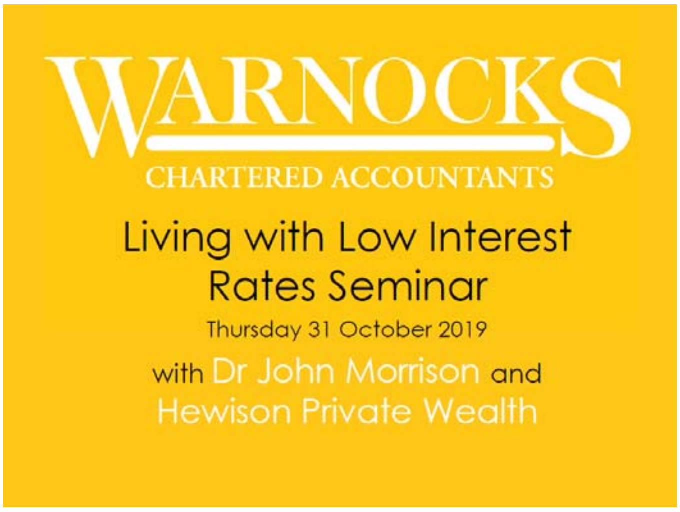
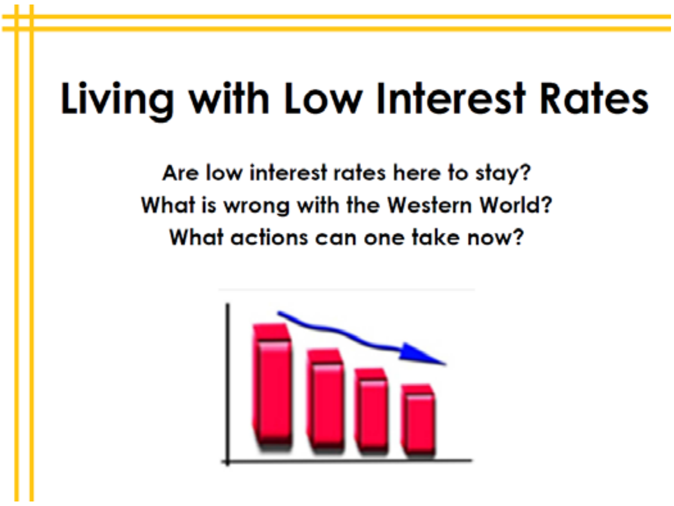
George Dingli, Warnocks notes. 31 October 2019



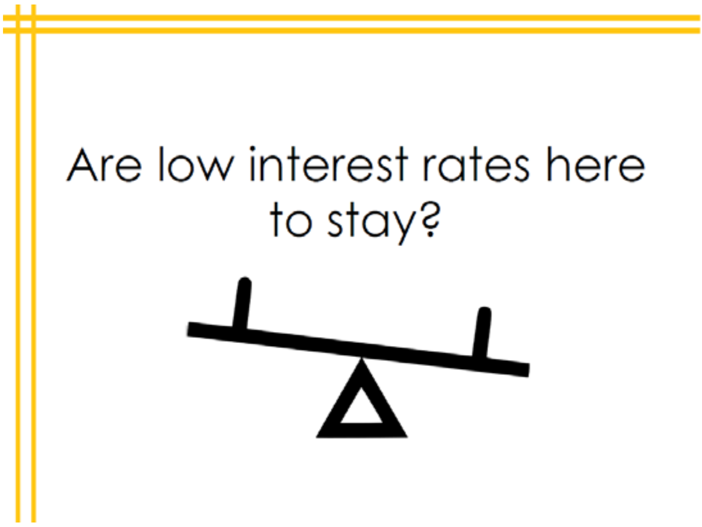
The theme of our meeting today is 'Living with Low Interest Rates'.



We ask ourselves whether **low interest rates are here to stay.**
If so, **what is wrong with the Western World?**
Forewarned is forearmed: **what actions can one take now?**

The traditional wisdom is that when the economy is strong, borrowers long for low interest rates, because this makes it less expensive to borrow money.
And, when the economy starts to falter, Central Banks set low interest-rate targets in their efforts to spur their economies.

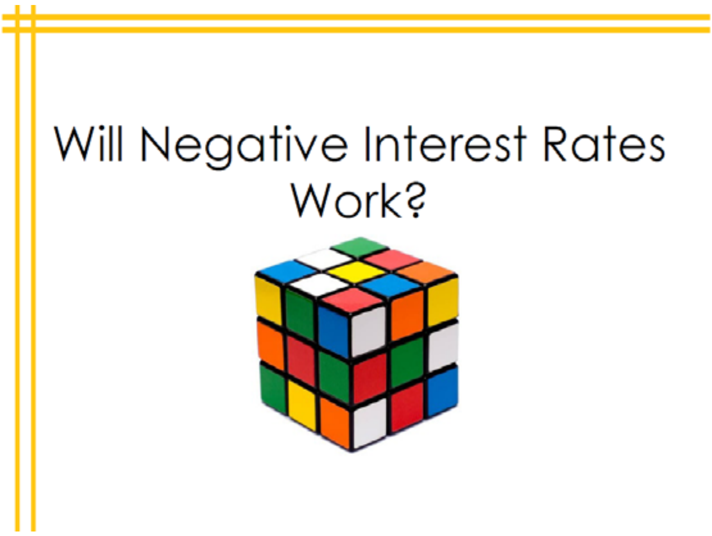
Lower rates encourage businesses and consumers to borrow and buy things. Loans put money into circulation and raise the money supply, which supports an economic recovery -- to a point. However, low interest rates can also be a damper on the economy and to business.



Are low interest rates here to stay?

Well, it certainly looks like it; as an indication of where world interest rates might be heading, the ABC News of 27 August 2017 reported that the German government has issued 824 million euros in bonds, which offered to give investors their money back, and nothing more, in 30 years' time.

Deutsche Bank Australia's chief economist, Phil O'Donoghue, concedes he has never seen anything like it in his career. "I mean, it's just inconceivable to think that over 30 years we're not going to see a positive rate of inflation," he said. "Implicitly, theoretically, that is what the 824 million euros (the amount of demand in the bond auction) is assuming. “I mean, that is just extraordinary."



Will Negative Interest Rates Work?

The ECB thinks it has found a way out of the slow economy quagmire, but hang on, Japan has been experimenting with quantitative easing and super-low-to-negative rates for 20+ years, and none of it worked. The real reason for the low rates is that governments and corporations have racked up so much debt following the 2008 crisis that it would be impossible to service the debt with "honest rates." If interest rates were in the 4-5% range, there would be a wave of defaults everywhere.

Another reason for the low rates is that governments worldwide are attempting to devalue their currencies to boost their exports. But once again, it's not that simple in a complex system like the economy. Yes, maybe negative interest rates prevent defaults or boost exports, but they don't encourage personal consumption. (Brian de Chesare).

What does this mean for Australia?

