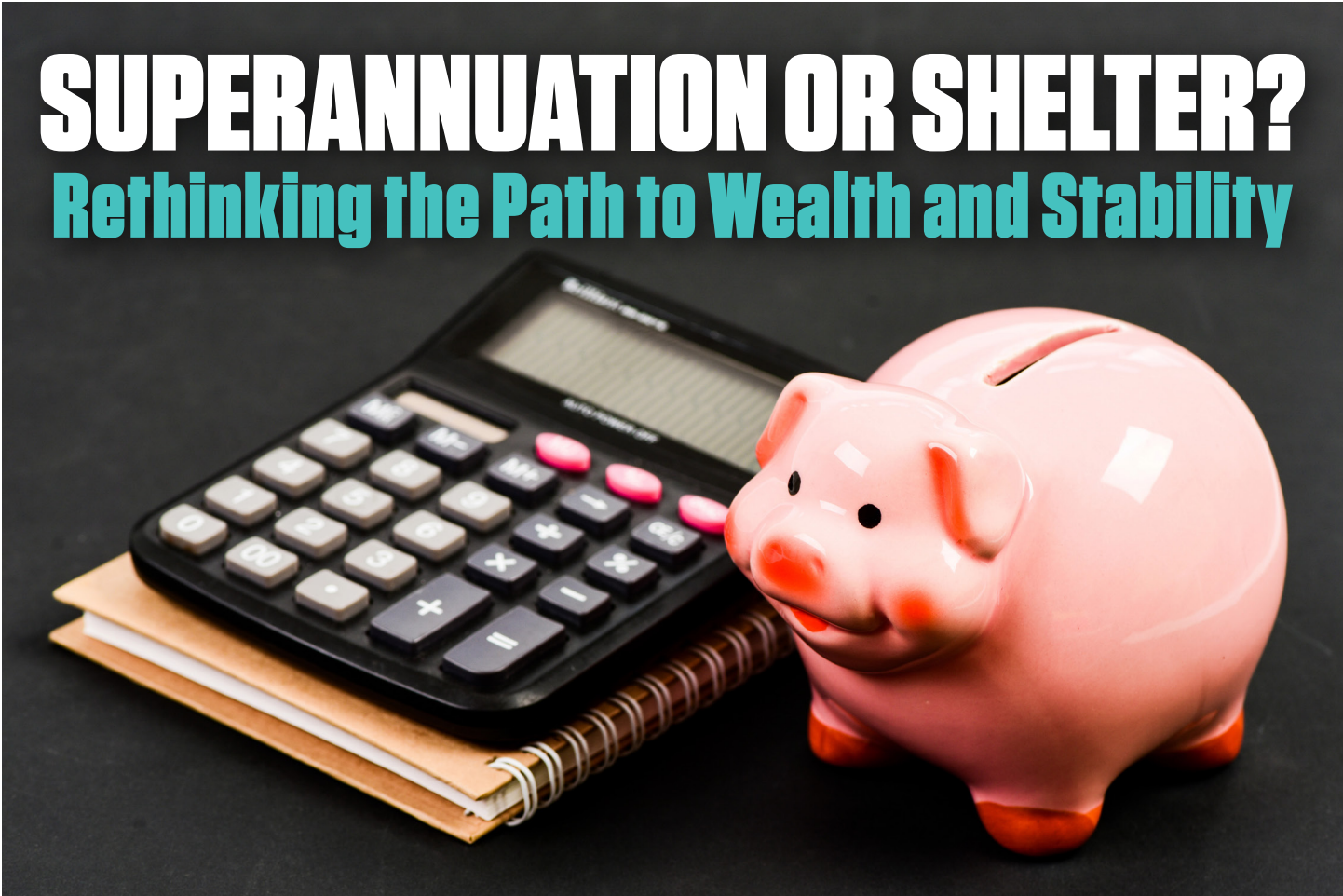




## SUPERANNUATION OR SHELTER? Rethinking the Path to Wealth and Stability



BY WEALTH ADVISER

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### Introduction

Australia's housing market has long been a cornerstone of wealth generation, yet its increasing inaccessibility poses significant challenges to financial stability and retirement planning. Amidst debates over housing affordability, the proposal to use superannuation savings for home purchases has gained traction. This approach, however, raises critical questions about long-term financial security and wealth distribution. Should Australians prioritise homeownership at the expense of their retirement nest egg? Or is there a way to balance both shelter and superannuation in pursuit of lasting stability?

