JUNE 2020

Goldsborough

Quarterly financial planning news and views

Coronavirus downturn – what's next

The Bad

On 20th February 2020, the Australian share market hit an all-time high, the All Ordinaries closing at 7255. There were, of course, some very dark clouds brewing on the horizon. The coronavirus had claimed just 11 lives outside of China but with confirmed cases in 27 countries, things were about to get a whole lot worse.

A little over one month later, on 23rd March the All Ords was at 4564, with 37% having been wiped off the value of Australian companies. Property trusts and banks were among the hardest hit. Not even in the darkest days during the global financial crisis of 2008 were the falls as rapid. It felt like the world had shifted forever. We were (as the media so frequently asserted) in "unprecedented times."

Bond markets, which often benefit from uncertainty in equity markets, were also under pressure. The RBA reduced the target cash rate to 0.25% and stepped in to buy 3-year bonds to maintain liquidity and provide support in a market that wanted everything sold at once.

The Good

It is said that "no one rings a bell when the market hits the bottom". The April recovery caught many by surprise. People watched and shook their heads and said it would get worse before it gets better. But of course, the share market always looks forward. The longest bull run in history was halted by one of the most dramatic and short-lived bear markets of all time. I say short lived because technically we are back in a bull market.

At the end of May 2020, the All Ords is trading 28% higher than those March lows. The US Market is 41% higher.

The Ugly

Treasury estimates that despite providing $259 billion of stimulus, we will see a record reduction in GDP of 10% for the June quarter. Along with 10% unemployment, this paints a very grim picture of our economy. On a personal level, we all know someone who has been directly impacted by this economic shift.

Remarkably, against this backdrop of local and international travel restrictions, mass unemployment and mounting Government debt, both the Australian and US share markets are trading at a higher level than at the start of 2019.

Is the share market getting ahead of itself? The Economist magazine recently commented on the chasm between a struggling global economy and financial-market optimism. "A one-month bear market scarcely seems enough time to absorb all the possible bad news from the pandemic and the huge uncertainty it has created. This stock market drama has a few more acts yet." This seems like a reasonable conclusion. ■

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Working from home expenses

As I have been working from home since the middle of March and feel that I am likely to be until the end of the financial year. I was particularly interested in the ATO's guidance on deductions for working from home expenses.

We acknowledge this is not specifically financial planning advice but recommend those who have been working from home to speak to your tax accountant regarding deductions for expenses related to working from home.

Whilst the shortcut method may be easy to apply, for my personal situation it would barely cover the electricity costs of heating the home during the day let alone the other costs for computing, phone and internet. I will be speaking to my accountant about the best method for my situation.

The ATO guidance on deductions for expenses incurred directly relating to any income when working from home is specifically for;

- Claimable deductions for expenses not reimbursed by your employer and
- You must keep proof of your working from home hours and the expenses incurred.

The 3 ways you can calculate your working from home expenses are;

Shortcut method

- a deduction of $0.80 for each hour worked from home due to the coronavirus is allowed if the person incurs additional deductible running expenses as a result of working from home.

Fixed-rate method

- a rate of $0.52 per hour for the cost of utilities, cleaning and appreciation of office furniture
- work-related phone and internet expenses, community consumables, stationery
- work-related appreciation of a computer, laptop or similar device.

Actual cost method

- claim the actual work-related proportion of all running expenses, calculated on a reasonable basis.

The shortcut deduction method may be the easiest way for people working from home for the first time due to the coronavirus to complete their tax return but may not be the most accurate. These arrangements have been put in place for the expenses incurred between 1 March 2020 until at least 30 June 2020. ■

MICHELLE SANCHEZ-MCCALLUM
Authorised Representative (325471)

A new way to do things...

If you'd told me at the beginning of 2020 that a global pandemic would see economies around the world shut down, share markets plummet, borders being closed and people panic buying, I would never have believed you. It's more like something you'd see in the movies, not real life. The last couple of months have tested our resolve and have forced us to adapt to significant change, as it has for all of you too.

One of the exceptional things about Goldsborough is our ability to adapt when it's needed, and never has it been more needed than now. I thought I'd share with you some of things that we have done as a business to adjust over the last couple of months to help keep our clients and our staff safe and to continue to operate effectively.

We are offering clients the option to have meetings via phone or Zoom, which has been well received by so many. And of course, we are still here in person for those who prefer a face to face meeting. We are doing so in the boardroom to allow for extra space and are ensuring the boardroom is cleaned thoroughly between clients.

