

# Senior Moments

CATHOLIC<sup>™</sup>  
Super

January 2009, Issue 5

Pension News



## A WORD FROM THE CEO

This issue of the Pension newsletter accompanies your half-yearly statement. The statement covers the six month period from 1 July 2008 to 31 December 2008. It shows all payments made to you during that period, and the balance of your account as at 31 December.

Unfortunately investment markets continued to be volatile through the first half of the current financial year and many of you will see the effects of this on your account balance.

In the Investment Update in this issue, Tim Hughes our Chief Investment Officer, reports on the state of the markets and the opportunities he sees for Catholic Super.

This issue also includes details of new initiatives we've introduced for Pension members and some news about the Federal Government's Pension Review.

If you have any questions or comments about any matter related to your Catholic Super Pension, you can contact our Pension Service Centre on 1300 730 327 or email [pension@csf.com.au](mailto:pension@csf.com.au). We would be delighted to hear from you.

A handwritten signature in black ink, appearing to read 'Frank Pegan', with a long horizontal line extending to the right.

**Frank Pegan**  
Chief Executive Officer



## INVESTMENT UPDATE

The past few months have been extraordinarily difficult ones in the world's investment markets. In fact, in many cases assets are not just being priced for worst case outcomes but rather for the worst imaginable outcome and then some.

The problem is short term uncertainty. Most investors now agree that share prices, in particular, have rarely been cheaper and that shares are a very good investment on, say, a three year view. However, the level of short term uncertainty is high? Common questions we get asked are: "Will they get cheaper?" or "How long before they go up again?"

We don't know the answers to such questions. What we do know is that the markets are fully aware of all of the risks around in the world today and have priced assets as if each of these risks comes to fruition.

The markets know that the US, European and Japanese economies are in recession and have priced in a very long and deep downturn.

The markets know that the Chinese economy has slowed dramatically and so the Chinese share market has fallen by around 70%.

The markets know that there is a significant risk of recession in Australia and, rather than just price that in as a risk, the markets have assumed a full blown recession deeper than that in 1990-91. As a consequence Australian share prices have halved since their highs.

However, virtually nothing is priced assuming that either these risks are overstated or that things will eventually come right. This is particularly so in the case of our own economy. Unlike every other significant developed economy, Australia went into this crisis with a very strong economy, a budget surplus and high interest rates. This means that no other developed economy has our capacity to both massively cut interest rates and increase government spending.

In other words, if Australia can get over 'deficit-phobia' we have an enormous potential to spend our way out of this crisis.

We are fortunate that our economic policy makers have reacted with uncommon speed in totally changing the direction of Australian economic policy. Interest rates have already been cut at a faster pace than in 1990, while the Government has moved very quickly to relax fiscal policy and increase spending.

As a consequence, as dark as things may appear, and as gloomy as some of the economic news will be over the coming year, all of this has been priced into markets. What has not been priced in is the fact, that things might not really be as bad as they first appear and that there will be an end to the downturn.

Timing markets is a very, very difficult thing to do. Certainly we wish that we had sold even more shares than we did over the past two years, but to sell now would only be to compound the hurt of recent events.

Rather, we see the current market as a chance to buy very good quality assets at very cheap prices. As long term investors we see an opportunity to profit from the panic of others and we have been buying not selling.

We have no way of knowing whether shares will get even cheaper than now, but if they do we will endeavour to buy more because when the markets eventually decide that things cannot get any worse, they are likely to aggressively price in the following recovery. History shows us that investors who wait until that point most often get left behind and do not buy back in until prices have risen strongly and it is too late to recoup their losses.

### **Tim Hughes**

Chief Investment Officer



## TAKING THE LONG VIEW

It's probably relatively easy to accept that your superannuation account is a long term investment and that the bumps will smooth out over time. It's not quite so easy to accept that the retirement money you're now relying on for income will give you the same long term recovery time. When you begin your pension, which could be as early as age 55, your life expectancy, if female, is on average more than 30 years and if male, more than 27 years. (Life expectancy tables 2000-02).

Depending on your investment option, your statement will probably show lower returns than in recent years. If that return is negative, it's only human to feel anxious about it. It is important to remember that your super pension is a long term investment and it's the long term results that really count.

In the table below we show the 3 year and 5 year returns for the Catholic Super Pension options. The product has only been available for 5 years.

