

# Investing for retirement

IBR Post Retirement Australia 2024 Conference  
Sydney, 21-22 October 2024

---

**Geoff Warren**

The Conexus Institute and Australian National University

# Topic and agenda

---

*Topic: How might investments be structured and managed for the retirement phase?*

(Addressed from a super fund perspective)

## *Agenda:*

1. Differences between the retirement and accumulation phase
2. Role of investments within retirement solutions
3. Designing portfolios for use as 'building blocks'
4. Structuring the investment function

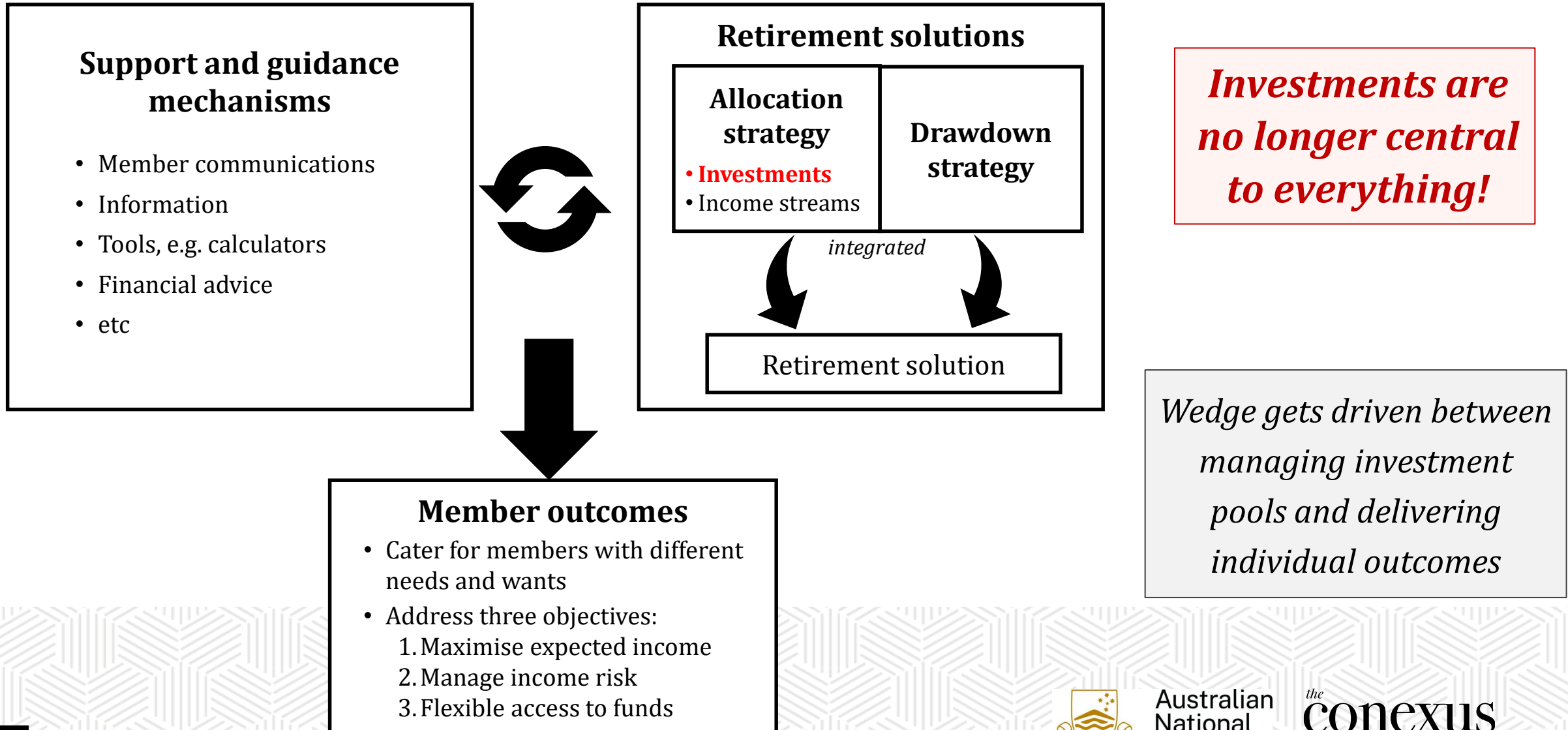
# Some 'big' things that change in retirement \_\_\_\_\_

- Focus shifts from portfolio outcomes to member outcomes
- *Implications:*
  - (a) Return-based objectives  $\implies$  income-based RIC objectives
  - (b) Member outcomes are managed outside of the investment function

