MONEY MATTERS Newsletter

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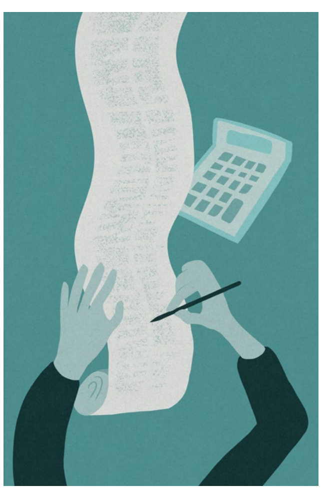
Welcome to the May 2024 edition of “Money Matters”. In this edition we provide you with reflections on both the Federal Budget and investment markets, an update on Centrelink and a tribute to Jim Leishman who passed away in February. If you have any questions arising from this newsletter, please contact your adviser at Leishman Financial Services. No action should be taken with investments funds as a result of this newsletter which is intended as a general advice tool only.

MARKET REVIEW

While the Australian share market was down 2.71% for the month of April 2024, it was still up 5.75% for 12 months and had come off an all-time high at the end of March 2024. The US share market was also down 5% for the month of April, but up 10.9% for 12 months. While many of the issues that were affecting the share market last year are still present (ie: war in Ukraine, inflation and recession concerns) their impact appears to have lessened. Interest rates finally stopped rising in November 2023, settling at 4.35% after 12 previous rises since May 2022. It had been hoped a downward movement in interest might take place later this year, however recent economic data is pointing to rates staying as they are for a bit longer and the potential for another rise if future data shows inflation is still not fully under control.

BUDGET UPDATE



The following measures were announced in the Federal Budget that may be of note to our clients:

* The deeming rates are to continue to remain as they are until 30 June 2025 despite a number of interest rate increases. This will allow Age Pensioners who would have been impacted by an increase to continue to manage cost of living pressures.

* New stage 3 tax cuts will come in to force on 1 July 2024 that will see tax savings across the board. For someone on an average salary of $95,000 per year this will see an annual tax saving of $2,054.

* To assist with cost of living pressures all households will receive a $300 a year energy bill rebate for 2024-25. This will be applied to all households in quarterly instalments.

*As of 20 September 2024 there will be a further 10% increase in the rate of rent assistance on top of the 15% increase that came into effect in September 2023. This will be on top of the standard indexation that would apply in September 2024.

SUPERANNUATION UPDATE

As of 1 July 2024 the Super Guarantee amount paid by employers to their employee's super will increase to 11.5%, with the intention it will reach the maximum of 12% as of 1 July 2025. The concessional contribution cap (which includes your Super Guarantee and any Salary Sacrifice contributions) will increase from $27,500 to $30,000 as of 1 July 2024 and the non-concessional contribution cap (for non-deductible personal contributions) will increase from $110,000 to $120,000 from 1 July 2024, meaning the allowable amount that can be contributed using the three years bring forward rule will increase to $360,000. At this stage the transfer balance cap (the amount of your super that can be transferred to a non-taxable income stream) is remaining at $1.9 million.

SEPARATED DUE TO ILLNESS

If one member of a couple has to go into aged care, and they get an age pension, then the couple can be asked to be classified as being Separated Due To Illness which will allow them to each qualify for the higher single rate of age pension. If their combined assessable assets are under $451,500 and their combined assessable annual income under $9,360 then they will be able to receive the full single rate of age pension of $29,024 each, or $58,048 combined. This is $14,295 more than the standard couple age pension of $43,753 and will go a long way to helping pay the aged care fees. As well as this the amount of assets you can have before the age pension cuts out is also higher for a couple Separated Due to Illness, cutting out at $1,195,700 instead of $1,102,500. If you both end up in aged care you will still be classified as being Separated Due To Illness, even if you are in the same aged care home together.

AGED CARE: SUPPORTED & NON-SUPPORTED

When going into aged care someone can be classified as either a fully supported, partially supported, or non-supported resident. If someone is classified as being non-supported then they have to pay the advertised Refundable Accommodation Deposit (RAD) or its equivalent Daily Accommodation Payment (DAP). However, if someone has assets under $201,231 (or $402,362 in the case of a couple) then they may be classified as a supported resident. If their assets are between $59,500 and $201,231 (or $119,000 and $402,462 in the case of a couple) then they will be classified as being partially supported. This means instead of paying the advertised RAD/DAP they pay a Refundable Accommodation Contribution (RAC) or its equivalent Daily Accommodation Contribution (DAC). The amount of RAC/DAC is determined by a government legislated formula. If someone has assets under $59,500 (or $119,000 in the case of a couple) then they are classified as being fully supported and do not have to pay any RAC/DAC. Importantly if someone goes into aged care as a supported resident, they retain that status, even if a change in their financial situation occurs that would have normally resulted in them being classified as non-supported. However, if a change does occur this may result in a re-calculation of their RAC/DAC. In this situation the maximum DAC would be $68.14 per day with an equivalent RAC of $298,214.

