WINTER 2022

WEALTH & SUPER MATTERS

Superannuation strategies and your personal guide to wealth creation

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Super Guarantee Increasing To 10.5%

From 1st July 2022, those who receive employer super will receive a small increase in their superannuation contributions.

The government legislated an increase in the amount of super that employers have to pay from 9% up to 12% (introduced initially in 2013). This stalled for several years at 9.5% (the super guarantee rate from 2014-2021) until it increased again to 10% last year. At this stage, there seems to be no more stalling until the increase reaches 12%.

When the superannuation guarantee was first introduced in 1992, the rate was set at 3% of your income and was introduced in lieu of a nationwide wage increase. In effect, employees were paying their own super out of forgone wage increases. Nowadays, the increase in superannuation is not being matched by a decrease in your wages. There is little doubt though, that increasing everyone's wages by half a per cent would impact on demand for wages.

Theoretically, this should lead to a drop in employment numbers/real wages. As employment is currently at a higher rate, this is likely to be an impost (compulsory payment) that employers will have to bear. If you are currently in an employer position, you can expect your wages bill to be higher next year on top of any pay rises that you will give to your staff.

In an employee's position, however, the only difference that you may notice is a slight increase in the amount of money contributed to your super. This may be a good time to conduct a full review of your super.

Is it with the right fund? Have you got the correct amount of life insurance? Are you in the right investment portfolio?

Current legislation should see the rate of superannuation guarantee increase by half a per cent each year until it reaches 12% in the 2025-26 financial year (where it is legislated to remain). With this three per cent increase, it's believed that people should be able to retire with around a third more of their superannuation (which should mean less reliance on government-funded pensions).

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Is Property A Risk-Free Asset?

Property may seem like a risk-free asset. If held for a long time, it will likely double in value every ten years (pending market conditions and economic outlooks). Recently released research from Corelogic suggests that this may be an assumption that could come back to bite you.

In the ten years leading up to the end of 2021, Sydney, Hobart & Canberra were the only areas in Australia where median property prices had at least doubled.

In some places (Perth in particular), prices barely shifted over the ten year period. Over the full ten years, Perth only managed 13.1% growth and regional Western Australia managed 8.3% growth. This may have had something to do with the high base median price that Perth originally had at the beginning of the period, rivalling Sydney's pricing in 2011 (Sydney's $595,000 to Perth's $485,000).

It is vitally important to choose properties that have a number of factors that will influence the value. Regional factors, such as reliance on an economic sector could impact the long-term value of the property. For example, Western Australia's heavy reliance on mining meant that during the 'boom', pricing for housing in Perth was close to Sydney's. Once the mining boom dropped off, however, the value of property in the area decreased. Similar things have been happening in regional Queensland centres, such as Gladstone & Mackay.

Purchasing multiple properties could yield better results if you were to buy them in different cities. While Sydney may have performed well over the past ten years, there is no guarantee that it will continue to do so for the next decade.

Purchasing a property as an asset is different to choosing a house to live in. While capital growth is still important, lifestyle and convenience are what typically matters the most when comparing various properties within your price range. There might be more people also looking at those factors when purchasing a property, but it might not matter as much if the value of that property was reliant on, say, mining or tourism.

Perth only managed 13.1% growth and regional Western Australia managed 8.3% growth

Purchasing multiple properties could yield better results if you were to buy them in different cities

Is It Better To Buy The Cheaper Insurance Policy?

Insurance advertisements often claim that those on their policies saved money. It might make you wonder about your own insurance policy. Why is this insurance company cheaper than mine? Does this mean that my insurance company makes a lot more money?

It all comes down to how much money your insurance company pays out.

The cheapest insurance is, of course, no insurance at all. In many cases, this will not cause any financial losses at all. But that's not the point of insurance, which is bought in case an incident occurs.

The purpose of insurance is to remove the risk of the financial consequences of suffering in certain events. If your insured car is written off (for example), you know that there is a way to replace the car or ease the financial burden of replacing it. Financially, you know that you can afford to pay a small amount each year as a 'just in case' measure. You may not have to use that money but you can feel more assured that if something goes wrong, it is there to help.

