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Goldsborough

Quarterly financial planning news and views

New APRA performance test

As part of the Federal Government's "Your Future, Your Super" reforms, the Australian Prudential regulation authority (APRA) has introduced a performance test to identify underperforming "MySuper" products across the superannuation industry. The expectation is that this process will motivate disengaged superannuation beneficiaries to consider moving, leading to industry consolidation with fewer superannuation funds.

I've previously been critical of the collective industry where older style super products simply hang around past their used by date so this new APRA test will help alleviate that problem. The intent is to encourage Australians to engage in the superannuation options available to them which is something I also strongly support. The ATO also now has a "YourSuper" comparison tool which demonstrates that people should make more choices, but also that making a super choice is not that easy so you may need to seek advice from a Financial Planner (which I understandably also support).

However, this new test might be good in theory but flawed in practice. Firstly, the results have been misrepresented due to the perceived simplicity of the "pass or fail" so the baby gets thrown out with the bathwater. For example, Westpac's BT and CBA's CFS have literally hundreds of super investment options available. I don't question that those singular investments failed the test, but it doesn't mean that every option failed. In fact, one of those big banks had another investment option that was listed in the top ten funds!

Secondly, a lot is overlooked in the test which people may actually want, such as investment risk weightings and other qualitative factors. For example, the Christian Super MySuper product failed the test but they also cite their ethical approach to investing in affordable housing and specialist disability accommodation. Many Australians will happily sacrifice some investment return to support a social cause (or environmental and governance causes).

Thirdly, some funds 'passed' but apparently were not able to supply all the required numbers for a full assessment, including one of the Federal Government's own super funds... What kind of test only marks on the questions answered?

I certainly respect the Federal Government has worthy intentions but applying a 'one test fits all' mechanism leads to a flawed process. This in turn leads to confusion among the public and magnifies misinterpretation, which completely undermines the purpose of the exercise. Apparently in future years, the test may be applied to more than the 76 super funds done this year. Perhaps they can look at widening the assessment scope within the test to strengthen the process before they widen the net of funds they apply the test to.

Lastly, the topic of super consolidation may trigger some clients to think about the old small super funds they've been meaning to rollover. Another flaw resulting from this test is there may be some insurance in those old accounts that actually could be very valuable. I'm not saying you must keep every old super account, but speak with us before making changes that usually can't be undone. ■

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Aged care and the extended land use test

Eligible farmers with a long-term attachment to their land have been eligible for the "extended land use test", where land that exceeds 2 hectares on the same title as their principal residence, is considered part of their principal residence and exempt under the assets test.

Who is eligible for the extended land use test?

The extended land use test is available where someone:

- Has reached Age Pension age.
- Receives Age Pension, Carer Payment, Pension Bonus Bereavement Payment, DVA Service Pension or DVA Income Support Supplement.
- Owns a principal home that is on land that exceeds 2 hectares and is held on the same title.
- Owns a dwelling that has been the person's principal home for 20 years or more continuously.
- Satisfies the effective land use test.

To qualify for the extended land use test, several eligibility criteria must be met including:

- 20-year attachment. To meet this criterion, the farmer must:
  - Own the principal home.
  - Have lived in the principal home continuously for a period of at least 20 years.
  - Only land on the same title as the principal residence is exempt.
- Effective land use. This can be satisfied in several ways including:
  - Working the land to its potential (or a close family member working the land to its potential).
  - Leasing the land.
  - Not working the land if it has limited potential to generate income (e.g., rural residential block).

How is the land assessed if the farmer needs to go into residential aged care?

If a farmer who has their land exempted under the extended land use test enters aged care, the land continues to be assessed as their principal residence under the aged care rules.

Single Person

For aged care purposes, if a protected person does not reside in the former home, the capped value of the former home is assessable under the means tested amount calculation (currently $173,075.20).

A protected person includes the following:

- Partner or dependent child (under 16 or a full-time student under 25).
- Carer who has resided in the home for 2 years and is eligible for an income support payment.
- A close relative (parent, sibling, child, or grandchild) who has resided in the home for 5 years and is eligible for an income support payment.

Couples

For aged care purposes, as the partner is a protected person, the former home is exempt for as long as their partner remains in the home. When there is land exempted under the extended land use test, the value of the house and land is exempt for both members of the couple.