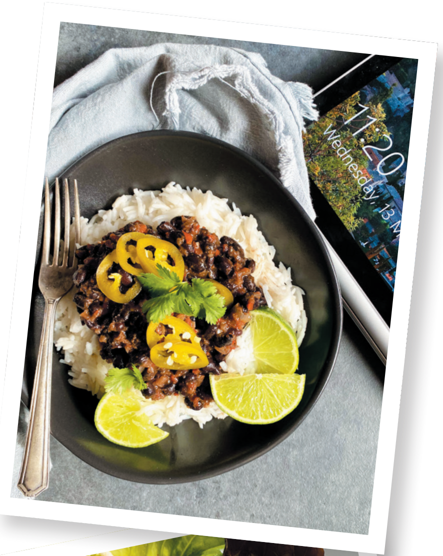
Our receptionist, Caroline, is doing an outstanding job of cleaning surfaces around the office regularly. Clients are being provided and asked to take home their very own Goldsborough pen, so that we aren't sharing stationery. We also have disposable gloves and sanitiser around the office for people's safety and convenience.

Some of our staff are working from home, while others prefer to be in the office. There are always two advisers in the office during business hours, so we are still available to witness or certify documents as needed. Our team meetings have been transferred to online so that we are spaced out in the office and we will continue to do so until it's safe to be in the same room together again.

I am very excited to share that we have launched the Goldsborough client portal, which is a quick, safe and secure way of sharing documents with clients. Please ask us how you can register.

Lastly, we've also found innovative ways to stay connected as a team and have introduced the Wednesday lunch challenge. Our staff have had a lot of fun sharing pictures of their lunch on Microsoft Teams, with a different theme each week and each week's winner receiving an Uber Eats voucher. We recognise that it's so important to have a laugh from time to time and there have been some very unique entries.

I know I speak for everyone here at Goldsborough when I say that we can't wait for things to get back to normal, but in the meantime, we are still here to help. ■



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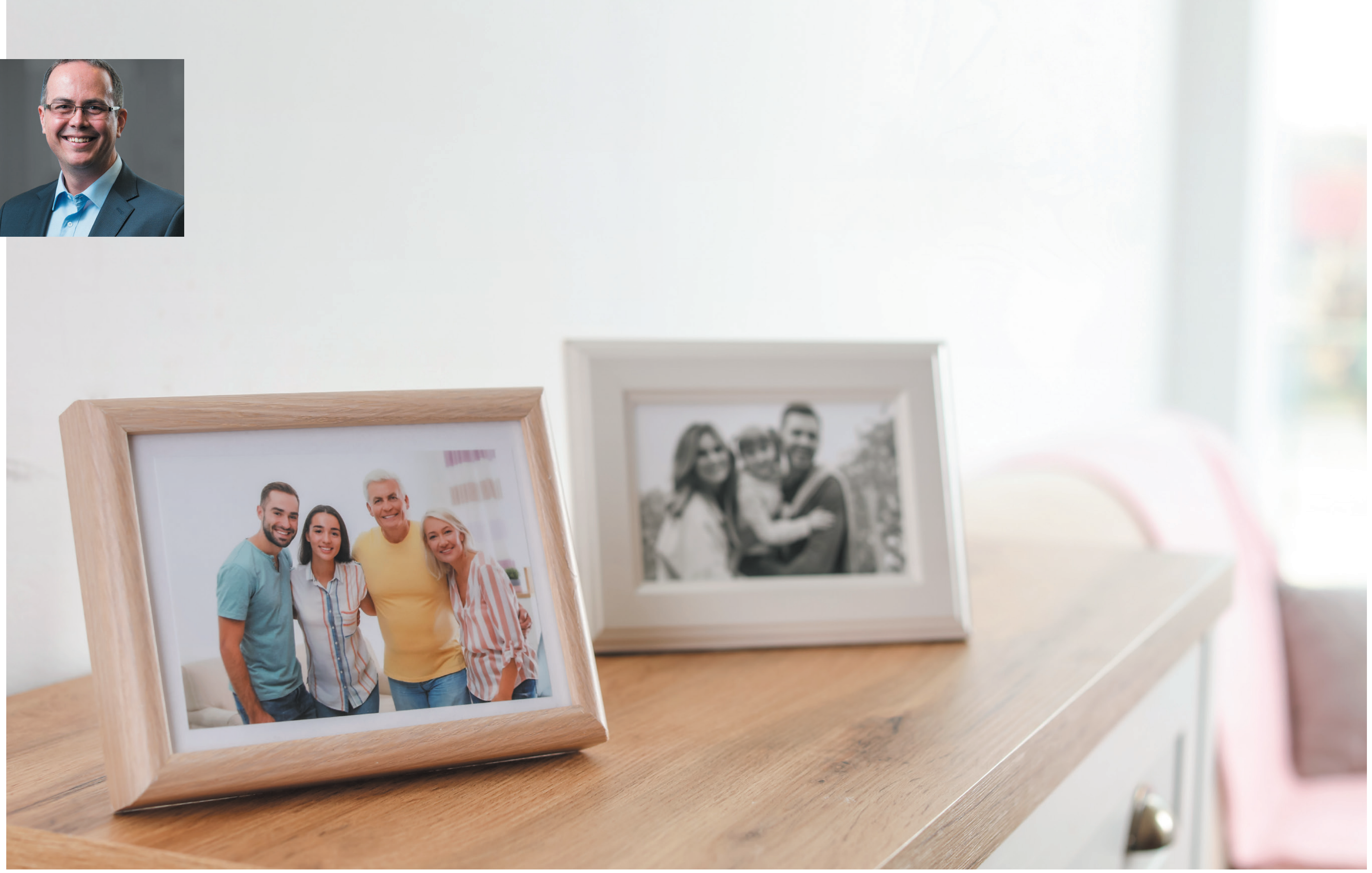