At the time of buying your insurance policy, you need to know when you can or can't make a claim against the policy. You may spend a lot of time comparing prices, but how much time do you spend comparing and reviewing the features of an insurance policy. At a minimum, you should dedicate time to simply reviewing your insurer to determine their attitude towards making payments.

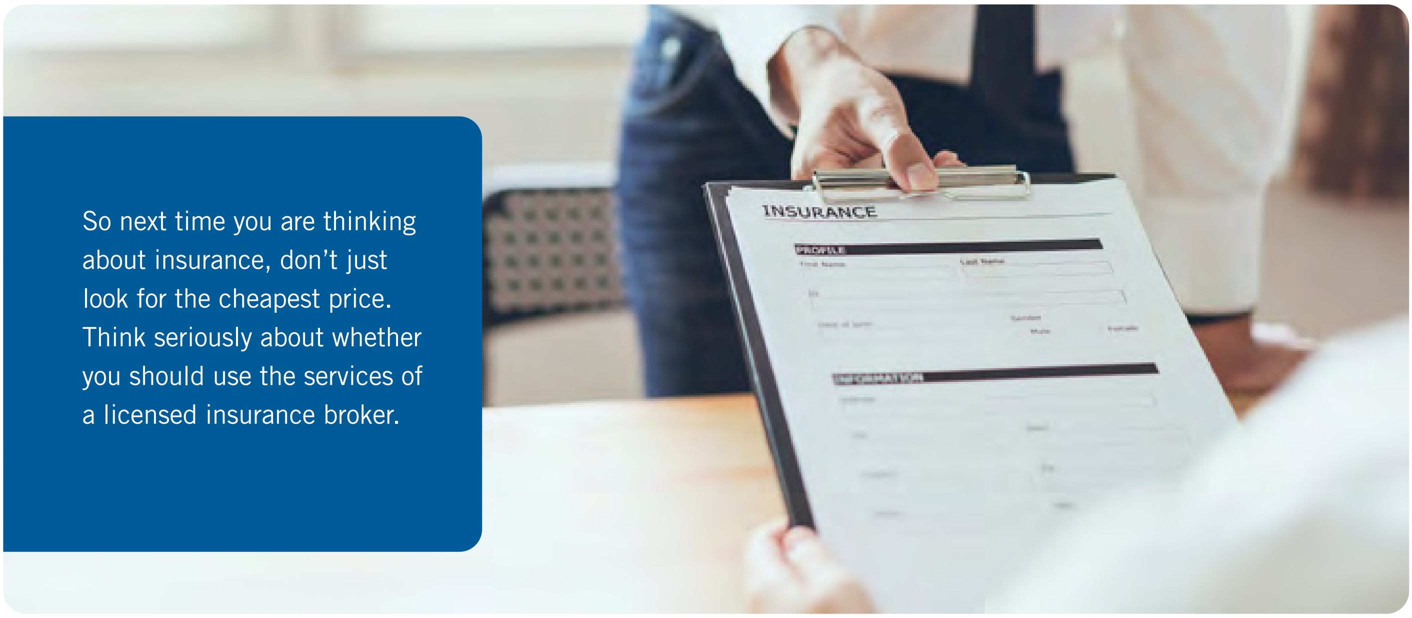
In instances where insurance isn't a simple matter for you, you might engage the services of a licensed insurance broker. They can explain the reason why a company may be cheaper than another, but why the other company could be better for you. Whether this advice is to do with life insurance or general insurance, you need to make sure that they are licensed advisers.

In essence, insurance should never be about simply looking for the cheapest price.

Review the features of policies,

investigate whether it is worth it for your situation,

and think about whether you could benefit from using the services of a licensed insurance broker.



So next time you are thinking about insurance, don't just look for the cheapest price. Think seriously about whether you should use the services of a licensed insurance broker.

