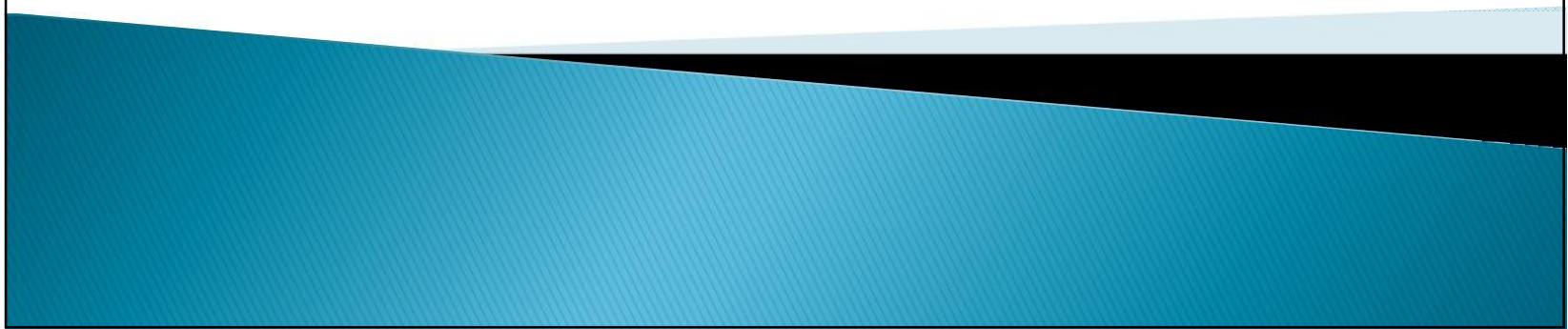
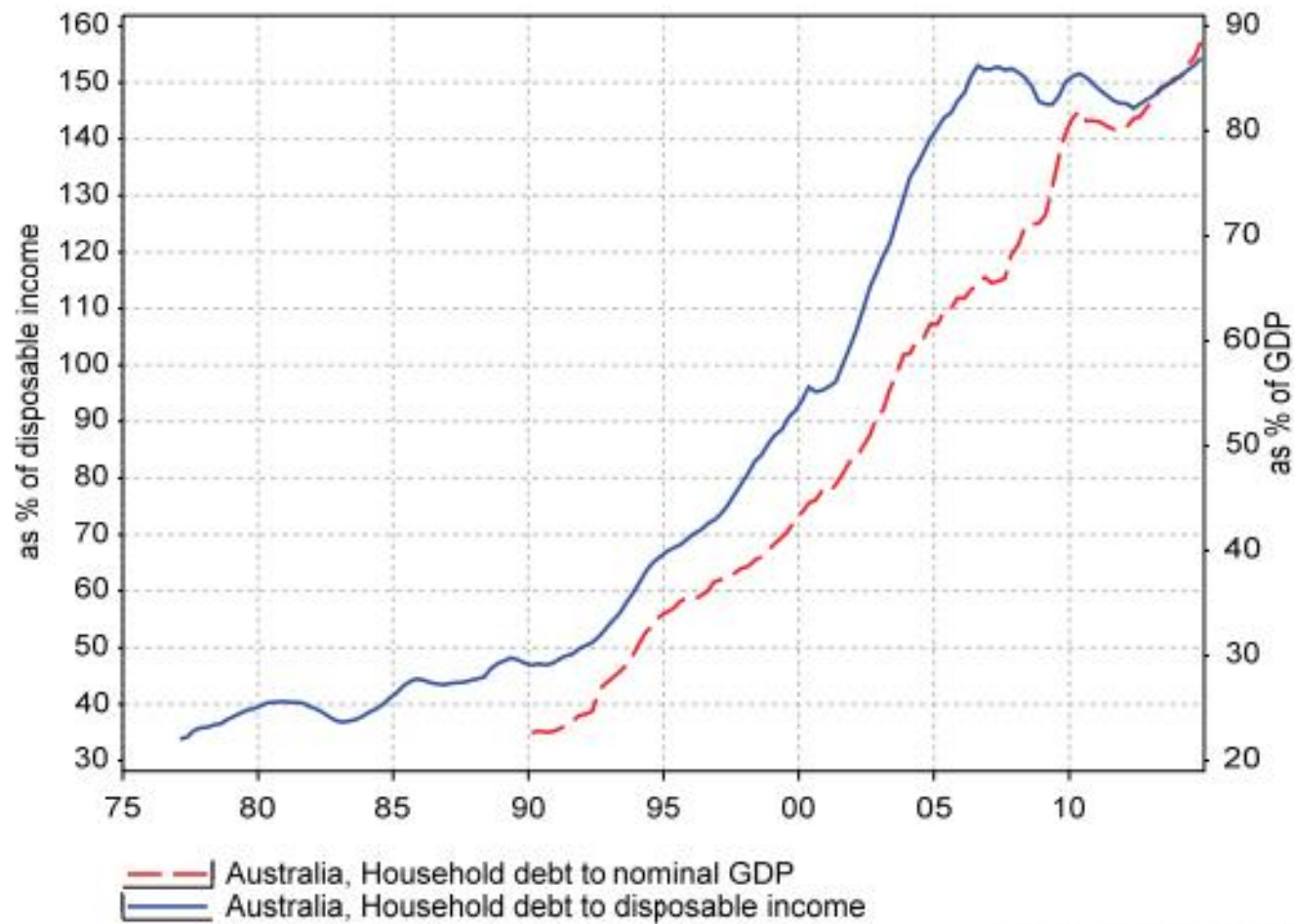


Property Bubble ?





