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financiallyspeaking

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Economic outlook

Quarterly economic review – 30 June 2021

Global economy

The COVID-19 pandemic remains a major feature on the global stage, although global economic recovery continues, with the JP Morgan Markit Global Composite PMI remaining positive.

Inflation news has been mixed. If we focus on the US, businesses were still affected by restrictions on movement with stronger demand for goods following last year's lockdowns driving prices higher. However, the effect of more permanent triggers on inflation such as rising wages are not yet clear. For example, the Atlanta Fed median wage growth tracker has drifted lower in recent months (suggesting worker bargaining power is limited) while the participation rate for workers remains well below pre-pandemic levels (suggesting there are still many workers on the sidelines).

Australia

The Australian economy continued to improve for most of the June quarter. Business and consumer confidence remained strong with the NAB Business Survey highlighting business conditions at record highs and confidence above

In this issue

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long-term average levels. Also, the unemployment rate continued to fall, down to 5.1% in May and pleasingly we saw the labour force participation rate recover above pre-pandemic levels as workers re-joined the workforce (a sign of improved confidence in job prospects). We also saw household savings rates continue to fall from a record high of 22% in June 2020 to 11.6% in March this year with retail sales, for instance, beating expectations in April and May.

Our caution about further COVID-19 outbreaks last quarter unfortunately bore fruit in June. The Delta strain of COVID-19 triggered lockdowns across the country with the most severe example in Sydney. The speed of the outbreak's spread is a concern for both public health and the economy, prompting increasing restrictions over a short period of time. There have been some limited attempts at government support, but these pale in comparison to the initiatives in 2020 such as rental relief and JobKeeper. The fallout from these lockdowns poses a downside risk to the economy. The severity will depend on how much longer they are extended and the extent that new stimulus mitigates the damage.

Fixed income and currencies

Global central banks such as the US Federal Reserve maintained a commitment to keeping interest rates low in the near term. However, the signs of this commitment weakened when the US Federal Reserve flagged a possible 0.5% increase in 2023.

The Reserve Bank of Australia (RBA) restated its view that it will take until 2024 before the economy is sufficiently strong enough to increase interest rates from their record low level of 0.1%. The RBA also ended its Term Funding Facility (an emergency support program for Australian banks) which saw fixed mortgage rates rise across most major banks as they lost a cheaper source of funding. In addition, the RBA announced plans to gradually decrease its activity in the bond market.

Concerns of 'peak' economic growth being reached on the back of declining stimulus saw bond yields fall with both global (up 0.9%) and Australian bonds (up 1.5%) recovering from their weak performance in the March quarter. Even the prospect of higher US rates was insufficient to weaken the demand for bonds amongst investors.

It was a more uneven story for the Australian Dollar (AUD). In line with the improving economic outlook it was rallying for most of the quarter until the change in US interest rate expectations in June. This reduced the relative attractiveness of the AUD given the lower relative interest rate. The COVID-19 lockdowns also dampened sentiment. Accordingly, the AUD fell 1.3% against the US dollar and 1.9% against a broad basket of international currencies.

Shares

The Australian market continued to rise from its March 2020 lows, finishing the June quarter up 8.3%. However, it was a very different story at a sector level. Despite rising oil prices, Energy stocks fell while Utilities struggled amidst weak wholesale electric prices with industry giant AGL falling 15% for the quarter. Buy-now-pay-later businesses such as AfterPay enjoyed strong performance, rising 16.4% on the back of ongoing success in the US market.

Global share markets also performed strongly with the successful vaccine rollout in the US and Europe key drivers. Cyclical stocks (companies benefitting from stronger economic growth) struggled with the tech-heavy Nasdaq Index in the US (dominated by names such as Apple and Microsoft) outperforming the broader US share market. Much of this relative outperformance arose late in the quarter amidst peak economic growth concerns and the belief that higher rates in the US would slow the economic recovery.

Source: IOOF Research

Lessons from COVID-19

One is that competence matters but is hard to achieve.

