LEISHMAN FINANCIAL SERVICES PTY LTD

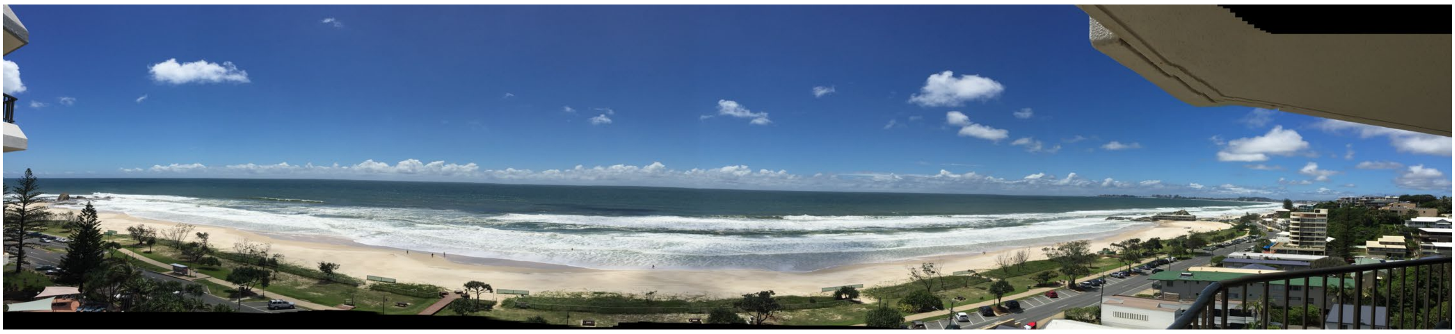
Creating strategies for you to achieve your lifestyle financial goals since 1985.

Phone: 03 9561 9699
www.leishmans.com.au

AFSL No. 227747, ABN 76074579749

Money Matters Newsletter

AUTUMN EDITION

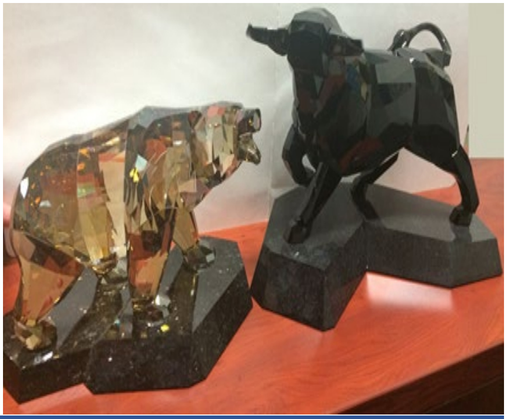


WELCOME BACK!

2020 was a difficult year and turned a lot of people's lives upside down due to COVID-19. Even we at Leishman's had to adapt to working from home for a three-month period, and although it required some changes to the way we do business, we were able to successfully get through that challenging time and continue to service our clients and their needs. We are now back in the office and happy to see clients face to face again, however if you would prefer to not come into the office, we are happy to communicate with clients via e-mail, telephone, and even zoom if you have the capability. We are hoping that the worst of this pandemic is now behind us, but whatever happens going forward, you can be assured we will be here for you.

MARKET REVIEW

The share market has experienced an extremely wild ride over the past 12 months. The Australian share market hit its all-time high on 20 Feb 2020, only to drop by 37% over the following month due to the impact of the COVID-19 pandemic. Since then the Australian share market has recovered around 54% and is very close to getting back to its pre-COVID high. The US share market also experienced a 37% drop, however it has recovered 77%, surpassing by nearly 12%, its pre - COVID high.



This shows that it is just as important to have exposure to international shares as it does to hold Australian shares, as well as to stick to your relevant investor profile. Interest rates have also dropped substantially, with the cash rate now sitting at a historical low of 0.1%. The results of this have been extremely low interest rates on bank accounts and term deposits, with most term deposits now paying less than 0.25% for a 12 month term. The RBA has said it does not expect interest rates to rise any time soon. Shares, therefore, look to be a better investment prospect, for even though they may incur some price volatility, their dividend yields are still much higher than what can be obtained from cash.

We remain extremely cautious where the non-residential property sector is concerned. With the long term COVID impact on work sites, tourism and retail shopping being still unknown, this sector could still suffer further setbacks. Our portfolios remain neutral in this asset class, allowing share fund managers to select suitable stocks in the sector where they see potential returns available.

