SEPTEMBER 2023

Goldsborough

Quarterly financial planning news and views

The “R” Word

For years now, the only real recession I’ve experienced is related to my hairline. We live in the lucky country and with more than a generation of stable economic growth, the concept of an economic slippery slide, like the “recession we had to have” in the early 90’s, feels distant. Sadly, lately we’ve slumped in our productivity and, compounded with other economic drivers, we seem to be heading back into recession territory. Our GDP per hour worked (labour productivity) is now down 3.6% for the year. At the same time, businesses are paying wage rises in line with higher inflation so they pay a lot more to get less.

In our homes, both discretionary spending and household savings are shrinking (savings rates are now the lowest in 15 years) with higher mortgage payments and inflation eating up household budgets. In essence, things are tightening fast but as for an actual recession, well that depends on who you ask. The traditional definition of a recession is two quarters (6 months) of negative GDP growth but there are many variations in terminology the experts use to suit their message, depending on what they are selling (usually clickbait headlines). There’s the technical recession, the NBER recession, unemployment recession, shallow recession, deep recession, a per capita recession and sometimes just the “R” word.

We’ve already hit the “per capita recession” but assuming we have a relatively short lived period of economic contraction, the demographic that will likely canter through the next 12 months are those who don’t have a lot of debt, don’t have a job to lose, don’t have an addiction to Uber Eats, and have easy access to liquid capital; broadly retirees or those closer to retirement.

For mortgage holders, all 4 major banks expect RBA interest rates to fall next year on the basis that the interest rate lever has done its job of controlling high inflation. However the biggest contributor to inflation for the year end of June was housing (new buildings, rents, accommodation), no doubt ignited by the increase in immigration and return of international students post Covid. The challenge being that demand for necessities (housing, food, fuel) keeps upward pressure on inflation at a time that businesses and mortgage holders are praying for lower interest rates.

So far, the RBA can be commended for not letting the pendulum of economic controls swing too far in either direction but is abundantly clear that our exports have been our saviour of late (largely mining) and it makes us particularly sensitive to the slowing Chinese economy. I hope and believe we can navigate the next 12 months with only a mild amount of economic pain but the numbers tell us things are still yet to get worse before they get better.

Thankfully, this is a trend that has been anticipated long enough that we’ve seen investment portfolios updated to accommodate for this change, remembering that markets are always looking forward but economic data represents the past. ■

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Tips for women to boost their Super

When retirement is on the horizon, things often start to get a bit easier financially.

Your mortgage might be paid off or almost paid off, and you have no more school fees to worry about. Plus, if you're earning a healthy income, it's the perfect opportunity to ramp up your savings for the future.

But, as most of us are all too aware, women often end up with less in their super accounts compared to men, and on top of that, they tend to live longer. These factors can really mess up your retirement plans.

Here's some helpful tips that can assist you ladies in your 50s and 60s to bridge the gap and ensure a brighter retirement ahead:

Pump up those super contributions: If you've got some extra savings, why not give your super a boost before you retire? You can do so by arranging with your employer to make salary sacrifice contributions or even claiming a tax deduction for your personal contributions (up to the $27,500 limit including super guarantee). That way, you not only increase your super balance but also save on income tax. There might also be unused cap space from previous years that lets you put in even more money!

If you're already maxed out on the cap for concessional contributions or your taxable income is too low for them to make a tax difference, no worries! You can also think about adding in a non-concessional contribution instead. Non-concessional contributions are the ones you make from your own savings without claiming a tax deduction. Right now, the general cap for this type of contribution is set at $110,000, but you might be able to put in more using the bring-forward rule.

Consider a transition-to-retirement strategy: Ever heard of a TTR pension? It's like dipping your toes into the retirement waters while still working. You can take out up to 10% of your pension balance each year, tax-free (unless you're in an untaxed super fund). Use this tax-free income to increase your concessional contributions to super and watch your super grow.

If divorce or separation comes your way: It can be a tough time emotionally, but don't forget to sort out your finances. Super is a major asset, and you don't want to compromise on your settlement just for the sake of peace. Get some legal help and make sure you get your fair share.

Teamwork with your partner: For couples, the super system lets you contribute to each other's accounts, and you can even transfer contributions from one account to the other. It's a smart move if one partner's super balance needs a boost. Plus, there are tax offsets available to your spouse if you earn less than $40,000 pa, or vice versa.

