

Money Matters Newsletter Summer 2021

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MARKET REVIEW

After a very shaky 2020, the share market has had a strong performance in 2021, despite the ongoing COVID-19 pandemic. As at 30 September the Australian share market index was up 27% for 12 months, and up nearly 6% on its February 2020 pre-COVID high. As at 30 September the US share market was up 22% for 12 months, and up 15% on its February 2020 pre-COVID high. With cash rates still extremely low (most term deposits are still only paying 0.25% for 12 months) we continue to see shares as a better option for income at the moment, though we still maintain an allocation to cash and fixed interest in our portfolios from a long term perspective. As always we continue to monitor our portfolios monthly, and while we are not recommending any changes at present, any forthcoming interest rate or market movements may see us recommending appropriate adjustments.

One of the risk management techniques we use is to diversify not only across assets classes, but also within asset classes. We do this by selecting a range of Fund Managers who invest along different style philosophies and theories. This can lead to a variance in returns within a sector.



CENTRELINK UPDATE

On 20 September 2021 the single rate of age pension was increased to \$967.50 per fortnight (\$25,155 per annum) and the couple rate to \$1,458.60 per fortnight (\$37,924 per annum). This was one of the largest increases seen in the age pension rate in quite some time. From 1 July 2022 the amount of allowable assets you can have before the age pension reduces increased to \$270,500 for a single homeowner (\$487,000 from a single non-homeowner), while the amount of allowable assets before the age pension reduces increased to \$405,000 for couple homeowners (\$621,500 for couple non-homeowners). The deeming rates are still extremely low, with a rate of only 0.25% applying to financial assets for the first \$53,600 for singles and \$89,000 for couples. Above these amounts the deeming rate is 2.25%. Consequently a single age pensioner can have \$255,644 in financial assets before their age pension reduces. For couples this amount would be \$448,889, but as this is higher than the \$405,000 assets rate, it would be the asset test limit that applies.

SUPERANNUATION UPDATE



As of 1 July 2021 a number of changes were made to superannuation.

The super guarantee amount paid by your employer to your super fund went up from 9.5% to 10%, and is expected to go up to 10.5% from 1 July 2022, eventually reaching 12% by 1 July 2025. The amount of allowable concessional contributions (super guarantee plus salary sacrifice amounts) increased from \$25,000 to \$27,500 per year, and the amount of allowable personal contributions increased from \$100,000 to \$110,000 per year, thus allowing the bring forward rule amount to increase from \$300,000 to \$330,000 for people up to age 67. In the Federal Budget, the government proposed that from 1 July 2022 individuals aged 67 to 74 will be able to make personal contributions to super without having to meet the 40 hour employment requirement. The Budget also proposed that from 1 July 2022 the \$300,000 Downsizer Contribution scheme be lowered to include those aged 60-64, allowing more people to contribute money to super from the sale of their home. The downsizer contribution does not count toward the personal contribution cap, therefore from 1 July 2022 people aged 60 to 67 will be able to contribute up to \$630,000 to their super, providing \$300,000 of it is from the sale of their home. The 50% reduction in minimum pension payment requirements for account based pensions was extended for the 2021-22 financial year, however at this stage we do not know if it will continue to apply for the 2022-23 financial year. ***Some of these items have not yet become law, so stay tuned.***



DO I HAVE TO DO A TAX RETURN?

This is a question we often get asked by clients. If you are under age pension age, your tax free threshold is \$18,200, so if you have taxable income above this amount you need to do a tax return. If you are over age pension age then the effective tax free threshold for a single person is \$32,279, while for a couple it is a combined amount of \$57,948. If you have taxable income above these amounts then you do need to do a tax return. As an age pensioner who no longer works, your taxable income is made up of the taxable amount of your age pension (which is pretty much all of it), your bank interest, share dividends and assessable income from any managed funds you may have. Payments from account based pension are not counted as taxable income. If your taxable income is above the above mentioned thresholds, and you have shares or a managed fund portfolio, then it is actually beneficial getting a tax return done so as you can get a refund on any franking credits that may be issued.