This article examines the growing tension between housing affordability and retirement savings. Drawing insights from Firstlinks articles, "The Rising Tension Between Housing

#### BEFORE YOU GET STARTED

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## The reliance on property as a primary investment vehicle has entrenched debt and widened wealth inequality.

Debt and Retirement Balances” and “Coalition’s Super-Housing Plan Better Than It Looks”, we explore the practical and philosophical implications of using superannuation for housing, its impact on generational equity, and strategies for sustainable financial planning.

### The Housing Debt Crisis: A Nation at Crossroads

The reliance on property as a primary investment vehicle has entrenched debt and widened wealth inequality. According to the Firstlinks article, “The Rising Tension Between Housing Debt and Retirement Balances”, “Australian households are among the most indebted in the world, with much of this debt tied up in housing loans.” This debt burden not only limits disposable income but also increases financial vulnerability, particularly as interest rates fluctuate.

The article further highlights how rising property prices have created a “wealth gap between homeowners and renters,” exacerbating social and economic divides. Younger Australians, often locked out of the housing market, face the dual challenge of saving for a deposit while contributing to superannuation. This disparity underscores a broader societal issue: the prioritisation of property ownership over long-term financial security.

### Superannuation as a Housing Solution: Risks and Trade-offs

The Coalition’s superannuation-for-housing proposal has sparked debate over its potential to alleviate housing stress. As outlined in “Coalition’s Super-Housing Plan Better Than It Looks”, the policy aims to “allow first-home buyers to access up to \$50,000 of their superannuation for a deposit.” Proponents argue that this measure offers a pragmatic solution to the affordability crisis, enabling young Australians to enter the property market sooner.

However, critics caution against the long-term consequences of depleting retirement savings. The same article acknowledges that “early access to superannuation can significantly reduce retirement balances, leaving individuals reliant on the Age Pension.” This trade-off raises ethical and practical questions: Should short-term housing goals outweigh the security of a comfortable retirement?

The Firstlinks article also notes that the plan may inadvertently “fuel property price growth,” as increased purchasing power drives up demand. Such outcomes could

erode the very affordability the policy seeks to address, perpetuating a cycle of housing inaccessibility and financial instability.

### Generational Equity and Wealth Distribution

One of the most contentious aspects of the housing debate is its impact on generational equity. Older Australians, who benefited from affordable housing markets in their youth, often possess significant wealth tied up in property. In contrast, younger generations face an uphill battle against skyrocketing prices and stagnant wages.

The Firstlinks analysis emphasises that “intergenerational wealth transfers through inheritance are becoming a primary source of property ownership for many young Australians.” This trend not only reinforces existing inequalities but also raises broader concerns about the fairness of policy decisions that disproportionately benefit one demographic at the expense of another.

The use of superannuation for housing deposits further complicates this dynamic. While it offers a pathway for some first-home buyers, it risks deepening inequalities for those unable to access sufficient superannuation savings. Policymakers must consider how such measures affect the broader economic landscape and strive for solutions that promote equitable wealth distribution.

### Strategies for Financial Resilience

Balancing housing affordability and retirement security requires a multifaceted approach. Practical strategies include:

- Enhanced Financial Education:**  
Empower individuals with the knowledge to make informed decisions about housing and retirement planning. This includes understanding the implications of using superannuation early and the importance of diversified investments.
- Policy Innovation:**  
Explore alternative housing solutions, such as shared equity schemes or increased social housing investment. These initiatives can provide affordable pathways to homeownership without compromising retirement savings.
- Superannuation Incentives:**  
Encourage voluntary superannuation contributions through tax incentives or employer matching programs.

**The tension between superannuation and shelter encapsulates a broader debate about wealth, stability, and generational equity. While housing remains a cornerstone of financial security, its pursuit must not come at the expense of retirement savings.**

This can help offset the impact of early withdrawals for housing purposes.

4. **Philosophical Shift:**

Reframe the cultural narrative around housing as the ultimate investment. As one Firstlinks article aptly notes, “Homeownership is not a guarantee of financial security; it must be complemented by sound retirement planning.”

By integrating these strategies, Australians can navigate the complex interplay between housing and superannuation, ensuring both immediate shelter and long-term stability.