Insurance benefits and benefits of insurance

As financial advisers, we feel privileged to deal with the many aspects of our clients lives. One of the more difficult of these is assisting clients who have been impacted by a life changing health event or injury, especially when they leave young children behind. Unfortunately, these incidents only seem to be becoming more common, but the process is made much easier when we are able to offset the financial impact with an insurance claim.

A client I recently assisted has kindly offered to share his experience in our interview below. His name is Esteban Mesa and he operates a successful mortgage broking business.

Why did you take out insurance?

In my 20's I felt invincible. Then I married, had kids, and one day my wife and I talked through the impact if something happened to either of us: it was scary. I also had a friend who was diagnosed with a brain tumour and passed away three months later; he left a wife, two kids, and sadly hadn't taken out insurance because he thought it was too expensive.

What was the process to put cover in place?

I didn't know where to start, and what I should be aware of. I met with a financial adviser who made me aware of the limitations of my default cover through super, and our options for taking out new cover. After the discussions, insurance was put in place which not only protects my family but was structured to fit within our budget.

You are a keen cyclist and had a bad accident two years ago. How did you return to work?

I was working full time at the time of the accident and had to take six months fully off before returning to work. My specialist recommended a gradual return to work, who monitored the impact on my health.

The income protection policy meant my wife and I didn't need to worry about money. The policy supplemented my income as I built up my hours over the next year; without this I would have had to return a lot sooner, which would have been harmful to my health.

Did having an adviser help with your claim?

After my accident, it was a stressful time and I had limited capacity to deal with the insurance claim. Having an adviser meant the process wasn't a burden. They made me aware of additional benefits within my policy, increased the monthly benefit I was eligible for, and provided support through the whole process. ■

WILL CHAPMAN Dip FS(FP)
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Colonial First State – sale to KKR

There's been substantial changes in the Financial Services Industry since the 2018 Royal Commission which includes a reassessment by the major banks as to their role in the Financial Planning and Funds Management sector.

We have witnessed ANZ sell off its OnePath businesses, including a significant transfer to IOOF last year. In recent weeks, CBA announced it was selling a 55% majority interest in Colonial First State (CFS) to US based Global Asset Management firm KKR. Given that shortly after the Royal Commission, CBA had announced its plans to separate from the CFS business, this announcement has been a long time coming and widely anticipated.

From our perspective at Goldsborough, **we are pleased that clients with investments through CFS will not need to take any action**, nor do we expect any negative consequences or short term changes. We also see this as a positive step to further reduce the perceived conflict of interest between the major financial institutions and funds management businesses. We will continue to assess the quality of the service and administration, or if administration fees were to change. However, we consider it unlikely that administration fees would increase, as there is generally downward pressure on administration fees industry wide.

