PEARLS OF WISDOM JUNE 2021

NEWSLETTER

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WELCOME TO OUR MID-YEAR NEWSLETTER.

In this edition we talk about:

- **Changes from the Federal Budget;**
- **Getting Income Protection cover before the rules change;**
- **Starting the Aged Care conversation; and**
- **Superannuation and Pension changes coming 1 July.**

Financial markets have continued their strong recovery from March last year when the beginning of the pandemic sent them tumbling. Investors in Growth assets – listed property, infrastructure and Australian & global shares – have seen excellent returns. The importance of a well-diversified portfolio with an appropriate exposure to Growth assets has never been more relevant. The last 12 months have shown the benefits of holding the course and not reacting to short-term market falls, even one as dramatic as we saw in February 2020.

In the financial advice space the industry is continuing to see high demand from pre-retirees, perhaps 5 years from retirement, looking to optimise their Super and tax position and begin to take control of the timing and nature of their retirement.

Many people are now considering a gradual move to retirement through reduced working hours, and we're advising several clients about how this can be structured. Another strategy gaining some momentum is the option of down-sizing the home, perhaps also with a sea-change or tree-change, and putting the net value into Super. The great benefit of superannuation is the concessional tax treatment and, as retirement approaches, the limits on access become minimal or none at all. Superannuation is a tax-free haven after retirement from age 60!

An area of increasing demand for us is in Aged Care advice. Entry to Aged Care is complicated in terms of fee structures, residential facilities, tax and asset arrangements, Centrelink impacts and decisions about the family home. And that's even before the emotional aspects of a loved one moving into Aged Care are considered.

We provide a comprehensive Aged Care advice service to manage all of the financial aspects of the process, leaving families free to focus on those emotional elements.

We're always pleased to observe and support the professional development of our staff. Having completed her financial planning Degree studies, Holly Rohrlach has commenced her Professional Year, receiving formal on-the-job training from our Financial Planners. Some of our clients will see Holly sitting in client meetings as part of that development, and she's well on the way to being the first of our next generation of Planners. Similarly, PRP is supporting George Tsolomitis, Ben Townsend, Thy Nguyen and Linh Le in their respective studies to become Accounting or Financial Planning professionals.

As the financial year-end approaches we wish all of our clients continued health and happiness.

RANDELL, STEVE, GARRY AND PHIL.

CHANGES TO INCOME PROTECTION

If you or your adult children are considering income protection insurance, now is the time to do it! Contact Holly Rohrlach on 08 8586 4132 to make an appointment...get your policy in place before the rules change!

We strongly recommend that anyone who is considering income protection insurance cover, seek advice as soon as possible to ensure their policy falls under the current (more generous) arrangements. There will be significant changes from 1 October 2022, which will drastically alter how insurers will offer Income Protection cover.

The Australian Prudential Regulation Authority (APRA), have ruled that current offerings for Income Protection (IP) are not sustainable for insurance companies to uphold in the long term and as a result, insurance companies are facing large losses due to ongoing IP claims.

One of the most significant changes will be that policies will only be guaranteed renewable for 5 years' maximum before a new policy has to be entered into that reflects the current market terms and conditions. Medical underwriting is not required when you renew, however, policyholders will now have to update occupations, financial circumstances and disclose any new pursuits and pastimes. This could potentially increase the premiums as well as affect benefit periods, previously accepted benefits/features and the policyholder's ability to continue cover.

If you take cover out now, you are guaranteed to retain that cover until you decide to cancel or replace the policy and you will also retain the benefits and features laid out in your original contract, even if the insurer changes the conditions or removes the available benefits/features in the future.

APRA will also be enforcing a limitation on the income replacement ratio which will now be capped at 90% of your income at time of claim for the first six months then only 70% thereafter. IP benefit periods will also be impacted as APRA will require stricter definitions for disabilities, which may result in people having to return to work sooner than under the current definitions as they will no longer be eligible to stay on claim.