"The lessons offered are humbling, encouraging and harsh. Perhaps the most notable is that competence matters during emergencies but few governments and their bureaucracies have managed to contain the health and associated economic and social emergency."

Severe acute respiratory syndrome, or SARS, hit Taiwan hard in 2003. As 181 people died, the island's 23 million people fell into "a collective panic".

The trauma offered lessons. Taiwan, foremost, made provisions for a command centre to marshal efforts during future pandemics. In 2020, the command centre was activated. The preventative steps worked and Taiwan was hailed as the model for suppressing the virus. But not now. Quarantine failures and complacency about vaccinations have led to flareups.

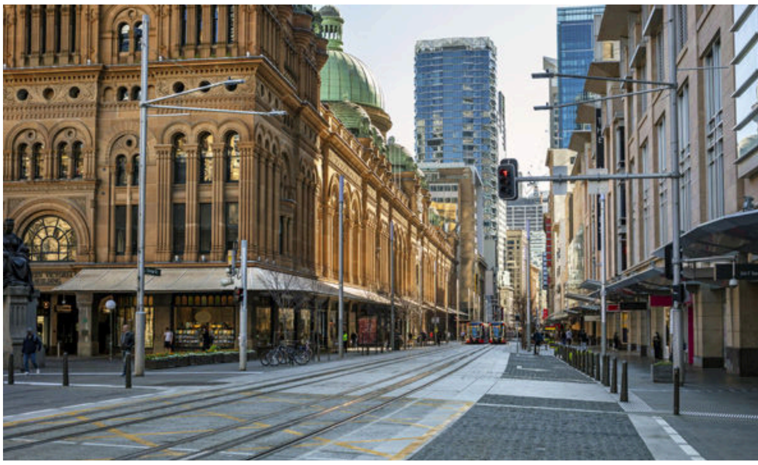
Success and failure, in either order, is a common theme of the pandemic that offers lessons. Humbling ones include that humanity is subservient to nature, how little we know about the virus, even its origins, and how hard it is to contain. People now realise that modern society is as vulnerable to the same unforeseen traumas as were earlier generations.

Good lessons include the value of simple protection measures, that gain can come from misfortune (messenger RNA vaccines) and that tech enables society to function adequately enough under lockdown.

Harsh lessons include that even innocuous things can get politicised (masks), that people have limits (riots over lockdowns), that many risks are hidden (the fragility of supply), and disasters come with a domino effect. The biggest undecided lesson relates to the political choice between lives versus livelihoods. It's too soon to judge whether the lives saved from COVID-19 will be worth the long-term economic and social price.

The main lesson that can be assessed so far? Arguably it's that competence matters when adversity strikes but is hard to achieve. China, foremost, failed to contain the outbreak, while even in advanced countries, administrations had scant capacity to fight a pandemic. Health authorities were often bewildered as they juggled how to balance "a revival of the walled city in an age when prosperity depends on global trade and movement", in the words of Henry Kissinger, and often failed to safeguard the general public. Officials, in some cases, reported to politicians whose experience, judgement and temperament were unsuited to crisis management.

The result is that few governments have employed strategies that have contained the virus at a seemingly acceptable economic cost. The virus remains a menace because it is too contagious, society is too interconnected and winning



strategies often provoked reactions that undermined them – especially that successful elimination strategies led to a public blasé about vaccinations.

The worry is that governments are reaching the end of the financial support they can provide locked-down societies and they will need to pivot to allowing semi-vaccinated populations to live with the virus. Split expectations within society – that ever-more-powerful governments can protect people clashing with lost faith in their ability to do so – are among the health, economic, social and political challenges confronting the governing classes that need to do better as the world approaches the third year of the pandemic.

To be sure, the prompt development and rollout of vaccines have restored much confidence in the ruling elite. Those in charge often learnt from mistakes. Officials, for all their failings, might have prevented worse outcomes, a feat that lacks political reward. Given the viciousness of the virus and its ability to spread and mutate, perhaps much of the criticism policymakers attract is too harsh.