There is a heavy focus on the ups and downs of interest rates of global long-term bonds because they are seen by economists as a throw-forward to what Australians can expect to pay on their interest rates years from now.

The Reserve Bank of Australia has cut the Cash rate to 75 basis points, with a further cut on the way, possibly down to 50 basis points. Reserve Bank Governor Philip Lowe has said that he can't foresee negative interest rates coming about in Australia. But he does concede that cutting interest rates won't have the stimulus that the Australian economy needs.

Global bank HSBC's research team has forecast what the interest rate on a 10-year US Treasury bond will be in 2025. HSBC Australia's chief economist, Paul Bloxham, told PM that amazingly, it's expected be lower than what it is today.

"If the rest of the world is going to have even lower interest rates, it's very hard for Australia not to have to follow that path." "And I think that's what we're looking at in terms of what's going to drive the RBA to potentially have to cut further."

When interest rates are too low

When consumers pay less in interest, this gives them more money to spend, which creates a ripple effect of increased spending throughout the economy. More consumers borrow money to make big purchases, such as residential real estate, and cars.

Home Owners

A low interest rate environment is great for existing homeowners because it reduces their monthly mortgage payment. However, the Reserve Bank has delivered a warning on the consequences of interest rate cuts, even as it is continues slashing them to the lowest rate ever recorded. “We can be confident that lower interest rates will push up asset prices, and I think that later on we will have problems because of that,” said RBA governor Philip Lowe.

People living off their savings

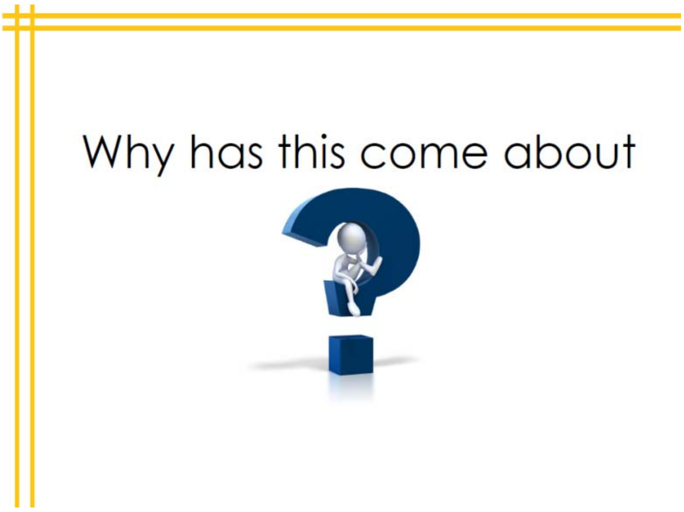
Of course, low interest rates negatively affect people who live off the interest income from their savings, so they cut back their spending. Consequently, when such a large group of people as the baby boomer retirees, reduce their spending, overall economic activity slows.

When people can't earn attractive interest income on their money in savings accounts and certificates of deposit, they either use their money to pay down debt or invest in goods, services or assets like houses and stocks. This means banks lose deposits. Bank margins are currently being squeezed as never before. A not so obvious impact of low interest rates is their effect on insurance companies; those companies rely on a certain interest-based return on the money they receive in premiums to support their coverage liabilities; when they can’t meet those revenue targets, insurance premiums will have to rise.

Borrowing Money Becomes Difficult

Banks generally have lots of money in their deposit accounts, so they are eager to lend. However, when interest rates are abnormally low, banks don't have a high deposit base, and to make things worse, the lower margins don't encourage taking risks, so they lend to borrowers with the highest credit ratings and substantial assets to support those loans.

The Banking Royal Commission has effectively imposed restrictions on lending which has made life quite difficult for those people needing to raise temporary loan capital, such as developers. This policy has encouraged growth in the non-bank fixed interest market for shorter term loans. Used with care and awareness, this market can provide useful investment opportunities.



Why has all this come about?

For one respected view, we refer to an article entitled: "Take note of the man who cried wolf" by Marcus Padley, in The Age of 4 September 2019. We reviewed this article in some depth in our September Newsletter.

Padley's article is based on a recent video presentation by Donald Amstad. Mr Amsted is head of investments specialists, Asia, at Aberdeen Standard Investments, a global fund manager that has more than $1 trillion in assets under management in 80 countries.

There are many market commentators that talk down the markets. They serve a purpose because they balance out the rest of the financial market herd that has institutions that are commercially biased toward optimism. We need these canaries in the coal mine. However, the scary thing is Donald Amstad is not one of them. He works for one of the financial institutions.

What is wrong with the Western World?

What is wrong with the Western World?

We suspect there is something wrong – the conundrum of negative bond yields and the recent increase in stock market volatility tells us that the markets have begun to pick up on it, too.

Going back several decades, Amstad firstly notes that the Asian crisis in the 1990s could have been solved by money printing, but their governments refrained because the International Monetary Fund warned them their currencies would be destroyed by devaluation and their economies by hyperinflation. Instead, Asia took its medicine, reset their balance sheets, went through the pain and emerged years later better for the process.

The so-called GFC of 2008 was a Western financial crisis not a global financial crisis. The response of the US and Europe was to take easy route. They didn't take their medicine, they printed money and, a decade later, with all that new money swilling around, the consequences are clear to see – interest rates are low or negative and going lower.

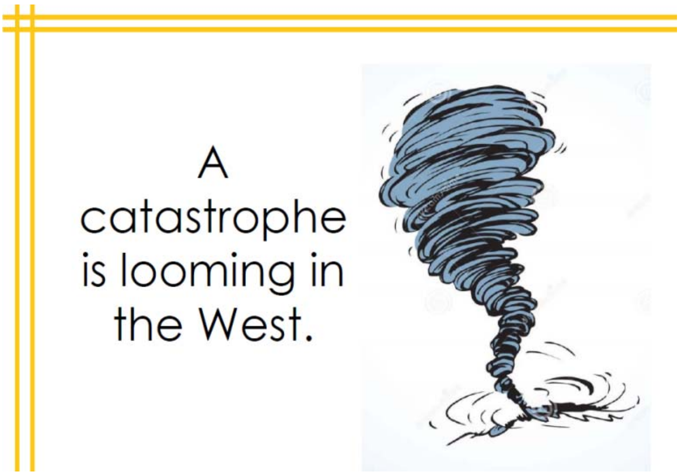
The "bond bubble" has put the West on the edge of a financial cliff.

Amstad says that this "bond bubble" has put the West on the edge of a financial cliff – printing money at times of market stress cannot continue and central banks are out of ammunition.

After the final rate cuts and the recommencement of quantitative easing, the inevitable will happen, he says. The bond market will burst and, when it does, the money printing governments won't be able to fund themselves, as no-one will want to buy their bonds and the bonds already issued will become "unrollable."

