

# Achieve

Stay informed, make the right decisions // Issue No. 13 · 2010

## Don't let your super get out of date

The five things you can do to  
keep your super moving  
with the times.



### Also in this issue:

**Will you have enough money  
in retirement?**

Take our super health check  
to find out.

**Reacting during the GFC**

Where have our actions led us?

CLOSE UP

# Russell's 10/30/60 Retirement Rule



## The significance of today's contributions on your retirement savings

We all know the power of compound interest over time. It makes sense that your retirement savings will benefit from you contributing as much as possible, as early as possible, and on a regular basis.

To draw attention to the importance of how much we save before retirement, I wanted to highlight the Russell 10/30/60 Retirement Rule\*. It concludes that the sources of your investment earnings during retirement can look approximately like this:

- › 10% from money you saved during your working years
  - › 30% from the growth of your savings before you retired
  - › 60% from growth that occurs during your retirement years.

Isn't that amazing! It means that a small contribution today can grow to have a significant impact on your final retirement savings. It also shows you that as much as 60% of your investment earnings could come from portfolio growth after retirement.

At Russell we're dedicated to helping you prepare for a healthy retirement. We also want to make managing your super as easy as possible.

So we've come up with the key areas you can address to maximise the amount of money you save during your working years. You need to:

- › Establish a regular contribution plan taking advantage of different types of contributions, such as salary sacrifice and the Government co-contribution
- › Have the appropriate investment mix leading up to and in retirement
- › Have one super fund
- › Have enough insurance cover
- › Assess your retirement options.

I hope this edition helps you ask the right questions and find the answers you need to get on track with your retirement goals and set your super up to generate a strong and steady cash flow for the rest of your life.

**Chris Corneil**  
MANAGING DIRECTOR, AUSTRALIA AND NEW ZEALAND  
Russell Investments

For more on Russell's 10/30/60 Retirement Rule visit [www.russell.com.au/103060](http://www.russell.com.au/103060)

\*Bob Collie and Matt Smith. "The 10/30/60 Rule: Where do Defined Contribution (DC) Plan Benefits Come From? It's Not Where You Think." Russell DC Insights, January 2008

## Our latest ratings from industry experts



2007, 2008, 2009 & 2010<sup>1</sup>  
The Russell Private Active Pension has been awarded '5 Apples' by Chant West



2006, 2007, 2008, 2009 & 2010<sup>1</sup>  
Russell's personal superannuation product has been awarded '5 Apples' by Chant West



2006, 2007, 2008, 2009 & 2010<sup>1</sup>  
Russell's corporate superannuation product has been awarded '5 Apples' by Chant West



2009 & 2010<sup>2</sup>  
Russell's multi-manager funds have been 'Recommended' by Lonsec



2004, 2006, 2007, 2008 & 2010  
Global Pensions magazine named Russell its Manager-of-Manager of the year



## CLOSE THE GAP

Turn the page for more information on getting your super up to date or visit [www.russell.com.au/5things](http://www.russell.com.au/5things)

# Will you have a gap at retirement?

Take our super health check to find out.

**Research\* has revealed that the national Retirement Savings Gap for the Australian population translates to nearly \$75,000 per person. This is the difference between their actual superannuation savings and the amount they require in retirement. A gap this size will affect the way that you live your retirement years.**

Rather than waiting until retirement to find out you have a shortfall, you can avoid a gap just by checking how you're going along the way and taking action if you need to.

## How much retirement income will I need?

As a starting point, the generally accepted figure is 65% of your pre-retirement income. You may need more or less depending on your personal circumstances. If you want to estimate the income you will need to have the lifestyle you want

in retirement, you need to prepare a budget taking into account your desired lifestyle, goals and objectives.

## How much do I need to have saved?

Based on 65% of your pre-retirement income, we've developed a **simple savings guide** below, to help you identify how much you should have saved in super based on your age and gross salary.

Just find the age closest to yours and times the corresponding multiple by your current gross salary. This gives an estimate of how much you should have in your super account now.

## Are my savings on track?

Compare your current savings with the target from the simple savings guide below to see if you're on track. If there is a gap – don't panic! Remember this is just a guide and the results don't take into account other assets you may have or any social security you may be entitled to in retirement.

## What next?

You've worked out where you need to be, so the next step is to make it happen. You can influence how much you have at retirement through the investment option you choose, the level of contributions you make and by consolidating your super accounts.

It's also important to monitor your progress. Taking stock of your super each time you receive your statement is a great way to see how you're tracking towards your retirement goals.