The content provided in this article is for **information purposes only**. It should not be taken as a recommendation to do or not to do anything.

What Are NFTs?

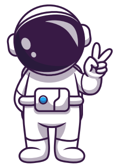
NFTs are all the rage at the moment, with many looking for investment opportunities in the trending asset. But for many of us, the acronym may leave us with more questions than answers. What exactly is an NFT?

NFT stands for **Non-Fungible Token**. Breaking this term down, **fungible means replaceable by another identical item**. A BHP share or a unit in a listed unit trust is fungible, because each share or unit is identical. Therefore, it can be deduced that an item that is non-fungible is an item that cannot be replicated and is unique.

In effect, NFTs are seen as unique pieces of digital art. Considering that many things now can be stored online and could easily be replicated as a digital file, this might seem odd. An original piece of artwork (such as the Mona Lisa) would be considered a non-fungible token, as there is only **one** Mona Lisa. This is how people are treating NFTs.

It's a new form of fine art collection, only the artists are not necessarily Van Gough or Da Vinci. One of these new artists was the founder of Twitter, who sold the very first tweet for more than $3 million. It's not too dissimilar to buying an item of significance, such as the dress Marilyn Monroe wore to the President's birthday, or the ball that Shane Warne claimed his 700th wicket with. An NFT could be considered as something very unique that held an important place in time.

Of course, like all art, NFTs are subject to copies, just as the Mona Lisa is reproduced on keychains, or replica cricket balls with Warne's signature are still available for purchase. Owning the original denotes a particular status though, and NFTs are starting to take off as more covet the prestige of having ownership of the original

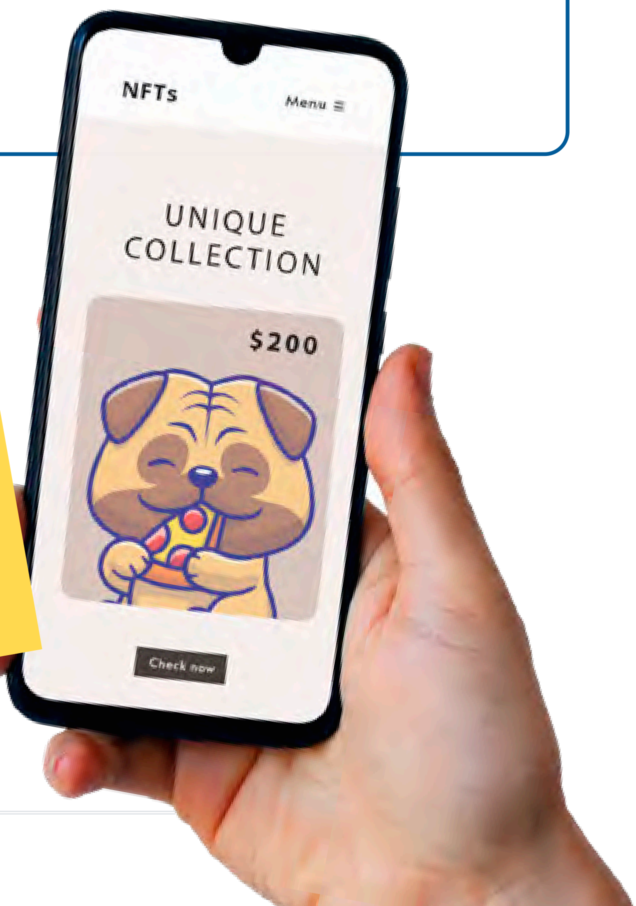


What Is The Outlook For NFTs?

There is no clearcut answer to this question.

In a modern world where people have too much disposable income on their hands, the ownership of special things becomes a status symbol. As others become more involved in cryptocurrency, more interest may be shown in digital memorabilia, digital art or NFTs (which can be the same thing).

While you may have further questions about NFTs and their potential for growth, it is important to stress that like with many investments, it is up to your discretion whether or not an investment is made. Conducting additional research could assist in furthering your understanding.