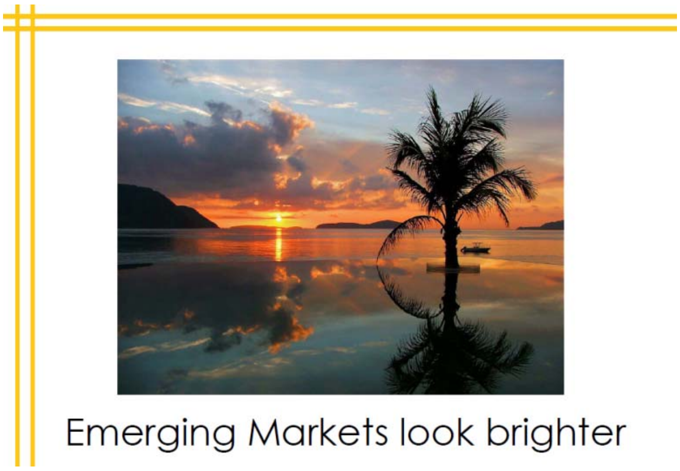
Money that had been finding its way from the printer, through the bond markets, into the investment banks and then into the stock market will end. Amstad observes that this cheap money has put US$25 trillion dollars' worth of S&P 500 companies on a fantasy world multiple of 21 times earnings. When the bond market bubble bursts, equity markets will fall and so called risk-free assets will be revealed as being anything but.

We could be at the end of the game: Banks that rely on a rising yield curve, high interest rates and asset price inflation will see the opposite of that. They will not be able to find a margin to make money, let alone grow. Some will go out of business.



There is a catastrophe looming in the West; markets are beginning to wake up. The West has to take its medicine, according to Amstad; when it does, you will need a markets blindfold because it's going to be pretty scary.

As an example of the high-wire balancing act going on in the USA, Amstad refers to the USA website. USdebtclock.org. In plain terms, the US GDP is about $20 trillion, and that is also about the amount of US government debt. The monumental problem however, is that US unfunded liabilities amount to $125 trillion. These are amounts promised for pensions, healthcare, social security and unemployment. Where on earth is the US Government going to get $124 trillion dollars? It just can't be found. Severe social problems will continue to arise; society will suffer. It's the west that is a basket case; Italy wants to leave the EU, as does the UK.



Emerging Markets look brighter

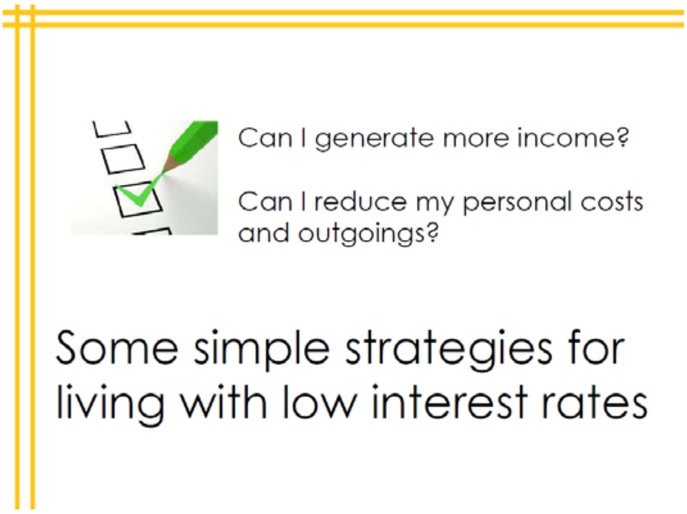
China is in a much better state than the US and other Western Nations. It has a strong balance sheet, debt is restrained, there are no significant liabilities, and its state-owned enterprises make massive profits. Governments in Asia and governments in emerging markets have very sound economic and monetary policies in comparison to the Westernised economies, which are heading down the path of the Zimbabwean school of economics.

The Timing Question

The problem, as with all financial disaster scenarios, is timing. The questions for all of us are not only whether Donald Amstad is right, but possibly when will things change? The financial system is set up to protect itself, so the present long bull market could perpetuate itself for a lot longer yet.

You can see Donald Amsted's presentation by following this link:

https://www.theage.com.au/money/investing/take-note-of-the-calibre-of-the-man-who-cried-wolf-20190903-p52nfg.html



Some simple Strategies for living with Low Interest Rates

So, I get it; the financial outlook is looking pretty dark. On a personal level, what can I do to put myself in the best position? In times of uncertainty, the main objectives are to safeguard capital, reduce expenses and increase income.

Can I generate More Income?

Circumstances permitting, consider working for longer, or working part-time if you are able to. If you retire at age 65, you could live for 20-25 years more, so help yourself to make that time comfortable Apart from being good for your physical and mental health, working also helps to pay the bills. .

If you have your own business, consider maintaining a financial interest in the operation when you start to reduce your own attendance.

Consider equipment purchase by finance, where that equipment is profit-earning, and the cost of finance is reducing

Investigate Peer to Peer lending

Consider investing in the Fixed Interest market, especially offers from reputable organisations, supported by first mortgage security, professional valuations and a low loan to valuation ratio.

Can I Reduce my Personal Costs and Outgoings?

Consider taking accelerating mortgage reduction when the cost of borrowing is reducing,
Pay off non-deductible debt, especially Credit Cards
Avoid paying interest, especially on Credit Cards, Consumer Loans
Avoid non-deductible leasing arrangements and other personal car finance

Consider interest-free sales promotions
Curtail spending; think through discretionary purchases, especially on expensive outgoings such as Cars, and Holidays
Use loyalty programs, such as Frequent Flyers to reduce the cost of having a holiday
Review personal insurances; get competitive quotes from a good broker; make sure that your cover is not excessive, and is not too expensive

Review your expenses around the home; make sure these are all good value, e.g. gardening, window-cleaning, and house cleaning.

Be prepared;
Take action now:
Asset Allocation

Be prepared; take action now: Asset Allocation

This is the single most important determinant of successful investors. Review your asset allocation, as appropriate (see above). Be careful of over-exposure to (western) equities, especially overseas equities. Think about diversifying investments across a wide range of asset classes such as shares, property, bonds and cash.

Consider opportunities in emerging markets
Avoid going into risky investments/ loans in pursuit of yield.

Low interest rates are a fact of life at present. And, as ever, we can't change the facts. We can't control events, but we can control our reaction to them.

US financial commentator Brian de Chesare has shared with his readers his present asset allocation which he adopted earlier this year. His simplified portfolio now comprises five equal parts, set out below. De Chesare says that this is a variation of an all-weather portfolio, which generated average annualized returns of 6-7% historically with a maximum annual loss of ~11%. His focus is on capital preservation more than high annualized returns.

Equities: U.S. Total Stock Market Fund + U.S. Small-Cap Value Fund,

Bonds: Long-Term U.S. Treasuries + Short-Term U.S. Treasuries, and

Gold: (It has been a while since Gold featured in Asset Allocations.)

VALANT CAPITAL Dr John Morrison

HEWISON PRIVATE WEALTH Nathan Lear And Travis Schindler

Dr John Morrison and Hewison Private Wealth

Remembering the Boy Scouts' Motto, 'Be Prepared, we put the question of how to live with low interest rates to the good people at Hewison Private Wealth. Senior Client Advisers Nathan Lear and Travis Schindler have kindly agreed to give us their perspective on the challenges of building bespoke portfolios that are best placed to deal with much market uncertainty.