# Retirement vs. accumulation

	Accumulation	Retirement
<b>1. Objectives</b>	Return-focused, including: <ul style="list-style-type: none"> <li>• Real return targets</li> <li>• Benchmarks and peer relative</li> <li>• Volatility (member concern)</li> </ul>	RIC objectives: <ul style="list-style-type: none"> <li>• Maximising expected income</li> <li>• Managing income risk</li> <li>• Providing flexible access to funds</li> </ul>
<b>2. Member needs and wants</b>	Maximising accumulated wealth	Differing needs and wants (heterogeneity)
<b>3. Key uncertainties</b>	Investment returns	Investment returns <u>and</u> longevity
<b>4. Fund flows and accessibility</b>	Contributions and inaccessibility (although members may switch)	Drawdowns and accessibility at call
<b>5. Relevance of other assets and any income streams</b>	Managing super in isolation suffices	Assets outside of super and income streams (including Age Pension) are very relevant
<b>6. Tax environment</b>	15% on income; 10% CGT	Tax-free. Full franking credit rebates
<b>7. Significance of inflation</b>	Impact on asset value and returns	Direct impact on spending power
<b>8. Risk and its measurement</b>	Volatility-focus may suffice.	Sustained loss of capital and drawdowns matter Volatility and track error much less relevant

# Investments as just one RIS component

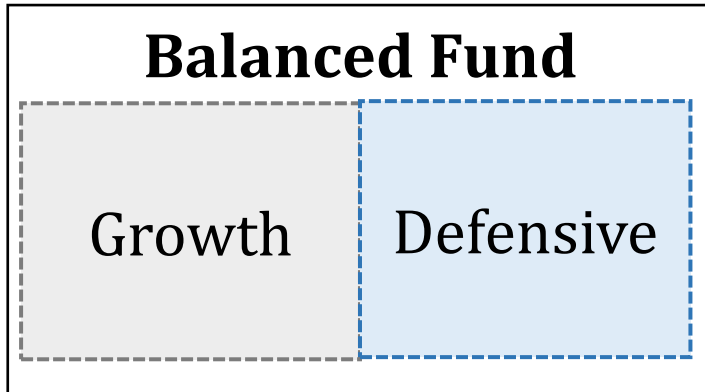


# What the investments team can contribute \_\_\_\_\_

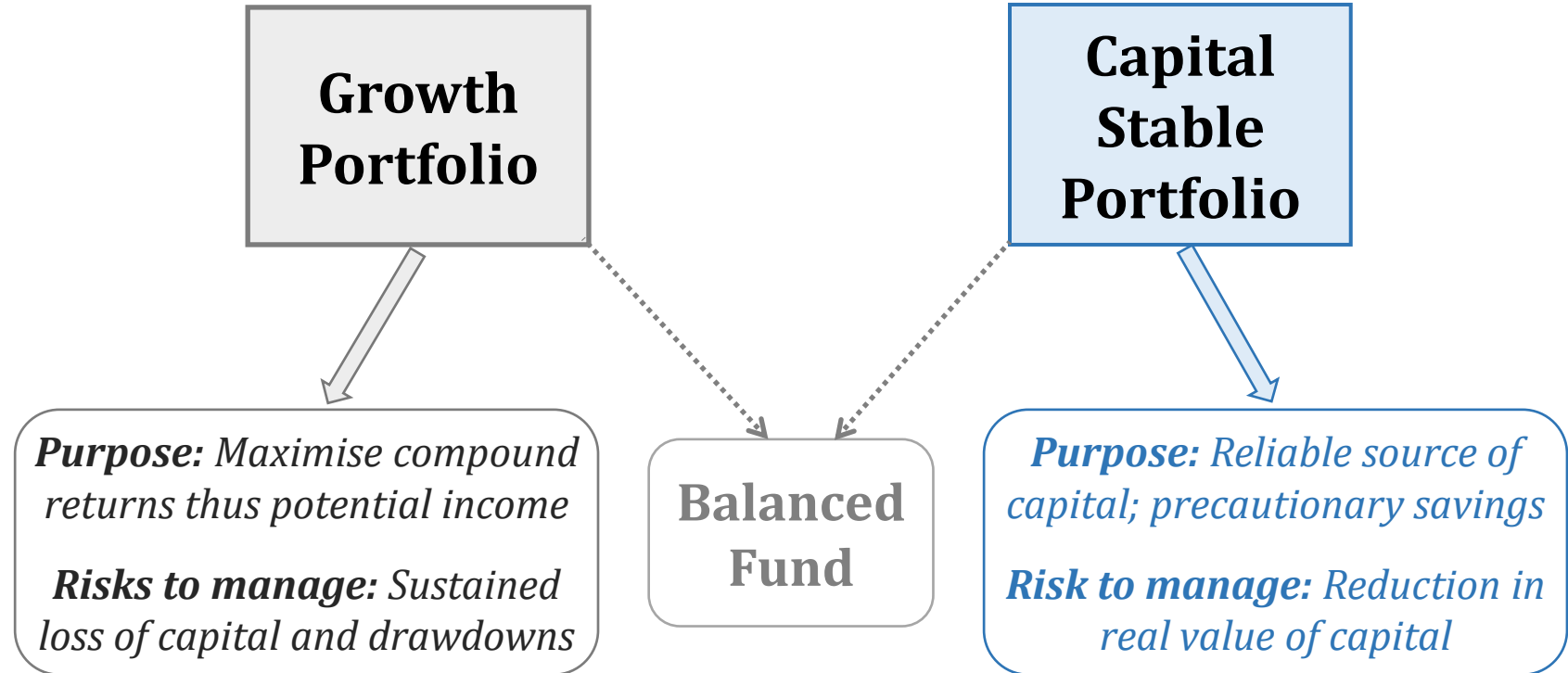
- a) Return generation – to support better outcomes
- b) Investing for capital stability, for members who desire:
  - Reliable source of accessible funds (i.e. form of precautionary savings)
  - Delivery of reliable (albeit lower) income
  - Reduced volatility in their balance
- ***Capital stable portfolio*** as an alternative to a traditional defensive portfolio for (b)
  - Managed to an objective to maintain the real value of capital

