Informed

Q3 2020

Welcome to Informed, a quarterly magazine for our clients. We hope you enjoy the articles in this edition.

If you are new to reading Informed, welcome.

If you are an avid reader of this publication you would be familiar with this forum, delivering relevant and interesting content from the financial planning industry, to help you better manage your financial life.

A core value of our business is that every Australian should have access to, and benefit from, good financial advice. In reading this publication, we hope that you find the articles interesting, and perhaps they will provide some talking points for your next review meeting with your financial adviser.

Enjoy reading this edition of Informed.

Working in retirement can be enjoyable

If you are not ready to take your foot completely off the break as your working career slows down, you may find a happy medium and foster a healthy routine by working in retirement.

Many Australians choose to work part-time in retirement instead of hanging up their work clothes completely. Data from the Australian Bureau of Statistics shows that in 2018-19, the top 3 reasons retirees left their last job were not necessarily due to wanting to leave the workforce, but rather because:

- They reached retirement age or eligible for superannuation (46%)
- Their own sickness, injury or disability forced them into retirement (21%)
- They were retrenched, dismissed or no work available (11%)[1].

Some people choose to lessen their workload to help ease themselves into retirement whilst others need a higher income to support their lifestyle so need to undertake some work in retirement.

Whatever the reason, working doesn't have to stop you from enjoying retirement. After all, you have paid your dues, and deserve some flexibility and recreation.

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Here are some ways to help make your semi-retirement more enjoyable.

Choose a fulfilling job

Ideally, working in retirement should not be just about earning an income. While getting a regular pay cheque is good for your retirement fund, it's advisable to be selective about any job you accept. Doing something that's fulfilling or gives you a sense of purpose may help make it more worthwhile and feel less like work.

Seek flexibility for your work/life balance

Having a flexible work schedule or work arrangement is also important. A flexible schedule may allow you to spend more time on creative or leisure activities, while the ability to work from home on some days may help achieve a good work–life balance. You could spend more time with your family and friends, which is more aligned to your long-awaited retirement dream.

Stay healthy and engaged

Staying physically and mentally healthy in retirement is crucial, and maintaining an exercise routine can help. Consider joining community groups who enjoy the same activities as you such as walking, yoga, meditation or tai chi.

As well as being a great social connection, these groups will help balance out sitting in an office if you have a part time, sedentary type of job.

Engage in activities outside work

After working full time for many years, it's easy to end up spending more time at work than necessary.

To break this habit, engage in a regular activity that will keep you busy and help you find fulfilment outside work. It can be as simple as learning a new computer skill or volunteering.

Consider your pension eligibility

Staying employed in retirement may be a great way to boost your income, but keep in mind that your earnings may have implications for your retirement benefits.

For example, working when you have become eligible for the Age Pension may reduce your pension payments. Seek professional financial advice before accepting a job so you are not compromising any benefits.

Most of all, remember retirement is the next phase of your life so whether you work part time, or not at all, choose enjoyable activities that keep your mind and body active.

1 6238.0 - Retirement and Retirement Intentions, Australia, 2018-19 https://www.abs.gov.au/ausstats/abs@.nsf/mf/6238.0

AN INCREASE IN SCAMS TARGETING SUPERANNUATION

Scammers are taking advantage of people financially impacted by the Coronavirus crisis.

Falsely selling products or services online.

Using fake emails or text messages to try and obtain personal data.

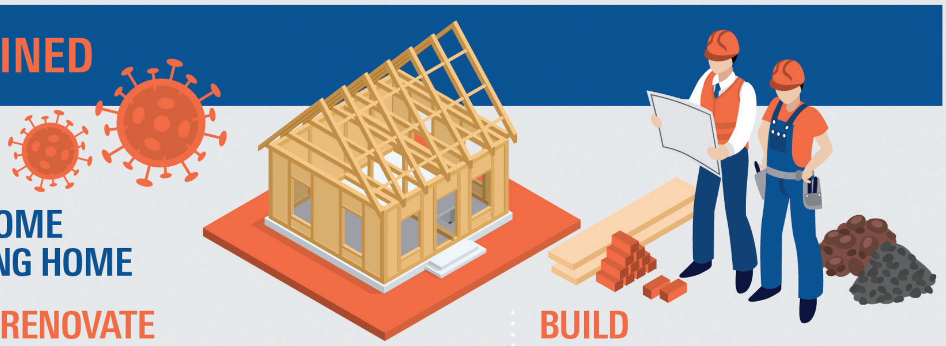
Never give any personal information about your superannuation to someone who has contacted you.

NEXT STEPS

If you think you may have provided information to a scammer, please contact your financial adviser immediately.

More information on Coronavirus scams is available at scamwatch.gov.au

HOMEBUILDER EXPLAINED



$25K

GRANT TO BUILD A NEW HOME OR RENOVATE AN EXISTING HOME

INCOME CAPS

- **$125,000 per annum for an individual based on 2018-19 tax return**
- **$200,000 per annum for a couple based on combined annual income in 2018-19 or 2019-20**

RENOVATE

- **Renovation contract between $150,000 and $750,000 and entered into between 4 June 2020 and 31 December 2020**
- **Property valuation does not exceed $1.5 million**
- **Construction commence within three months of contract date**

BUILD

- **Property value can not exceed $750,000**
- **Building contract between 4 June 2020 and 31 December 2020**

HomeBuilder explained

Due to the Coronavirus pandemic, the Australian Government made a number of announcements about relief packages to help Australians through this difficult period.