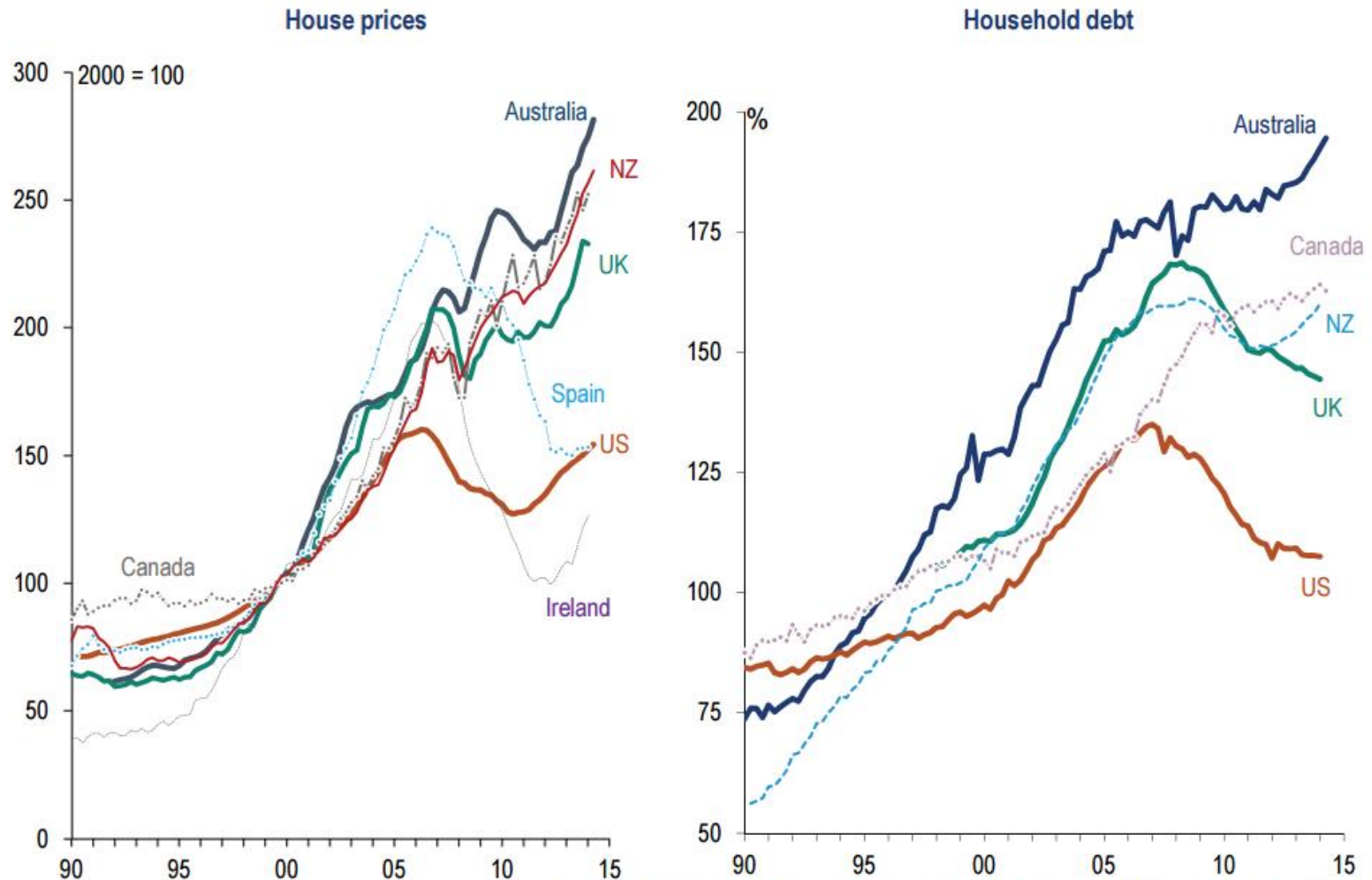
Australian household debt (relative to GDP & to disposable income)



Source: Reuters EcoWin

At Australia now has very high house prices, and high household debt, by

Forum Conference 2015 (PortfolioConstruction.com.au/Conference)



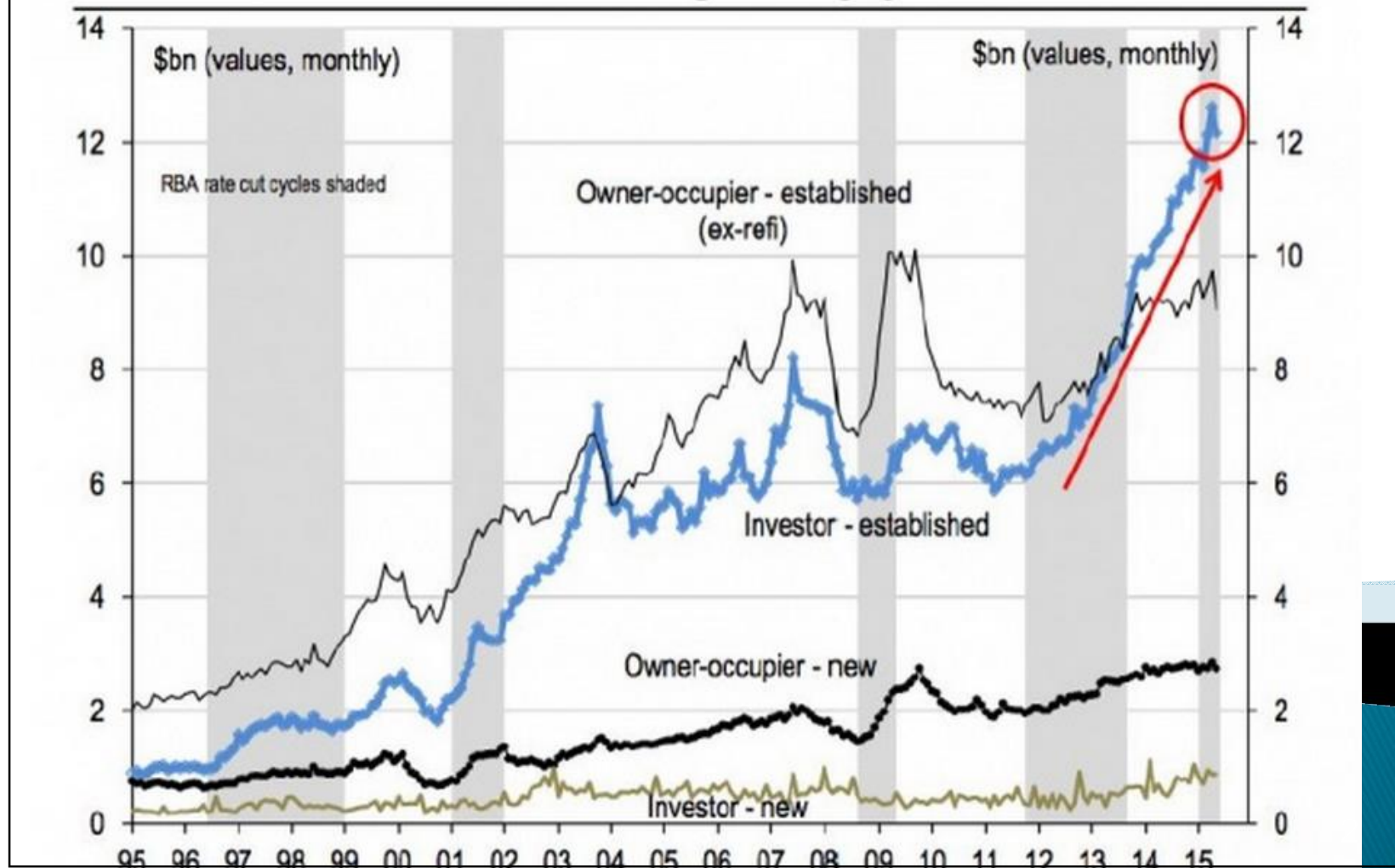
Sources: Australian Bureau of Statistics; US Bureau of Economic Analysis; UK Office for National Statistics; Statistics Canada; Statistics NZ; RP Data-CoreLogic; US Federal Home Financing Agency; Bank for International Settlements.

