



MONEY MATTERS NEWSLETTER MARCH 2020

With the federal budget being delayed until October, we thought we should update our clients on as much as we can at this time in relation to the markets, our office, the stimulus package and other important issues.

These are difficult times we are all facing at the moment, with the Coronavirus causing substantial upheaval in people's daily lives and society in general. We would like to remind you that at LFS we are here for you all the way and as always ready to assist you with any financial issues you may be facing. On the office front, we are no longer accepting face-to-face appointments, but are more than happy to speak to you on the phone or via email. Why have we done this? Well, to protect you. Most of our clients are retirees, many are elderly or have elderly parents. We are extremely conscientious that the bulk of our clients fall into the "most vulnerable" category. For that reason, we want to avoid direct contact for the time being. That does not mean we don't want to hear from you. Quite the opposite. We will continue working from the office while we are able to, and from home if bans come into place on worksites.

Our team is here to help you with any enquiry you may have and we will help wherever we can. Annual reviews can take place via phone and we hope to set up remote video for those clients who have access to Skype or Zoom or similar very soon. We assure you that we are not on holidays (they have all been cancelled) nor have we run for cover. Please let us know if we can assist. Finally, if you wish to drop papers off to the office, there is a post box outside the building with our name on it. Please feel free to use this, it is cleared daily.

MARKETS & INVESTING

In February this year the share market hit an all time high, however since then it has dropped substantially due to the concerns over the financial impact of the coronavirus. As at the 26th of March the Australian share market has dropped 29% and the US Market is down 23% since their mid-February highs. This will have obviously had an impact on most of our client's portfolios. While we have seen some recent recovery (at 23rd of March both were down 37%) we expect the markets will remain volatile for the immediate future. As the drop in the share market is not based on any financial or economic conditions, it is hard to ascertain how great the impact may end up being. Chances are that as soon as the coronavirus situation improves (ie: a successful vaccine is discovered, or the number of cases begins to slow) share markets may rally. As such it is our recommendation to maintain your portfolio invested in line with your relevant investor profile, remembering that you would not be 100% invested in shares anyway, there would be a portion of your portfolio allocated to cash & fixed interest investments which will not be negatively impacted by the share market.

Obviously if a clients insists on moving to cash, or cashing in their account, we will oblige them, but if clients do this they need to be aware that they are locking in any losses they have already incurred and may be out of the market when a recovery does start. Clients should also bear in mind that cash rates are extremely low at the moment (0.25% as of 19 March) and that even though share prices may have dropped, their dividends are still significantly higher than cash (usually around 4.5%).





CENTRELINK NEWS

On 20 March the Age Pension was increased to \$944.30 per fortnight (\$24,551 per annum) for singles and \$1,423.60 per fortnight for couples (\$37,013 per annum). Centrelink also announced that all Pensioners and Commonwealth Seniors Health Card holders will receive two tax free lump sum payments each of \$750, the first to be paid from 31 March and the second to be paid from 13 July. This means that with the two payments a single person will get a total of \$1,500 and a couple \$3,000.

Centrelink have also reduced the lower deeming rate to 0.25% and the higher rate to 2.25%. This now means that a single pensioner can have up to \$247,111 in financial assets and qualify for the full age pension under the income test. The amount of financial assets a couple can have before their age pension is reduced under the income test is actually now higher than the asset test cut in rate of \$394,500. These new deeming rates will apply as of 1 May 2020. The government have also announced that for the next 6-month period they will be waiving the one week waiting period and liquid assets waiting period for people applying for the Jobseeker Payment (previously known as Newstart Allowance). Recipients of the Jobseeker Payment will also receive an extra \$550 per fortnight Coronavirus supplement on top of their usual payment for the next 6 months. This measure will come into effect from 27 April 2020. The Government have also put in place a more stream-lined online and over-the-phone Jobseeker Payment application process that will mean applicants should not have to directly attend Centrelink service centres to register for benefits.

