



## Helping Clients Stay the Course

*Advisers are successfully implementing SmartShield Managed Accounts to address client objectives and concerns head on.*

After substantial fiscal and monetary stimulus globally, higher inflation has reared its head again, leaving central banks scrambling to get it under control. Whether or not they can engineer a soft landing remains to be seen. In the meantime, so long as financial and economic uncertainty remain high, market volatility is also likely to remain elevated.

For advisers and their risk-averse clients, we believe SmartShield offers a compelling solution to gain exposure to markets for its upside potential, whilst dynamically hedging against the risk of a significant market downturn.

The following short articles are excerpts that follow in-depth interviews with four advisers, who are already using SmartShield to address a variety of client objectives and concerns.



**CLAUDIA RIGONI-BRAZZALE**  
*Principal Adviser*  
Rigale Financial Solutions

## Helping retirees let go of fear

Australians spend their working lives saving for retirement, yet most retirees live in fear that they'll run out of money. Financial planner sees it first-hand in her practice.

"It's something I see a lot," she says. "When clients are in retirement, they aren't spending the money they have – they're too worried about losing it. They worry when markets have had a correction. Yet so many of them have more than a million dollars."

The unique mindset of retirees is underappreciated in an industry focused on maximising investment returns for those still in accumulation mode. However, research has shown retirees feel the pain of losses up to 10 times more strongly than younger investors – a point Rigoni-Brazzale explains to her clients.

"They know that, but they don't know we know that. They're not as worried about returns as they are worried about preservation of their funds," she says.

SmartShield adds another layer of downside protection by dynamically applying futures to its Moderate, Balanced, Growth and High Growth portfolios.

"It gives me and my clients some peace knowing we will have a less volatile journey and less downside," she says. "Clients want to know that there's some method and why we have chosen certain investments. If we can articulate it, then they get it."

The Milliman Monthly Market Monitor, helps Rigoni-Brazzale to explain how it works to her clients. For example, the most recent update showed how controlling the level of market volatility and reducing the impact of long market downturns can help retirees' money last longer.

Milliman provides another way for Rigoni-Brazzale to help her clients tackle the underlying fear they have about running out of money or being struck down by a market downturn.

"They often want reassurance," she says. "They'll ring me and say, 'can I do this?' and I'll say 'absolutely – you can afford to do that.'"

For the full interview visit [Advice.Milliman.com](https://Advice.Milliman.com)

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**DAMIAN LIDDELL**  
*Financial Planner*  
**Contrarian Group**

## A new way to climb the retirement mountain

People spend a lifetime saving for retirement but getting there is only half the battle.

“It’s like climbing Everest. Everyone is so focused on getting to the top, but 80-90 per cent of deaths are on the way down. It’s the same with retirement planning.”

Pre-retirees face two major issues. Their retirement savings are reaching a peak, leaving them highly exposed to volatility and extended market downturns. Yet they still need to generate returns well above the level generated by ‘safe’ assets such as bonds and cash.

“Most clients just want a modest return of 5-7 per cent with the least amount of risk. That’s easier said than done with interest rates now so low – everyone has been forced up the risk spectrum. It’s working for now but eventually it’s going to get ugly – I’ve seen it all before.”

Most of Liddell’s pre-retiree clients were invested evenly between growth and defensive assets before the initial COVID-19 crisis in early-2020, which protected them from the worst of the downfall. While some major 70:30 ‘balanced’ super fund portfolios fell by more than 25 per cent, Liddell’s declined by less than half that before fully recovering.

“A 20 per cent fall can really knock them around,” he says. “Their emotions are going to take over and they’re probably going to get

out of the market at the wrong time. Everyone knows they shouldn’t run for the exits but when fear takes over, people panic.”

“The COVID-19 induced sell-off was a significant market drawdown but the market recovered in the blink of any eye and has lulled people into thinking they’ve got what it takes to ride things out. My experience is most people don’t, particularly retirees.”

It’s one reason why Liddell has added Milliman’s SmartShield separately managed accounts to his range of client tools.

Liddell uses the SmartShield High Growth portfolio as part of a core-satellite approach. The High Growth portfolio is comprised of 90 per cent passively managed growth assets, which are most at risk of volatility and a market downturn.

Liddell then uses other actively managed funds for his clients’ bond exposure.

“The protection gives us some comfort that we can take on a bit more risk. I stress to people that with SmartShield, we’re not taking risk completely off the table – it’s not a full guarantee. But that concept of giving up some of the upside to protect the downside really seems to resonate with people.”

For the full interview visit [Advice.Milliman.com](https://Advice.Milliman.com)

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“They [Investors] need to invest with room for error or have a Plan B. Better still, I think SmartShield gives them Plan A and B.”

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**ROMI BITAR**  
*Senior Financial Planner*  
Financial Solutions Victoria

## Don't let market turmoil derail a good innings

Financial adviser Romi Bitar likes to simplify financial advice for his clients with a good sporting analogy. “Don Bradman went out for a duck in his last innings but he still averaged 99.94 runs, so you’ve got to look at the whole picture to get a meaningful summary,” he says.

But for some investors it can still be catastrophic. Long-term average returns are important but a ‘duck’ – or market crash – at the wrong time can derail risk-averse investors such as retirees. “When the share market crashes, wouldn’t you rather a soft landing compared to a hard landing? We try and smooth returns out as best we can.”