*“Research has revealed that the national Retirement Savings Gap...translates to nearly \$75,000 per person.”*



\*IFSA/Rice Warner Superannuation Savings Gap Report 2009

## Simple savings guide

| Your age now                                   | Age 40 | Age 45 | Age 50 | Age 55 | Age 60 | Age 65 |
|--|--------|--------|--------|--------|--------|--------|
| <b>Multiple of current salary (before-tax)</b> | 2.75   | 3.70   | 4.90   | 6.30   | 8.05   | 10.10  |

### Assumptions:

- » Savings will last 25 years in retirement, from age 65 to 90
- » Inflation rate 3.5% p.a.
- » Rate of return on investments 8.5% p.a. based on a high allocation to growth assets.

You need to consider how applicable these assumptions are to you. Based on these assumptions, this result should give you a lump sum at age 65 that will generate the target income of 65% of pre-retirement income.

# Don't let your super get out of date

The five questions to help your super catch up with the times

Have you saved enough for retirement or have you left your super behind in the 70s? If you are over the age of 40, compulsory super arrived later in life, so you may have missed a number of years to save for your retirement. We have five tips to make a difference to your retirement savings.

Don't get mixed up...



### 1. How much should I contribute?

If you're working, your employer already makes contributions to your super for you. You can also make your own contributions – before or after tax – which can make a big difference to how much you have at retirement.

Use the simple savings guide on page 1 to help you figure out how much you need in retirement.

### 2. How should I invest?

As you approach retirement, you may be tempted to try to protect your savings from market downturns by moving away from growth assets and making more conservative investment choices. The reality is that investment earnings remain critical to achieving your retirement goals.

Just 10% of your retirement income is made up of the money saved during your working life. Another 30% comes from investment earnings before retirement, and a massive 60% comes from investment growth after you retire.\* This is known as the Russell 10/30/60 Retirement Rule and it illustrates why maintaining growth assets in your portfolio is so important.

\* Based on a portfolio of roughly 65% shares and 35% bonds

We are also living longer than ever before, so your money may need to last you 20 years or more. That's a long time; it means you can take advantage of the potential for higher returns offered by growth assets because you have time to ride out market movements.

### 3. Am I in one fund?

Sometimes people keep more than one super account because they think it spreads their investment risk. The reality is that if you have more than one super fund you could be paying more fees than you need to. Ultimately this means you will have less savings for retirement.

Consolidating your super can help you:

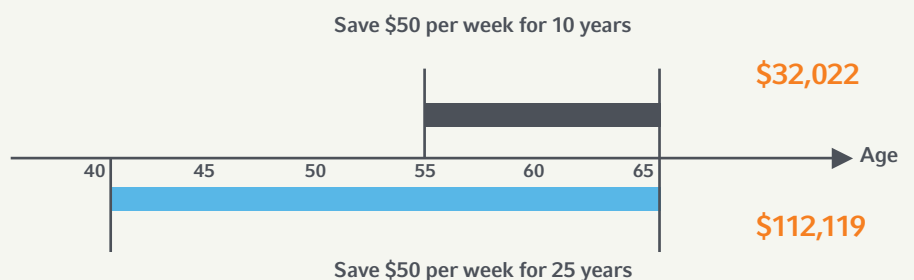
- > pay less fees
- > manage your investments more easily
- > cut down on paperwork.

### 4. What protection do I need for myself and my family?

Make sure your savings are protected from unexpected events. Generally, through super there are three types of cover:

- > **Death insurance** - a lump sum paid in the event of your death

### Contributing \$50 per week can make a big difference



Assumptions: 7% return in a balanced option compounded monthly; inflation 3% p.a.; amounts are in today's dollars as at age 65.



## Help finding the answers

For more tools and tips to help you answer these questions visit [www.russell.com.au/5things](http://www.russell.com.au/5things)

For free general advice over the phone, or to be referred to a financial adviser for personal financial advice, please call the Helpline on 1800 555 667.

- › **Total & Permanent Disablement (TPD) insurance** - a lump sum paid in the event you are unlikely to work again due to a total and permanent disability
- › **Income Protection or Salary Continuance insurance** - a monthly payment, typically 75% of your income if you are sick or injured and can't work.

Provided you were eligible when you joined Russell SuperSolution, you will automatically receive a basic level of cover, but may not have all three types of insurance. You may also be able to apply for additional voluntary insurance cover above the basic level.

For most members there are real benefits of having insurance cover through your fund:

**Quicker** - automatic cover if you are eligible when you join the fund

**Cheaper** - insurance premiums are lower as your fund receives a bulk discount

**Convenient** - premiums are paid from your super, not from your pocket.

### 5. When should I retire?

There are a number of factors to consider when thinking about when to retire.