### **The Broader Implications: A Call for Holistic Policy**

The housing affordability crisis is not just an economic issue; it is a reflection of societal values and priorities. As policymakers grapple with solutions, they must consider the broader implications of their decisions. The Firstlinks article on the Coalition’s housing plan highlights the need for “policies that address both supply-side constraints and demand pressures,” ensuring sustainable growth without exacerbating inequalities.

Equally important is the recognition that superannuation serves a distinct purpose: providing financial security in retirement. Blurring the lines between its intended use and housing affordability risks undermining its effectiveness as a safety net. A holistic approach, incorporating both housing

reform and retirement planning, is essential to fostering long-term wealth and stability.

### **Conclusion**

The tension between superannuation and shelter encapsulates a broader debate about wealth, stability, and generational equity. While housing remains a cornerstone of financial security, its pursuit must not come at the expense of retirement savings. By balancing immediate needs with long-term goals, Australians can chart a path toward sustainable wealth and stability.

As we rethink the role of superannuation and housing in our financial futures, one thing is clear: the solution lies not in choosing one over the other, but in crafting policies and strategies that support both. Only through a holistic and equitable approach can we address the challenges of today while securing the prosperity of tomorrow.

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# The Modern Retirement Equation:

## Balancing Work, Wealth, and Wellbeing



BY WEALTH ADVISER

### Introduction

Retirement, once considered the ultimate reward for years of hard work, has transformed into a complex phase of life, influenced by economic shifts, personal goals, and longer life expectancy. In Australia and globally, the traditional model of retirement—ceasing work entirely at 65 and relying on savings—no longer aligns with the realities many individuals face. Instead, balancing continued work, financial security, and personal wellbeing is emerging as the cornerstone of a fulfilling and sustainable retirement.

The articles from Firstlinks and Adviserveice highlight these evolving dynamics. Firstlinks points out the increasing tendency of individuals to delay retirement and maintain employment, emphasising the practical and psychological benefits of doing so. Meanwhile, Adviserveice focuses on the importance of financial confidence and certainty in retirement planning, underscoring the need for personalised strategies that align with individual lifestyle goals. This article explores the intersection of these insights, offering a roadmap for navigating the complexities of modern retirement.

### The New Retirement Norm - Working Beyond 65

#### Changing Retirement Trends

The notion of retirement as a definitive endpoint is being replaced by a more fluid understanding. According to Firstlinks, “a growing number of Australians are choosing

to work beyond the traditional retirement age, driven by a combination of financial necessity, increased life expectancy, and a desire to remain active and engaged.” This shift reflects a broader global trend, where retirement is increasingly viewed not as an abrupt cessation of work, but as a transition to a different phase of professional and personal engagement.

#### Benefits of Continued Employment

Delaying retirement offers numerous advantages, many of which extend beyond financial stability:

- **Financial Stability:** Firstlinks notes that “continuing to earn an income in later life reduces the pressure on retirement savings, enabling these funds to last longer or grow further.” This is particularly important as the rising cost of living and market volatility put strain on traditional retirement savings models.
- **Mental and Emotional Health:** Work provides cognitive stimulation and a sense of purpose. As the article highlights, “the workplace offers not only a source of income but also a vital space for social interaction and mental engagement.”
- **Longevity and Physical Activity:** Remaining in the workforce can encourage a more active lifestyle, which has been linked to better health outcomes.

#### Challenges Faced by Older Workers

While the benefits are clear, older workers face significant obstacles:

1. **Health Concerns:** Age-related health issues can limit the

ability to continue working. This is particularly true in physically demanding industries, where older employees may struggle to meet the physical demands of their roles.

2. **Workplace Discrimination:** Firstlinks observes that “ageism in the workplace remains a barrier, with many older workers finding it difficult to secure employment or advance in their careers.”
3. **Technological Adaptation:** The rapid pace of technological change can leave older workers feeling ill-equipped. This challenge, however, is surmountable with the right training and support systems.

### Policy Implications and Solutions

To address these challenges, employers and policymakers must create more inclusive workplaces. Strategies such as flexible working hours, upskilling programs, and anti-ageism initiatives can help ensure that older workers remain valuable contributors to the workforce.

## Financial Confidence and Security

### The Role of Financial Planning

Financial confidence is a critical component of retirement satisfaction. The Adviservice article emphasises that “retirees who lack confidence in their financial situation often experience heightened anxiety and reduced quality of life.” Effective financial planning is, therefore, essential for navigating this phase with certainty and control.