If the partner then leaves the former home (i.e., due to death or entering aged care themselves), and another protected person does not reside in the former home, the capped value of the former home ($173,075.20) is assessable under the means tested amount calculation. ■

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Transitioning to retirement

When speaking to clients approaching retirement there is always the discussion about the potential to reduce hours in the lead up to retirement as opposed to working flat-out then stopping all together. I hear a lot that people either had not considered this option or their employer wouldn't allow it. Recent business surveys are suggesting that there is an increase in the offering of informal transition to retirement. The surveys indicate that the informal arrangements are three times the number of formal programs of transition to retirement. Therefore you should not assume your employer will not allow you to reduce work hours and it is worth discussing with your managers in person.

While many soon to be retirees are so focused on building their nest eggs, they never bother to ask their employers about what transition to retirement options are available to them. Others who are able to retire financially but not emotionally, stick to their routine with a full-time work week rather than consider a reduction in hours that could give them time to enjoy other aspects of life.

Here are 3 reasons why reducing your work hours could help you transition into retirement.

1. Become accustomed to reduced income.

Whether you scale back your existing hours or take a part-time job, your income will probably look less than you're used to. Giving yourself this pay cut is a good opportunity to review your household budget and think about how you want to spend your money in retirement. Look for ways to reduce your spending, such as cancelling magazine subscriptions you never read, streaming services you never watch, or club memberships you never use. You might also identify debts that you want to work on paying down or eliminating before you retire, such as credit cards, vehicles, or your mortgage.

Once you've covered the basics, think about what you want your entertainment budget to look like. How much money do you want to allocate for travel? Do you want to invest more in your hobbies, or hire a coach to help you develop a skill?

2. Adapt your money mindset.

A financial adviser can help you coordinate your assets to provide income throughout your retirement. During this transition to retirement phase, start getting comfortable with the idea that more money might be going out every month than is coming in. If building your nest egg was the end goal of a fulfilling life, then you'd never stop working. And if maintaining that nest egg is all you think about in retirement, then you'll never really enjoy your retirement years.

Still, changing from a saving mindset to a spending mindset can be tough. As you transition, start small. Treat yourself and your spouse to an extra date night. Toss out that old mattress that's breaking your back. Upgrade your home theatre and install solar panels. Give yourself permission to have a little fun now so that you'll be looking forward to everything retirement has to offer.

3. Experiment with your schedule.

That first few weeks and months of retirement can take some getting used to for many new retirees. Transitioning to retirement provides time to adjust. You can use feed up time to start working on a full retirement schedule that will keep you busy. Try some new things on your days off, like an online class or a sport you've always been interested in. Explore volunteer positions. Drop in on your grandchildren's sporting events. Eat at that new trendy restaurant. Meet up with friends and talk about how they're managing their own retirements.

And if you need an extra meeting to fill in a blank, schedule some time to talk to us about how your transition to retirement is going. We're happy to act as a sounding board to discuss what you're liking, what you're not, and how your financial plan is fitting in with your changing lifestyle. ■

LACHLAN HARVEY CFP®
Authorised Representative (227293)

Ethical investing

If you have superannuation, then chances are you are a shareholder. Have you ever wondered what the companies you're invested in do? Do these companies make the world a better place? Does my investment do more harm than good?

Increasingly, investors large and small are asking these questions, and rightly so. Many investors would feel uncomfortable if they knew their investment was funding the manufacture of weapons, tobacco, gambling or supporting the fossil fuel industry. What if the company that you're invested in had a history of human rights violations or environmental damage?

These important questions have contributed to the remarkable rise of ESG investing. A form of investing that considers Environmental, Social and Corporate Governance.

An incredible USD35 trillion is now invested in line with ESG principles, representing around 36% of professionally managed assets globally. *(Global Sustainable Investment Review 2020).*

Example of ESG factors	
Environmental	responsible water use sustainable natural resources and agriculture pollution clean technology climate change and carbon emissions green buildings and sustainable growth
Corporate Governance	political donations executive remuneration board diversity board independence anti-corruption policies
Social	human rights avoidance of harmful products (e.g. tobacco) community development diversity and anti-bias labour relations workplace safety

ESG investing is more complex than simply screening out "harmful" companies. Many companies do both good and potentially harmful things. For example, your favourite supermarket is also likely to be a major retailer of alcohol and tobacco. Your preferred energy provider may be simultaneously a green energy investor and major carbon emitter.

Assessing an individual company's ESG credentials can be difficult for retail investors. It can also be difficult for investors in managed funds to understand which stocks have been included or excluded from the portfolio and on what basis. Whose ethical framework has been applied to this decision-making? Do the ethical considerations compromise returns?