Before then we will hear from Dr John Morrison. John will focus on three main areas; they are China, a brief overview of markets, and a macro commentary on the importance of Asset Allocation.

WARNOCKS
CHARTERED ACCOUNTANTS

Market Update

Australia
the lucky Country?

Dr John Morrison
31 October 2019

China

Facts

- Population = 1,396,000,000
- Inflation = 2.4%
- Unemployment = 4.0%
- Interest rate = 4.2%
- GDP = US$14.2 trillion (2)
- GDP in PPP terms (Purchasing Parity Power) = US$25.3 trillion (1)
- 5,000 years of civilisation
- A trading nation for 1,000's of years
  - Asia, Africa and India
  - the silk road to the west (old and new)

Napoleon Bonaparte

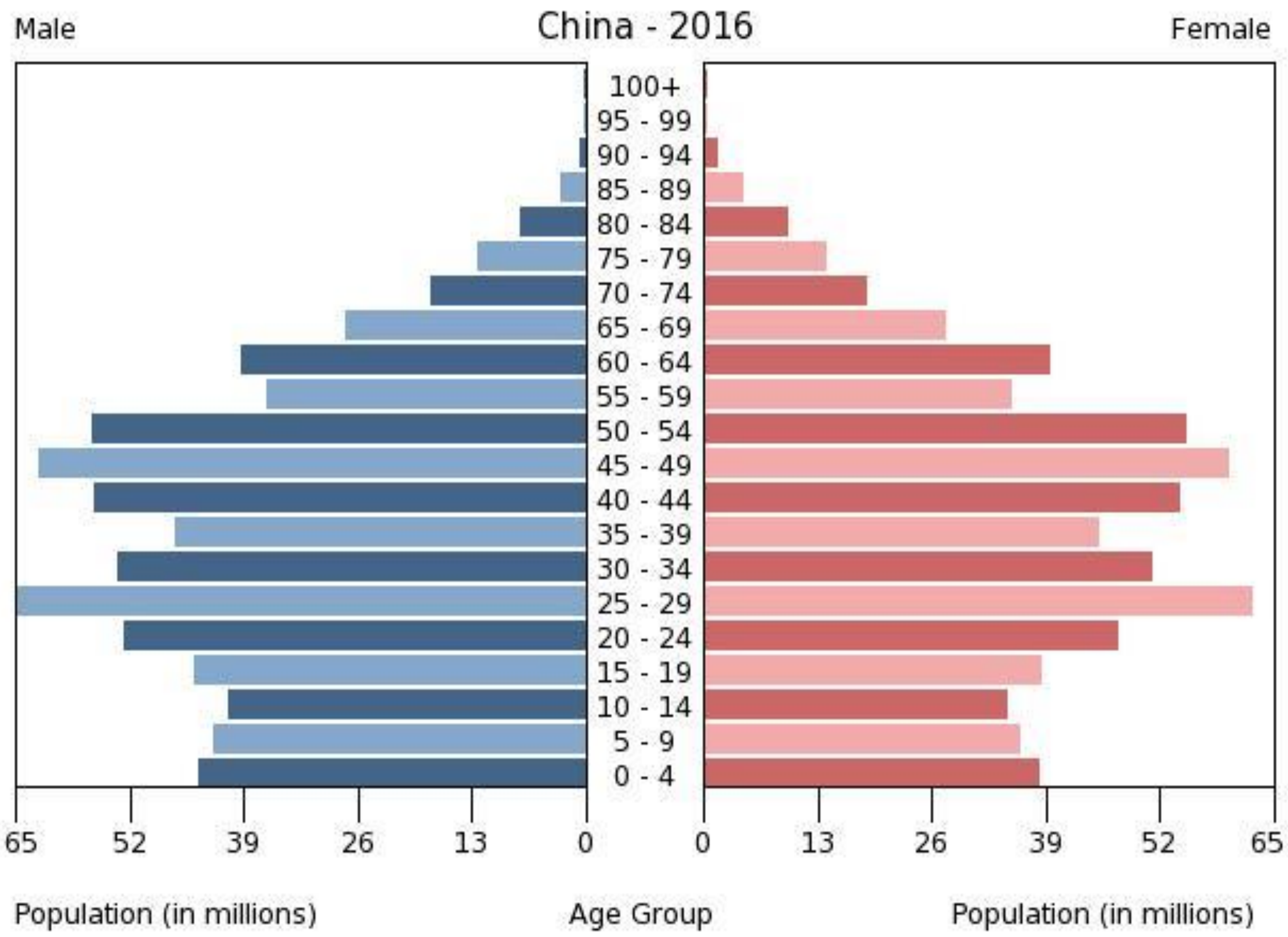
"Let China sleep, for when the Dragon awakes she will shake the world."