### Key Strategies for Financial Security

1. **Diversification of Investments:** Spreading investments across various asset classes can mitigate risk. Adviservice advises retirees to “review their portfolios regularly to ensure alignment with their evolving goals and risk tolerance.”
2. **Regular Financial Reviews:** The article highlights the importance of revisiting financial plans periodically, noting that “life changes, market conditions, and personal goals necessitate ongoing adjustments.”
3. **Seeking Professional Guidance:** Working with financial advisers can provide retirees with tailored strategies. Adviservice notes that “professional advice not only improves outcomes but also reduces the psychological burden of financial decision-making.”

### The Psychological Impact of Financial Insecurity

Retirees who lack confidence in their financial future often experience stress and anxiety. This can lead to poor

decision-making, such as withdrawing savings prematurely or avoiding necessary expenses. Proactive planning, combined with a focus on building financial literacy, can alleviate these concerns.

### Case Study: Financial Literacy and Strategic Planning

#### Background:

Susan, 62, had \$500,000 in superannuation and modest rental income but was anxious about whether her savings could support her travel goals, assist her grandchildren, and cover rising costs.

#### Approach:

A financial adviser helped Susan diversify her investments into growth assets and income-generating funds. They implemented a “bucket strategy”:

- Short-term: Two years of essential expenses in cash.
- Medium-term: Conservative investments for 3-7 years.
- Long-term: Growth-focused investments for 8+ years.

#### Result:

When markets fell in 2020, Susan relied on cash reserves, giving her long-term investments time to recover. Regular financial reviews kept her on track, allowing her to enjoy travel and support her family while maintaining financial security.

## Aligning Lifestyle with Financial Reality

### Bridging the Expectation-Reality Gap

Retirement dreams often include travel, hobbies, and leisure. However, these aspirations must be reconciled with financial limitations. Adviservice

emphasises that “retirees who align their expectations with their financial realities are more likely to experience satisfaction and peace of mind.”

### Strategies for Aligning Lifestyle and Finances

1. **Phased Retirement:** Gradually reducing work hours allows individuals to transition into retirement while maintaining an income stream. Firstlinks suggests that “phased retirement is an effective way to balance financial needs with the desire for more leisure time.”
2. **Prioritising Essential Expenses:** Retirees should identify their most important financial priorities, whether they involve healthcare, housing, or family support.
3. **Cost-Effective Alternatives:** Exploring affordable options for hobbies and travel can help retirees maintain their quality of life without overspending.

**Financial confidence is a critical component of retirement satisfaction. The Adviservice article emphasises that “retirees who lack confidence in their financial situation often experience heightened anxiety and reduced quality of life.”**

## The modern retirement equation is about balance— balancing the desire to remain active with the need for financial security, and balancing aspirations for leisure with the realities of health and longevity.

### The Importance of Flexibility

Flexibility is key to managing unexpected expenses or changes in circumstances. Building an emergency fund and maintaining a degree of financial agility can provide retirees with the resilience needed to adapt.

### Wellbeing in Retirement

#### Physical and Mental Health

A fulfilling retirement depends not only on financial security but also on physical and mental wellbeing. Firstlinks highlights that “retirement should be viewed as an opportunity to focus on health and personal growth, rather than merely an escape from work.”

#### Strategies for Enhancing Wellbeing

1. **Social Engagement:** Maintaining strong social connections is crucial for mental health. Participation in community activities and volunteer work can foster a sense of belonging.
2. **Physical Activity:** Regular exercise improves physical health and reduces the risk of chronic conditions. As AdviserVoice notes, “active retirees are more likely to enjoy longer and healthier lives.”
3. **Pursuing Hobbies and Passions:** Engaging in meaningful activities provides a sense of purpose and accomplishment.

#### Overcoming Challenges

Retirees may face barriers to maintaining their health, such as limited access to healthcare or reduced mobility. Addressing these challenges requires proactive planning and, where necessary, external support.

### The Role of Preventative Care

Investing in preventative healthcare can reduce medical expenses and improve quality of life. Regular check-ups, vaccinations, and healthy lifestyle choices are integral to this approach.

### Conclusion

The modern retirement equation is about balance—balancing the desire to remain active with the need for financial security, and balancing aspirations for leisure with the realities of health and longevity. By proactively addressing these dimensions, individuals can navigate retirement with confidence, resilience, and a sense of purpose.

