ARC CENTRE OF EXCELLENCE IN POPULATION AGEING RESEARCH

MEDIA RELEASE

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SHOULD MORE SUPER BE INVESTED IN BONDS

Should superannuation portfolio allocations be adjusted with age to reduce the financial exposure of senior Australians to stock-market crashes? That's one of the issues that can be addressed by Professor John Piggott, the Director of the ARC Centre of Excellence in Population Ageing Research (CEPAR).

"It is essential to take age and wealth into account in deciding on an individual's asset allocations, including the government-mandated low-cost MySuper."

Professor Piggott has responded to calls by the architect of the federal government's superannuation reforms, Jeremy Cooper, who has today commented that stock-market crashes indicate fund managers should invest more in bonds, particularly for members nearing retirement who have less time to recoup losses. He highlights the way baby boomers who were just about to enter retirement lost a lot of wealth during the 2008-09 stock market crash, when the ASX200 fell about 50 per cent.

Professor Piggott agrees. "Australian superannuation is constituted to a very unusual design and we rely very heavily on self-funded or privately funded superannuation to provide retirement income, much more heavily than most other countries. We need to be especially aware of the connection between an individual's circumstances and the portfolio he has in his superannuation fund, and make portfolio allocation as flexible as possible."

Australia is one of many countries with a rapidly ageing population. However there are few products that provide longevity insurance, which is protection against the risk of individuals living too long, running out of cash and then relying on the state.

"We also need to have more superannuation products," he says. "It is probably best early on in life for savers to invest in the stock market – they can ride out the natural peaks and troughs, and gain the benefits of a long term investment. However later on, when workers are approaching retirement, they really need to put their assets in a less volatile investment, such as bonds. If a default system is to be introduced on a mandatory basis then there should be *multiple* defaults determined by an individual's age and wealth."

For more information contact Kate Miranda on 0478 474 074.