This reinforces one of Goldsborough's great advantages: that we have our own Australian Financial Services Licence (rather than one owned by the larger institutions) and the shareholders of Goldsborough all work at Goldsborough. Therefore, when these significant changes to the larger institutions occur, if we feel that we are not satisfied with the potential outcome for our clients, we are easily able to pivot to a more appropriate solution. Please contact your adviser should you have any concerns or queries. ■

BRENTON MIEGEL CFP®
Authorised Representative (227297)

Reducing Allocated Pension payments?

Those investors with Allocated Pensions (or Account-based Pensions) know that there is a legislated minimum drawdown rate for your investment – a minimum amount of income you must receive each year. As part of the economic stimulus measures announced in March, the government will allow those with Allocated Pensions to reduce their income drawdown to be 50% of the normal minimum pension levels.

Age	Default minimum drawdown rates (%)	Reduced by 50% in 2019/20 and 2020/21 financial years (%)
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
Over 95	14	7

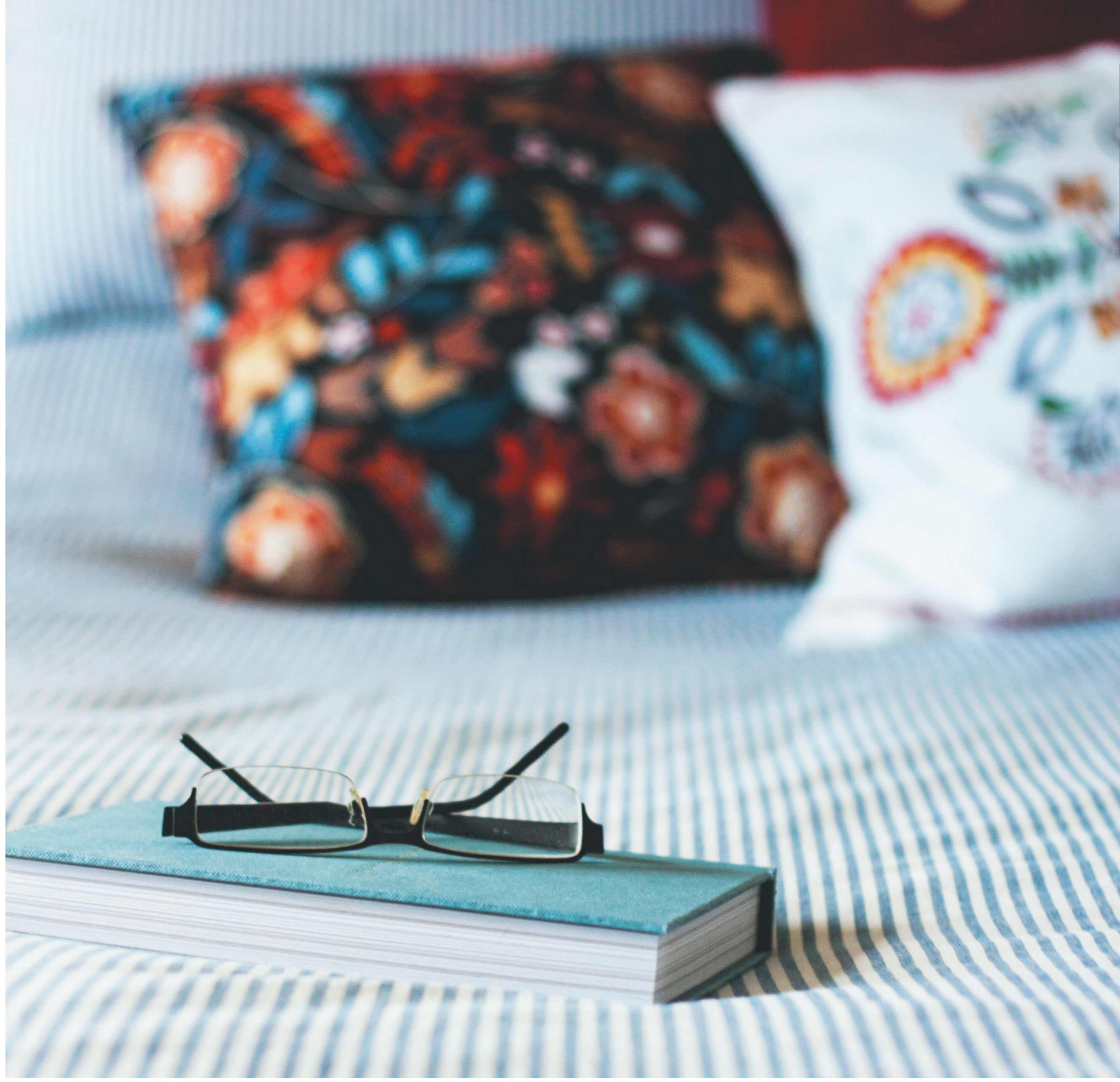
From 1 July many fund managers have made the decision to automatically apply the new 50% minimum!

