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PEARLS OF WISDOM JUNE 2020 NEWSLETTER

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Welcome to our
Mid-year newsletter 2020.

IN THIS ISSUE OF PEARLS OF WISDOM:

COVID-19 SUPPORT

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CORONAVIRUS AND MARKET VOLATILITY

The coronavirus is first and foremost a public health issue, but it has also drastically impacted the economy and the financial system.

AGED CARE

Entering Aged Care can be confusing and stressful, as well as emotional for the individual and their family.

It has been impossible to avoid discussion about Covid-19 and its impacts since February – we hope you are well during this unusual time.

In this edition we talk about both the economic impacts and the Government's response measures. While some measures may not apply to our clients in the main, we thought a summary might be useful for your extended families who may be directly affected.

What recent events do emphasise is the importance of support, especially in regard to health and well-being.

Our aim with advice around accounting and wealth management is to help you to keep your financial position aligned to a plan, allowing you time to focus on other important matters.

Finally, many clients ask us whether we can help their family or friends and the answer of course is yes – see the articles inside about pre-retirement and aged care.

Stay safe over the winter.

**YOURS SINCERELY,
RANDELL, STEVE, GARRY AND PHIL**

COVID-19 SUPPORT

The Government has introduced a range of measures to help support individuals and families.

\$750 LUMP SUM PAYMENTS

Two separate payments of \$750 are payable to eligible social security recipients and eligible concession card holders.

The first was paid between 12 March 2020 and 13 April 2020 with the second \$750 payment available to eligible payment recipients and concession card holders on 10 July 2020. The two payments will be paid automatically; tax free; with no impact on existing payments.

MINIMUM PENSION DRAWDOWNS REDUCED BY 50%

For the 2019/20 and 2020/21 financial years, the minimum payment rate for account based pensions will be halved. Super funds will apply the new minimum from 1/7/20 unless you instruct them otherwise.

Age	New minimum (%) 2019/20 and 2020/21	Standard minimum (%)
Under 65	2.0%	4.0%
65-74	2.5%	5.0%
75-79	3.0%	6.0%
80-84	3.5%	7.0%
85-89	4.5%	9.0%
90-94	5.5%	11.0%
95 plus	7.0%	14.0%

JOBKEEPER PAYMENT

A wage subsidy of \$1,500/ftnt per employee will be made available to eligible employers. This payment commenced early May (backdated to 30 March). The employer must pass on the full amount to workers. Full-time and part-time employees, sole traders and casual employees (for more than 12 months) as at 1 March 2020 will be eligible if the business has experienced a reduction in turnover of more than 30% for businesses with turnover less than \$1 billion.

ADDITIONAL INCOME SUPPORT FOR THE UNEMPLOYED

The Government has introduced a \$550/ftnt payment available for six months to eligible payment recipients (JobSeeker, Youth Allowance, Parenting Payment, Farm Household Allowance, Special Benefit). The Government has expanded access to income support to groups who may not have previously been eligible and an asset test will not apply during this time.

EARLY ACCESS TO SUPERANNUATION

Individuals will have the opportunity to access up to \$10,000 from their superannuation before 1 July 2020 with a further \$10,000 available if needed from

1 July 2020 until 24 September 2020.

Claimants must be unemployed; or eligible to receive a JobSeeker Payment, Youth Allowance for jobseekers, Parenting Payment, Special Benefit or Farm Household Allowance; or made redundant; or your working hours were reduced by 20 per cent or more; or your business was suspended or there was a reduction in your turnover of 20 per cent or more. Claimants must apply directly via MyGov.

SUPPORT FOR SMALL BUSINESS

A range of financial assistance has been announced for small businesses including cashflow assistance of between \$20,000 and \$100,000; a wage subsidy of 50 per cent for some apprentice/trainee wages; temporary relief from actions that may otherwise result in insolvency or forced closure; an increase to \$150,000 in the Instant Asset Write-off threshold for businesses; and additional access to short term funding with the Government guaranteeing 50 per cent of eligible unsecured loans up to \$250,000.

CORONAVIRUS AND MARKET VOLATILITY

The coronavirus is first and foremost a public health issue, but it has also drastically impacted the economy and the financial system.



As the spread of the virus continues, countries have implemented measures that have resulted in major disruptions to economic activity across the world. This is likely to remain for some time as efforts continue to contain the virus. This has resulted in high levels of financial market volatility.

Equity prices have experienced large declines and the Australian dollar has fallen sharply. Government bond yields have declined to historic lows and there have been significant liquidity issues in global bond markets.

However, it's important to remember that when investing, it's the long-term results that matter.

Capital values are going to fluctuate over shorter-term periods. The vast majority of large companies are likely to get through this difficult period and recover to a huge extent. As a result, the share prices of these companies should, in time, retrace their falls. It is highly likely that this current circumstance is a transitory period of volatility. Big falls are not uncommon in share markets.

US Market Share	
Bear market	% fall
Dec 1968	-36%
Jan 1973	-48%
Nov 1980	-27%
Aug 1987	-34%
Jul 2000	-56%

Long-term returns to share markets have historically been 7% to 9% p.a. for most global markets – better than any other type of investment. However, these returns come at the price of bouts of volatility every 10 or so years. As investors, we need to accept that some volatility is inevitable. To earn good returns over time, we should invest in well-constructed and diversified portfolios.

It's important to remember that financial markets have been through all sorts of crises and this is one from which the economy will eventually emerge.



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AGED CARE

Entering Aged Care can be confusing and stressful, as well as emotional for the individual and their family.

Beyond the practical and emotional aspects, the financial arrangements around daily care fees, the Refundable Accommodation Deposit (RAD) and whether or not to sell the family home, can be overwhelming.

PRP provides a full-service Aged Care advice package to take people through all of the financial aspects and recommend a tailored solution. Call or email for a free, no-obligation appointment.

WHEN CAN I AFFORD TO RETIRE?

Once the children have left home and the mortgage is paid off, many people begin to contemplate retirement.

For most, this leads to questions such as:

- How much super do I need to retire?
- Can I boost my super, and will a different investment strategy or product make a difference?
- Should I retire in one step, or should I ease into it through reduced working hours over time?

Experience shows us that good financial advice in the last 5-10 years before retirement can make a marked difference to retirement outcomes.

If your children are in this position, why not suggest they give us a call or email for a free, no-obligation chat? Fee discounts apply for family referrals.

CALM HEADS



RANDELL
Accounting Director



STEVE
Financial Planning Director



GARRY
Financial Planning Director



PHIL
General Manager/Senior Adviser



TRACY
Practice Manager



CORRADO
Senior Tax Accountant



JADE
Tax Accountant



THU ANH
Financial Adviser



KATHY
SMSF Tax Consultant



NICOLE
Internal accounts, Client services and IT



SONIA
Senior Book-keeper



TRISH
Paraplanner



HOLLY
Paraplanner



MEL
Client Services Co-ordinator



MARIA
Client Services



THY
Client Services
Front of house in Renmark



TRACEY
Client Services
Front of house in Adelaide.
Here's a cute picture of her Corgi, Emmie!



GEORGE
Client Services



AUSTIN
Client Services



TAMMY
Client Services



LINH
Client Services