As both Firstlinks and AdviserVoice suggest, the key to a fulfilling retirement lies in adaptability, informed decision-making, and a holistic approach that integrates work, wealth, and wellbeing.

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**Firstlinks** is a publishing service providing content written by financial market professionals with experience in wealth management, superannuation, banking, academia and financial advice.





# AVOIDING WEALTH TRANSFER PITFALLS

BY PETER NEVILL

*Republished from [firstlinks.com.au](https://www.firstlinks.com.au)*

Audrey\* enjoyed a rewarding life. Her devoted husband, Frank, passed a few years ago - they had built their wealth over a lifetime together and ensured Audrey was financially secure. She has two successful sons and five grandchildren. In her late 80s and in failing health, she could take comfort from the fact her financial affairs had been structured to maximise the benefits for her family for generations to come.

Following Frank's passing, Audrey's assets were held across both their longstanding SMSF, and a substantial portfolio held in her name. Audrey understood the importance of having conversations with their sons about her wishes and having them involved in the structuring of her estate in preparation for the transfer of wealth.

While this task was made easier from being a close family unit, it still required lengthy discussions to ensure the best outcome - highlighting the value for all families with wealth to be inherited of having plans in place early to ensure assets pass prudently and equitably.

In dealing with people who have very real hopes and fears, intergenerational wealth transfer is not just about

what makes sense through a dispassionate, mathematical lens - it must reflect the clients' wishes and values around their family and legacy.

This type of forward-thinking planning is crucial, particularly as Australia is in the early throes of the intergenerational wealth transfer, that the Productivity Commission estimates will total about \$3.5 trillion by 2050.

## Family conversations are critical

Audrey had said that she and Frank, an accountant by profession, always encouraged money discussions with their boys from an early age. In many families, this topic can often be taboo.

But by having these conversations, parents can have greater comfort that their wishes will be respected (remember, wills can be successfully challenged in the court system), and the recipients better understand not only the financial fundamentals, but the gravity of inheriting significant wealth.

It's critical that it does happen - for two key reasons. Firstly, with former generations, the quantum of wealth shifts wasn't nearly as pronounced. The baby boomer generation (1946-64) is the first generation where wealth is far more widespread due to property prices and, to a lesser

**Regardless of life-stage, asset quality within portfolios is paramount in helping clients withstand market volatility and reducing the risk of impairment, as is the need to be diversified across both traditional and alternative asset classes in seeking to produce robust long-term outcomes and generate revenue through the economic cycle.**

extent, compulsory superannuation. So, the need for these discussions is more important than ever.

Secondly, it's a reality that basic financial education is sadly lacking in the school system. For those families with a financial adviser, there's the opportunity include all family members in the discussion. But this is a minority, meaning the onus is on the family to impart this critical skill set on to their children.

### Asset allocation needs to be considered

Investment considerations are also a key component. Audrey's eldest son, John, has a more balanced investment approach, more aligned with his late father's penchant for fully-franked Australian blue-chip shares, while his sibling Nicholas, five years his junior, has a greater interest in assets with a higher-risk, higher-return investment dynamic.

Although the brothers have differing ideas on investment, they appreciated and understood the foundations of investing courtesy of the many family discussions about financial matters. Part of the wealth transfer process was the appreciation that as assets were passed down, the underlying investments and asset allocation of the capital would inevitably change to reflect the goals and time horizons of the adult sons and their families.

What did this look like in our example? Audrey had a substantial amount in superannuation via her SMSF and a significant personal portfolio. Due to Frank's conservative outlook, it was overweight large-cap Australian blue-chip shares and cash - given their stage of life, the fully franked dividends came with substantial tax benefits, and investors typically grow fond of holdings that have served them well through the years.

Remember also, markets are volatile. In the 21st century, we have had the Tech Wreck, the GFC, and COVID market meltdowns.

Regardless of life-stage, asset quality within portfolios is paramount in helping clients withstand market volatility and reducing the risk of impairment, as is the need to be diversified across both traditional and alternative asset classes in seeking to produce robust long-term outcomes and generate revenue through the economic cycle. In short,

all the capital should not be exposed to all the same risks.

It's not just about adapting the investment style to each estate recipients' investment tolerances and prejudices; it is vital to utilise strategies to minimise the tax burden during the transfer.