FINANCIAL SOLUTIONS

The Reason House Prices Are Booming

Posted 1 month ago

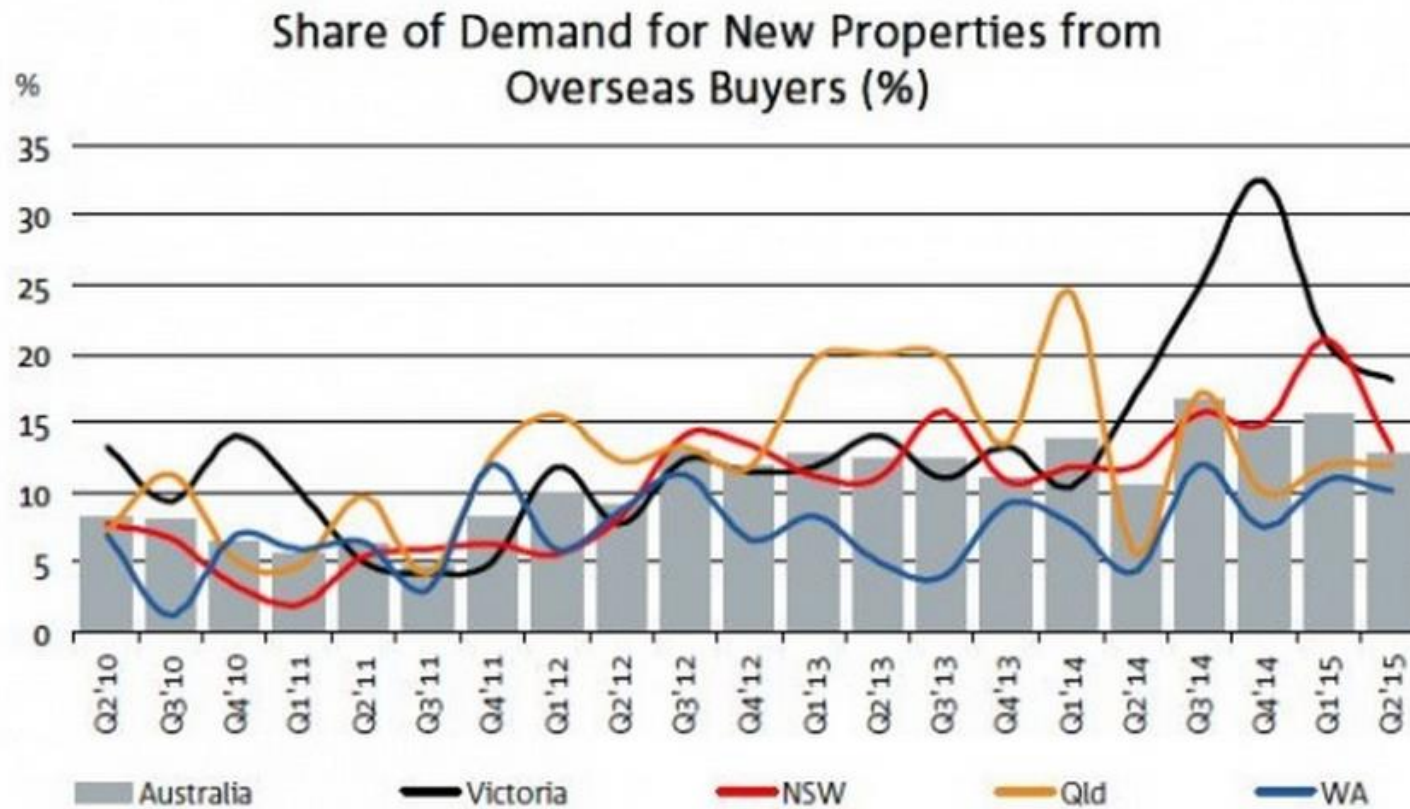
Housing finance



Share Of Demand For New Properties From Overseas Buyers

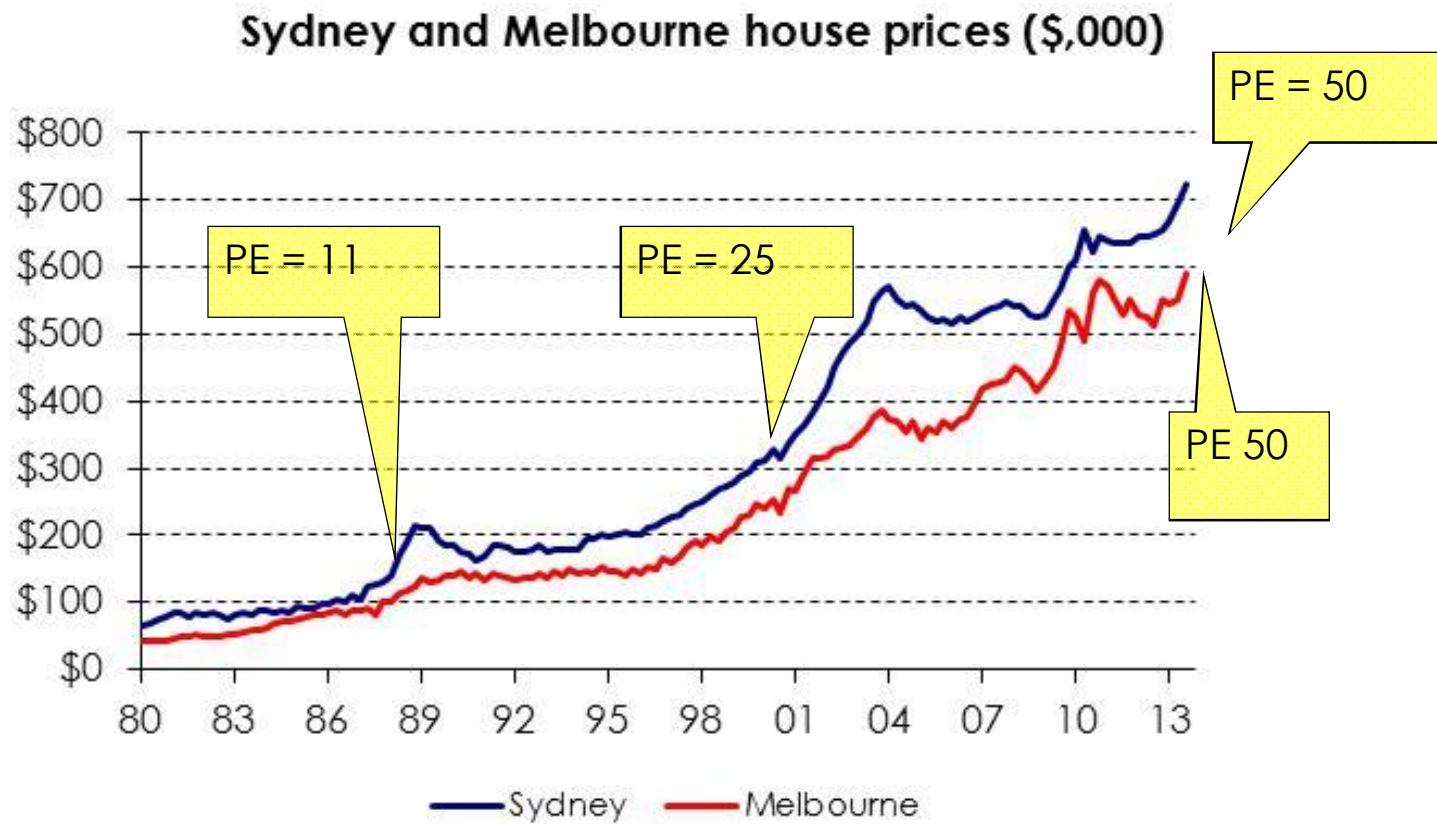
