

The real benefits to retirees of financial advice

The 2020 YourLifeChoices survey revealed how over 3,000 retirees are coping with the effects poor share market performance has had on their savings at the start of the year. It's clear that confidence in retirement is based on having a solid income plan, and receiving trusted financial advice.

For many, the market volatility of 2020 has been difficult to navigate. Some people only realised that they had too much exposure to risk in their investment portfolio after markets fell dramatically. Super funds have reported that many members switched to more defensive portfolios after the drop.

A survey conducted by YourLifeChoices and Challenger in the middle of the first wave of the Coronavirus pandemic in April 2020 considered just how retirees were coping with share market shocks to their finances. Retirees were more concerned about share market performance than usual. This was the highest rated concern, with 43% of retirees including it in their top three financial issues.¹

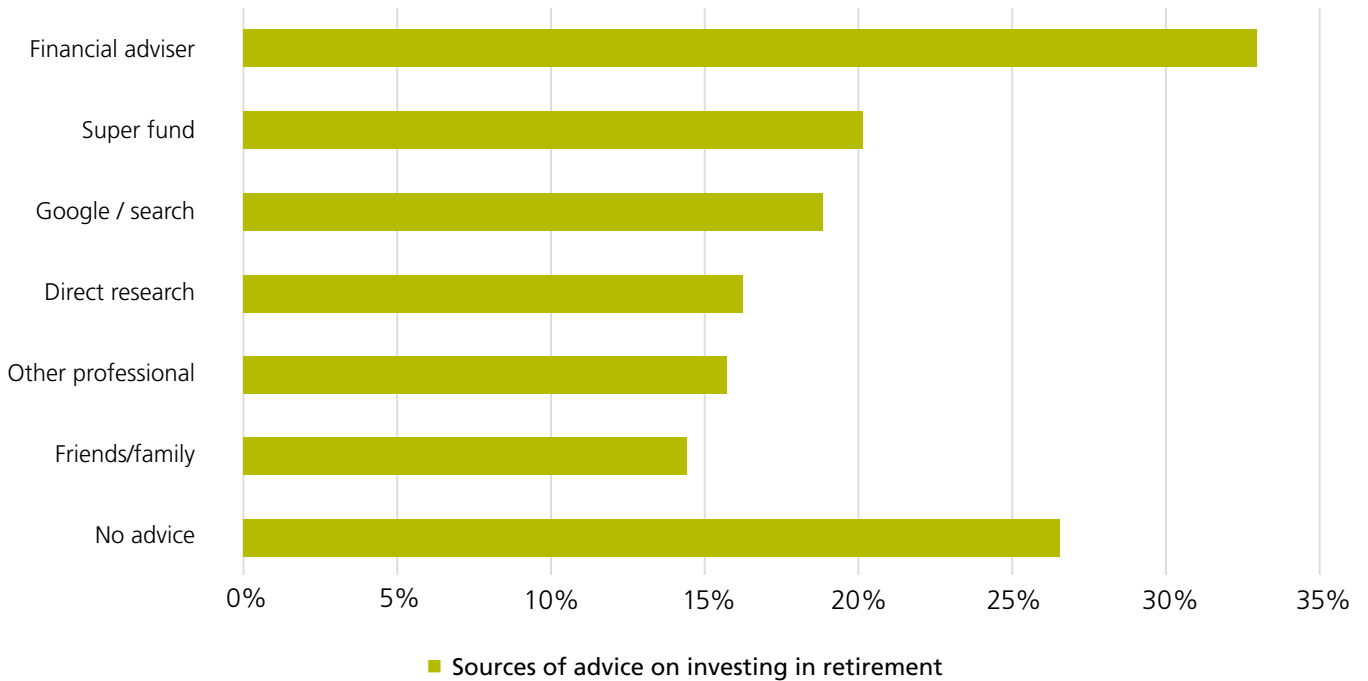


¹ www.yourlifechoices.com.au/retirement/retirement-income/how-the-covid-fallout-is-affecting-you

Who are retirees getting their financial advice from?

The survey also covered additional questions that provide some light on the value that retirees place on the help they get to manage their concerns in retirement. Most people are not fully equipped to manage the financial risks in retirement on their own, and many seek help. As can be seen in the chart below, more retirees see a financial adviser over any other source of guidance. Many retirees talk to their super fund, and some do both.