Existing Policyholders will not be impacted by these changes and the terms of their current policies will stay as agreed at the signing of the policy.

Contact Holly Rohrlach on 08 8586 4132 to make an appointment... get your policy in place before the rule changes!

HOLLY

SUPERANNUATION CHANGES COMING ON 1 JULY

Minimum Account-Based pensions revert to pre-Covid levels
The Government's COVID-19 relief arrangement for Account-Based Pensions expires on 30June. If you've selected the Minimum level of pension, which was half the normal rate for this financial year, your pension payments will return to the previous rate from 1 July 2021.

Tax-deductible contributions to Super
Currently you can contribute up to $25,000 p.a. in tax-deductible (Concessional) contributions to Super, including your employer contributions. From 1 July 2021 this limit rises to $27,500 p.a.

Non-deductible contributions to Super
Currently, in addition to tax-deductible contributions to Super, you can contribute up to $100,000 p.a. in non-deductible (Non-concessional) contributions. This rises to $110,000 p.a. from 1 July 2021. You can also 'bring forward' 3 years' contributions, allowing you to contribute up to $330,000 over 3 financial years.

As you approach retirement, getting as much money into the tax-effective (and tax-free after age 60) superannuation environment is one of the key elements of a comfortable retirement plan.

Age	Minimum annual pension this year (% of 1 July balance)	Minimum annual pension from 1 July 2021 (% of 1 July balance)
Under 65	2%	4%
65 – 74	2.5%	5%
75 – 79	3%	6%
80 – 84	3.5%	7%
85 – 89	4.5%	9%
90 – 94	5.5%	11%

Tax-free portion of a redundancy payment
The tax-free portion of a genuine redundancy payment will increase on 1 July 2021 to $11,341 plus $5,672 for every full year of service.

Superannuation Guarantee
The Superannuation Guarantee, which is the amount of superannuation an employer must contribute for employees, rises from 9.5% to 10.0% of salary from 1 July 2021.

A good financial plan will help optimise the benefit and minimise tax.

When to start the Aged Care conversation?

No-one likes to talk about getting old. But at what age should you start thinking about your aged care needs? The answer is simple - any age is a good time. This is regardless of whether you are in your early retirement years or well into retirement.

If you are lucky enough to still have your parents, starting the conversation with them while they are still healthy is also sensible. They might not be thrilled that you're raising the subject but it gives your parents an opportunity to think about what is important to them and give you some instructions, so you have something to guide you if you need to make choices for them in the future.

Don't accidentally fall into either of these traps:

- Leaving it too late to have the conversation - once Mum or Dad can't return home from the hospital, you're in crisis mode. This is not the best time to be making life-changing decisions for anyone.
- Thinking it will never happen - unfortunately the statistics say otherwise. On average, we can expect to live 17-25% of our retirement with a profound disability that may threaten our ability to live independently without care support. With those odds, you at least want to have a quality conversation about the options for aged care and importantly, how you would pay for it.

How to find some help:

- Making an informed decision about aged care is incredibly important. Making the wrong decision can have far-reaching consequences for the whole family. When aged care decisions go badly, the stress can lead to family conflicts.
- However, not all advice is good advice. Aged care financial advice is a specialist area. The rules change constantly, as do the available strategies. You don't need extra stress wondering if you've received quality advice!

At PRP Wealth Management, Garry Pinnington specialises in aged care advice and has the experience to help you to plan for current or future needs.

FEDERAL BUDGET ANNOUNCEMENTS

Super and retirement

Repeal of the work test: Currently, Australians aged 67–74 must satisfy a work test to be eligible to make super contributions. This will no longer apply to non-concessional or salary sacrificed contributions, and people in this age group will also be able to access the non-concessional bring forward arrangement.

Downsizer contributions age reduced: The age at which people are eligible to make a downsizer contribution will reduce from 65 to 60. This allows an after-tax contribution of up to $300,000 per person when they sell their family home, provided they've owned it for 10 years.