Posted 1 month ago

Past five years



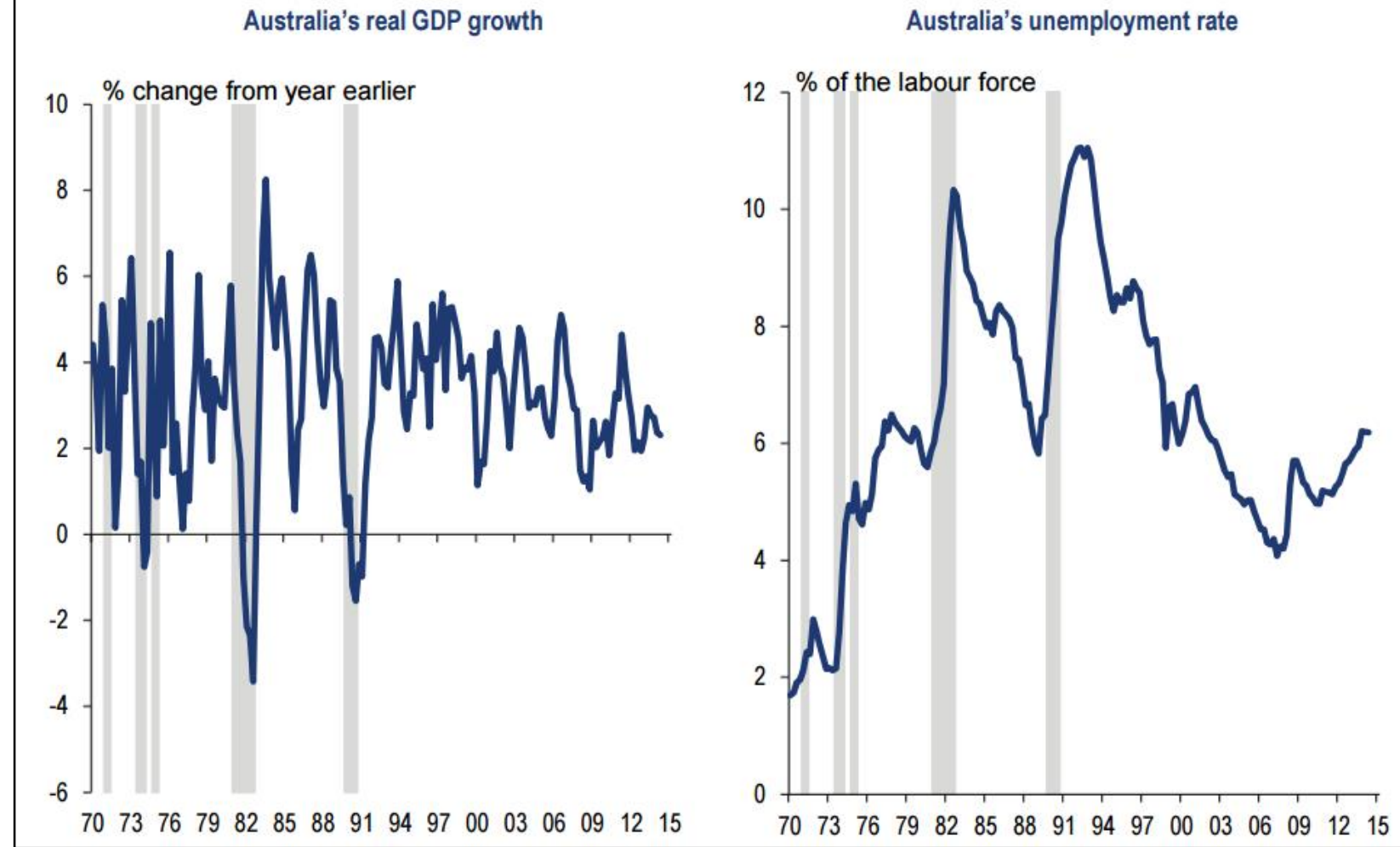
Source: NAB

How much do we pay for a dollar of rent?



sn't had a recession since 1991

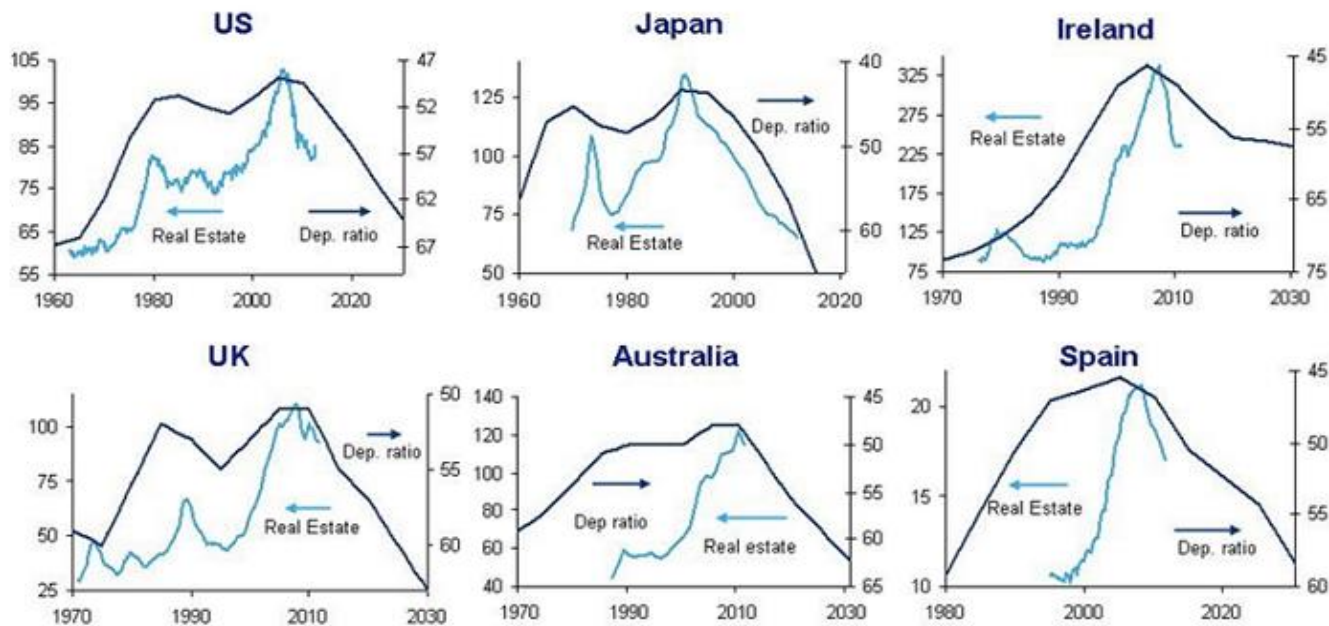