“Money can’t buy you happiness, but it does bring you a more pleasant form of misery.” – **Spike Milligan**

THE COMMONWEALTH SENIORS HEALTH CARE CARD

There is good news for those who meet the age requirements to qualify for Age Pension, but have too many assets or income to qualify. You may still qualify for the Commonwealth Seniors Health Care Card (CSHC). This concession card gives you discounts on some prescription medications, bulk billed doctor's visits and a refund for medical costs when you reach the Medicare Safety Net. Depending on which State and Local Government area you live in you may also be entitled to discounts on electricity and gas bills, property and water rates, and other health care costs. The qualification for the card is not based on Centrelink assessable income but your actual taxable income PLUS the deemed value of any account based pensions you may have. For singles the current qualification threshold is \$57,761 per annum and for couples it is \$92,416 per annum. If you lose your age pension due to an increase in your income or assets you should submit your application for the card as soon as you are notified you no longer qualify for the age pension.



ANNUAL RENEWAL STATEMENTS

For several years we have been sending you an annual Fee Disclosure Statement (FDS). Due to copious amounts of regulation change that Financial Planners are presently working through, as of 1 July 2021 these will look different. Leishman Financial Services (LFS) are now required to send to you an annual FDS that will outline the services LFS have provided to you over the past 12 months, as well as the services LFS intend to provide to you over the next 12 months, and what LFS will be paid for these services. The FDS must now also include Fee Consent Form(s). ***The LFS Fee Consent Form will need to be signed and returned to LFS, and in addition, some providers, like Wealthtrac, will require their own Fee Consent Form to be signed and also returned to us.***

The signed and returned Fee Consent Form(s) allow LFS to continue to be paid for the services provided to you. If the Fee Consent Form(s) are not signed and sent back to us within 150 days of your anniversary date, LFS are required to stop being paid and must cease providing you with all ongoing financial advice and services, including Centrelink liaison. Essentially, you cease to be a client of LFS. We will send you a reminder 30 days after the initial FDS is sent. We have tried to simplify this documentation for you as much as possible, but the regulations are strict and must be adhered to. When you get your FDS and Fee Consent Form(s), please don't fear, it is not a bill to be paid. If you have questions at all, please call LFS, on 03 9561 9699.

CHANGES AT LFS

Over the last few years the demand for specialised Aged Care advice has been unprecedented. Our advisers are spending a considerable amount of time reviewing and researching Aged Care strategies for clients. Aged care work is full of technicalities that mean each individual person's situation requires a tailored strategic plan. We strive to continue to provide the high standard of financial planning advice and service to clients, that they are used to. In order to do that, and meet the Aged Care advice demand, we have decided to introduce a dedicated Aged Care Specialist in our team. Already possessing the highest level of knowledge and expertise in this area, Chris Vanden-Driesen has made the decision to take on the dedicated Aged Care Specialist role from January 1, 2022. This means that Chris will cease providing financial planning advice to his existing clients. As of the start of next year Chris's financial planning clients will be looked after by Simone Vanden-Driesen or Chris (Harry) Harrower, both of whom have many years of financial planning advice experience behind them. There will, of course, be a transition process where Chris will continue to meet with his clients in conjunction with Simone and Harry. Chris will also be happy to continue to provide Centrelink/Age Pension advice and updates to clients independent of any financial planning advice.

With an aging population, we see this as an area that many of our current clients will require assistance with in the future. We believe that it is an essential service to include in our suite, that will complement the current Age Pension and Financial Planning advice services.

Harry has been with LFS since 2006. He has a Bachelor of Business in Finance & Accounting and holds a Diploma of Financial Services. With more than 15 years at LFS, Harry is no stranger to most of our clients, and is looking forward to working with many of you.

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