### What happened in Audrey's case

So, conscious her health was rapidly declining, an estate planning lawyer was brought into the fold with Audrey and her sons - seeking to ensure the optimal structure for the impending wealth transfer. What does that look like in practice? Her will was updated to establish a testamentary trust for each son upon her death. Audrey also withdrew her superannuation ahead of her passing to avoid any taxable component being taxed at 15% (plus Medicare levy).

When she passed, the assets were left to her sons in their testamentary trusts (a vehicle that the sons' entire families could benefit from), and portfolios customised within each trust. Generally, a discretionary (family) trust can be an excellent vehicle for transferring wealth. In addition to the tax-effective flexibility to distribute income and capital gains between beneficiaries, as its 'lifespan' is 80 years in most states, by planning the seamless transfer of control (i.e. the pre-determined ownership change of the corporate trustee shares, for example) the portfolio within can endure in the same structure beyond the death of the matriarch or patriarch - in line with their wishes and without needing to sell assets and incur tax.

In Audrey's case, by adopting this approach, they avoided the real risk that many families confront on the passing of a loved one - no planning, no strategy to minimise the tax drag on the estate, and even no will. Tragically, it often means a time for genuine grief gets consumed by family disagreement over the estate. So much better to plan, especially with \$3.5 trillion at stake.

*\* Family names have been changed*

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# Q&A: Ask a Question

## Question 1:

**My friend told me the insurance policies in her super fund are much cheaper than the policies I got through my adviser. What are the difference between that makes mine more expensive?**

Insurance through super funds, known as **group cover**, is often cheaper because it's a one-size-fits-all product negotiated between the super fund and insurer. While this can save money upfront, it usually comes with less flexibility and more restrictive terms compared to insurance policies taken out direct with an insurer. Group policies can also be adjusted or cancelled by the super fund without your consent and claim processes may be more complex due to limited underwriting at the time of application.

**Retail insurance**, on the other hand, is tailored to your needs, with features like locked-in terms and premiums and comprehensive underwriting upfront. This provides greater certainty at claim time and ensures the policy remains in place as long as premiums are paid. Additionally, group policies require the same duty to take reasonable care as retail policies, meaning non-disclosure of past medical conditions could still result in denied claims, even if unrelated to the condition.

Insurance is about reducing risk, and retail policies often provide stronger protection. You should consult your financial adviser to ensure your cover suits your needs and to review premium costs regularly.

## Question 2:

**I'm buying my first home, and I've heard I can use my super to help me. How does this work?**

If you're buying your first home, the **First Home Super Saver Scheme (FHSSS)** allows you to use your superannuation to save for a deposit if you are 18 or over, never owned a property in Australia and have not used the FHSSS before.

Under this scheme, you can only withdraw contributions (under a certain cap) that are made outside of your employer contributions. Contributions can be made as concessional

(pre-tax) or non-concessional (after-tax) payments which count toward your annual caps.

When withdrawing your FHSSS savings, you'll receive both your eligible contributions and an associated earnings amount calculated using a rate often higher than standard savings accounts or term deposits.

To withdraw the funds, you must be ready to enter the housing market, with a **12-month window to purchase** (extendable to 24 months upon request). This ensures your savings are applied toward your first home purchase.

Using super for your first home deposit can be a powerful strategy, but it's important to ensure compliance with the rules. You should consult your financial adviser to confirm your eligibility and plan the most effective way to implement this strategy.

## Question 3:

**I saw the markets have been doing very well lately. Should I wait for the market to go down before investing?**

Waiting for the market to dip before investing might seem like a good strategy, but timing the market can be risky and often leads to missed opportunities. Markets are inherently unpredictable, and waiting for a downturn could result in sitting out during periods of growth or investing right before further declines.

Instead of focusing on timing, many investors adopt a **long-term investment strategy**, focusing on creating a diversified portfolio that aligns with their financial goals and risk tolerance. A common approach is **dollar-cost averaging**, where you invest a fixed amount at regular intervals, re-gardless of market conditions. This strategy helps to reduce the impact of market volatility by buying more shares when prices are low and fewer shares when prices are high.

Additionally, remember that the market's current level should not solely dictate your decision. Factors such as your **investment horizon**, **cash flow needs**, and **risk capacity** are crucial in determining the right time and strategy for you.

Your financial adviser can help tailor an investment strategy to your unique circumstances, ensuring it aligns with your long-term goals rather than short-term market movements.

If you have a question that you would like to see answered in **Wealth Adviser**, please send it through to [centraladvice@wtfglimited.com](mailto:centraladvice@wtfglimited.com).