But the repeated errors and lapses in competence hark to tougher conclusions about political leaders and their bureaucracies. The fact is the world struggled against a virus only as deadly as the largely forgotten flu of 1957 that society then, under smaller government, absorbed without lockdowns until a vaccine arrived within three months. Today's health crisis needs to inspire today's leaders to be better prepared for the emergencies across all spheres of life that always arise. It's pretty much the same lesson Taiwan learnt from SARS.

Source: Magellan Group

Running, cycling or walking which is best

When the sun is out, and you feel the need to head outside for some warmth and a little exercise, which activity are you likely to choose? Let us share with you some thoughts about three popular options…

Running, cycling and walking are three of the best and most common choices among exercisers. An estimated 621 million people around the world run[1] regularly, and some 580 million of the world›s households have access to a bicycle[2]. And a study found that adults who took part in an activity challenge walked an average of 6,886 steps[3] per day. In a recent series of Insurance Group polls, with over 2,500 responses, asking people to choose from these three options, there was a slight bias towards walking and running, reflecting the global data. Maybe this is due to the straightforwardness of not needing much equipment. Or they could simply be viewed as safer forms of exercise.

All three are good for personal health and none of them have a significant negative impact on the environment[4], both important topics for companies seeking more sustainability within and outside their organisation. Global Running Day, International World Bicycle Day and World Environment Day all took place recently, offering the opportunity to neatly bring these topics together for discussion.

"Back in 2018, we developed a global holistic Wellbeing Framework, with the four pillars of mental, physical, social and financial wellbeing, that provides our employees with the tools and resources needed to help them stay healthy and empowered", states Katja Raithel, Head of Diversity, Inclusion and Wellbeing at Zurich Insurance Group, also a former track and field athlete, who now cycles to stay fit, to go windsurfing!

How might the potential benefits of cycling and running (or walking) stack up against each of these four pillars?

Starting with 'mental', any cyclist will tell you there is a stillness gained from cycling through beautiful countryside, as one respondent to our poll did, when she said "it provides such a sense of clarity to my brain, helps my balance and relieves stress". But running or walking along a beach, or beautiful mountain pass, with just thoughts and the sounds of nature for company, are equally nourishing for the mind.

“A good walk can do wonders for your mental wellbeing” according to Walking for Health[5], England’s largest network of health walks.

Any form of physical activity can reduce the risk of coronary heart disease and stroke, diabetes, hypertension, various types of cancer including colon cancer and breast cancer, as well as depression, and is fundamental to energy balance and weight control[6]. In general, running will burn more calories than cycling, but it can also be more damaging to joints, since it’s a high impact workout, while cycling is lower impact[7]. It is also logistically simpler to run or walk than cycle – especially when travelling away from home.

The relationship between cycling and coffee has intensified in recent years[8], so it would be hard to argue against the social benefits of cycling with friends, whether that is talking while moving or meeting up for coffee and cake, as lots of club cyclists do regularly every weekend. Running with a partner can also be social, although the ease with which a coherent conversation can be maintained will vary depending on your fitness and how hard you are running! Or even how fast your partner is running! Maybe walking has the upper hand here?

Financially, cycling, running or walking to work rather than driving, or taking public transport, can save money. Beyond these costs, especially in a world of more remote working and therefore less commuting to the office, savings are also likely by reducing the potential cost of healthcare through a more active lifestyle. Of course, there are initial ‘start up’ costs which can be significant, especially for cycling, but it is still likely to save money in the long term[9]. A pair of good quality running or walking shoes and appropriate clothing are far less expensive, although it is worth keeping in mind that if, or even when, the running bug bites, and dreams of completing one or more of the six major marathons around the world emerge, the associated cost of running can rapidly escalate!

“Fitness trackers and apps are making the benefits of a healthy lifestyle both more personal and more social. Running and cycling are two sports that have benefitted massively in this regard. It is an exciting time to be involved in this area, and leading the thinking into how we can embed all four health pillars into every personal experience, meeting people wherever they are on their own journey”, says Helene Westerlind, CEO of LiveWell by Zurich, who combines ‘Power Walks’ with ‘Power Talks’ as a new concept for meetings on the move!