Milliman’s SmartShield range of separately managed accounts, which were launched in early-2020 just as the COVID-19 downturn hit, have recently become part of Bitar’s investment toolkit. Each portfolio provides built-in risk management, designed to help manage pre-retirees’ and retirees’ exposure to sequencing risk. It also helps to keep investors from making poor decisions, giving them the confidence to stay invested during a market downturn.

### INVESTORS CONCERNED ABOUT RISING COST OF LIVING

“I have people saying to me, ‘Do I just go pulling out all my money from the share market and put it in bank accounts? I won’t have any of this volatility’. But while you might think you’re preserving capital, inflation is eroding its worth. If something was costing \$1 this year, it may very well cost you \$1.10 next year based on the current inflation trend rate.”

Many older investors are still concerned they’ll run out of money in retirement. They need regular stable returns but must take on more market risk to generate them given interest rates remain well below the rate of inflation. Bitar considers himself a financial coach and helps educate clients to match their lifestyle goals with their age.

### A WAY TO MANAGE BEHAVIOUR DURING STRESSFUL EVENTS

Risk can also adversely affect younger investors. One client turned up unexpectedly at his office during the peak COVID-19 downturn in early-2020. He said, ‘I couldn’t sleep. I understand you’re going to try and talk me out of it, but I’m not leaving here until you sell down all my investments.’

The client’s insistence on selling ultimately cost him about \$25,000 as the market went on to post one of the quickest recoveries in history. However, he is now in a SmartShield portfolio, which provides an extra layer of downside protection against volatility and any extended market downturn.

“I caught up with him a couple of weeks ago and he didn’t really say much – I think he’s more appreciative now of the investments he’s in and the difference,” Bitar says.

For the full interview visit [Advice.Milliman.com](https://Advice.Milliman.com)

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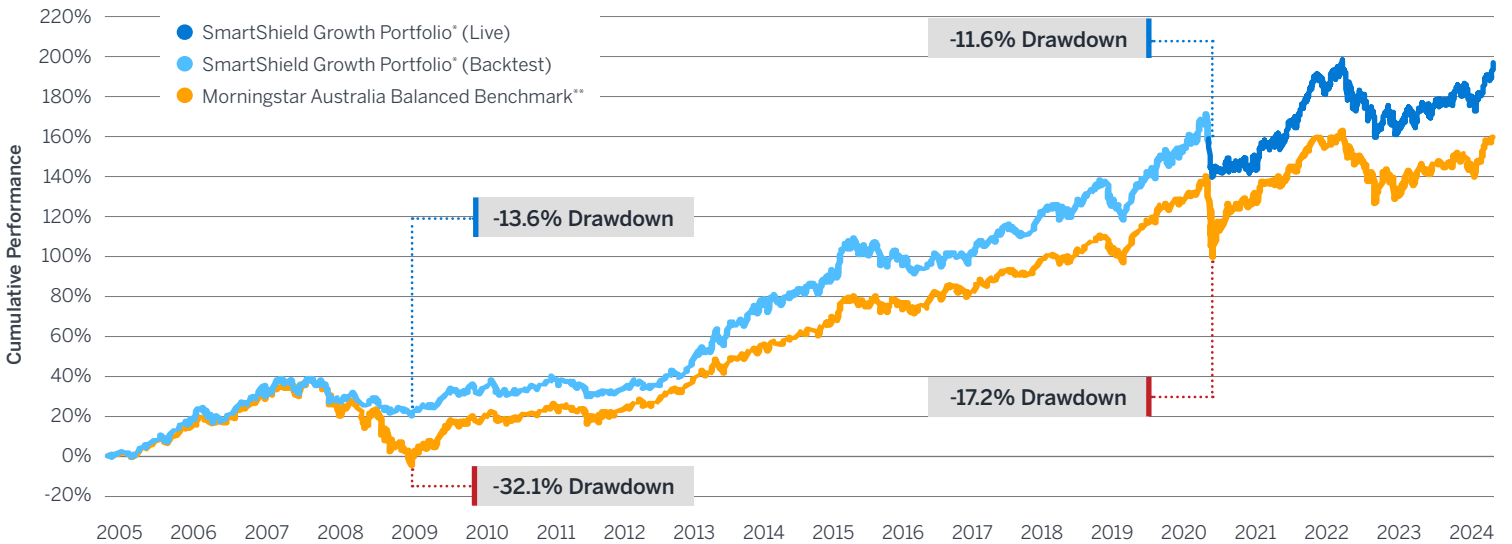
# SmartShield for your clients

As we said at the start, SmartShield offers a compelling solution for maintaining exposure to the market's upside potential, while dynamically seeking to hedge against its downside risk.

The hedging strategy dampens market volatility and provides a cushion against systemic market falls. It uses futures contracts dynamically so investors can have greater participation when markets are strong, and offers more protection when volatility spikes.

Fees are also kept low by leveraging Milliman's institutional scale and using ETFs to build the underlying Moderate, Balanced, Growth and High Growth portfolios.

## CUMULATIVE NET<sup>1</sup> PERFORMANCE (JAN 2005 – JAN 2024)



\* Actual performance data is presented from 3rd March 2020 onwards. Prior to this date, performance numbers are back-tested.

\*\* Index consists of the Morningstar Australia Multi-sector Balanced Total Return Index until 28th February 2022, before it was retired by Morningstar and replaced by the Morningstar Aus Balanced Target Allocation Index, which is used as the benchmark from 1st March 2022 onwards.

<sup>1</sup> Performance are net of fees. Fees applied on the index represent the asset-weighted median fee charged by Australia domiciled allocation funds (Morningstar study "Global Investor Experience Study: Fees and Expenses", 17 September 2017).

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