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dependency ratio (the proportion of population of working age relative to old and young).

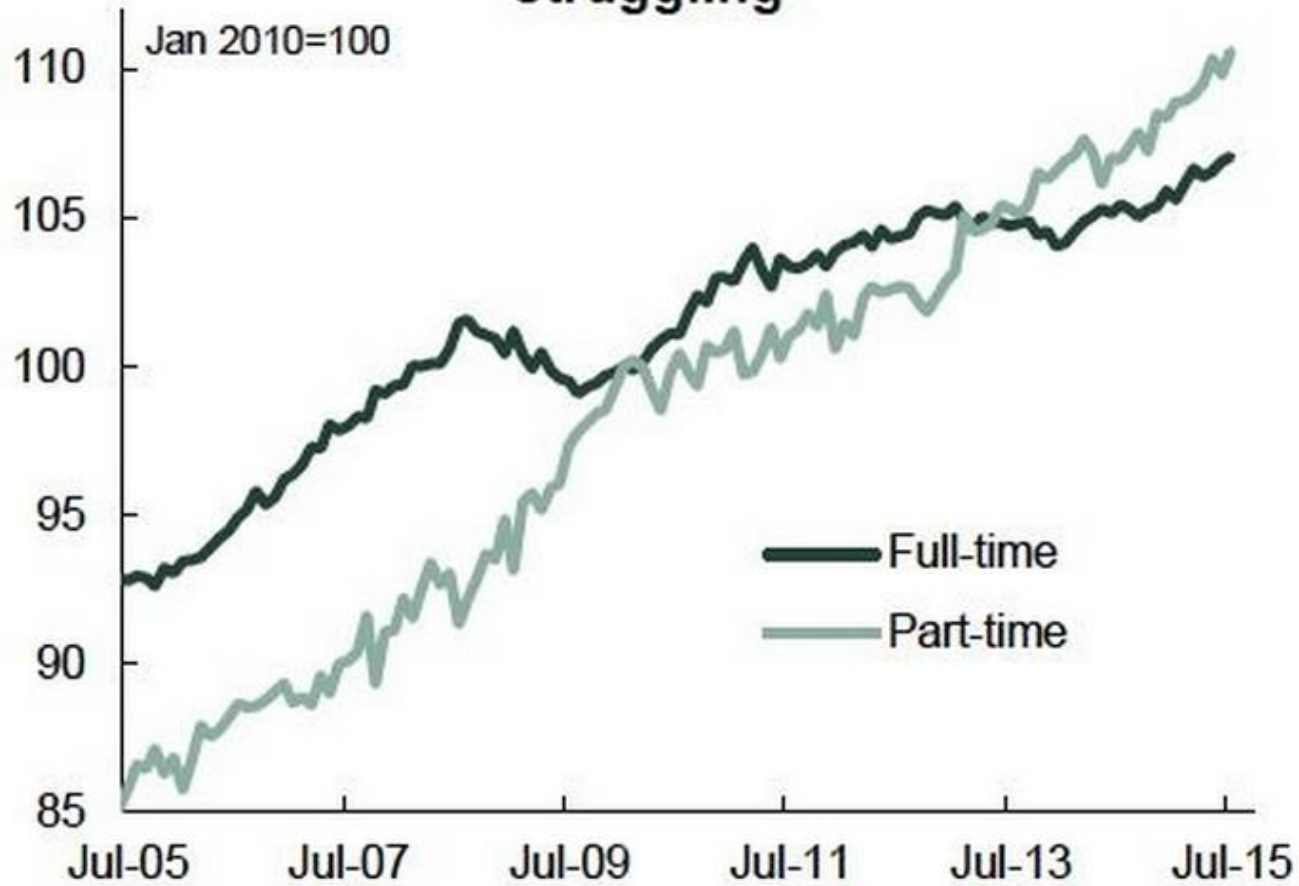
A baby boomer housing bust...