So, after all of that, does one form of exercise have advantages over the others? The polls and arguments weren’t completely conclusive, they can all have a positive impact on the four pillars, and they are all good for the environment.

Maybe as a respondent to a poll stated: “One sport is not enough – triathlon!” But that is a different story…in the meantime why not just try running, cycling or walking outside and see how you feel.

Source: Zurich

1 https://askwonder.com/research/globally-people-practice-running-as-sport-global-market-size-sport-dba00dqvc

2 https://askwonder.com/research/globally-people-practice-road-bicyling-global-market-size-sport-ui0n50u4v

3 https://www.medicalnewstoday.com/articles/average-steps-per-day#benefits-of-walking

4 https://www.futurelearn.com/info/blog/how-to-reduce-your-carbon-footprint-tips

5 https://www.walkingforhealth.org.uk/get-walking/walking-works

6 https://www.who.int/news-room/facts-in-pictures/detail/physical-activity

7 https://greatist.com/fitness/cycling-vs-running#other-factors

8 https://perfectdailygrind.com/2020/10/exploring-the-relationship-between-coffee-and-cycling/

9 https://www.cnbc.com/2018/05/18/biking-to-work-could-save-you-over-1000-a-year.html

The quest for secure retirement income

Why the four-bucket method could be the holy grail.

According to legend, the 'holy grail' was a magical cup imbued with miraculous powers that provide happiness, eternal youth or sustenance in infinite abundance.

That perfect product pitch resulted in an awful lot of fictional knights going on misguided adventures that ultimately led to unfortunate conclusions. In hindsight, the 'holy grail' marketing department perhaps over-sold the concept – at the very least, there was poor risk disclosure.

Some source materials credit three knights with finding the magical cup. But most seekers, side-tracked by events, ultimately lost sight of the main goal.

Similarly, for many, the long-held promise of the Australian superannuation system as the deliverer of sustainable retirement income is fading from view, in an era of low-interest rates and rising risks.

But the problem could be that many investors are looking in the wrong places.

Beyond the end of the road

Without a doubt, superannuation has taken more Australians further down the road to a comfortable retirement than most would have achieved alone.

However, the contribution-and-investment mindset that has been so successful in accumulating super assets – now about A$3 trillion – could prove counterproductive as retiring members look to transform those savings into income for life.

Faced with a finite pool of assets, uncertain investment returns, and an unknown number of years to fund, retirees often take a conservative approach to ward off their greatest worry: running out of money.

In fact, our research has shown that 61% of retirees fear running out of money more than death itself[1].

The bucket strategy

The 'bucket strategy' has been a common way to help deal with this risk. It works by managing the selling of assets at retirement, balancing the need for steady income and capital growth.

A typical bucket strategy allocates a certain proportion of savings to cover short, medium and long-term needs. Investments are apportioned to cash, fixed income and equities, according to your individual risk tolerance and time horizon.

Your financial adviser might suggest this strategy as a proven tool to take the focus away from market volatility and leave you feeling comfortable about your retirement plans.

Enhancing the 'bucket strategy'

But when it comes to delivering sound retirement outcomes, the current low-interest rate environment (compounded by the COVID-19 crisis) presents some challenges to the bucket strategy. Effectively, the short-term bucket may struggle to deliver the returns needed to fund retirees' short-term cashflow requirements.

The 'holy grail' of retirement income, or at least an enhanced outcome in the current environment, is likely to be found in a fourth bucket that increases your growth allocation. It also serves to mitigate unique retirement risks – including longevity, sequencing and behavioural risks – through a protected equity strategy.

As an example, a protected equity strategy may provide you with exposure to growth via market-linked returns (such as an index) – with in-built protection from losses (floor), providing exposure to market growth up to a selected cap.