Super fund check: Nobody wants a lousy super fund, especially right before retirement. So, make sure your fund's fees are reasonable, and it's performing well. Check out some online comparison tools or ask a Financial Adviser for help in comparing your options.

Crunch the numbers: You can't plan without knowing where you stand. Use a retirement calculator to see where you're at. It's not a guarantee, but it'll give you a good idea of your situation. That can help you decide if you are on track or if you need to make some changes to meet your goals.

Consider working a bit longer: If you're in good health, working part-time or casually for a bit longer can ease the pressure on your retirement savings. And you can still access your super after 60, or even if you're 65 and still working. Plus, you might still qualify for the Age Pension if your income and assets are below the limits.

So, there you have it! Follow these handy tips, and you'll be on the road to a more secure and comfortable retirement.

And of course, **if you would like professional advice to ensure that you are making the most of these pre-retirement strategies, I would love to help you reach your retirement goals.** ■

BORIS PEDISIC CFP®
Authorised Representative (301739)

Can I return to work after I access my super?

Have you ever wondered if retiring and starting a super pension will stop you from returning to work if you have a change of heart...**the short answer is no, it won't**...retirement isn't a 'locked-in' contract. You can retire and go back into paid work if you want.

You may retire and then suddenly be enticed back to work by someone who values your skills. Some people get bored and decide retirement doesn't suit them, while others worry their retirement savings are being depleted too quickly. Some early retirees may discover their spouse doesn't want them hanging around the house all day – and there's only so much golf a person can play!

As with everything to do with super though, **there are rules**...to access your super in the first place, you need to satisfy a **condition of release**. The rules vary depending on your age.

If you're younger than 60

If you're under 60, you must have reached your **preservation age** and retired. Preservation age is determined by your year of birth. It will increase gradually to 60 **for everyone born on/ after 1/7/64.**

Your super fund will ask you to sign a declaration stating that you're no longer in paid employment and you intend to retire permanently. **The key word here is 'intend'.** Provided your intention is genuine at the time you sign the declaration, there's nothing stopping you returning to work.

If you're over 60 but not yet 65

Once you turn 60, you can retire without having to declare your future work intentions and start withdrawing your super as a pension or a lump sum. You simply notify your fund that you're retiring.

You don't even need to fully retire. If you have more than one job, you only need to stop working at one of them to satisfy a condition of release. You can then return to work whenever you like and continue to access your super.

If you're 65 or older

From age 65 you can access your super whether you're retired or not, **without having to satisfy any special conditions of release.** This means you can continue working full or part time or retire and return to work whenever you want.

Can I add to my super, upon my return to work, after retirement?

When you return to work, you can rebuild your super via compulsory Super Guarantee contributions from your employer, or your own voluntary contributions. **Any new contributions will be 'preserved'** until you meet a new condition of release unless you are over 65.

If you are aged between 67-75, you will need to meet a "work test" **if you intend to claim a taxation deduction** in relation to personal contributions made to super. You need to show that you've worked for at least 40 hours in a 30-day period during the financial year you make the contribution.

The good news is that, since 1 July 2022, the work test has been repealed for people aged 67 to 75 who wish to make non-concessional (after-tax) contributions or salary-sacrifice contributions.

You cannot make voluntary contributions once you turn **75**. The one exception is **downsizer contributions** made with the proceeds from the sale of your home. There is currently no upper age limit on downsizer contributions.

Pros and cons

Before you go back to work, it's important to understand the implications for your super and future retirement income.

The **main benefit** of retiring before starting a new career or taking on some part-time work is that the money in your super pension is **tax-free after age 60.**

The **downside** of retiring early and accessing your super is that you run the risk of outliving your savings.

If you want to have your cake and eat it too, then satisfying a condition of release to access your super and returning to full, or part-time work may well be worth considering. ■

LACHLAN HARVEY CFP®
Authorised Representative (227293)

