PREPARE FOR LIFE

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IN THIS ISSUE

GETTING "SUPER" SORTED FOR A NEW YEAR

By Peter Kelly SSA™, Superannuation and Retirement Specialist, Centrepoint Alliance

New Year resolutions come in many shapes and sizes and range from the really challenging – I am going to get fit, healthy, drink less, lose weight - through to the less strenuous – stop watching reality TV, meditate more, read some good books, or take a break from Facebook.

For most of us, we are lucky if our New Year resolutions last more than a couple of weeks, at the most. Then, we fall back into our old ways. Sound familiar?

This year, being a brand-new year and the start of the "20's", I would like to encourage you to spend some time to get your "super" sorted. While superannuation is about as exciting as spending a Saturday night sharpening lawn mower blades, or tidying the underwear drawer, there can be some real financial benefits in getting your super in order.

How do we get our super sorted out in the most painless way?

We all have super. And, for many people, we like our super so much we have multiple accounts! The problem is we lose track of those accounts and don't really know what we have, where it is, or how much we have saved.

The Australian Taxation Office (ATO)[1] reports that as at 30 June 2019 there was almost $20.8 billion of lost and unclaimed super, spread over 2.8 million separate accounts. That's a lot of money currently sitting with the ATO.

Now, contrary to what you might think, the ATO is keen to reunite all that lost and unclaimed super with its rightful owners.

How did we lose our super in the first place?

Well, we move around a lot. We change address, we change jobs, and we forget to tell our super fund where they can find us. And, even when they try to get in touch by email, we probably tend to ignore those emails any way.

Each time we change jobs, it can seem easier to get our new company to deposit super contributions into their "default" fund. As a result, we end up with multiple accounts with a variety of different super funds. After a while, if our super fund cannot find us, our super becomes "lost" and it is transferred to the ATO.

What can we do?

Most of us will now have a "My Gov" account[2]. If you don't have one, then it is time to get one. This is the way the government wants us to access government services like the ATO, Medicare, and Centrelink.

Within your MyGov account, if you select the ATO service you will find an option called "super". Within that "super" option, you can select "fund details". Once there, it will show the details of each super account you have. You can even manage your funds from here, including the ability to combine all your super accounts into one if you wish. Doing so may help save on the fees for owning multiple super funds.

However, before consolidating your super, make sure to check that you are not losing valuable benefits like insurance. Talk to a financial planner and have them check out the insurance you have or, at the very least, call up each super fund and ask then to let you have details of your insurances.

How much lost super do you think the ATO might be holding for you?

Superannuation is going to become more important as we age. Living a life that is solely supported by the age pension is not going to deliver the lifestyle that many aspire to for their retirement.

Now is the time to take control of your super and start to make some progress in adding to your eventual retirement next-egg.

[1] https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Lost-and-unclaimed-super-by-postcode/

[2] https://my.gov.au

DEVELOPING YOUR INVESTMENT STRATEGY

By Russell Investments

As many investors discover, mapping out an investment plan is the easy part. Sticking with that plan is what separates investors from speculators.

Are you an investor or a speculator?

Many investors use a consistent, long-term strategy to build a more secure financial future through steady purchases of well-diversified investments.

Speculators and market timers are usually less concerned about consistency. They may switch investment philosophies on an emotional whim, sometimes treating their investments more like play money than the serious money needed for their financial future.

Most people would probably say they are investors, but the question is not so easily answered. During a bull market, it can be relatively easy to be a long-term investor. However, when the stock market starts gyrating, investors' mettle can be tested—revealing many closet speculators.

The risks of market timing

Market timers follow a fairly predictable cycle. When prices seem low relative to historical norms, they buy. When an investment's value seems to peak, they sell. This cycle is repeated with the next "hot tip."

In theory, market timing seems fairly rational, but in practice it rarely works. Even the most sophisticated investors, with years of experience and the best analytical tools, cannot predict the whims of the financial markets. What's more, market timers are often misled by emotional factors such as greed or fear. Many end up buying at the tail end of a market rally or selling in a panic at a loss.

The difficulty of timing the markets is complicated by the fact that most market rallies occur in brief spurts. Market timers waiting for the right opportunity to buy or sell risk being out of the market during these sudden market changes.

To benefit from market timing, you must accurately predict the future, not once, but twice. First you must correctly determine when to sell. Second, you must accurately determine when to get back in. Because falling markets can rise steeply within days, your timing must be nearly perfect.

Making decisions like an investor

To avoid falling into the speculator's trap, focus on the term "individual" before making any investment decision. Your individual long-term goals and your individual financial circumstances — not the daily gyrations of the stock market—should govern your decision.

By focusing on your individual needs and sticking to your investment plan, you could actually benefit from the stock market's gyrations. For example, a good long-term investment strategy generally includes investing a set amount at regular intervals. If you maintain this schedule during a market dip, you may end up purchasing some strong stocks at discount prices.

Of course, changing your investments during a gyrating market is not always speculating. It can be an astute, tactical decision if the reasons for your changes are consistent with your individual long-term goals.

Examining your goals

Instead of market timing, try lifestyle timing. Look at your own investment portfolio and compare it to your long- and short-term goals. Do you need to withdraw money within the next year or so to begin financing your retirement or to make some other lifestyle change? If so, you might want to rebalance your portfolio to a more conservative mix of assets.

What about your long-term goals? Short-term market gyrations will probably not significantly affect your long-term plans, and it may be wise to stick with your current strategy.