1 Allianz Life, Reclaiming The Future Study, 2010.

Let's walk through an example of a standard three-bucket approach:

- 15% in bucket 1 (cash)
- 25% in bucket 2 (fixed income)
- 60% in bucket 3 (equities).

An enhanced approach using four buckets might be:

- 5% in bucket 1 (cash)
- 10% in bucket 2 (fixed income)
- 20% in bucket 3 (a retirement-specific protected equity solution)
- 65% in bucket 4 (equities).

This equates to 85% in equities (buckets 3 and 4), 10% in fixed income and 5% in cash.

This method has the potential to increase returns due to the increased exposure to equities, while also providing less reliance on lower-yielding assets such as cash and fixed income. Also, due to the protective floor, the potential losses that could occur in bucket 3 are limited.

If you're interested in applying an enhanced bucket strategy to your retirement plans, chat to your financial adviser today.

How to avoid the biggest investment mistakes

Some of the biggest investment mistakes

While investing isn't brain surgery, you do need some level of knowledge and experience to make consistently good decisions.

Because let's face it, making money is more enjoyable than losing it!

To help you on your path to success as an investor, we've outlined some of the most common and expensive investment mistakes, and how to avoid them.

Investment mistake #1: Allowing emotion to influence your decisions

When your stomach starts to churn because your portfolio has dropped by 20%, you may feel compelled to make changes.

All investors will at some point face setbacks, especially during a market crisis. But as we've seen from history, the market can eventually recover with time.

In these situations, it's important to focus on the bigger picture—if you sell into the fear of the market dropping, you'll miss out on its recovery.

If in doubt, consider reviewing your long-term goals. If you find that the reasoning behind your investment was sound, stick with it, as the market is likely to pick back up.

If you need proof of the wisdom of patience, look at 2020. COVID smacked markets around in February and March – but the markets spent the rest of the year recovering. To take just one example - as at 16 February 2021, the one-year return from the US Stockmarket (the S&P 500) – is over 16%![1]

Investment mistake #2: Failing to diversify your portfolio

Investing your money across multiple different asset classes—shares, property, bonds, cash—can help to lower your investment risk.

This strategy—known as diversification—works because different investment types perform well at different times so if one area of your portfolio falls, another may be rising. Having a variety of investments helps balance out your overall risk.

It also means you have a diversity of types of return. Instead of relying on all your investment performance to come in the form of cash returns, rents, dividends from shares or capital gains from property and shares, you enjoy a mix of all of them.

This is especially important for retirees who may not have the same investment time frame as someone in their 30s who's more easily able to withstand short-term market volatility, shifting all your money into low-risk assets could be costly—your portfolio may be unable to outpace inflation. It's therefore important to have some exposure to higher risk, higher returning assets, such as shares and property.

Just be careful not to over diversify as this too may affect the performance of your portfolio. Your diversification needs to be strategic – not scattergun. A financial adviser can help structure your diversification to match your own circumstances such as - performance goals, risk management, age, health etc.

Investment mistake #3: Not setting long-term financial goals

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There's a big difference between playing a game of roulette and investing—having a strategy in place is one of them.

Too many investors focus on the latest investment fad, rather than creating an investment portfolio that has the highest probability of achieving their long-term goals.

Understanding what your long-term financial goals are, will provide the direction on how you set up your investment portfolio. This includes the types of investments you choose to buy into, how long you need to generate those returns and how much risk you're willing to take on.

You may want to speak to a financial adviser as they can review your investments to assess where you currently stand and determine if your investment portfolio needs adjusting to meet your goals.

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Investment mistake #4: Trying to time the market

Timing the market is extremely difficult—even institutional investors often fail at it.

Most successful investors give their assets a chance to perform over years, not days. They also adjust how their money is allocated quarterly or annually rather than in response to events – where reactions can be emotional rather than logical.

Continuously modifying your investment approach can not only reduce returns through more transaction fees, it can also result in more risk. One of the reasons most investors underperform the market is a consequence of them buying when prices are rising and selling when prices are falling – intuitive but often the opposite of a good strategy.

So, you may be better off contributing consistently to your investment portfolio rather than trying to time your market moves.