The Magnificent Seven continue to influence global returns

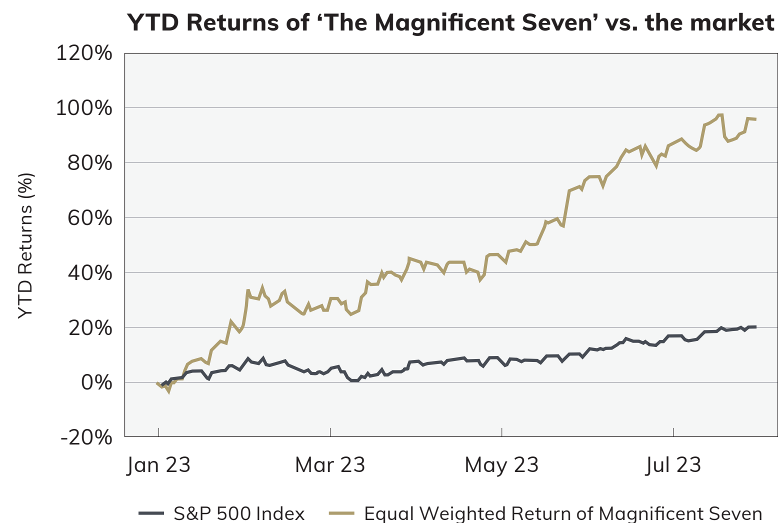
One of the most remarkable investment stories of 2023 has been the continued outperformance of a group of US stocks which has become known as "The Magnificent Seven." Not to be confused with the 1960 film of the same name, the term was coined to describe a group of stocks that have come to dominate US Market returns over the past 12 months. Who are they?

Apple Inc.
Microsoft Corp.
Alphabet Inc. (Google)
Amazon.com Inc.
Tesla Inc.
NVIDIA Corp.
Meta Platforms Inc. (Facebook)

NVIDIA is the newest member of this club, having tripled in value over the past year. Traditionally associated with manufacturing graphics processing units, the company now receives unprecedented demand for its market-leading artificial intelligence chips.

Together these seven businesses make up over one-quarter of the value of the top 500 stocks in the US. They were responsible for around three-quarters of the capital return of the S&P 500 in FY23.

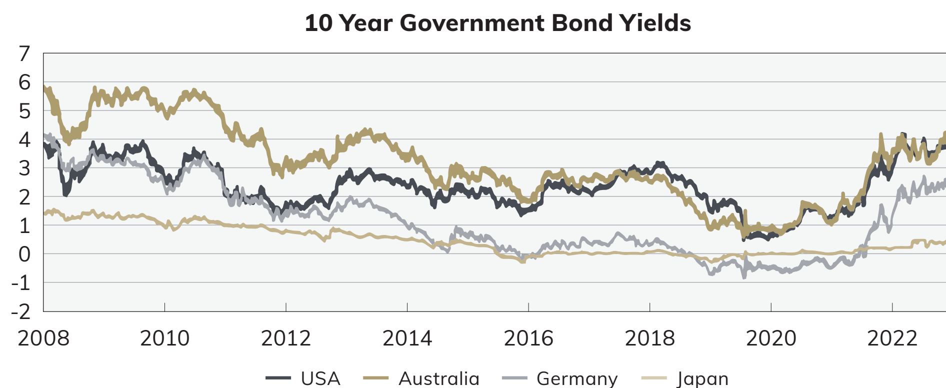
US shares now represent around 70% of the global share market by market capitalisation which has played a big part in the outperformance of International Shares versus Australian Shares.



Source: Morningstar Direct as of 31/7/23. Equal weighted return takes a simple average of returns of AAPL, MSFT, AMZN, NVDA, GOOGL, TSLA, and META.

Market Index Returns 31 August 2023	1 year	3 year	5 year
Australian shares (S&P/ASX 200 TR)	9.56%	10.69%	7.01%
Global shares (MSCI World Ex Australia NR AUD)	22.62%	13.35%	10.82%

Source: Morningstar ARC



Source: Drummond Capital Partners

The US market now looks particularly concentrated, an observation that has often been made about the Australian share market in the past. BHP and our four big banks have dominated our market for decades.

Stock concentration is a challenge for active investors, including many managed funds that aim to minimise risk while maximising returns. Index funds on the other hand benefit when the largest companies outperform. The bigger the weighting in the index, the bigger the exposure to that company an index fund maintains.

For investors with more conservative portfolios, the dramatic shift in bond prices that led to negative returns in 2022 is now well behind us. The outlook is now much healthier for bonds, with prices more stable and income yields at levels not seen for 10 years.