What Happens To A Loved One's Superannuation In The Event Of Dementia?

Superannuation can be confusing at the best of times for the average Australian. However, for those experiencing the effects of mental impairment (such as dementia), or living with those affected by it, access to their superannuation can become a financial issue of great magnitude.

Dementia is not a specific disease, but rather a term that describes symptoms associated with more than 100 different diseases characterised by the impairment of brain function. The most common type of dementia that is often encountered is Alzheimer's disease.

It occurs more frequently in the elder demographic than in the younger population but is indiscriminate in who it affects. However, with an increasing number of people looking at accessing their superannuation, and a rise in the number of Australians impacted by Alzheimer's disease or other forms of dementia, it's best to be prepared with the knowledge of what you must do.

When it comes to your superannuation, if your circumstances mark you as an eligible applicant, you may be able to claim a lump sum from your superannuation fund's total and permanent disability (TPD) insurance.

You may be under the assumption that to access the benefits from TPD, you need to have suffered an accident, a workplace injury or a critical terminal illness. However, you can claim for TPD and monthly income protection benefits from your super fund if you have any type of long-term illness that affects your ability to do your job (including young-onset Alzheimer's or dementia).

You should get total and permanent disablement from your life insurance provider for a broad range of early-onset Alzheimer's disease or dementia-related symptoms, including significant permanent impairment, loss of independence, cognitive decline, and other mental health effects.

Your life insurance provider will consider several factors when deciding whether you're eligible to make a claim, including:

- Whether your claim can be supported by a doctor or medical specialist.
- Whether you're receiving any treatment for dementia or Alzheimer's disease, and the frequency of this treatment.
- Whether your early-onset Alzheimer's disease can be considered permanent.
- How your capacity to work has been impaired or will be impaired by your symptoms as your disease progresses.
- Whether you may be able to take on an adjusted job role or work in a new career.

If you successfully claim TPD insurance for early-onset Alzheimer's or dementia, you should be given early access to your super. This money will be paid in a lump sum and will cover your day-to-day costs for the rest of your life. The amount of money you receive will depend on your specific circumstances.

What About If An SMSF Trustee Is Affected By Dementia/Alzheimer's?

In the case of an SMSF, legally, the loss of mental capacity for a trustee of an SMSF means that they can no longer make decisions as a trustee of the fund. The critical period for an SMSF is the time prior to diagnosis when the trustee may be making or not making decisions that would be in the best interest of the members of the fund.

There are four options that the trustees of this SMSF have:

- They can retain the SMSF and appoint additional trustees to the fund who share trustee responsibility as they age (which would typically occur with adult children joining the fund).
- The trustees of the SMSF can appoint an individual to take on trustee responsibility on his behalf under an enduring power of attorney.
- The trustees of the SMSF can close the SMSF and rollover the fund to a public offer fund, with all ongoing administration and compliance of the fund reverting to a third-party trustee.
- The SMSF trustee can convert the fund into a Small APRA Fund (SAF). A SAF offers the flexibility of an SMSF, without trustee responsibilities as an independent trustee is appointed to manage the trustee responsibilities on an individual fund basis and on an agreed fee basis.

It is most important to remember that if you have not appointed someone as your enduring power of attorney and you do lose mental capacity, then it is too late and you will need to apply to the court. It is always important to seek advice about appointing someone as your enduring power of attorney.

Move Early To Get Your Assets Valued This Year

Since 2012, it has been a part of the law that all of the assets held by an SMSF need to be in the accounts of the SMSF at market value at the end of each financial year. Recently, the ATO has increased their audit activity around this area and are attacking both trustees and auditors on market values.

Obtaining a market value could arguably be the main cause of delayed accounts for SMSFs. With the end of year quickly approaching, all trustees need to be looking at determining the market value of their assets on the 30th of June.

There are some assets are very easy and may not require any work from trustees. For example, if you own shares on the Australian Stock exchange, there is publicly available records to give their market value. The difficulty lies with specific assets where there is not a ready market to determine the price. For example, this might be the case with properties or investments in smaller companies and trusts.