As a result, you have three options available to you:

1. Take a reduced Allocated Pension income payment (50% of the minimum) for the 2020/2021 financial year; OR
2. Maintain the same percentage drawdown that you have been taking (the 'normal' minimum); OR
3. Specify an amount of income that you would want to receive from your Allocated Pension for the new financial year.

If you have sufficient cash reserves to cover any shortfall in the next financial year, then it will certainly benefit your account balance to adopt the new minimum pension level for a 12-month period. If you have not spoken to your adviser about this change, I would strongly encourage you to do so. Otherwise, you may find your Allocated Pension income reduced automatically in July when you did not necessarily want that to be the case.

"Normality" should return to Allocated Pension income streams from 1 July 2021. ■



MATTHEW KELLY CFP®
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Retirement living & aged care seminars

Due to the Covid-19 restrictions, we unfortunately had to cancel our scheduled seminar in May. However, at this stage we are still planning on holding our next seminar on:

Wednesday 5 August
6.00pm – 7.30pm

Please contact our office on 8378 4000 to book your place. We will keep you informed as to any developments that may affect our ability to hold this seminar.

Residential aged care home refunds

There can be a situation where a person residing in one aged care home will move to another. What happens to the Refundable Accommodation Deposit (RAD) that has already been paid?

If you move, the lump sum balance (less any amounts that have been taken out over the period of care - i.e. any daily accommodation payment deducted from the RAD) will be refunded to you. The timeframes for the refund are as follows:

- If you let your aged care home know more than 14 days in advance of you leaving, then your lump sum balance must be refunded to you on the day you leave.
- If you give 14 days' notice (or less) of leaving, then the lump sum balance must be repaid within 14 days after the day you give notice.
- If you don't let your aged care home know in advance that you are leaving, the lump sum balance must be refunded within 14 days after the day you leave.

What happens when an aged care resident passes away?

If the care recipient passes away, the aged care provider must refund the lump sum balance within 14 days of receiving either:

- Evidence of probate of the resident's Will (the official proving of the Will) or,
- Letters of administration (authority to administer the estate of someone who has died without making a will).

The provider may refund the lump sum balance without letters of probate or letters of administration if they are confident that the correct legal beneficiary has been identified (but they do have the right to see these documents). ■

Goldsborough
Financial Services

Join our retirement information sessions

To ensure that we can still offer these seminars whilst taking all the appropriate measures for social distancing at this time, we will also be hosting our seminars via a video conference.

If you would like to register for any of our seminars please contact our office on 08 8378 4000 or via mail@goldsborough.com.au.

We also welcome clients to book individual appointments with our Advisers via telephone or video conferencing.

If you would like assistance on how to establish a video conference, our Admin Team are on hand to help and can guide you through the set-up process.

2020 Retirement living and aged care seminars

Wednesday 5 August

Wednesday 4 November

at 6.00pm

If you or a loved one will need Retirement Living support and/or Aged Care in the coming years, then this seminar will explain the different options that are available.

2020 Retirement planning talks

Tuesday 11 August

Tuesday 10 November

at 6.00pm

There's never a better time to plan for tomorrow than today! We'd love to help you start planning your financial future, and it's as simple as attending one of our free Retirement Planning Talks.

Goldsborough is a referral based business

The biggest compliment any client can give us at Goldsborough is the referral of a friend, relative or business associate who could benefit from our services.

As an indication of our appreciation for the referrals that we receive from our clients, we have instituted a quarterly draw where the names of the referring clients for that quarter are put in a box and one is drawn out.

We have pleasure in announcing the winners of our 'Referrers Award' for the June 2020 Quarter are Alan and Rosslyn Trenorden — congratulations Alan & Rosslyn, your voucher is on its way.

The winner of the draw receives a $100 shopping voucher!

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