As always, investors need to be mindful of making assumptions about the future, based on the recent past. Diversification remains a fundamental principle of long-term investing. All investors should seek to understand their investment risk profile. Ultimately, finding a balance between risk and return that matches their tolerance of risk as a personality trait, as well as the mathematical reality of achieving longer-term goals. ■

CRAIG KIRKWOOD AFP®
Authorised Representative (401525)

Maximising your golden years

During our recent radio show on 5AA (every second Thursday at 3pm), we outlined some of the implications of working beyond 67 on the Age Pension. The following day I was in a coffee shop and overheard a group of workers discussing our segment. Whilst it was heartening to hear, the person leading the talk was instructing his colleagues on a course of action they should take. Unfortunately, the advice was based on his own circumstances and not necessarily going to benefit his colleagues.

This is a challenge we see in financial planning and is very common when dealing with Centrelink. Although well-meaning friends and family might be happy to share their insights, the snippets of information and advice often prove to be inappropriate when applied to other situations.

Reaching pension age has long been the benchmark for retirement, but Australians are redefining this by continuing to work past the age of eligibility (age 67). There are many reasons for people to work longer including a positive contribution to mental and emotional well-being, reducing reliance on retirement savings, and financial flexibility through the use of the Centrelink Work Bonus. The impact on Centrelink will be different for each person.

One of the key perks that the Australian government offers to seniors who decide to keep working is the Work Bonus. This initiative aims to encourage pensioners who engage in gainful employment (including employee and self-employed arrangements). The Work Bonus allows eligible pensioners to earn up to a certain amount each fortnight (currently $300 p/f) without affecting their Centrelink pension payments. If it's not used the amount accumulates up to a cap of $7,800. On the 1st of December 2022, a one-off $4,000 credit was added to the work bonus bank, lifting the cap to $11,800 for eligible pensions. This temporary increase will remain available until 31st December 2023. Earned income then reduces the work bonus and is essentially exempt from the pension income assessment, making it a win-win situation for seniors who wish to supplement their pensions through part-time work or other endeavors.

Aside from comprehending the workings of the work bonus, it's also important for our clients to understand the delicate equilibrium between Centrelink's income and asset tests. Through careful planning whether an individual or couple, we can assist in pinpointing the threshold at which earned income begins affecting the Age Pension for their situation. For some people going above this threshold can mean that over 80% of their income is lost on a reduced Centrelink benefit and tax, and can very quickly make further work not so appealing!

Each person's retirement is unique, we love working with our clients to not only find the optimal financial outcome, but also to ensure the right balance is struck for work, income, and leisure during their golden years. ■

SAM MARTIN CFP®
Authorised Representative (252676)

Investment property sales are up

The Australian property market is undergoing a fascinating transformation, with older Australians emerging as the dominant force in property investment. Those aged 60 and above are now the biggest holder of investment properties in Australia, followed by the 50 to 59 and 40 to 49 age groups.

We are also seeing a rise in the number of investment properties being sold over the past decade.

These two trends go hand in hand when you look at the tax incentives which drive the property market in Australia. As property investors age and come closer to or go into retirement, their property tax concessions begin to expire. This triggers a reason to sell and seek alternative investments for retirement. Hence a gradual increase in property sales by investors over the past decade.

Key cities like Sydney and Melbourne reflect this trend, with a significant percentage of new property listings driven by investors. Interestingly the Australian Bureau of Statistics housing finance data shows investor demand is on the rise, nearing levels seen in 2015 and a notable portion of new mortgages are now attributed to investors.

So what we are seeing is not a run to the exits of property investors, but a turnover of the demographic holding investment properties.

As we approach peak interest rates, the market is poised for continued investor interest in 2024.

High levels of immigration causing low vacancy rates and rising rental prices are creating an environment ripe for investors, painting a picture of resilience in the Australian housing market.

From an anecdotal perspective we often see clients selling investment properties in the first year or two of retirement because they have no taxable work income. If the property was geared, then the tax benefits of deducting interest and other costs is less appealing. Also, the potential capital gains tax payable upon sale will often be less than if they sold while still working - with the assessable capital gain added to their work income causing tax at a higher threshold.

If you are approaching retirement and looking to have discussions around whether to keep or sell investment property, then please speak to your financial adviser. ■

BRENTON MIEGEL CFP®
Authorised Representative (227297)

Elation, pure elation!

There are some things in life that you genuinely can not prepare for, despite one's best efforts. Walking 35 kilometres in one day is one of those things!