These are not easy questions to answer. Ethical investing is constantly evolving. What we know for certain is that investors are becoming increasingly aware and concerned about the impact of their investment. Companies, investment managers, super funds, research providers and financial planners are all taking notice.

Goldsborough's investment research partners, Zenith Investment Partners now provide RI (responsible investing) classification to managed funds, making it easier to understand the extent to which an investment manager considers ESG factors when making investment decisions.

Zenith Investment Partners - RI Classifications	
Traditional	Seek to achieve a stated investment outcome, with little to no regard for RI/ESG factors
Aware	Seek to achieve a stated investment outcome, taking into consideration a broad range of factors including RI/ESG
Integrated	Seek to achieve a stated investment outcome, expressly taking into consideration RI/ESG factors which materially alter the Fund's permitted universe and portfolio allocations
Thematic	Seek to achieve an investment outcome that includes an explicit RI/ESG objective - both measurable and reportable
Impact	Target investments aimed at generating a positive, measurable social & environmental impact alongside a financial return

If you would like further information on how your investments are classified, please speak with your financial adviser. ■

MICHELLE SANCHEZ-MCCALLUM
Authorised Representative (325471)

COVID recontributions

During the peak of COVID last year, as Aussies were stood down from work, many suffered financial hardship. In an unprecedented move, individuals in certain circumstances were allowed to withdraw up to $20,000 from their super despite not meeting another condition of release.

It was an evolving situation and circumstances changed for many. In a recent announcement, the ATO has said that individuals who withdrew money under the COVID -19 early release scheme, can now recontribute amounts they withdrew. These will not count towards their non-concessional contribution cap. The amounts can be re-contributed any time between 1 July 2021 and 30 June 2030.

The ATO confirmed that individuals can make their COVID-19 recontribution to any fund of their choice where the fund rules allow. It also doesn't need to be contributed back to the fund that it was withdrawn from.

However, if they're found to be ineligible, this could leave a person exceeding their non-concessional cap. The maximum that can be contributed is $20,000, up to the amount that was withdrawn under the scheme. It is important to double check with your super fund if you intend to contribute funds in this way. ■

CRAIG KIRKWOOD CFP®
Authorised Representative (401525)

Gifting and Centrelink

Gifting, or financially helping family or friends, can provide great satisfaction. But before you make a gift, it's important to know how it could impact the Centrelink/DVA pension you receive now, or in the future.

Centrelink entitlements are based on two tests: an income test, and an assets test. A gift can reduce your assessable assets (and the deemed income) and possibly result in an increase to your benefit. However, Centrelink have deprivation provisions which set a limit to the amount that can be gifted and maximise your entitlements. The current gifting limit is $10,000 in each financial year (the same amount for a single person or a couple), with an additional restriction of no more than $30,000 over a rolling five-year period. These provisions apply to all Centrelink benefits that are subject to an asset test such as Age Pension, Disability Pension and Aged Care.

You are not restricted in making gifts above this amount, but any amount in excess of the limit will be counted as a deprived asset. Deprived assets count as an asset for a period of five years from the anniversary of gifting, so Centrelink will need to know the details of any gifts made five years prior to a new application. After the five-year time period has expired, the deprived asset is removed and is no longer counted by Centrelink.

For example, a couple who receive a part age pension under the asset test could gift up to $30,000 over a 13-month period with careful timing, as outlined below:

Date of gift	Amount
June 2021	$10,000
July 2021	$10,000
July 2022	$10,000

Based on this example, no deprivation of assets would be triggered, and each gift could increase the couple's joint age pension by $30 p/f ($780 pa) after each $10,000 gift is made.

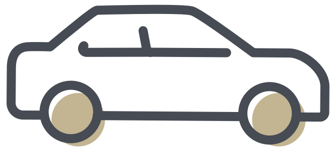
Centrelink are required to be notified of any gifts within 14 days, regardless of whether the gift is a deprived asset or not. In its simplest form, a gift might be the transfer of cash to a child. It may also apply in instances where a person:

- Transfers assets for less than their market value (for example a car, property or shares).
- Forgives a loan.
- Helps children with funds to purchase a home.
- Pays for a wedding (other than their own).
- Pays for the expenses of grandchildren including education.
- Makes a donation.

Some gifts may be exempt, such as the transfer of assets between couples, contributions to a special disability trust, or a granny flat arrangement.

Before making a gift, it is also important to consider other issues beyond Centrelink implications. These issues might include whether you can afford the gift, and estate planning impacts such as what would happen if a child divorced after receiving a gift. The motivation should be to help someone financially, not just to increase a Centrelink benefit.