If we are your nominee, we can update Centrelink details for you, including your bank account balances. However, since July last year Centrelink have started asking for copies of bank statements to be provided as confirmation of the updated account balances. As such we ask that you provide us with copies of these statements when we are updating Centrelink for you.

ACCESS TO SUPER

The Government have announced that from mid-April 2020 certain eligible people will be able to access up to \$10,000 of their super before 1 July 2020, and a further \$10,000 after 1 July 2020 for up to 3 months. To be eligible you must be unemployed, had been made redundant after 1 January 2020, or be employed but have had your working hours reduced by 20% or more. To access the lump sum, you do not apply to your super fund, you have to apply to the ATO via your myGov account. The ATO will then determine if you are eligible and will contact your super fund to authorize them to release the money. You will have to make sure though that your super fund does have your bank account details for the money to be paid into. Bear in mind you can only submit one application in each financial year, so if you take an amount lower than \$10,000 before 1 July 2020, you have to wait until after 1 July 2020 to be able to take a further amount.





REDUCED MINIMUM PENSIONS

For the remainder of 2019/20 and for 2020/21 the minimum amount you will be permitted to take from your account-based pension (also known as an allocated pension) will be reduced by 50%. This will allow you to preserve more capital in your pension account that can potentially grow in value when the market recovers. You will need to opt-in for these reduced payments, they will not be automatically applied. The new minimums will be as follows:

Under 65	2.0%
65-74	2.5%
75-79	3.0%
80-84	3.5%
85-89	4.5%
90-94	5.5%
95+	7.0%

Those clients who may take the option to halve their pensions will be contacted once the pension provider has the systems in place to reduce the payments.

CLIENT SERVICE PACKAGES

Out of the Royal Commission and Financial Advisers Standards and Ethics Authority have come a significant number of new compliance and disclosure recommendations and regulations that will impact our service standards and delivery to our clients. As such we have now had to formalize our client services packages into Gold, Silver, Bronze and Basic levels based on the client's current fees. We will be contacting all clients in due course advising them of which package they will fall into. We will be outlining to you which services will be available to you based on your relevant package, and which services you may not be entitled to based on your current fees. We have taken a great deal of care in making this decision, however the changes, as a result of poor standards by advisers in large institutions, have left us with no alternative. We still welcome your phone calls at any time and will not be charging for these, unlike other service professionals. If you would like to discuss the Client Service Package you have been assigned to, please contact your adviser.





NETWEALTH UPDATE

Netwealth recently wrote to all of their clients advising them of changes to some of the features of their accounts. Most of the details outlined in the letter did not apply to our clients, however the one issue that did apply was changes they are making to their administration fees structure. The new fee structure will apply to all existing accounts from 1 January 2021. For most clients this will actually result in a reduction in their Netwealth fees. Netwealth have also advised that clients can transfer over to this new fee structure prior to 1 January 2021. We are in the process of writing to all of our Netwealth clients outlining what their new fee amount will be and providing them with forms to sign to transfer on to this new fee structure now. This may take some time, but we will eventually get to you.

There may be a small number of accounts with low balances that may find the new fee structure works out to be more expensive, for those few clients we will make alternative arrangements nearer to 1 January 2021.

WEALTHTRAC UPDATE

There have been some organizational changes at Wealthtrac that will not impact our clients, but that we feel are important, and that you should be made aware of. Earlier this year the operator of Wealthtrac, Oasis, was sold by ANZ to the IOOF Group. IOOF are a provider of quality financial advice, products and services, and have been helping Australians for over 170 years. We believe that this new association with IOOF will be a positive move for Wealthtrac and its clients. This does not mean IOOF now own Wealthtrac, it just means that they are the entity responsible for ensuring Wealthtrac carry on their business with regulatory oversight. Macquarie Investment Management Limited are still the organization who provide the administration services for Wealthtrac as has been the case since 2016. Of course, if you have any questions regarding these details please do not hesitate to contact your adviser.

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