Costello savaged over super blame shift

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Superannuation

FORMER Treasurer Peter Costello drew fire from financial planners and political foes alike yesterday. He was called heartless and impulsive for trying to blame advisers for over-enthusiastically directing clients into superannuation investments that have crashed horribly since last year.

"An extraordinary and heartless attack on working Australians," said Superannuation Minister Senator Nick Sherry yesterday.

And the acting head of the Financial Planning Association, Deen Sanders said Mr Costello's comments "seemed a step back" in the battle to win public approval for super.

Senator Sherry called on Opposition leader Malcolm Turnbull and shadow treasurer Julie Bishop to stand up to Peter Costello and reject his attacks, reported in *The Australian* yesterday.

Mr Costello said he was not to blame for the huge surge of $15 billion into superannuation funds last year as pre-retirees and others sought to exploit new tax breaks. Instead he blamed financial advisers for the scramble.

Time to buy: Adrian Raftery says markets invariably bounce back

Yesterday, Mr Sanders, Financial Planning Association deputy chief executive, declared consumers were right to seek advice and to take advantage of the tax effectiveness of superannuation.

"Having an adequate, self-funded retirement income strategy for Australians has always had bi-partisan support," Mr Sanders said.

"When the former Government removed tax on superannuation benefits over the age of 60, they made important inroads to achieving this objective, as well as simplifying the rules surrounding superannuation, and we're concerned that Mr Costello's comments seem to step back from this now, and at such a sensitive time."

On a promise of tax-free super payments, thousands of Australians plunged into super funds in the hope of catching what were then roaring share and property markets, only to see them fall dramatically in the past six months.

Adrian Raftery, chief executive of Sydney-based financial adviser ARW Financial Management, said investors had to remember market invariably bounced up, even if it took time.

"First, if you are out of the market, it is very close to being the time to buy. It is impossible to know when the market has hit absolute bottom, but the greatest returns in share market history are made in these times," he said.

"Use dollar cost averaging — some today and some in a few months — to ensure you are not widely off the mark for re-entry."

All advisers yesterday stressed that what mattered was the length of time in the market, not picking the low point.

"If you bought when the share market was higher, then an important maxim is to stay in the market and don't panic," Mr Raftery said.

"Since 1985 the Australian share market has returned an average gain of 28 per cent in the year following a negative return."