If you have an investment in direct property, there are two ways to get the property valued.

1

You can engage a licensed real estate valuer to give you a written opinion.

2

In cases where you don't want to go to that expense, and your auditor is comfortable with the approach, you can obtain a written opinion on value from a real estate agent.

However, this written opinion would need to show comparable sales, and may be similar to a written appraisal by an agent that is trying to win your listing of the property. For some standard residential properties, your tax agents (us) can obtain cost-effective valuations. In certain years though, you will need to engage a licensed valuer.

Investments in private companies and unit trusts are far more difficult to value, especially if the assets of those entities comprise of things like goodwill or trading activities. Where you have these investments, sometimes you will need to engage the services of a business valuer to determine the market value.

We are able to offer you direction on where to go to obtain these market values, but the important thing to note is that you need to begin this process now, and not when you receive a reminder from us after providing us with documentation.

How Might A Trust Cause An Issue For A Parent Going For The Age Pension?

Family trusts are a great vehicle for streaming income to family members, and often might include your parents. You may wish to help them out with the purchase of a new car and so might make a distribution to them from the family trust (so that it is more tax-effective). But how might this affect their eligibility for the Age Pension?

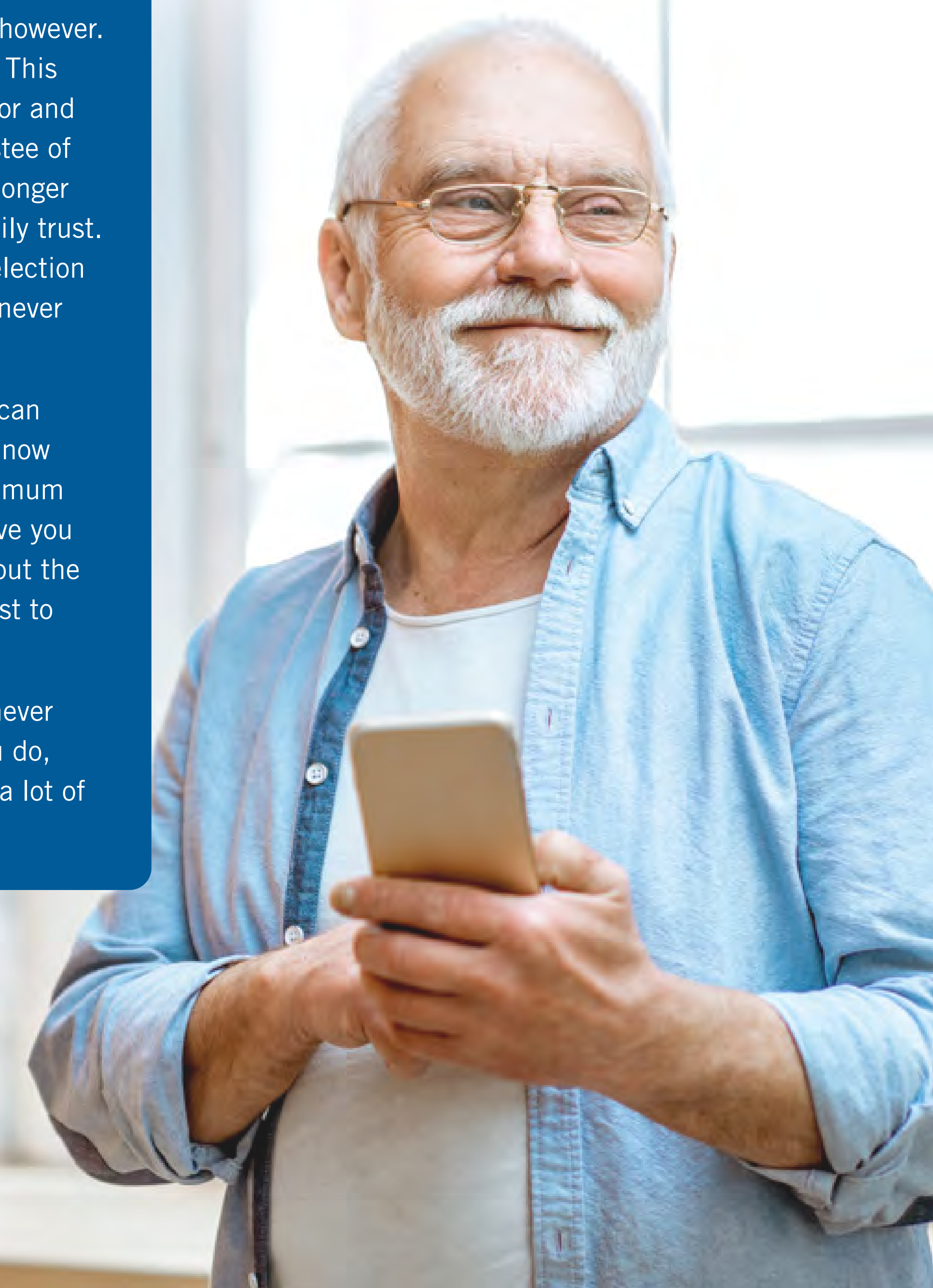
It's because they are now considered a beneficiary of your family trust, and as such the trust is now to be considered under their income and assets test. A distribution from years before could cost them the Age Pension.