Investment mistake #5: Not focusing on your asset allocation

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Often the variation of return you'll see in your portfolio is due to how your assets are allocated, rather than the individual performance of one company's shares.

But most people focus their time and energy in trying to pick out individual companies to invest in, rather than looking at how their portfolio is set up.

As you become a more sophisticated investor, you may want to consider investing in lowly-correlated markets like gold, currencies, commodities and other asset classes that do not perform in the same way at the same time, as opposed to adding more assets with a similar risk profile. You then need to determine what percentage of your portfolio should be allocated to those assets.

Investment mistake #6: Failing to contribute regularly to your portfolio

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True investing relies on contributing regular amounts at regular intervals, in both rising and falling markets.

You can't control what the market will do, but you can save more money. Continually investing capital over time can have as much influence on building your wealth as the return from your investments. It will also help to increase the probability of reaching your financial goals.

Bottom line: Mistakes are part of the investing process but knowing what they are, and how to avoid them, will help you on your road to success – and the more enjoyable lifestyle that comes with it.

Source: MLC

1 'What will the stockmarket return in 2021' – 29, Dec 2021, www.forbes.com

How Aussie investors helped Steven and his sister find a home

Pendal's Sustainable Australian Fixed Interest Fund invests in social bonds that help vulnerable Australians while also generating strong returns. This is the story of a family helped by Hume Community Housing, which is financed by those social bonds.

Rudy and Judith knew early on that something was different about their twins Steven and Kerry. When they first took them to the doctor at 12 months of age, they still hadn't shown any sign of trying to walk or stand up. "I knew something was wrong," says Judith.

Steven and Kerry had cerebral palsy: a permanent movement disorder that robs sufferers of the ability to live a normal life. It often requires constant, sometimes lifelong care — usually delivered by loving family members at considerable personal sacrifice.

"Steven and Kerry's parents have done everything for them for 60 odd years and asked for nothing – asked for no help whatsoever," says Angela, a direct care worker for the Cerebral Palsy Alliance.

As the years went on, Rudy had to retire early because it was getting too difficult for Judith to take care of Steven and Kerry on her own. "I was 80 and Rudy was 83 – we knew we had to do something," says Judith.

Heart-wrenching separation

The idea of being separated from the pair was heartwrenching.

The first time Judith took the twins to respite she admits she "cried her eyes out – it was hard to let go".

But they knew they had to prepare for the future. It was most important that the twins could be looked after in comfortable accommodation built by someone they could rely on.

More than anything Rudy and Judith wanted the twins to be kept together when they could no longer look after them, Angela says.

Angela, who has been a carer for Steven and Kerry for about 15 years, put the family in touch with Hume Community Housing.

Social bonds help vulnerable Australians

Hume is a Tier 1 Community Housing Provider (CHP) which develops affordable housing for vulnerable or low-income Australians with help from investors in Pendal's Sustainable Australian Fixed Interest Fund.

Hume is well-known for its expertise in developing and managing Specialist Disability Accommodation that caters for extreme functional impairment or very high-support needs.

Hume's funding comes partly from the federal government's National Housing Finance and Investment Corporation (NHFIC), which raises money by issuing social bonds to investors such as Pendal.

NHFIC lends out the money raised (more than $2 billion so far) to CHPs at lower interest rates and on better terms than banks — while providing attractive returns to investors.

"NHFIC is very important for financing, because it's possibly as low a cost for borrowing you could ever achieve," says Wendy Hayhurst, chief executive of the Community Housing Industry Association.

"And it's performed very well because it's got a government guarantee."

A new home for Steven and Kerry

With help from Angela the twins moved into a Specialist Disability Accommodation property purpose-designed by Hume to meet their high-support needs.

The Cerebral Palsy Alliance worked closely with Hume to ensure the fit-out was purpose-built for the twins' evolving needs and staffed with familiar faces. After walking through the Hume property in south-west Sydney – perfectly designed for wheelchair use and built to platinum-level Liveable Housing Design Guidelines – Judith felt comfortable with the decision.