These include: health, finances, home, interests and hobbies and legal issues.

Working longer has a double impact on your super – you have more time to grow your savings and you also delay the time before you start to access your money. So you may want to consider this when planning when to retire.

You now have more options when transitioning to retirement, which means much more flexibility. Today the Government allows you to access your super while you are working, provided you have reached your preservation age (between 55 and 60, depending on when you were born).

A transition to retirement strategy allows you to cut your working hours and use your super to supplement your income. Of course this means that you are dipping into your savings too, so be aware of the impact this could have on your retirement lifestyle.

**By addressing these five questions, you'll be well on your way to getting your super on track so you can get the retirement you want.**

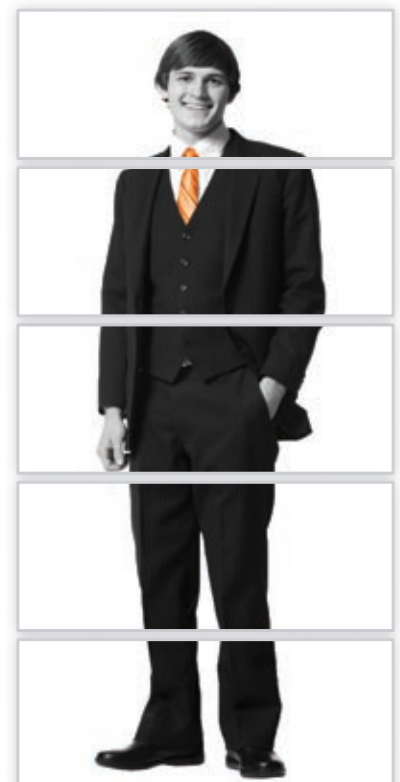
## What to ask if you have a defined benefit

**If you have a defined benefit, then you may only need to focus on one or two areas.**

Question 2 may not be relevant if your investment strategy is set for you. Your employer bears the investment risk for you on the defined benefit portion of your benefit which is calculated by a formula, which means if investment markets go down, the formula-based portion of your benefit isn't affected.

You'll need to consider question 4, but you may be unable to top up your insurance through your existing benefit within the fund. It's still a good idea to look at your insurance though and if you find you would like more cover, we can help you with your options.

# ...focus on the right areas to get up to date





## POSITIVES OUTWEIGH THE NEGATIVES

Turn to the back page to see how overall, the years of positive investment returns outweigh the years with negative returns.

# Reacting during the GFC

Where have our actions led us? Ken Bailey from Bailey Capital Management explains why his most successful clients were those who held their nerve.



By its very nature, super is a long-term investment. That is, most Australians will hold their super over the best part of their working lives and many will roll their savings into a pension and remain invested throughout retirement.

We asked financial adviser, Ken Bailey, to explain the importance of keeping a long-term view, particularly in light of the recent global financial crisis (GFC).

"When clients asked me about the impact of the GFC on their super, I reminded them to stay focused on their long-term goals by sticking to their investment strategy. This, I believe, is the key tenet of investing."

One of the principles of behavioural finance says that investors feel the pain of loss more than they feel the euphoria of gain. What this means is that as investors, we tend to remember our sharemarket losses more than we remember the times when we're successful. So it can be easy

*"Investing can be risky, but...the biggest risk we face is not having enough money to fund our retirement."*

for us to forget that while super took a big hit in 2008, over the longer term, superannuation has in fact been a good source of steady investment returns.

"The beauty of super is that most people don't need to worry about short-term performance, especially those who still have at least another ten years until their retirement. For those people, my advice is to keep contributing and try to ignore short-term market movements."

Ken also explained that his most successful clients were those who held their nerve and remained invested in growth assets. "While it wasn't all smooth sailing along the way, they're the

ones who were rewarded by the market's steady recovery since March last year," he said.

So while we did see negative super returns in 2008, superannuation consultancy SuperRatings has found that the average superannuation balance has returned 6.7% each year since 1992\*.

"Investing can be risky, but what many people may not realise is that the biggest risk we face is not having enough money to fund our retirement. The message I gave my clients was to hold steady and not switch into cash as a 'safer' option. Those who adopted this advice have seen the recovery in their balances over the last year and those that chose to switch, missed out."