VALE JIM

On February 10th, 2024, the founder of our business James "Jim" Ramsey Leishman passed away. Jim founded Leishman Financial Services on 1 July 1985, which also happened to be his 47th birthday. The business started off as an accounting practice that "dabbled" in a bit of financial planning. After a few years the financial planning side of the business became so big that the accounting practice was eventually sold off. Since then, Jim built LFS into a well known and respected operation providing quality financial advice to many clients over many generations. Jim finally decided to retire in 2008 so as he could spend more time with his loving wife Jenny, who sadly passed away in 2010. Despite this Jim soldiered on as always and even re-married to Bev in 2013, who cared for him in his dwindling years. Jim will always be fondly remembered by all the staff here at LFS for his witty sense of humor and wonderfully caring nature. Those who know him will always remember Jim Leishman as being a true gentleman. Farewell Jim, you will be greatly missed.

AGE PENSION UPDATE

On 20 March 2024 the full single rate of age pension was increased to $1,116.30 per fortnight ($29,024 per annum), while the full combined couple rate was increased to $1,682.80 per fortnight ($43,753 per annum). The amount of assessable assets a single person can have before the age pension starts reducing is now $301,750 ($543,750 for single non-homeowners) and for a couple it is $451,500 ($693,500 for couple non-homeowners). For singles the age pension stops when assessable assets exceed $674,000 ($916,000 for single non-homeowners) and for couples it stops when assessable assets exceed $1,012,500 ($1,254,500 for couple non-homeowners). Under the income test for singles the age pension starts reducing if their assessable income exceeds $204 per fortnight ($5,304 per annum) and for couples it starts reducing at $360 per fortnight ($9,360 per annum). For singles the age pension stops if assessable income exceeds $2,437 per fortnight ($63,352 per annum) and for couples it stops at $3,726 per fortnight ($96,866 per annum). You should remember that assessable income includes the deemed income on any financial assets you have. The amount of employment income you can earn before it is assessable for the age pension will remain at $11,800 per year instead of reducing back to $7,800 per year as it was supposed to at 1 January 2024.

LFS as Your Centrelink & Aged Care Nominee

We act as the Centrelink / Aged Care nominee for many clients, and can update Centrelink & Aged Care on those financial assets that we manage for our clients. However, clients may have other financial assets such as bank accounts, term deposits and direct share holdings that we do not manage for them. In order to make sure your Centrelink entitlements are correct, and Aged Care fees are accurate, it is important that you keep us updated on any changes in value or status that may occur with these other financial assets (ie: if you close a particular bank account and open a new one). It is also important to let us know if you make changes to other assets such as cars, caravans and properties so as we can keep Centrelink updated. This way you can avoid getting in a back pay situation with Centrelink or Aged Care, or find yourself getting paid less by Centrelink than you should, or paying higher Aged Care fees than you should. You can update us either via e-mail or a phone call.

NOVAPORT CLOSURE

You may have received a notification from your investment platform provider (NetWealth / HUB24 / Voyage etc) about the closure of the Novaport Smaller Companies Fund. The Fund had reached a size where it was no longer viable to remain open and the managers have taken the prudent decision to close the fund rather than risk any erosion to its value. It is anticipated that the closure of the fund will be mostly completed by 30 June 2024 and the proceeds will be paid out to the cash account of your relevant platform account. Once this process has finalized we will allocate the proceeds from the Novaport Fund to a similar fund we have selected for affected portfolios. For new accounts we have already replaced the Novaport Fund in our models with the alternative fund and it is our intention that we will replace the Novaport Fund in all existing accounts within the next few months. If you have any questions regarding this matter please do not hesitate to contact us. To make sure all unit holders are treated equally the fund has been frozen until it is liquidated. We fully support this decision as it means our clients are not at risk of other investors rushing to withdraw funds. You have not lost any money as a result of it being temporarily frozen. It has been an excellent contributor to our portfolios.

MOVEMENTS AT THE STATION

Last July Sharron departed LFS to move on with her career and Khai (our casual administration assistant) also left to pursue further studies. Carolynne joined us in August as full time Receptionist. Chris (Harry) Harrower has just celebrated 18 years with us and we congratulate and thank him for his service and hope he will be with us for another 18 years. Shelley and Tegan continue in our team and we are always happy to hear from clients with questions or updates to phone numbers, email addresses etc.

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