Real house price indices vs dependency ratios



Source: UN Population Database, US Census Bureau, Japan Real Estate Research Institute, UK FT House Price Index, Swiss National Bank. See *Ageing and asset prices*, E. Takats, BIS, and *Population Ageing, Macroeconomic Crisis and Policy Challenges*, K. Nishimura, BoJ.

Australia: why income growth is struggling



Source: ABS, TD Securities

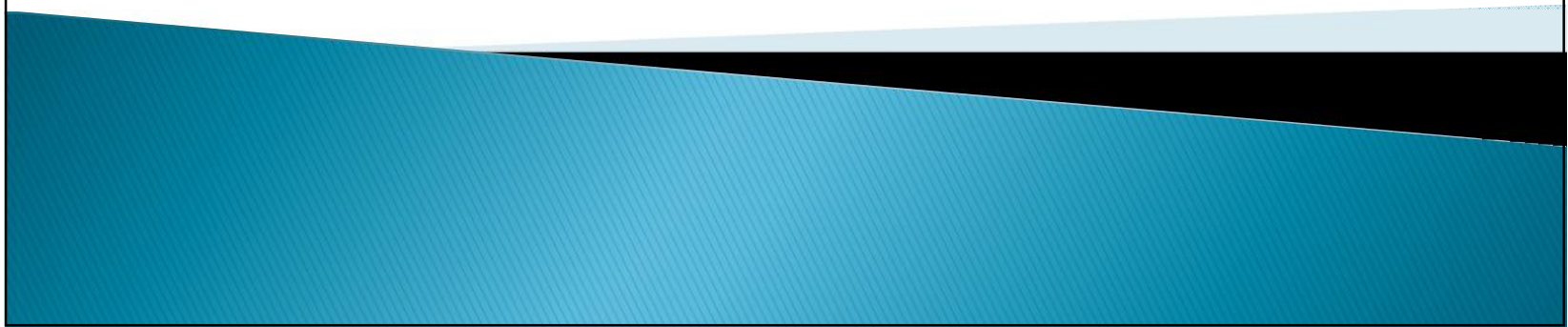
When therefore does Australia roll over into recession and what triggers that event?

- ▶ According to Kindleberger's analysis of the history of speculative bubbles (and booms), there are 4 common characteristics across all booms:

Kindleberger's Bubbles:

- i) (artificially) cheap money;
- ii) a build-up of indebtedness;
- iii) a high/extreme valuation; &
- iv) a seemingly plausible narrative.

The changing nature of Retirement



Retirement – not what it used to be

Your parents' retirement

vs

Your retirement

- Are they the same?
- If not why not?
- What's changed?

The changing face of retirement

The nature of retirement is changing because:

We live much longer and stay much healthier.

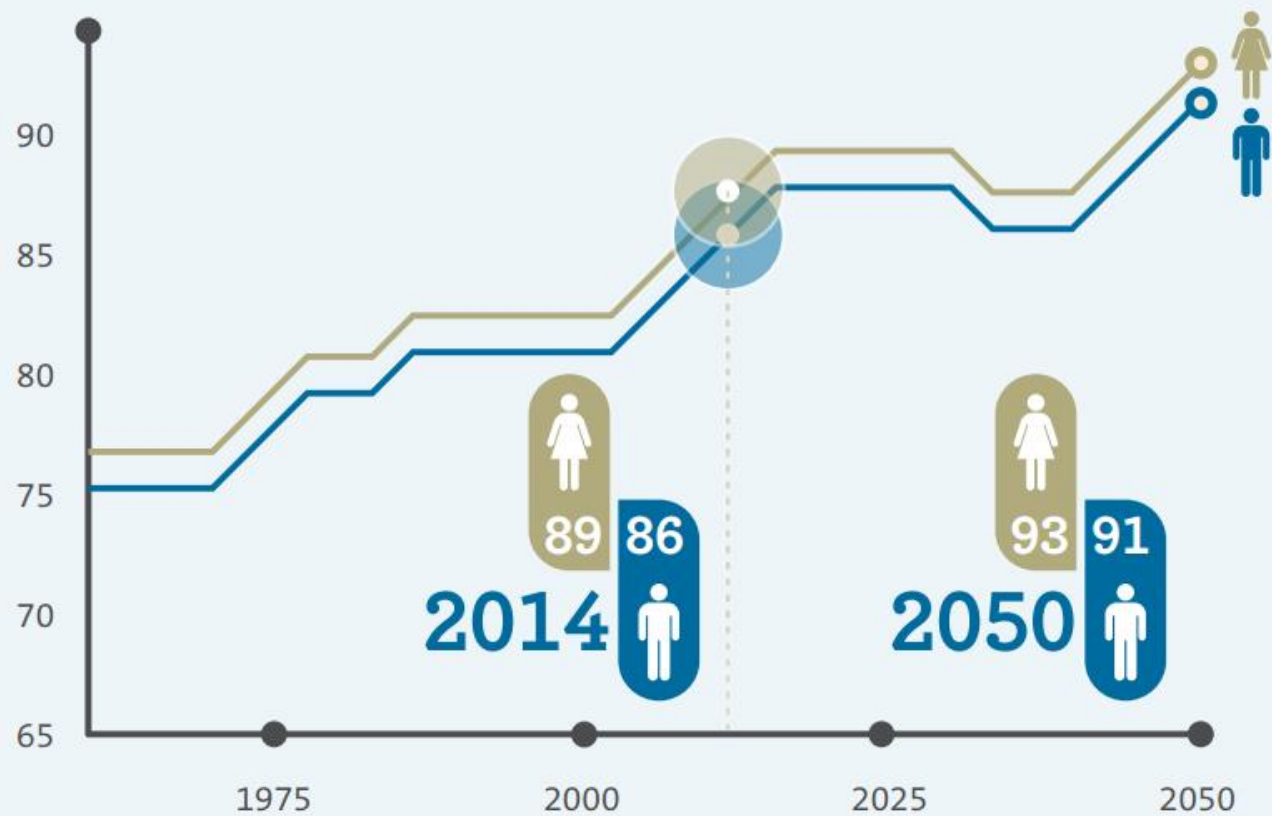
Our expectations are higher.