China

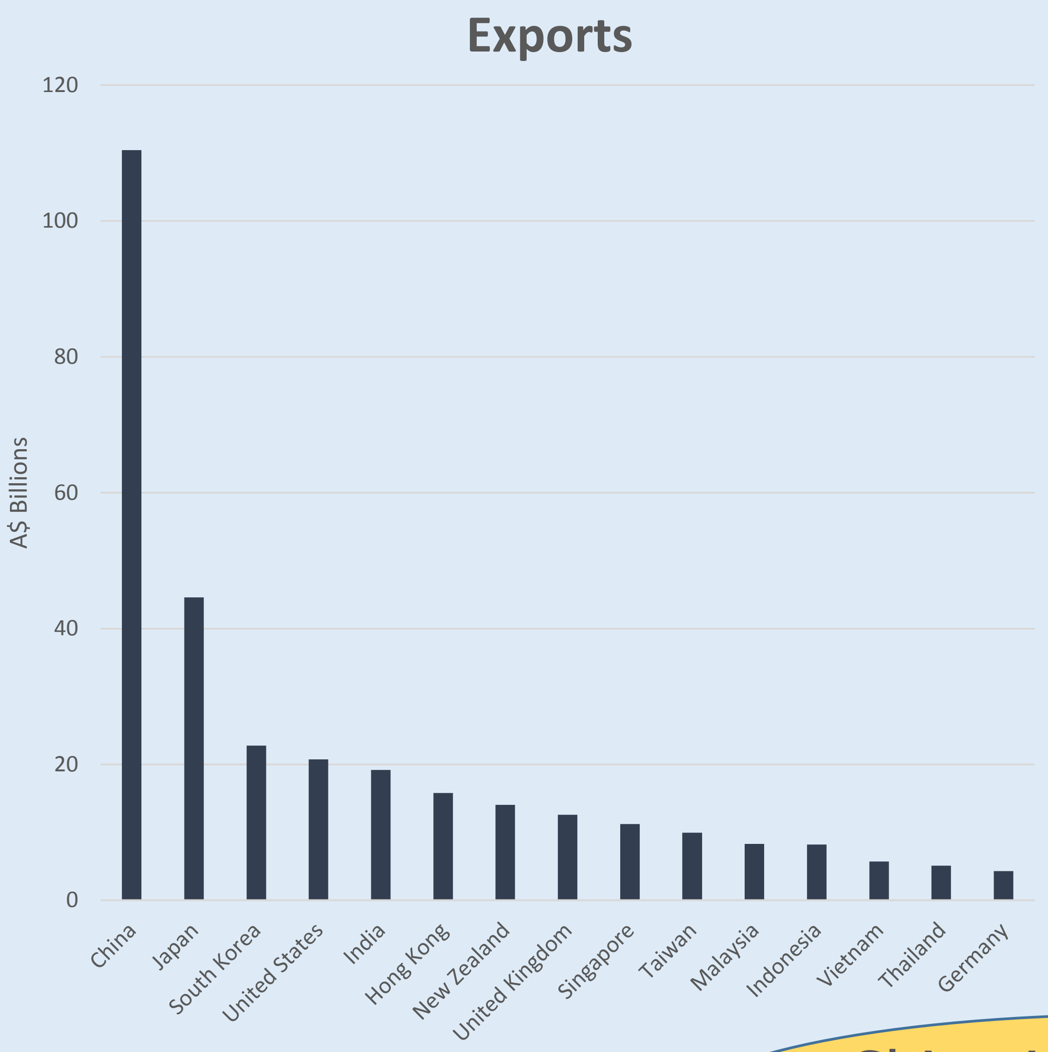
Facts

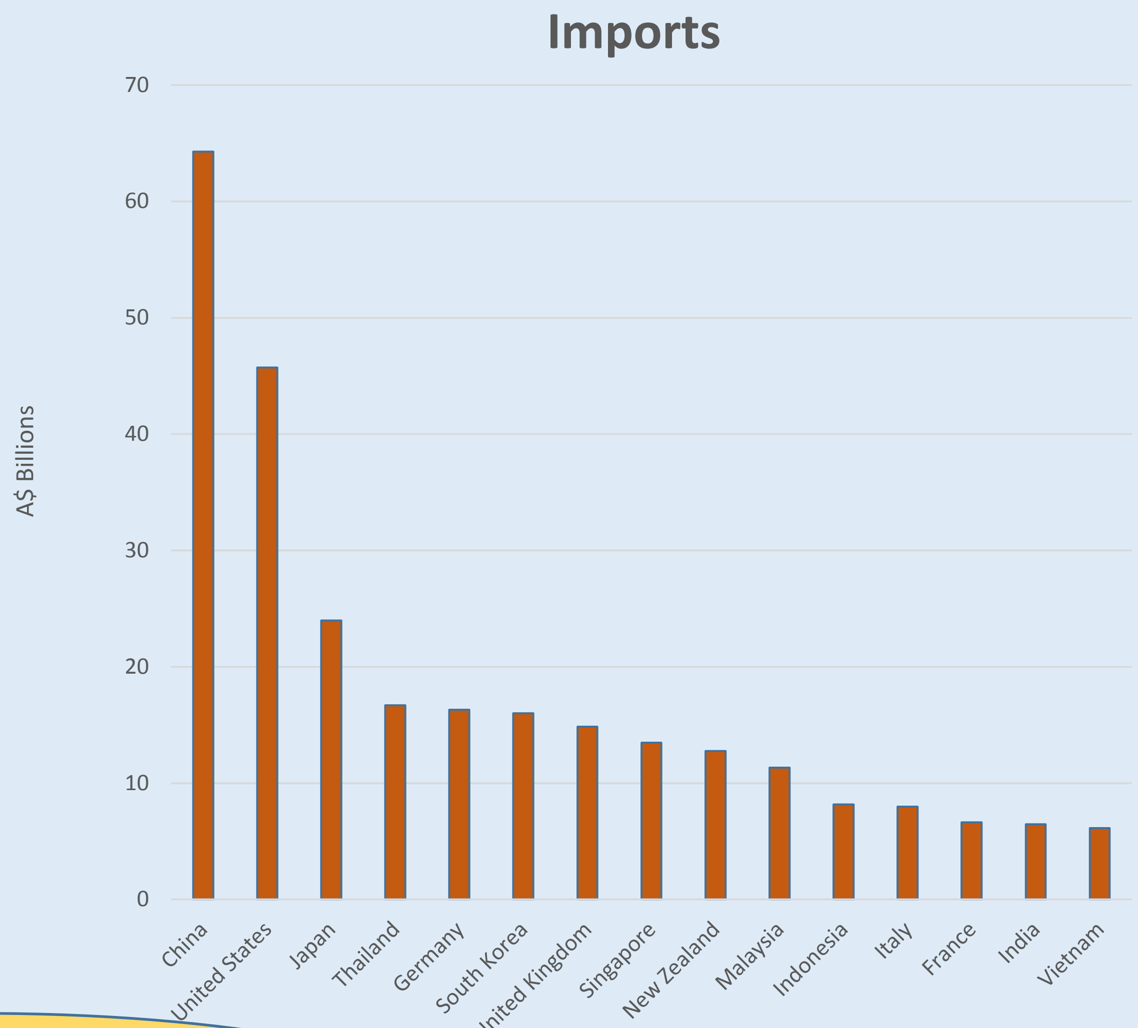
- Long-term view
- Global view
- Young population
- Sophisticated infrastructure
- Highly urbanised
- Focus on education
- Personal wealth growing
- Internal demand growing
- Service industries growing
- National pride bourgeoning
- Embrace technology

Demographic Structure



Australia: Import and Export Partners





China is economically critical to Australia

Australia: Strategic economic impact of China

Depth of economic engagement

Australia
GDP = US$1,432
% of World = 2.3%

Largest trading partner

- Total trade = $175 billion p.a.
- Exports = $110 billion p.a.
- Imports = $65 billion p.a.
- Chinese investment = $42 billion p.a.
- China-Australia Free Trade Agreement (2015)
- Financial institutional access to China (2014)
- Reserve Bank of Australia and People's Bank of China currency swap agreement (2015)

Australian exports: China

International trade

- Australia and China are highly complimentary economies
- High export weighting = high dependency
- Exports
  - Scale advantages for mining and agriculture
  - Iron ore, coal, gold
  - Education
  - Tourism

China

Falling % GDP but strong economy

Falling growth (% GDP)

2005	2007	2009	2011	2013	2015	2017	2018	2019
11.4%	14.2%	9.4%	9.5%	7.8%	6.9%	6.7%	6.6%	6.2%

Size of the Chinese Economy (US$ Billions GDP)

2005	2007	2009	2011	2013	2015	2017	2018	2019
2,287	3,554	5,110	7,576	9,611	11,063	11,795	13,608	14,200

Chinese Imports and Exports

Australia small but significant

Export Destinations				**Import Sources**		
1	United States	18.20%		1	South Korea	10.40%
2	Hong Kong	13.70%		2	Japan	9.50%
3	Japan	6.10%		3	Taiwan	9.20%
14	Australia	1.80%		7	Australia	4.20%

China: falling GDP (%)

But what does it mean?