\*Source: SuperRatings, July 2009

To watch a webcast on the longer-term performance of superannuation visit [www.russell.com.au/investmentreturns](http://www.russell.com.au/investmentreturns)

## NEWS & UPDATES

### Latest Russell news & updates

#### Russell signs UN Principles for Responsible Investment

Environmental, social and corporate governance (ESG) issues are of growing concern to investors around the world. To address these issues and actively align our business with socially responsible initiatives, we have become a signatory of the United Nations Principles for Responsible Investment (UNPRI). These principles are a voluntary set of global best practices that aim to provide a framework for integrating ESG into financial analysis, investment decision making and ownership practices.

For more information visit [www.russell.com.au/UNPRI](http://www.russell.com.au/UNPRI)

#### Making super easier for you

We've made some enhancements to make it easier for you to get the support and education you need to maximise your super.

**New member cards** have been developed so you can keep your member number and our contact details on hand for easy reference when you call us or want to access your account online. *If you haven't received your card please contact us.*

**Our website is also being redesigned** so it's easier to find the news and education you're looking for - whether it's on investments, super, retirement or the markets.

Visit [www.russell.com.au](http://www.russell.com.au) in May to take a look around the new website.

# SuperSolution investment returns

As at 31 March 2010

The recovery from the global financial crisis has been in train for a full year now. All asset classes delivered positive returns for the year to March 2010, rewarding those investors who stayed true to their long-term investment strategies.

Investors have experienced something of a roller coaster ride since the GFC started around 18 months ago. Thankfully the past year was all about recovering lost ground – but there was a catch. To reap the rewards, you needed to stay true to your long-term investment strategy. Those who switched out of shares into cash after global sharemarkets fell in late 2008, found it difficult to know when it was 'safe' to go back. Many missed out on part of the recovery rally. But those who maintained their diversified portfolios, reaped the full rewards.

The beginning of 2010 again reminded us of the fickle nature of markets. It was a slightly shaky start to the year, with most sharemarkets declining in January. This was due to two main concerns on investors' minds: uncertainty about China's future growth and the fallout from Greece's national debt crisis. By the end of March however, confidence was largely restored and most asset classes delivered positive returns for the quarter.

The outlook for the remainder of 2010 is uncertain and is likely to include the inevitable ups and downs associated with investment markets. So as the resolve to maintain your long-term investment strategy may well be tested again, it's worth heeding the lessons of the recent past.



## Helping you manage your investments

We can provide you with the building blocks you need for successful investing. For the latest investment tips and education visit [www.russell.com.au/toolkit](http://www.russell.com.au/toolkit)

| Russell Portfolios                                     | Quarter | 1 yr (p.a.) | 3 yrs (p.a.) | 5 yrs (p.a.) | Inception date* | Since inception (p.a.) |
|--|---------|-------------|--------------|--------------|-----------------|------------------------|
| <b>DIVERSIFIED PORTFOLIOS</b>                          |         |             |              |              |                 |                        |
| Russell Conservative                                   | 2.1%    | 16.7%       | 2.7%         | 5.0%         | 01/07/03        | 5.7%                   |
| Russell Diversified 50                                 | 2.3%    | 22.5%       | 0.6%         | 4.9%         | 01/07/03        | 6.3%                   |
| Russell Blended Balanced                               | 2.5%    | 28.4%       | -1.1%        | ‡            | 01/04/05        | 4.9%                   |
| Russell Balanced                                       | 2.3%    | 28.0%       | -1.6%        | 4.6%         | 01/07/03        | 6.8%                   |
| Russell Balanced Opportunities                         | 2.2%    | 27.0%       | ‡            | ‡            | 01/07/08        | 0.3%                   |
| Russell Growth   | 2.3%    | 32.6%       | -3.4%        | 4.5%         | 01/07/03        | 7.5%                   |
| Russell High Growth                                    | 2.2%    | 36.0%       | -3.7%        | ‡            | 01/04/05        | 4.3%                   |
| <b>SECTOR PORTFOLIOS</b>                               |         |             |              |              |                 |                        |
| Russell Australian Cash                                | 0.7%    | 2.7%        | 4.5%         | 4.6%         | 01/07/03        | 4.5%                   |
| Russell International Property Securities – \$A Hedged | 4.8%    | 71.7%       | -13.4%       | ‡            | 01/04/05        | 0.4%                   |
| Russell Australian Shares                              | 3.1%    | 42.6%       | 0.3%         | 8.6%         | 01/07/03        | 12.1%                  |
| Russell Australian Opportunities                       | 3.0%    | 40.2%       | -1.3%        | 7.0%         | 01/11/04        | 8.0%                   |
| Russell International Shares                           | 1.5%    | 17.4%       | -8.5%        | -0.6%        | 01/07/03        | 1.7%                   |
| Russell International Shares – \$A Hedged              | 4.1%    | 39.9%       | -7.0%        | 1.2%         | 01/11/04        | 2.3%                   |
| Russell Global Opportunities                           | -0.6%   | 16.9%       | -6.6%        | ‡            | 01/04/05        | 0.3%                   |
| Russell Socially Responsible Australian Shares         | 1.6%    | 32.9%       | ‡            | ‡            | 01/07/08        | -1.1%                  |