The most recent relief package announcement was to introduce the HomeBuilder scheme in an effort to stimulate the building industry, creating jobs and economic growth, and for those lucky enough to be able to take advantage of this, providing the opportunity to build or renovate the home of your dreams.

What is the HomeBuilder scheme?

HomeBuilder provides eligible owner-occupiers (including first home buyers) with a grant of $25,000 to build a new home or substantially renovate an existing home. This is on top of any other State or Territory initiatives, such as stamp duty concessions and the Commonwealth's First Home Loan Deposit Scheme and First Home Super Saver Scheme. This means you could double-up on benefits.

For some who may have lost their homes in the recent bushfires that ravaged homes particularly in New South Wales and Victoria, or have been trying to get into the property market, it is worth looking into the HomeBuilder scheme to determine whether you are eligible to take advantage of this one-off opportunity.

Who is eligible?

There are certain criteria you must meet, such as being a person (rather than a company or trust), are aged 18 years or older, and an Australian citizen. Other eligibility requirements include:

- meeting one of the following two income caps of $125,000 per annum for an individual applicant based on your 2018-19 tax return or later; or $200,000 per annum for a couple based on both 2018-19 tax returns or later
- entering into a building contract between 4 June 2020 and 31 December 2020. This contract must be to build a new home as your principal place of residence, where the property value does not exceed $750,000, or you must contract a builder to substantially renovate your existing home as your principal place of residence, where the renovation contract is between $150,000 and $750,000, and the value of your existing property does not exceed $1.5 million
- construction commencing within three months of the contract date.

Applying for HomeBuilder

You will be able to apply for HomeBuilder when the relevant State or Territory Government that you live in, or plan to live in, signs the National Partnership Agreement with the Commonwealth Government. When the States and Territories begin accepting HomeBuilder applications, they will backdate acceptance of these applications to 4 June 2020.

Other recent schemes to keep in mind

Relief packages to help small business survive and bounce-back from the Coronavirus pandemic include:

- **JobKeeper payment** – this measure will cease on 20 July 2020 for childcare services but continue for other eligible small businesses until 27 September 2020.
- **the easing of restrictions** – with the pandemic under control in some States, the Government has announced an easing of restrictions to allow many small businesses to open, albeit at a reduced capacity and with increased hygiene measures.
- **a National COVID-19 Coordination Commission** – has been established and they have developed a planning tool for small businesses to utilise in order to operate under conditions that keep them, their customers and their employees safe.

Talk to your financial adviser

Whilst you may be keen to jump straight into this offer, it is important to remember that in building or renovating, you are parting with a large sum of money, and most likely signing up to a large loan or mortgage. As this is a big financial decision, talking to your financial adviser can help you work out how this fits into your overall financial plan.

Sources:

https://treasury.gov.au/sites/default/files/2020-06/Fact_sheet_HomeBuilder.pdf

https://www.pmc.gov.au/nccc/resources/planning-tool-help-businesses-reopen-and-be-covidsafe

Disconnect between markets and the economy: what's going on?

The speed and severity of falls across share markets, and spikes in volatility, in March, were unlike anything that has been seen since the 1930s.

Yet, here we are, just a few months later and markets have done an about-face. Not much has fundamentally changed in economies, but share markets appear to have underestimated economic uncertainty as well as the continuing disruptive power of COVID-19.

So, what's driven the share market bounce? Two words, "central banks." They've effectively "doubled down" on the policies that propelled risk assets for most of the post-GFC decade.

The amount of recent support through global central bank stimulus (and government spending) has been estimated at a staggering US$18 trillion (A$26 trillion), with interest rates slashed to 0% or below (after taking inflation rates into account) in most major economies.

In a zero-interest rate world, returns from term deposits and governments bonds are unappealing to savers and investors. Consequently, investors are compelled to go further up the risk curve to try and earn positive returns.

The liquidity unleashed by the US Federal Reserve and its central bank counterparts has smothered price discovery — the process by which market prices are determined, largely by interactions between buyers and sellers — by backstopping every conceivable asset.

This was exemplified by the fact that US car-rental company Hertz's stock price rose in June after it declared bankruptcy. Truly mind-boggling stuff.

> At times like these, investors grounded in the importance of fundamentals like valuations, cashflow reliability, interest cover, robustness of business models can seem out-of-step with the times.

Investors also have ringing in their ears the adage "Don't fight the Fed" because if central banks are in fully fledged "whatever it takes" mode, markets would appear to have an in-built saviour.

But true investing isn't about blindly riding momentum created by central bank liquidity. Investing, to our way of thinking, is the art of risk-management — extracting the highest possible unit of return for the least amount of risk.

Important information

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