Falling growth in Percentage Terms (% GDP)

YEAR	2005	2007	2009	2011	2013	2015	2017	2019
GDP (%)	11.4%	14.2%	9.4%	9.5%	7.8%	6.9%	6.7%	6.2%
GDP (US$ Bil)	2,287	3,554	5,110	7,576	9,611	11,063	11,795	14,200

Percentage GDP growth in China is often mentioned in the press as a measure of potential economic threat to Australia

China: Growth in Absolute terms

Annual economic growth of the Chinese Economy (US$ Billions)

YEAR	2005	2007	2009	2011	2013	2015	2017	2019
GROWTH IN GDP (US$ Bil)	261	505	480	720	750	763	790	880

In absolute terms Australia is exporting to a rapidly expanding economy

Australia GDP
2019 = 1.4%
1960-2019 = 3.44% Ave.

However ……..

UNANTICIPATED AND DISRUPTIVE EVENTS CAUSE CHANGE TO ECONOMIES AND MARKETS

Donald Trump had an idea!

TRADE WAR

- Slower Chinese growth GDP ~ 6.0%
- Slower global growth
- Chinese goods more expensive in the USA
- Reduced Chinese demand for Australian commodities
- Unsustainable in the long term
- As internal Chinese demand grows the trade war has lesser impact
- But ….. the trade war will likely abate

The UK also had an idea!

BREXIT

Slower European growth also slows global growth

Global interest rates are at an all time low

And are predicted to fall further

USA	2.00%
Australia	0.75%
United Kingdom	0.75%
Canada	1.75%
European	0.00%
Japan	-0.10%
New Zealand	1.00%
Norway	1.50%
Sweden	-0.25%
Switzerland	-0.75%
China	4.20%
India	5.15%
Russia	7.00%

The central banks of many global economies have very limited capacity for applying monetary policy to boost their economies

The concern is stagflation

Cash returns are sub-inflation

Low cash rates cause a major challenge for retirees who rely on banks interest for income

Global Negative Bonds

.

The current amount of global debt with negative yields balloons to US$15 trillion

Who can remember Collateralised Debt Obligations?

This is a new phenomenon with unknown but threatening potential.

If these bonds are held to maturity, the investor (bond owner) is guaranteed to lose money.

The US Share Market

Analysts are concerned that the US stock market is over-valued

Date	PE Ratio
Oct 22, 2019	22.30
Jan 1, 2019	19.60
Jan 1, 2018	24.97
Jan 1, 2017	23.59
Jan 1, 2016	22.18
Jan 1, 2015	20.02
Jan 1, 2014	18.15
Jan 1, 2013	17.03
Jan 1, 2012	14.87
Jan 1, 2011	16.30
Jan 1, 2010	20.70
Long term average	17

The All Ordinaries Index is trading at a 20.2 times PE ratio against a long term average of 17.8

US Share Market

10 years of sustained growth in share prices

- Quantitative Easing: turbo-charged the economy
- 4 years for the S&P 500 to exceed pre-GFC highs (ASX = 12 years)
- Low interest rates: focus on shares not on bonds
- Lower dividend yield: increased share price growth
- Dividend yield = 2.0% (global = 2.5%; Australia = 4.4%)

And …

- Payroll/job growth is currently well below expectations
- Worst manufacturing data in 10 years

OR

…… so where to next??

Australian economy: outlook

Sound but growth has slowed The outlook is for continued slow growth	Dwelling construction (5% of GDP)	Fall by 8% with rebound in late 2020 due to population growth
	Private capital (12% of GDP)	Expected to rise by 9% in 2020
	Government (19% of GDP)	Infrastructure projects and other expenditure to add 1% to GDP
	Household consumption (57% of GDP)	Rising. Expected to add 2.5% to GDP
	Net exports	Growing due to low AUD$. Subject to slowing global growth

Investment Portfolio

The search for sensible investments

Income and growth

Asset Allocation

The answer lies in diversification of investments across a range of asset classes suited to your risk profile.

Asset allocation generates approximately 92% of investor returns over the medium to long term.

Does Asset Allocation Work?

- Short answer = Yes
- Long answer = Definitely yes

Asset Allocation Strategies

Must be congruent with Investor risk profile

Strategic Asset Allocation (SAA)

Establish and adhere to a proportional combination of assets based on expected rates of return for each asset class. It is a buy-and-hold strategy with occasional re-balancing.

Dynamic Strategic Asset Allocation (Dynamic SAA)

Simple strategic asset allocation generally implies a buy-and-hold strategy. However, the shift in values of assets over time causes a drift from the original policy mix. With Dynamic SAA the portfolio is more frequently rebalanced to a neutral position.

Tactical Asset Allocation (TAA)

Tactical Asset Allocation employs market timing and engages in short-term, tactical deviations from the original asset mix to capitalize on unusual or exceptional investment opportunities.

What next?

Professional advice is key

It is all about you!

- ❖ Your needs
- ❖ Your dreams
- ❖ Your money
- ❖ Your well-being

If you have not already done so, your next steps are the determination of your asset allocation and investment diversification.

Seek advice from a non-aligned Financial Professional

Key Take-Outs

Trade with China is the basis for Australia's economic growth and standard of living. The Chinese economy continues to grow but with limitations

There are material threats to national economies and global markets

The US share market has grown rapidly

The Australian economy is sound but is threatened by a slowing global economy

Asset Allocation coupled with investment diversification is elemental to investment portfolio design

Professional advice is the key

HEWISON PRIVATE WEALTH

Warnocks Seminar

To zero and beyond': What if zero interest rates don't work?

31st October 2019

HEWISON
PRIVATE WEALTH

General Disclaimer

The information contained in this presentation is general in nature and is not intended as personal advice. Please obtain advice from a Financial Adviser before acting upon this information.

Our view

- Rates are going lower and staying there longer – today.

- Traditional income sources are completely insufficient.

- Longevity risk is increasing.

- Investing in quality with a focus on income is vital.


CAUTION
UNCHARTED
TERRITORY
STAY BACK

Rising Interest Rates: What Do They Mean For You?

Interest Rates Are Rising for All the Right Reasons

Here's what the bond market is really telling us about the economic future.

How Donald Trump will push your mortgage rates higher

Your mortgage rates are about to rise. And you can thank President Donald Trump for that.

Interest rate rises won't happen overnight, but they will happen

Rising interest rates will cool property market

PAYING a home loan might be about to get more expensive, but rising interest rates are actually going to help first home buyers.

Rising interest rates and the RBA

JOHN EDWARDS

My guess is the RBA is already thinking about a program of rate increases that will continue for several years.

2017!!!

