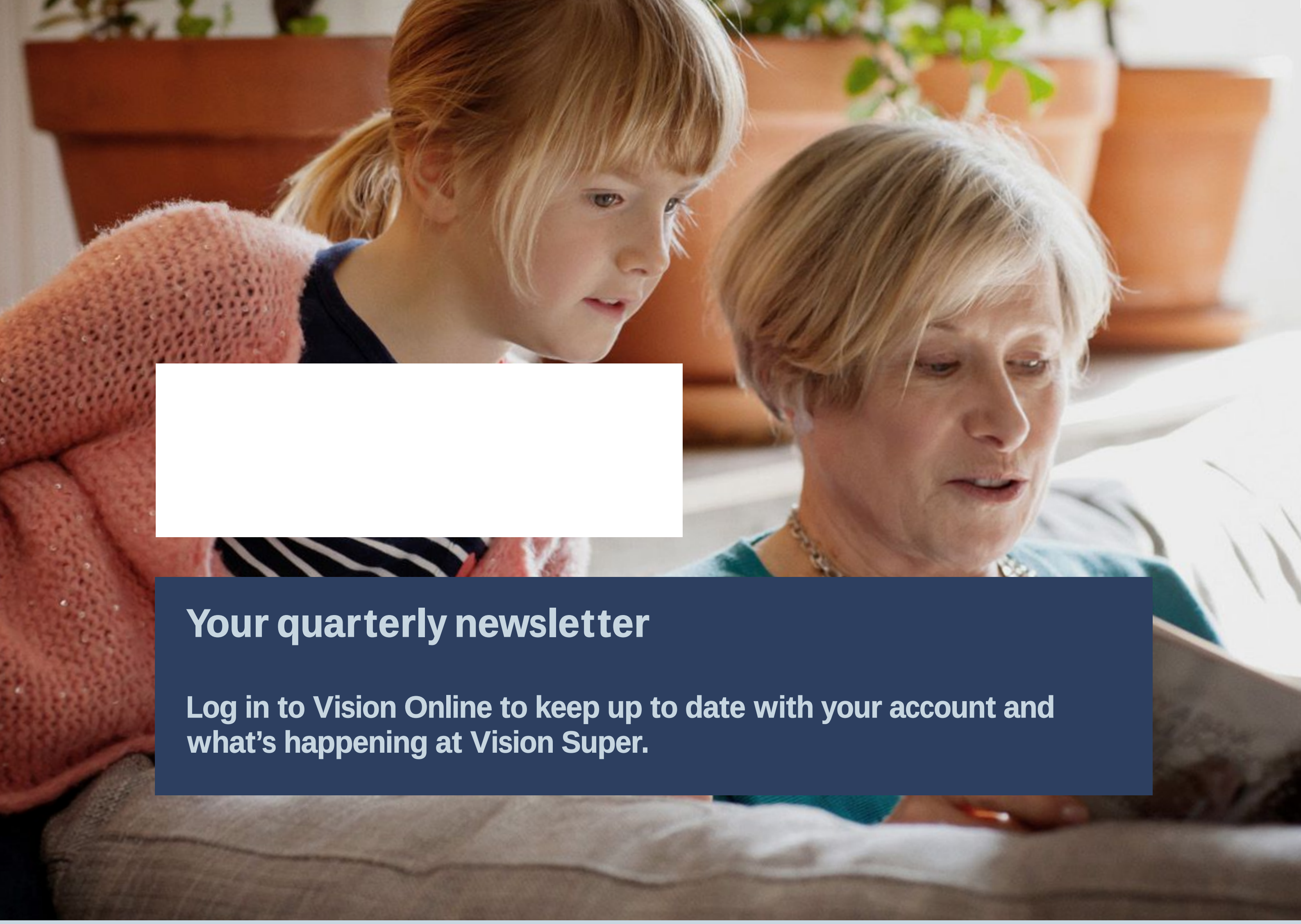
**If you want to make a contribution, you can do so via EFT, BPAY or cheque.**
Just remember that contribution caps still apply to the amount you can pay each year in to your super.

Compulsory super may not be enough for a comfortable retirement. Our retirement calculator can help you work out how much you might need and how much you need to save to reach that goal.

### Can you advise me?

Getting advice about your super doesn't have to be scary. Vision Super's fully qualified advice team are here to help you on every aspect of your super, from the simplest question through to a comprehensive financial plan.

To learn more, head to **visionsuper.com.au/advice** or call us on **1300 300 820** Monday to Friday 8:30am to 5pm.



# Your quarterly newsletter

**Log in to Vision Online to keep up to date with your account and what's happening at Vision Super.**

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