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AGED CARE UPDATE

It is important that clients understand the differences between how the home is treated for aged care fees and how it is treated by Centrelink. When going into aged care only the first $173,075 of the value of your home is counted for the aged care Means Tested Fee (unless your partner or a “protected” person is still living in the house). Until you sell your home only this amount will continue to be counted. However, for Centrelink purposes your home is exempt as an assessable asset for two years from the date you go into aged care. Once this two year period is up your home will be fully counted as an asset by Centrelink. This would most likely result in the age pensioner losing their age pension altogether. It is therefore very important to consider what your options are with regard to your home when going into aged care and we recommend discussing this with your LFS adviser.

If a client goes into aged care and their partner stays at home, or also goes into aged care, then they can be classified by Centrelink as “separated due to illness”. This then allows for them both to receive the higher single rate of age pension. For example, if they were receiving the combined full rate of couple age pension they would normally receive $1,436.20 per fortnight ($37,341 per annum), but once classified as separated due to illness they would receive a combined amount of $1,905.40 per fortnight ($49,540 per annum). It is therefore important to let Centrelink know as soon as one or both of you move into aged care.

We provide a specialized aged care planning and advice service to existing clients and for non-clients we charge a low, $250 per hour (plus GST) fee. This includes assisting in completion of the Aged Care Fee Assessment forms and other necessary Aged Care / Centrelink paperwork.

CENTRELINK UPDATE

For the first time in 3 decades the age pension was not indexed in September 2020 due to low inflation rates, with the rate of pension staying the same as it was in March 2020. An age pension increase did come into force in March 2021 with the single rate going up to $952.70 per fortnight ($24,770 per annum) and the combined couple rate going up to $1,436.20 per fortnight ($37,341 per annum). The lower deeming rate is still extremely low at just 0.25%, however the higher deeming rate of 2.25% is still being applied to financial assets above $53,000 for singles and $88,000 for couples. This means that if you have cash deposits above these amounts, they are being assessed by Centrelink as earning a much higher amount than what you would actually be earning. If you have money in cash above these amounts we suggest you speak with your LFS adviser.

If you sell your house Centrelink now require you to provide copies of the settlement paperwork and bank statements to confirm how much you received and what you did with the money. This applies if you have sold your home to move into aged care. Even when just updating bank account balances Centrelink are now asking for copies of bank statements if the difference is more than $2000. This must be a full statement not an ATM print out or a transaction listing.

FUND NAME CHANGES

Several of the Funds that we use have undergone name changes recently. Colonial First State funds are now called First Sentier funds, Grant Samuel funds are now called Epoch funds, and RARE Funds are now called ClearBridge funds. These name changes do not represent a change in ownership, or management of the funds, they are simply a re-naming of the fund manager as part of a re-branding process. We still have complete confidence in these fund managers and do not see the name changes as any issue for concern.

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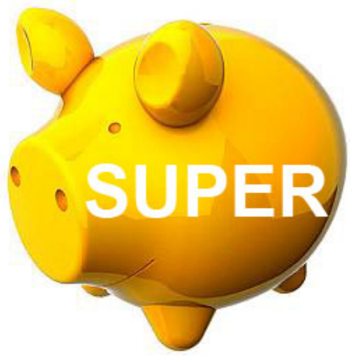
SUPERANNUATION UPDATE



As of 1 July 2020 people aged 65 to 67 can now make personal contributions to their superannuation without having to meet the 40 hour work test. At present this amount is $100,000 per financial year and is due to increase to $110,000 per financial year as of 1 July 2021. At this stage people aged 65 to 67 cannot utilize the “bring forward” rule that allows people under 65 to contribute up to $300,000 ($330,000 from 1 July 2021). It is hoped that this matter will be legislated at a later time this year. For individuals aged 67 and over, personal contributions can only be made if the 40 hour work test has been met.

The Super Guarantee amount paid by your employer is due to increase from 9.5% to 10% as of 1 July this year, increasing to 12% as of 1 July 2025. You should bear in mind that this is not the actual amount that goes into your super as a 15% contributions tax is applies (ie: for the 10% Super Guarantee only 8.5% actually goes into your superannuation).