Our message to clients concerned about markets/the economy

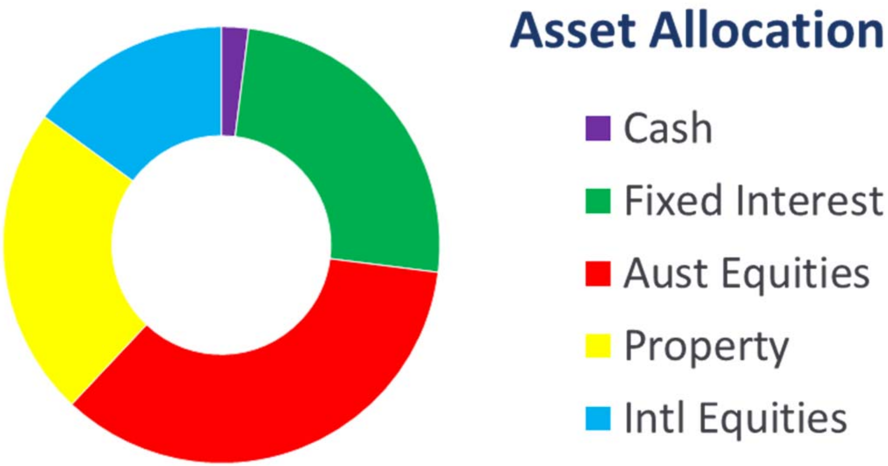
- Don’t try to time markets/speculate
- Deal with the facts
- Follow your long term investment strategy
- Rebalance your portfolio when needed

Portfolio Construction – An investment philosophy you can depend on…

- Objective based: Is it in your best interests?
- Direct Investment Philosophy
  - Control and flexibility
- Long term focus
- Protect the downside
- Driven by Asset Allocation
- Cash flow management

Portfolio Design

Portfolios built from the ground up. Each portfolio is designed to achieve the client's stated long term financial objectives.



Cash

- Macquarie CMA
- Rabo high interest accounts

Cash

Fixed Interest

- 1st secured mortgages
- Hybrid Investments
- Corporate Loans
- XTB Bonds

Fixed Interest

Property

- Closed ended unlisted trusts
- Direct investment
- Property syndicates

Property

Aust Equities

- Sector leaders
- Mostly ASX top 100, some 200
- Dividend bias
- Economic moat

Shares

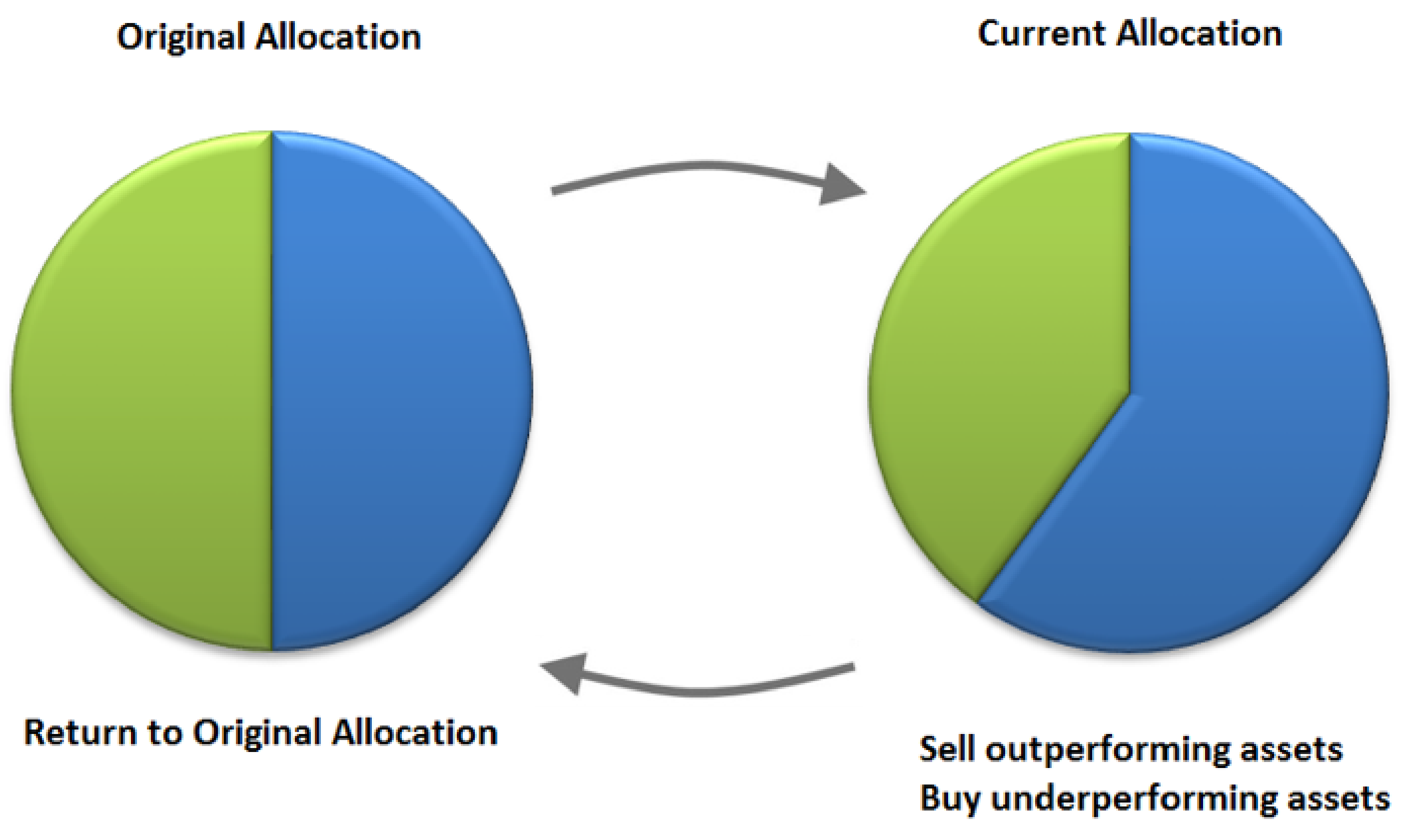
Intl Equities

- Direct exposure
- Selected index unaware funds
- Private equity
- Global infrastructure

International

Active Management

Disciplined approach to portfolio re-balancing



FIXED INTEREST

HEWISON PRIVATE WEALTH

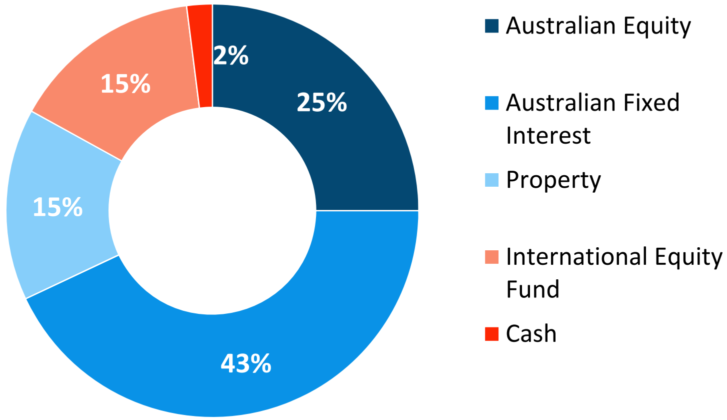
Secured First Mortgage Example

Security	**3/28 Lewton Road MOUNT WAVERLEY 3149**
Net Return	**7.09 % Variable**
Total Loan Amount	**$710,400.00**
Available Investment	**$710,400.00**
Loan to Valuation Ratio	**65.00%**
Original Loan Term	**36 Months**
Remaining Term	**36 Months**