WORK AND RETIREMENT – DO THEY MIX?

By Mark Teale, Age Pension and Aged Care Specialist, Centrepoint Alliance

The terms "work" and "retirement" at first appear to be at extreme ends of the spectrum, but for a portion of the population this is certainly not the case.

The need for some retirees to work to supplement an age pension is now a necessity. The extra income not only helps with normal weekly expenses but allows a person to fund their travel, eat out or play golf on a more regular basis, if so inclined.

Working, whether for payment or volunteering, may help some to feel they are still contributing to society; it allows them to broaden their social circle and can provide purpose and self-respect.

For some, retiring can mean going from an active to a much more sedentary existence. And if the only excitement for the day is walking to the shop for the paper and a coffee, this lifestyle will lose its attraction very quickly.

I should make the point that the work a person may undertake in retirement does not need to be a continuation of their previous working career.

As you would not be looking to start a new career, but rather looking for ways to contribute, stimulate your senses and pick up some extra cash, menial or what appear to be menial jobs, should not be looked at as below a person's abilities. These jobs could include shelf packing, sign operators, headstone restorer, barista, or even becoming an Uber driver.

For the person in receipt of an age pension there is an extra incentive to find work – the Work Bonus.

What is the work bonus?

The "Work Bonus" allows a pensioner to earn $300 over a 14-day period without any impact on their age pension. It also allows them to build a bank of $7,800 in credit over a 12-month period if they have not been working - $300 multiplied by 26 fortnights.

So, what does this all mean?

For example, an Age Pensioner working for 4 weeks as Santa at the local shopping mall is paid $4,000 for that period. As they have accumulated a work bonus bank for the year of $7,800, the $4,000 will have no effect on their age pension. (I should point out that I have no idea of Santa's hourly rate!)

For a pensioner who is working on a part-time basis throughout the year, the calculation is different. If, for example, the pensioner was earning $600 every fortnight, the first $300 of income is exempt and the remaining $300 would reduce their age pension by $150 per fortnight - leaving the pensioner $450 per fortnight better off.

An age pension couple can access $300 per fortnight work bonus each, meaning they could earn an extra $15,600 per annum without it affecting their age pension.

The good news is that since the 1 July 2019 the work bonus is now also available for those age pensioners who are self-employed.

If you are still unsure as to how the Work Bonus operates or if you may qualify talk to an expert who can help you decipher the complexities of the legislation.

Note that the examples provided do not consider a person's tax position or any other investment income they may have.

RETIREMENT INCOMES

– YET ANOTHER REVIEW

By Peter Kelly SSA™, Superannuation and Retirement Specialist, Centrepoint Alliance

There are a few certainties in life – the most widely quoted being death and taxes.

However, in modern Australia there is another certainty.

That certainty is longevity.

We are living longer than those who came before us and life expectancy is projected to continue to increase as we reap the benefits of good quality food, rapid advances in medical science, and the benefits of physical exercise.

Today, if a couple in average health (65 year old male, and 62 year old female) are to have an 80% certainty that their financial plan covers their potential lifespan, they need a retirement plan that will last until the male reaches 100 years of age.[1]

Australia's retirement income policy

Australia's retirement income policy involves three "pillars":

1. Age pension
2. Compulsory superannuation
3. Voluntary savings

Over recent years there has been increasing discussion around what role the equity we have in our family home should play in funding retirement.

Every so often, ideas get floated both by government and other commentators. Some of the current themes include:

1. Should the age at which a person can receive the age pension be increased beyond the current maximum age of 67?
2. Should the minimum age at which we can access our super be increased?
3. Should the value of the family home be included in the assets test for age pension purposes?

As things currently stand, the government has distanced itself from these themes. However, they continue to be raised in the public arena.

And, I expect that over the coming months we will hear a lot more.

On 27 September 2019 the government announced a review of Australia's retirement income policy.

This will take place over the coming months with the Review Panel expected to deliver their report to government by June 2020.

No doubt the Review will attract the attention of the mainstream media and will be featured in digital news services, newspapers, and on radio and television.

But remember, the task of the Review is to make recommendations.

Before anything becomes law, the government must accept the recommendations and then have the necessary legislation for implementation passed by the parliament.

[1] John De Ravin, Estelle Liu, Rein van Rooyen, Paul Scully and Shang Wu, Spend your decennial age, Actuaries Australia, 7 November 2019

From the Advisers desk – Coronavirus discussion...

The fear of infection can result in social distancing or closed schools, enterprises, commercial establishments, transportation, and public services—all of which disrupt economic and other socially valuable activity.

We look back to early 2003 when Severe Acute Respiratory Syndrome (SARS) outbreak contributed to a fall in global growth. The S&P 500 dropped almost 10% from the start of the year until mid-March then recovered when the outbreak was contained.

In economic terms, SARS represented a crisis of confidence and a demand that shocked East Asia. Interestingly, better than expected containment in China limited the overall economic impact.

Even when the health impact of an outbreak is geographically limited, its economic consequences can become magnified. Liberia, for example, saw 8% GDP decline in 2014 during the Ebola outbreak in west Africa, although the country's overall death rate fell over the same period.

While it's too early to gauge the potential impact of Coronavirus to our major trading partner; China, the co-ordinated global reaction to treat and isolate further infection has been encouraging.

Whilst the impact on human and financial cannot always be predicted, based on history of pandemics, the potential for the rapid spread of infectious disease is not necessarily a greater threat than it has always been.

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