There is a way to overcome this issue however. It is known as a deed of renunciation. This is a deed, that is prepared by a solicitor and signed by your parents, to tell the trustee of your family trust that they wish to no longer receive any distributions from the family trust. In the deed, they also state that this election is irrevocable (meaning that they can never reverse their decision).

After they have signed this deed, you can provide a copy to Centrelink, who will now not assess your family trust as part of mum and dad's asset pool. This will also save you time as you will no longer have to fill out the paperwork necessary to detail your trust to Centrelink.

If a deed like this is signed, you can never again distribute to your parents. If you do, Centrelink will know and it will cause a lot of unnecessary hassle.

Though deeds often need to be prepared by a solicitor, we do have access to experts in this area that are equipped to prepare your deeds in a very cost-effective manner, if you need their assistance.



Investing In Overseas Property

There are three types of people that have an interest in investing in overseas property.

1. First, there are those that are from a particular area who may like to hold real estate there.
2. Secondly, there are those who have visited the area and may wish to return periodically for a holiday or make a more permanent move and are looking to establish a base.
3. Finally, there are genuine investors who may believe that a particular country offers better growth prospects rather than investing in their own country's real estate.

Investing in overseas real estate can be beneficial, especially when you are investing in a country that will see faster growth than Australia. Typically, these are what is classed as a developing country. These countries may be subject to strict ownership rules to protect their own citizens from being priced out. To own property in these countries, you may be required to be a citizen.

It is possible to do deals with citizens in countries such as this, but it is fraught with great risk. You really need to trust them.

Other countries have also begun enforcing the extra taxes that can be charged to a foreign buyer (similar to the foreign purchase stamp duty paid in Australian states). This needs to be factored in when making any investment. For example, stamp duty in Singapore for a foreign buyer can be as high as 30% of the purchase price.

If you intend to hold foreign property in an SMSF, there are additional factors to consider. You may not be able to hold the asset in the name of the trustee, which will therefore require that you prepare some sort of trust declaration that may or may not be valid in the country that you are buying in. Your auditor will need a formal valuation of the property (as they do with Australian properties) but it needs to be done in a manner acceptable to the auditor.

Difficulties can arise when you own real estate in a non-English-speaking country, where all the documentation is prepared in a language other than English. Your auditor will have a lot of work to do to ascertain that you actually own the property and what the value of the property is. You will not be able to refer any service providers to the auditor as they are required to be independent.

Before making any final investment decisions when it comes to purchasing overseas real estate, speak with us about the pros and cons. We may be able to provide you with additional information and insight that you might not have been able to access otherwise.