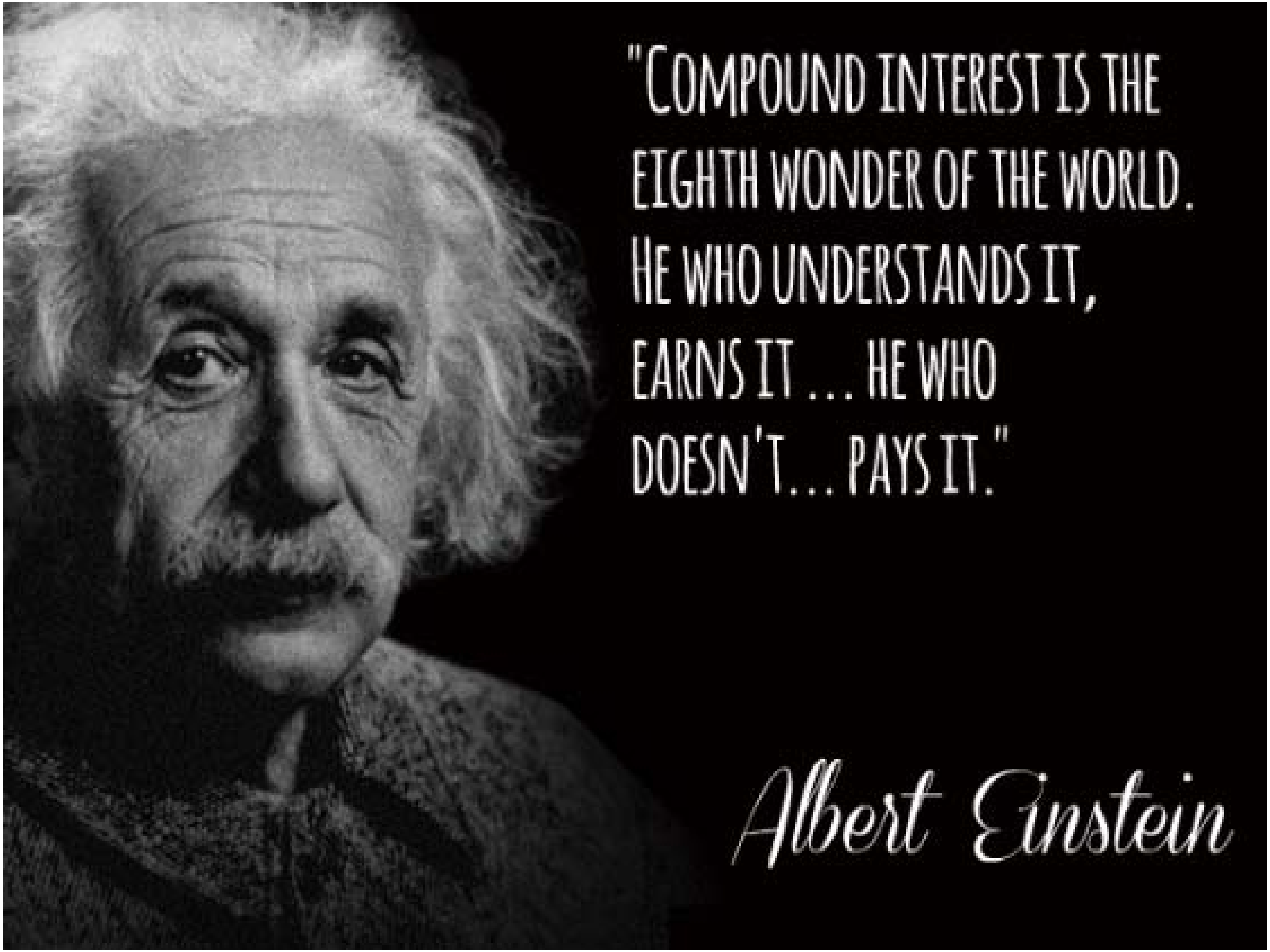
The security consists of a four bedroom, two bathroom residential townhouse in a living area of 214 metres squared. The dwelling also includes kitchen/living/dining, parents retreat, powder room and laundry. Mount Waverley is approximately located 18 kilometres east of Melbourne CBD.

HEWISON PRIVATE WEALTH

Diversified Strategy – *a live example*



Amount	Investment	Gross Income %	Gross Income $	Growth %	Growth
$22,500	Cash Account	1.0%	$225	0.0%	$0
$100,000	Fixed Interest	5.1%	$5,100	0.0%	$0
$380,000	Secured 1st Mortgage Funds	7.0%	$26,600	0.0%	$0
$50,000	Hybrid Investments	6.0%	$2,975	0.0%	$0
$180,000	International Equity Funds	3.1%	$5,520	9.0%	$16,200
$180,000	Unlisted Property Trusts	7.0%	$12,600	4.0%	$7,200
$305,000	Australian Company Shares	6.6%	$20,135	6.0%	$18,300
$1,217,500	**TOTAL**	**6.01%**	**$73,154**	**3.43%**	**$41,700**


"COMPOUND INTEREST IS THE EIGHTH WONDER OF THE WORLD. HE WHO UNDERSTANDS IT, EARNS IT ... HE WHO DOESN'T... PAYS IT."
Albert Einstein

The bullish case for 2020 & beyond

- Growing population supports GDP.
- Household debt is high but not so high when you strip out investment debt.
- APRA changes have increased borrowing capacity.
- Unemployment is low, especially in Syd / Mel.
- Largest infrastructure boom this country has ever seen should offset other areas of the economy which are lagging.

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HEWISON PRIVATE WEALTH

Panel Discussion/ Questions

1) Are low interest rates "the new normal" or a return to historical norms?

2) Under what circumstances, both globally and locally, might significantly higher inflation return? What is the likelihood of this happening?

3) Will the Morrison Government keep its focus on returning the federal budget to surplus or will they put more money into the system to stimulate growth?

4) How likely are the big four banks to reduce share dividends significantly and if so, how soon might this be expected to happen?

5) How well placed are the big banks to perform profitably in a slow-growth environment?

6) In a negative interest rate environment will the average Joe with a term deposit be paying the bank to hold his money or will the banks instead choose to hit big institutional investors to maintain profitability?

7) In the current interest rate environment, is likely that funds will be moved from term deposits into the share market by investors seeking better returns. Over time, this may inflate the share market to unsustainable levels.

8) What advice does the panel have for self-funded retirees dependent on earnings from these sources to fund their retirement?