Given the complexities around planning and calculating the impact of a gift, it's worth speaking to your adviser first. ■



BRENTON MIEGEL CFP®
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Think about retirement... even if you don't want to

So, you're not the only soon-to-be retiree who's reluctant to leave your working days behind. What we do is often so tied up in who we are that it can be difficult to picture yourself without a "9-to-5" job, even if part of that picture involves a sea change or extensive travel. Where some retirees see carefree days and endless possibilities, you might be staring at a blank calendar worried that you're going to go crazy without meetings, deadlines, and tasks that fill you with purpose.

Answering these three questions may help you start to fill in those blanks and rethink what your retirement can be.

1. What does my ideal week look like?

Grab a calendar, or a sheet of paper, and divide every day of the week into three sections: Morning, Afternoon, and Night. Then, put at least one activity in every box. These don't have to be bucket list items. Start small. Schedule a post-breakfast walk with your spouse (or friends) on Monday, Wednesday, and Friday mornings. Reserve some afternoon time for reading. Find out when your retired friends are free and book a regular dinner or time on the tennis court or golf course. Spend some extra time with your kids and/or grandkids.

Eventually, your daily boxes are going to fill up faster than you might expect. Even better, because you've put these items on a schedule, you'll be much more likely to go out and do them. Retirees who spend their days on the couch muttering, "I'll get to that," often don't. The more intentional you are with your time, the more successful your retirement is likely to be.

2. What have I observed about other retirees?

Although the classic image of retirement is a life of financial security and leisure, many of us have seen a less positive side of retirement as well. If your parents started arguing more once dad retired or if one of your newly retired friends is having money problems, you might worry that your own retirement is going to be less of an extended holiday and more of an endless worry.

Take a piece of paper and divide it in half. On one side, write down all the things you've observed from people whom you consider successful retirees. How do they spend their time? Did they stay in the family home or move someplace new? What are their relationships like? What hobbies do they enjoy? How have they strengthened their connections to their communities?

On the other side of the paper, write down the things you've observed from less successful retirees. What words would you use to describe their mindsets and emotions? Do they seem intellectually stimulated? Are they in good health? Do they get the support they need from their social networks?

When you've finished with your lists, you should have a clearer picture of what kinds of attitudes and habits you want to incorporate into your own retirement and some potential pitfalls to avoid.

3. What's really important to me?

Even people who love their jobs rarely love working. They love the way that their jobs allow them to put their top skills to good use, the opportunities for creativity and self-expression, the feeling that they're contributing to society, and the bonds they build with other people. They also appreciate how their hard work provides a happier and more fulfilling life for them and the people they love the most.

Make a list of all the ways that your career has brought out the best in you and allowed you to put your values in action. Then, add in the people you want to spend your time with in retirement, the places you want to go, the things you want to do. Look over your complete list and you'll start making some surprising connections that could lead you to some exciting new endeavors: family holidays, volunteer opportunities, talents you want to develop into skills, skills you want to use to create a new company.

A final observation is that the bulk of my retiree clients come in and say "I don't know where I found time to work" – suggesting a full and fulfilling retirement is there for the taking. ■

Goldsborough
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Final Seminars for 2021

As we hope to continue hosting the 2021 seminars in our boardroom, the number of guests allowed per session will be restricted to ensure we comply with social distancing requirements current at the time. Appropriate hygiene measures will also be in place to ensure everyone's health and well-being.

Please note that should the COVID restrictions in Adelaide change to prevent a physical seminar to be held, we will host the session for all attendees via a video conference instead.

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

Please also keep an eye on our **Facebook** page or **website** for the most up-to-date details, including new Seminar dates for 2022! ■

Retirement Living and Aged Care

Wednesday 3 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.

Retirement Planning Talk

Tuesday 9 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.

Footy Tipping Competition

We had another great year with our Goldsborough Footy Tipping with over 100 clients participating in the fun.

A big congratulations to our winners:

1st – Bob Glovitch

2nd – Merrilyn Farrington

3rd – Graeme Baenisch

We hope you enjoy your prizes! ■

Referral award

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.** To show our appreciation for the referrals that we receive from our clients each quarter, we enter all names into a random draw and the winner receives a $100 gift voucher!

We have pleasure in announcing the winners of our 'Referrers Award' for the September 2021 quarter are **Rob and Ljubinka Crookall** — congratulations **Rob and Ljubinka**, your voucher is on its way. ■

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