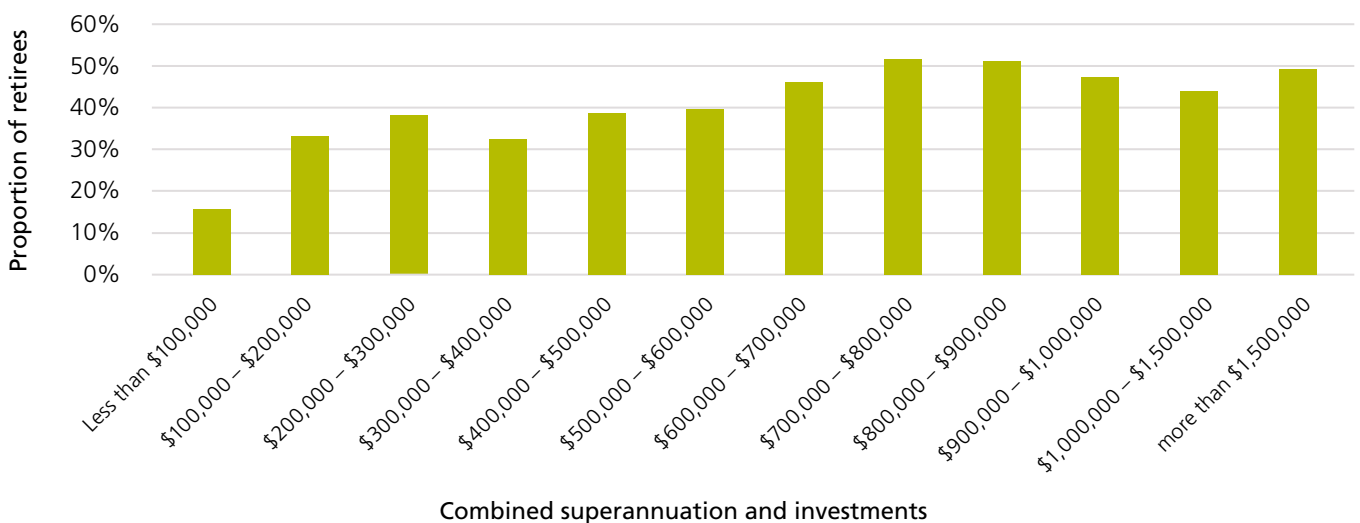
Sources of advice on investing in retirement



Is professional financial advice just for the wealthy?

An interesting observation of the people who use financial advisers is that, while wealth has some impact, a range of people with different levels of savings use financial advisers. This indicates that advisers can help retirees across many levels of wealth.

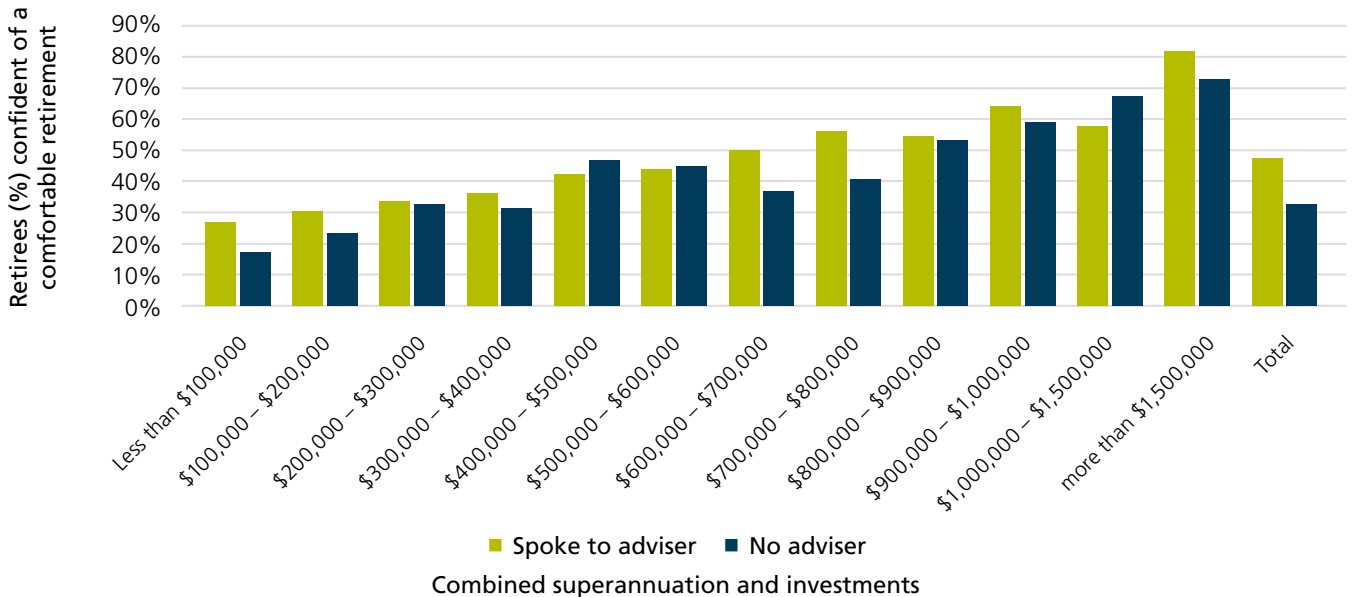
Retirees speaking to a financial adviser in the past 12 months