# Portfolios designed as 'building blocks' ---

## Traditional



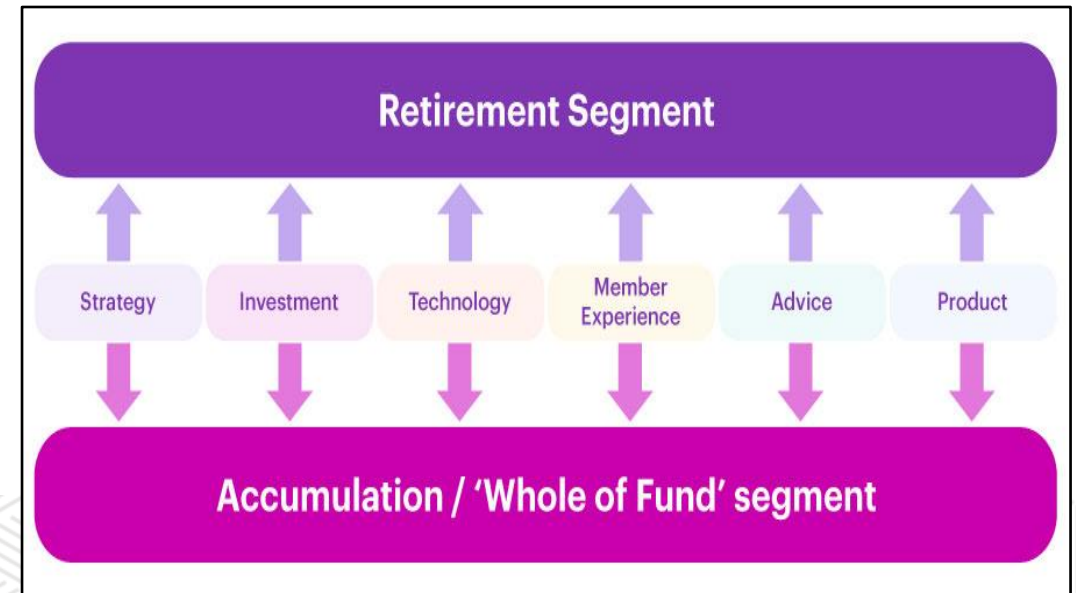
## Two building blocks



# Structuring the investment function

- Shared functions, dedicated function, or hybrid?
- Specialist retirement investment team (regardless)?
- Shared or segregated portfolios?

- ~ *No strong view*
- ✓ *Specialist*
- ✓ *Segregated*



Source: WTW



Australian National University

the **conexus** INSTITUTE



# Final thought

---

*Investing for retirement differs from investing  
for accumulation in some significant ways*

*It thus deserves special attention*

# Thank-you!

## Any questions or discussion?

**Related Conexus Institute materials:**

*'Investing for retirement'* report

<https://theconexusinstitute.org.au/wp-content/uploads/2024/03/Investing-for-Retirement-Conexus-Institute-20240319-FINAL.pdf>

*'Retirement explainers'* education series

<https://theconexusinstitute.org.au/resources/retirement-explainer-series/>