But it was still hard to let them go. "I knew it would be hard to let go of my children," says Judith. "I thought they'd be lost without me. I was certainly lost without them."

"[But] I couldn't be happier. It was perfect for the twins. It kept them together."

Rudy and Judith could live peacefully knowing the twins were well looked after in "such a lovely place" close to their own home.

After decades of sacrifice, they have also been finally able to do something they have never done before – enjoy a holiday on their own – something Judith admits "they never would have considered if the twins were still at home".

Source: Pendal Group

Retirement Plans interrupted

A highly experienced nurse, Mary has worked hard for decades and was looking forward to retiring. But she was forced to reassess her retirement goals when the pandemic upended her plans and placed a strain on her marriage.[1]

As Chief Nurse of a busy Sydney hospital, Mary is used to constantly being on her feet – so she was looking forward to a comfortable retirement. At age 60, and with her children grown up and moved out, Mary had plans to retire in 2020.

She and her husband Leo, an academic, were going to sell their home and spend the next couple of years travelling around the world. Then she was rocked by two events: first, Leo announced he wanted a divorce and moved out in January 2020, and then Coronavirus put an end to international travel.

Plans put on hold

Due to the breakdown of her marriage, Mary put off her plans of retirement for at least two years, hoping to build her retirement balance.

However, now that she is in her sixties, Mary is finding it difficult to continue working full-time in such a high-intensity environment – especially in the middle of a pandemic. She would like to cut down her hours due to the stress of her marriage ending and her fears about being exposed to Coronavirus.

Meanwhile, her husband Leo's retirement plans unexpectedly accelerated. Over the past ten months, the university where he works had its finances severely impacted by a lack of international students, and they went through several rounds of job cuts. As he was close to retirement age, Leo decided to take voluntary redundancy.

Troubles at home

At the beginning of 2020 following Leo's announcement that he wanted a divorce, Mary and Leo decided it would be best if they separated for at least 12 months – with Leo moving out into an apartment. Mary spent lots of time with her grandkids and started to question her desire to travel, even if Australia's borders reopened. Meanwhile, Leo found himself stuck in his apartment without a job. As an esteemed and sought-after professor, he found the sudden change in circumstances very difficult to cope with.

Towards the end of 2020, Mary and Leo discussed their retirement and realised that they had very different ideas about how they might spend it. Unable to reach an agreement, they decided to separate permanently and begin divorce proceedings.

What did mary do next?

With her life suddenly turned upside-down, Mary spoke to her friends and they recommended she talk to a financial adviser. The first thing she did was to work with Mary to set new goals for her retirement and calculate how much super she will need to achieve them. It was essential for Mary to make sure her own nest egg would be large enough to retire on.

Mary's financial adviser put in place a transition-to-retirement (TTR) strategy so that she can gradually reduce her working hours over the next two years. As her salary reduces, Mary will start receiving a tax-free income stream from her super – making up the difference in her pay. That way, she will enjoy flexibility in her work life, without having to sacrifice her current lifestyle.

She and her financial adviser implemented a plan to sell the house so that Mary could downsize to a smaller apartment closer to her children and grandchildren. The proceeds from the sale will be split between Mary and Leo – which means Mary can use her share to make a downsizer contribution to super of up to $300,000 since they have owned their

home for at least 10 years and Mary meets the eligibility requirements. An after-tax contribution under the bring-forward rule is another option, however the adviser said Mary may be better off using the downsizer contribution in 2020-21. That way, she will give herself more potential to contribute to super over the next two years. Her adviser also put arrangements in place to split Leo's super with Mary upon their divorce.

Overall, Mary learnt that life doesn't always go to plan – whether it's on a personal or global level! The divorce was a shock but she was grateful she had managed to put her life back together after speaking to a financial adviser. Now she can look forward to travelling and spending time with her family and the grandkids.

1 This is a fictional case study highlighting common struggles faced by women during the Coronavirus pandemic.

Source: Colonial First State Investments

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