Effects of receiving financial advice on retirement confidence

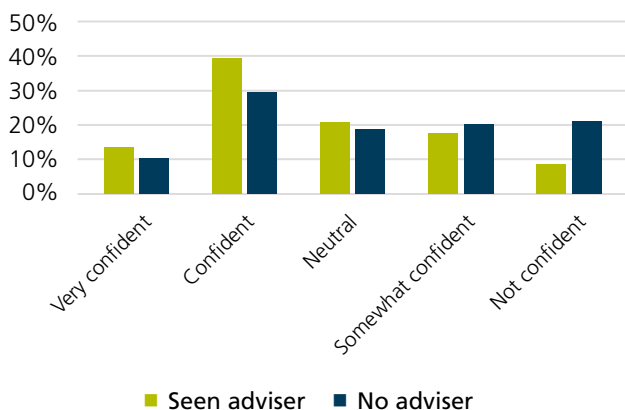
The outcome of receiving professional financial advice is often an increase in confidence in managing finances in retirement. On average, retirees who have spoken to an adviser were 14% more likely to be confident or very confident in their ability to live a comfortable life in retirement. And interestingly, the improvement was more evident at lower wealth levels.

Retirees more confident after speaking to an adviser

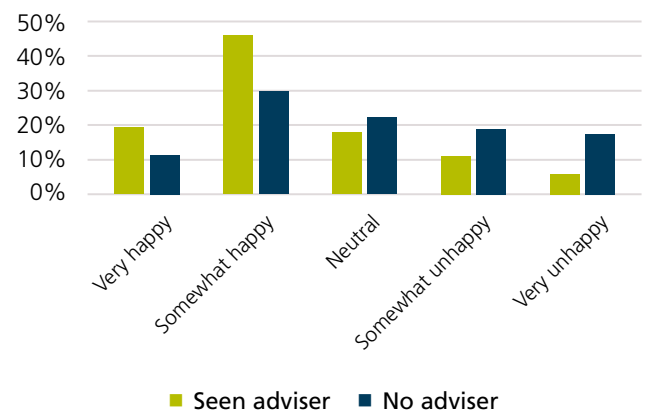


With all the additional concerns of retirees currently, and the limited ability to generate new savings after working, it is not surprising that retirees worry about their future finances. This is an area where retirees benefit from good financial advice. It's not that advisers necessarily remove all the uncertainty. They can't. But they can increase the confidence of retirees to manage their needs through the uncertainties of retirement. This was evident in two questions from the survey.

Confidence lifestyle maintained



Happy with money for retirement







Retirees who had spoken to an adviser were more likely to be confident or very confident that they would be able to sustain their lifestyle for as long as they live. They were also much more likely to report being happy with their money for retirement. The higher level of happiness was not just reported by those with more money. Some of the largest differences in the impact of advice were again present in retirees with less than \$200,000 in overall savings.

The improvement in happiness does show the power of a well advised retirement income plan across all wealth levels. Presumably, the advisers will have been able to provide constructive ideas for these retirees to put into place, increasing their confidence in managing retirement and providing the essential peace of mind that many retirees seek.

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