Removal of minimum income threshold for super guarantee: Employees earning under $450/mth currently don't receive employer Superannuation Guarantee contributions. The minimum will be removed, meaning all employees will receive those contributions.

Access to lump sums under Pension Loan Scheme (PLS): The PLS is a voluntary, reverse mortgage type loan provided by the Government, designed to assist older Australians to boost their retirement income by unlocking equity in their Australian property. A new option is to receive up to two lump sums of up to 50% of the Age Pension in a 12-month period.

Legacy retirement product conversions: There will be a temporary option to transition from some inflexible legacy retirement products, to more flexible retirement products.

Aged care

Response to the Royal Commission into Aged Care Quality and Safety: There will be an additional $17.7 billion over five years for aged care, including:

- 80,000 additional Home Care Packages over the next two years;
- a new star rating to allow Aged Care recipients and their families to compare performance, quality and safety of Aged Care providers;
- a new funding model;
- increasing the Government's Basic Daily Fee supplement by $10 per day per resident; and
- from early 2022, increased funding to improve access to respite care and support through the Government's Carer Gateway.

Business tax incentives

Temporary full expensing: The temporary investment tax incentive announced in last year's Budget has been extended until 30 June 2023. Businesses with a turnover up to $5 billion will be able to deduct the full purchase or improvement cost of any eligible asset.

Temporary loss carry-back provision: Companies will now be permitted to carry-back tax losses for an extra 12 months from the 2019/20 to 2022/23 income years to offset previously taxed profits in 2018/19 or later income years.

Personal tax relief

Extension of tax offset: The Low and Middle-Income Tax Offset (LMITO), worth up to $1,080, has been extended for an additional 12 months to cover the 2021/22 financial year.

Home ownership

First Home Super Saver Scheme: This was introduced in the 2017/18 Budget and allows people to save money for their first home inside their super. The Government will increase the maximum amount of voluntary contributions that can be released under the scheme from $30,000 to $50,000.

Family Home Guarantee for single parents: A new measure providing a pathway to home ownership for single parents with dependants. From 1 July 2021, 10,000 guarantees will be made available over four years to eligible single parents with a deposit of as little as 2%.

New Home Guarantee: A further 10,000 places under the New Home Guarantee in 2021/22. This is for first home buyers seeking to build a new home or purchase a newly built home with a deposit of as little as 5%.

FINANCIAL MARKETS

(AS AT 30 APRIL 2021)

Asset Class	10 Yr % p.a	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash[1]	2.27	1.36	1.06	0.07	0.01	0.02	0.00	0.00
Australian Bonds[2]	5.04	3.52	4.29	-1.19	-2.67	-3.04	-2.26	0.56
International Bonds[3]	5.38	3.25	3.98	-0.11	-2.29	-1.52	-1.73	0.24
Australian Shares[4]	8.44	10.71	10.24	33.89	7.66	20.69	7.34	3.92
Int. Shares Unhedged[5]	14.10	13.94	13.44	23.10	9.80	17.40	10.25	3.26
Int. Shares Hedged[6]	12.28	13.95	12.96	40.76	10.51	27.50	11.39	4.10
Emerging Markets Unhedged[7]	6.89	11.70	6.17	25.71	4.55	11.34	0.97	1.00
Listed Infrastructure Unhedged[8]	12.30	7.74	7.49	3.48	7.72	6.76	9.70	2.73
Australian Listed Property[9]	11.09	6.02	7.51	31.81	2.51	16.40	6.86	3.08
Int. Listed Pty Unhedged[10]	9.79	4.26	6.22	15.04	14.48	22.26	14.17	5.57

1 Bloomberg AusBond Bank 0+Y TR AUD, 2 Bloomberg AusBond Composite 0+Y TR AUD, 3 Bloomberg Barclays Global Aggregate TR Hdg AUD, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD

Australian Equities

April was a great month for the Australian Share market with the S&P/ASX All Ord rising 3.92% over the period. Traditionally April is a strong month as the end of financial year approaches. A great deal of the positive momentum can also be attributed to low interest rates, market stimulus and a rebound of economic activity. Materials was the best performing sector, driven largely by stronger metal prices and a slightly weaker US dollar. Technology also did well, due to a decline in Australian bond yields. Energy was the worst performer with coal being a notable area of weakness within energy, as investor sentiment towards the carbon emitting sector sours.