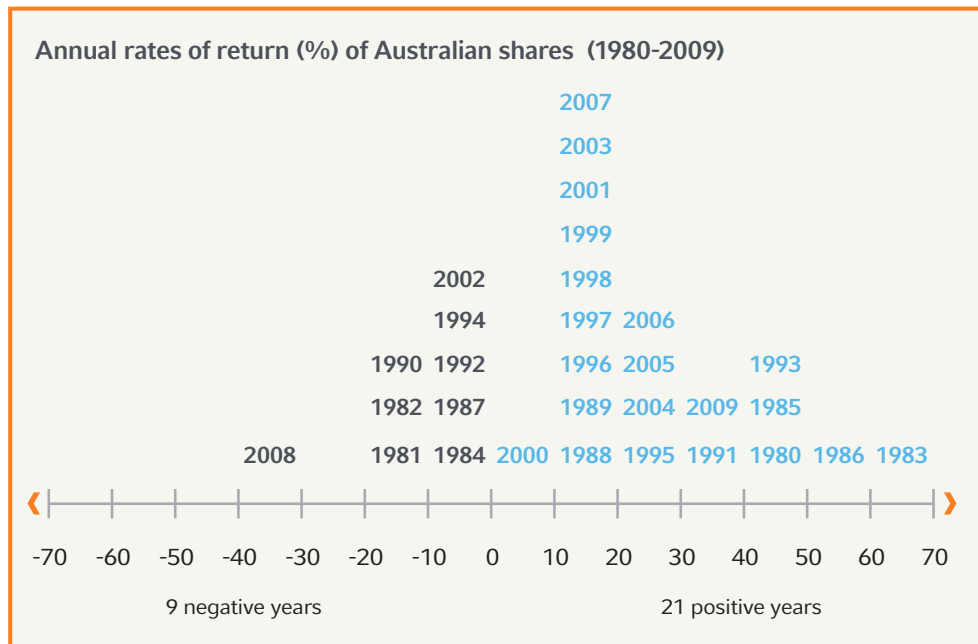
For quarterly investment returns and market commentary visit [www.russell.com.au/investmentreturns](http://www.russell.com.au/investmentreturns)

\* The date the investment portfolio became available.

‡ Investment returns are not available for this period as this portfolio has not been in place for the period specified. The returns shown are net of investment management fees and taxes on investment income. Past performance is not indicative of future performance. This performance information is provided to you by the Trustee of Russell SuperSolution Master Trust, Total Risk Management Pty Ltd (AFSL 238790).

# Positives outweigh the negatives

We've seen some rough times in sharemarkets over the last 18 months, but a look at historical performance tells us that overall, the years of positive investment returns outweigh the years with negative returns.



Source: S&P/ASX 300 Accumulation Index and ASX All Ordinaries Accum Index prior to 31 March 2000. The returns shown are those of the index. Past performance is no guarantee of future performance.

**The Australian sharemarket is a good long-term source of investment returns and recent market events should not deter investors with long-term strategies.**

Without a doubt, 2008 was a tough year for Australian investors. However in the diagram above, we can see that on the whole, the years of positive sharemarket returns have outweighed those with negative returns.

In fact, 2008 returns were an anomaly in Australian sharemarket history. The last time we saw returns of more than -30% was in 1973; which was 36 years ago.

While we can't rely on past sharemarket performance as an indicator of potential future returns, it does give us some perspective that such declines in our market are few and far between.

**We recognise everyone is different, so we offer assistance to suit your needs.**



**Dedicated client services**  
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yoursupersolution@russellsuper.com



**Online education and access to your account**  
www.russell.com.au

## FUND UPDATE

### Minimum account balance reduced for the Personal Division

The minimum account balance required for the Personal Division is reducing to \$2,000 in July 2010 (it is currently \$3,000). Once your account balance becomes less than \$2,000 your account must be closed.

If you don't let us know what you would like to do with your super within 60 days of being advised that your balance is less than \$2,000 then your benefit may be transferred to the Eligible Rollover Fund selected by us. Please refer to the Personal Division Product Disclosure Statement for more information.



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