We can't rely on the Age Pension (alone).

We may have to look after parents as well as children.

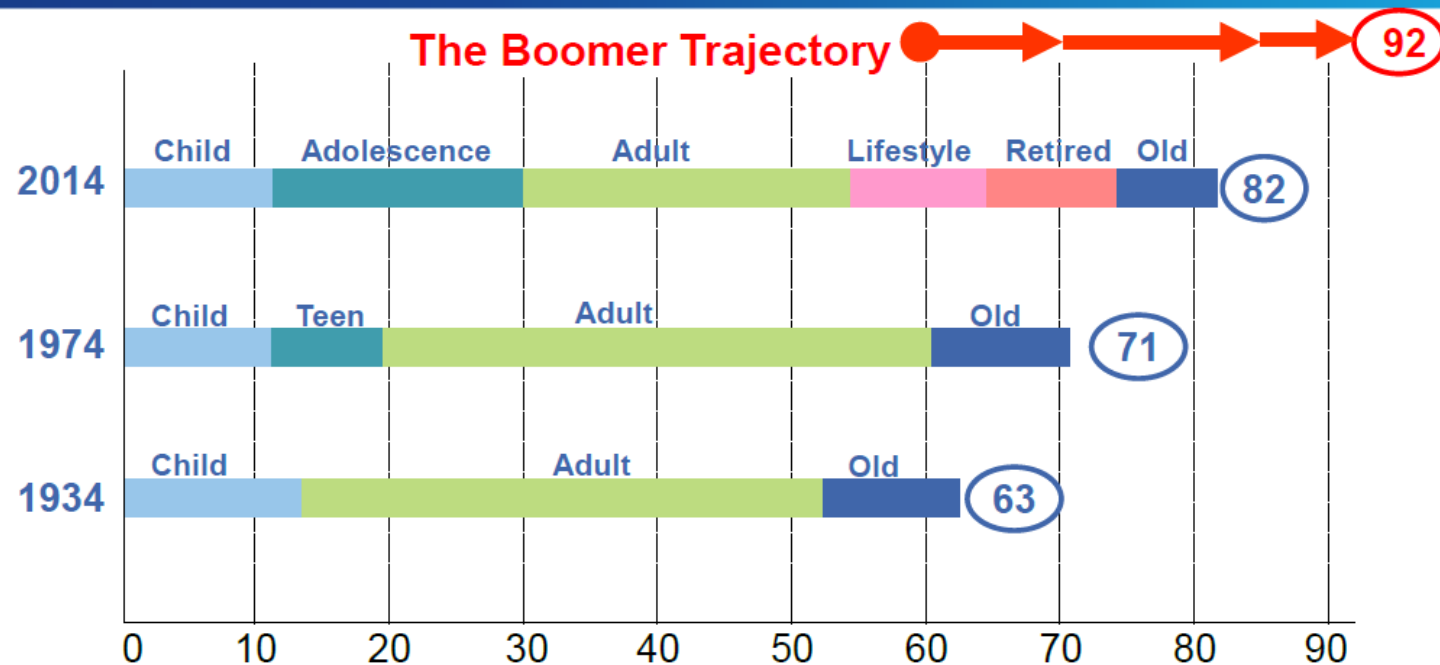


AVERAGE LIFE EXPECTANCY



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Boomers need to plan for a very long retirement



• Change in life expectancy over 80 years in Australia

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Source: Based on Australian Bureau of Statistics data; KPMG Demographics

So what do people actually **do** in retirement?

Community and charity work

- **32% of 55–64** year olds give back to the community through volunteer work.¹

Spend time with family

- **19% of retirees** spend time looking after their grandkids.²

1 Australian Bureau of Statistics – Stories from the 2011 Census.

2 Australian Bureau of Statistics – Voluntary work Australia 2004.

You start to have more free time, how will you choose to use it?