International Equities

The global recovery continues to gather momentum with the International Monetary Fund revising up its 2021 global growth forecast to 6.0%. The recovery has been positive for share markets which benefit from rising earnings and low interest rates. US stocks were buoyed by multiple signs of economic recovery; including an impressive jobs report, a jump in retail sales, and a pick-up in housing. European markets also moved higher, lifted by solid corporate earnings and the progress made by EU countries in vaccine distribution. Covid cases in India and Brazil has put pressure on these emerging markets. The performance of emerging market equities was flat, held back by their slow vaccine rollout.

Domestic and International Fixed Income

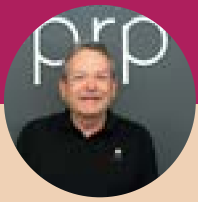
Global and domestic bond yields eased back in April as central banks reiterated their desire to keep accommodative financial conditions. The recent stability in bond yields enabled share markets to resume their rising trend after a few wobbles earlier in the year.

Australian dollar

Strong commodity export prices have helped the Australian dollar to maintain its strength in April.

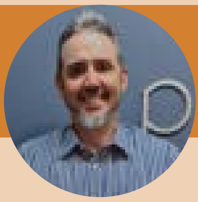
CALM HEADS

ACCOUNTING SERVICES



RANDELL
Accounting Director

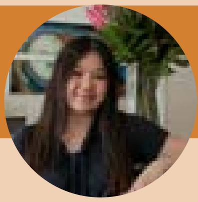
JADE
Tax Accountant



CALLAN
Tax Accountant

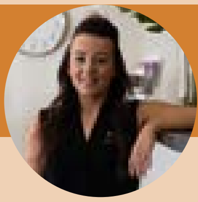
KATHY
SMSF Tax Consultant

NICOLE
Internal accounts, Client services and IT



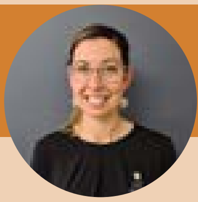
THY
Graduate Accountant

MEL
Client Services Co-ordinator



MARIA
Client Services

KYLIE
Client Services



ELISHA
Client Services

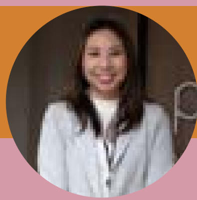
WEALTH MANAGEMENT

GARRY
Financial Planning Director

STEVE
Financial Planning Director

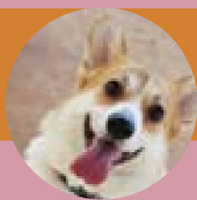
PHIL
General Manager/Senior Adviser

TRACY
Practice Manager



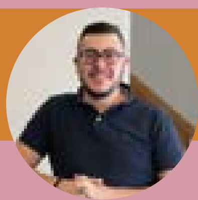
THU ANH
Financial Adviser

TRISH
Paraplanner



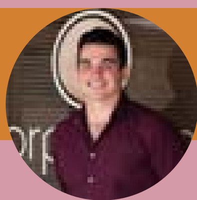
TRACEY
Client Services
Front of house in Adelaide.
Here's a cute picture of her Corgi, Emmie!

HOLLY
Paraplanner

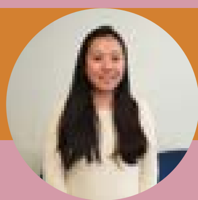


GEORGE
Client Services

BEN
Client Services



AUSTIN
Client Services



LINH
Client Services