Last year the government allowed allocated pension account holders to take a 50% reduction on their annual minimum pension payment (ie: the standard 5% minimum for 65 to 74 years old was reduced to 2.5%). It is our understanding that this will not apply to payments for the 2021-22 financial year. As a result clients who choose to take the reduced minimum payment amount will see their payments increase from 1 July 2021 to their standard minimum requirement.

ESTATE PLANNING & SUPER

If you have a superannuation or pension account you can nominate a beneficiary (or beneficiaries) to receive your benefits upon your death. However there are certain limitations on who you can nominate. Allowable beneficiaries include your spouse (including de-facto spouses), your children (including adopted and step-children), a person who was financially dependent upon you at the time of death, and someone who you had an interdependency relationship with at the time of death. Lump sum benefits paid to all of the above are tax free with the exception of adult children. For adult children tax may be payable if the super/pension account has a taxable component. You cannot nominate other people such as parents, siblings, nieces & nephews, or friends. If you do want to leave a benefit to these people you need to allocate that portion to your Legal Personal Representative as your beneficiary, who is the executor of your estate, and provide instructions in your Will in relation to that bequest. This way the money will be paid out in line with the terms of your will. As with adult children, any amount paid to an estate may be taxable if the super/pension account has a taxable component.

PREFERRED CORRESPONDENCE ADDRESS & METHOD

To minimise the considerable delays caused by the new postal delivery standards, LFS would like to move to using email as our preferred communication method with our clients. This will include annual Fee Disclosure Letters, Annual Opt-in Letters, Newsletters, Switches, Withdrawal forms, Valuations and other general correspondence. Documents requiring your signature or approval can also be returned to us via email if you choose. Please note for those who do not have email access or simply prefer “snail mail” we will continue to use Australia Post. If your email address changes, or if you would like to switch to Email as your preferred method of communication please email sharron@leishmans.com.au to update your records with us.

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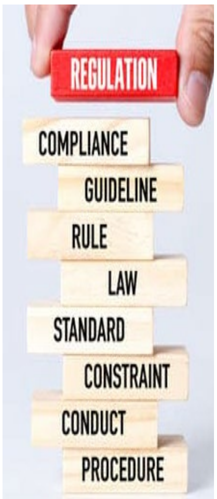
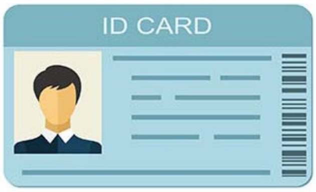
MEETING OUR REGULATORY OBLIGATIONS

Under the AMLCTF regulations (Anti-money Laundering / Counter Terrorism Act) we must keep current identification, on file for all clients, at all times. To do this we take a copy of your Drivers license or other photographic ID when you become a client. If your ID expires, you have a new passport issued or obtain a new drivers license or move house and register a new address on your license, we must obtain an up-to-date copy of this from you. If you are not planning to renew your license or passport due to age or health, you should obtain a photographic ID card from KeyPass at Australia Post for no more than $40, in store or go to https://smarteform.auspost.com.au/aponlineforms/servlet/SmartForm.html?formCode=APKPID&tmFormVersion=4.0
Photographic ID is essential in accessing services in Australia so it is essential that you have a current ID, even if you go into aged care.



OUR PHONE NUMBER

After a recent upgrade to the services to our building, only our main phone line number, 03 9561 9699 works. If you have saved a different number please replace it with the main, original phone number, **03 9561 9699**.



ANNUAL RENEWAL STATEMENTS

One of the multitude of fallouts from the Royal Commission is the introduction of annual Opt-in arrangements for fees to Financial Advisers. As of 1 July 2021, we will be required to write to you annually and state the fees you have paid to LFS for the last 12 months, an estimate of the fees we will receive for the coming 12 months, what services we have provided to you over the last year and what services will be made available for you in the coming year. You will need to sign off and consent to the fees and return this “Consent” to us within 60 days for us to continue providing you with services and to continue to be paid. If we do not receive your Consent Statement back, we are obliged, under the new regulations, to cease collecting fees and thus providing advice or ongoing review of your portfolio. These rules have not allowed for complex cases nor any flexibility and we are awaiting specific guidelines from industry bodies. The new Annual Renewal Statements will replace the current Fee Disclosure Statements we send to all our clients and the Opt-in documents currently sent every 2 years to post 2013 clients. We do thank you for your assistance in the timely return of the Consent Statement.