32%

of 55-64 year olds
give back to the community through
volunteering⁴



Over

1.9

million people over 55
travel overseas⁶

52%

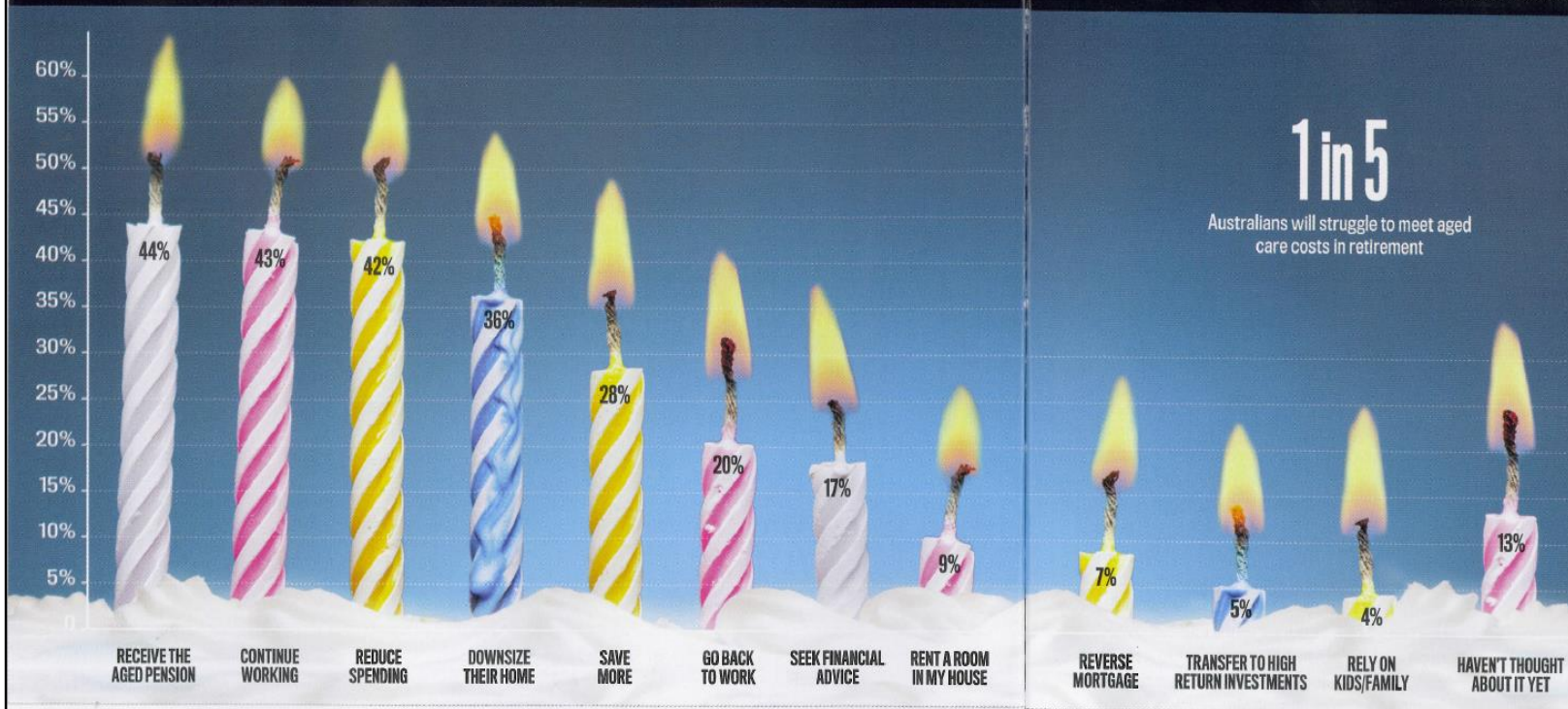
of 50-64 year olds
use Facebook and embrace new
technology⁵



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AUSTRALIANS WHO DON'T HAVE ENOUGH TO RETIRE COMFORTABLY SAID THEY WOULD:

Source: MLC/Investment



1 in 5
Australians will struggle to meet aged care costs in retirement



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80%

OF THOSE THAT ARE OF
RETIREMENT AGE ARE ON
FULL OR PART PENSION

20%

ARE SELF-FUNDED

Appendix A – Asset test impact for homeowners

Homeowner couples

| Assessable Assets | Age Pension received at current \$1.50 taper rate* | Age Pension under rebalanced asset test measure * | Reduction (increase) in pension income received | % of assets required to replace Age Pension | Assessable asset range | Number of pensioners with assessable assets in specified range |
|-------------------|--|---|---|---|---------------------------|--|
| \$100,000 | \$34,923 | \$34,923 | \$0 | N/A | \$0 - \$99,999 | 523,361 |
| \$200,000 | \$34,923 | \$34,923 | \$0 | N/A | \$100,000 - \$199,999 | 291,978 |
| \$300,000 | \$34,865 | \$34,923 | (\$59) | N/A | \$200,000 - \$299,999 | 197,580 |
| \$400,000 | \$30,965 | \$32,973 | (\$2,009) | N/A | \$300,000 - \$399,999 | 116,281 |
| \$451,500 | \$28,956 | \$28,956 | \$0 | N/A | \$400,000 - \$499,999 | 81,637 |
| \$500,000 | \$27,065 | \$25,173 | \$1,892 | 0.38% | \$500,000 - \$599,999 | 59,992 |
| \$600,000 | \$23,165 | \$17,373 | \$5,792 | 0.97% | \$600,000 - \$699,999 | 46,640 |
| \$700,000 | \$19,265 | \$9,573 | \$9,692 | 1.38% | \$700,000 - \$799,999 | 36,528 |
| \$800,000 | \$15,365 | \$1,773 | \$13,592 | 1.70% | \$800,000 - \$899,999 | 28,358 |
| \$823,000 | \$14,467 | \$0 | \$14,467 | 1.76% | \$900,000 - \$999,999 | 21,865 |
| \$900,000 | \$11,465 | \$0 | \$11,465 | 1.27% | \$1,000,000 - \$1,099,999 | 13,401 |
| \$1,000,000 | \$7,565 | \$0 | \$7,565 | 0.76% | \$1,100,000 AND GREATER | 2,830 |
| \$1,100,000 | \$3,665 | \$0 | \$3,665 | 0.33% | | |
| \$1,200,000 | \$0 | \$0 | \$0 | N/A | | |

AVERAGE SUPER BALANCE FOR THOSE ABOUT TO RETIRE



MEN



\$198,000



WOMEN



\$112,600

How much is enough?

That depends on:

How you want to
live in retirement

How long you live
in retirement

Where
you live

Your number is your goal

‘The question isn’t at what age I want to retire, it’s at what income.’

George Foreman

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