Investment Option	3 year (pa)*	5 year (pa)*
Aggressive	-0.63%	6.79%
Moderately Aggressive	0.93%	N/A
Balanced	2.78%	7.89%
Moderately Conservative	2.75%	6.59%
Conservative	5.30%	7.04%
Australian Shares	-2.56%	7.80%
Overseas Shares	-4.37%	2.51%
Property	8.79%	10.43%
Diversified Fixed Interest	3.52%	4.83%
Cash	6.49%	6.27%

*\*Period ending 30 November 2008. All returns shown are after fees and taxes.*

Past performance is not a reliable predictor of future performance, but longer-term historical data can be useful in assessing the relevance of current year returns to your retirement savings goals.

If you would like more information about Catholic Super's investments please go to our website [www.csf.com.au](http://www.csf.com.au) or call 1300 730 327.

## WHY HAS MY PENSION ACCOUNT UNDERPERFORMED MY SUPER ACCOUNT IN THE RECENT MARKET DOWNTURN?

Many investors may be somewhat confused as to why their Catholic Super pension account has underperformed their superannuation account during the market downturn - even though both may be invested in a similar investment strategy, such as our Balanced option.

The reason is that investment returns for pensions are untaxed, but superannuation returns are subject to taxation. When market returns are positive, a pension account will outperform a similarly invested superannuation account – because no provision for tax is deducted from the pension account.

When market returns turn negative, the tax provision for capital gains in a superannuation account is reduced, and possibly eliminated. As a result, in these periods a superannuation account will outperform a pension account with the same underlying investments.

## PENSION SEMINARS

In addition to our general superannuation and retirement planning seminar programs, Catholic Super is launching a new seminar program this year, specifically for retired pension members.

Invitations have recently been sent out either by email or post. The four inaugural sessions will be held in the Melbourne metropolitan area in February. Topics covered will include Investment performance and overview, an Age Pension update, Wills and Estate Planning as well as Aged Care issues.

Details of venues, dates and how to register can be found on our website [www.csf.com.au](http://www.csf.com.au).

## ONLINE ACCESS FOR MEMBERS – ONLINE STATEMENTS

**MemberAccess** is our online facility which enables members to keep track of their accounts, switch investments online and notify changes of personal details. It's a secure site which requires a login process.

Pension members who have a super account as well as a pension account, or those with more than one pension account, can now access all of their accounts online using a single login.

You will have to contact us and provide your member numbers so that the accounts can be linked for you. Please call our pension centre on 1300 730 327 or email [pension@csf.com.au](mailto:pension@csf.com.au) to request this service.

MemberAccess also enables you to receive your statement/s online in future. We appreciate your support in helping us to conserve resources in this way. To ensure you receive your statements online from now on, please go to [www.csf.com.au](http://www.csf.com.au) and follow the simple process outlined.

## THE PENSION REVIEW

In May 2008 the Australian Government committed to a review of pension payments, including Age Pension, Carer Payment and Disability Support Pension, as part of its inquiry into Australia's Future Tax System.

The Pension Review is investigating:

- appropriate levels of income support and allowances
- frequency of payments, including the value of lump sums versus ongoing payments, and
- structure and payment of concessions or other entitlements.

To inform the Pension Review, the Department of Families, Housing, Community Services and Indigenous Affairs invited interested people to share their views through a public consultation process including public meetings and written submissions.

Many of the submissions received by the department highlighted the financial pressures faced by pensioners. The department is now considering these views to develop a comprehensive approach to strengthen the financial security of seniors, carers and people with a disability.

Dr Jeff Harmer, Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs will report to the Treasurer and Minister Macklin, through the Chair of Australia's Future Tax System Review Panel, Dr Ken Henry AC, by 28 February 2009.

On 14 October 2008 the government announced a \$4.8 billion down payment to Australia's four million Age Pension recipients, carers and seniors – providing them with immediate financial help in the lead up to comprehensive reform of the pension system.

The \$4.8 billion down payment has been made available through a series of lump sum payments from 8 December 2008. The payments are intended to provide additional support in the period before long-term reforms are introduced.

- Age Pension recipients received \$1,400 to single pensioners and \$2,100 to pensioner couples.
- People who were receiving Carer Allowance also received \$1,000 for each eligible person in their care.
- Those who held a Commonwealth Seniors Health Card or were Veterans Gold Card holders eligible for Seniors Concession Allowance received a payment of \$1,400 if they were single or \$2,100 to couples.

Further information on the Pension Review and the government's down payment to Age Pension recipients, senior and carers can be found at [www.fahcsia.gov.au](http://www.fahcsia.gov.au).



Level 1, 535 Bourke Street, Melbourne VIC 3000

PO Box 333, Collins Street West VIC 8007

**P** 1300 550 273 **F** 03 9648 4720

[www.csf.com.au](http://www.csf.com.au) [info@csf.com.au](mailto:info@csf.com.au)