About 4 months ago, 8 of us from the Goldsborough office volunteered to do Coastrek – a fundraising walk that we here at Goldsborough had done a couple of times in the past. This year the cause was the Heart Foundation – a very worth organisation. In previous years the trek had been from Victor Harbor to Goolwa (in a roundabout way), travelling a total of 30 kilometres. This year we started at Parsons Beach and concluded at Pt Elliott.

It sounded great (in theory) and we all knew that some of the coastline and scenery would be sensational – and it was!

What we didn't realise as we headed off on the morning of September 1 was that the first 15 k's was predominantly the Heysen Trail, and it was hard work!! The scenery that we saw was mostly our feet as we had to watch almost every step that we took. It was up hill and down dale, on the beach, through the scrub and challenging.

At about the 15k mark we then sauntered our way up The Bluff. "Sauntered"…actually crawled (metaphorically speaking) is probably closer to the truth. But at the top and taking a much-deserved breather the sense of satisfaction was quite overwhelming!! Yet we still had 20 k's to walk. However, we could see our final destination and so it didn't seem so far (yeah, right!!)

Fast forward another 4 hours and we had meandered along the Victor Harbor foreshore, circumnavigated Granite Island and found our way past Boomer Beach. By the 30km mark there were 8 very tired and very sore Goldsborough staff, knowing that they still had 5 k's to go. We were fortunate to have 2 outstanding reconnaissance team members (Matt and Kris) who had followed our walk, keeping us refreshed with munchies and sport drinks (Matt even did a coffee run at one stage). These guys would simply hand us what we needed at this late stage - we all knew if we stopped, we would not get going again.

All of a sudden we entered Horseshoe Bay from the cliff top, could hear loud music pumping and then saw it – THE FINISH LINE!!

Camille, Lucy, Reb, Will, Lachlan, Boris, Momir and Brenton all crossed the line together!!

To say that we experienced PURE ELATION is an understatement – it was euphoric!! We had made it.

It's a day that we will not forget for quite some time – our legs will make sure of that. Oh, and by the way, it took us 8 hours and 3 minutes!!

Donations are continuing to be received. If you would like to help out (and we want to sincerely thank those Goldsborough clients who have already) please go to **www.coastrek.com.au** and search "Going 4 Gold" or "Go 4 Gold". We thank you for your support. ■

MATTHEW KELLY CFP®
Authorised Representative (314983)

Centrelink treatment of granny flats

Centrelink will define a granny flat interest differently to what is usually the real estate definition (which is normally described/defined as a self-contained unit within or attached to another home).

Instead, Centrelink defines a granny flat interest as a life interest or right to accommodation for life if:

- You pay for a life interest or right to accommodation for life; AND
- The life interest or right to accommodation for life is in a private residence that is to be your principal home.

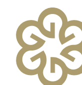
These arrangements can allow you to transfer assets to another person in exchange for a life interest without deprivation applying (this is where an asset has been disposed of for nil or less than its value i.e., adequate consideration has not been received). You can also be considered a homeowner with the value of the granny flat interest not assessed as an asset.

Typically, the amount you pay for a granny flat interest is the same as the value of the granny flat interest and deprivation won't apply. Common arrangements where deprivation won't apply are:

- You transfer the title of your home to another person in exchange for a life interest in that property (or another property)
- You pay for the construction of premises on someone else's property in exchange for a life interest in those constructed premises.
- You purchase a property in someone else's name in exchange for a life interest in that property.

To determine whether you are considered a homeowner when a granny flat interest is created, the amount you pay (also known as "entry contribution") is compared with the "extra allowable amount" (this is the difference between the homeowner and non-homeowner lower asset test thresholds – currently $242,000).

If your contribution is lower than $242,000, then you will be considered a "non-homeowner" and the amount paid will be assessed under the assets test (however you may be eligible for rent assistance). If your contribution is higher than $242,000, then you are considered a homeowner and the contribution is not assessed. ■



Goldsborough
Financial Services

Final seminars for 2023

We are pleased to continue hosting our quarterly seminars in 2023.

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.

Retirement Living and Aged Care

Wednesday 1 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 14 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.

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 wonderful referrals that we receive from our clients we are now drawing a winner for **each month**, to receive a $100 gift voucher!

We have pleasure in announcing the winners of our Referral Award for June, July and August 2023 are:

- Maddie Margach
- John Walkley
- Rod Roberts

Congratulations and thank you again, your vouchers are on the way.

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

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