

Financially speaking

SUMMER 2023 EDITION



Pay down mortgage or boost super – which is best?

You might be wondering what to do with your cashflow given the recent rise in home loan interest rates. Should you pay off your mortgage faster or save more in super? While the answer depends on your personal situation, investing more in super may make your money work harder.

Super can be more tax-effective

A great thing about super is you may be able to contribute pre-tax salary (if you're an eligible employee) or claim personal contributions as a tax deduction.

With your mortgage, on the other hand, repayments are made with after-tax income and are not tax deductible (unless the property is an investment and other conditions are met).

Saving more in super can be a smarter way to use your extra money.

The table below illustrates the additional benefit of investing in super at different income levels, assuming \$10,000 in pre-tax income is available.

For example, if you earn between \$120,001 and \$180,000, with \$10,000 in pre-tax income, you could make a net loan repayment of \$6,100 or invest a net amount of \$8,500 in super. That puts you \$2,400 ahead by making extra super contributions.

Taxable income	Home loan repayment			Net super investment ¹	Benefit from investing in super
	Marginal tax rate ²	Tax payable	Net loan repayment		
\$45,001 to \$120,000	34.5%	\$3,450	\$6,550	\$8,500	\$1,950
\$120,001 to \$180,000	39%	\$3,900	\$6,100	\$8,500	\$2,400
\$180,001 +	47%	\$4,700	\$5,300	\$8,500	\$3,200

1. Table above takes into account 15% tax on super contributions. Where income from certain sources (such as concessional super contributions and taxable income) exceeds \$250,000 pa, an additional 15% tax will be payable on super contributions.

2. Includes Medicare Levy.



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Other considerations

While super is generally more tax-effective, the next table compares some other issues.

Importantly, investing more in super wouldn't be a suitable option if you needed the money before you retire. But you may be able to use some of the additional super you build up to make a large mortgage repayment when you retire and end up ahead.

There are, however, some caps on how much you can contribute to super and use to start a retirement pension, which may impact your decision.

We can help you weigh up the pros and cons and decide how to use surplus cashflow to achieve your near and longer-term needs.

Invest in super	Repay mortgage
Earnings depend on chosen investment strategy, market conditions and time horizon	Net investment earnings at home loan interest rate
Money can't be accessed until you retire or meet other conditions	Money can usually be re-drawn at any time
There are caps on how much you can contribute to super and use to start a retirement pension	There are no legislated caps that apply to mortgage repayments

La Nina to El Niño: How your investments may be impacted



El Niño and La Niña are opposite phases of a naturally occurring climate cycle that affects weather patterns around the world. El Niño occurs when the Pacific Ocean heats up to a temperature higher than normal, while La Niña occurs when the Pacific Ocean cools down.

In Australia, El Niño is typically associated with drier conditions in the east and in southern Australia, while La Niña is associated with wetter conditions in northern and eastern Australia. The recent La Niña event has been particularly severe, with record-breaking rainfall and flooding in some parts of the country.

The end of La Niña and the potential for an El Niño event in the coming years could have a significant impact on a number of industries in Australia.

Insurance: Insurance companies are likely to benefit from the end of La Niña, as the risk of flooding and other weather-related disasters is expected to decrease. Weather related losses have been historically higher in La Niña compared to El Niño periods.

Agribusiness: Apart from Insurance, the Agribusiness subsector is the most impacted by weather conditions. For instance Graincorp's, East Coast Australia (ECA), average production in El Niño is well below the average in La Niña periods. Should we enter a period of El Niño the data suggests production materially below that of La Niña years.

Construction and development: Rain and flooding events across eastern Australia in the past few years have been extremely challenging for a host of industrials, including construction and development companies. Sydney has had the wettest year on record and the 2022 financial year saw almost three times the average rainfall of the previous five years. Some stocks that were impacted by wetter weather included Downer, Boral, Maas and Aurizon.

Mining and utilities: A host of miners have been impacted by wet weather recently. In past El Niño's conditions have been combated with increased energy (air-conditioner) use so an El Niño dominant period could lead to volume growth and electricity price benefits for the likes of AGL and Origin. The last El Niño period in 2019, brought with it a spike in electricity prices with the March Quarter in Victoria averaging ~AUD200/MWh.

Overall, the end of La Niña and the potential for an El Niño event in the coming years could have a mixed impact on the Australian economy. However, some industries are likely to benefit from the change in climate conditions, while others could be negatively impacted.

If you believe the weather forecasters, we are set for an El Niño dominated decade ahead. There could be some material benefactors within the insurance, industrial and mining sectors and conversely some areas of risk to be mindful of in agribusiness.

Important Information

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Four Lessons From Australia's High Net Worth Investors

High Net Worth Investors (HNWIs) in Australia exhibit distinct behaviours compared to average investors. Despite economic uncertainties and low interest rates, their investment approach remains resilient. Here are the key takeaways:

- **Global Outlook:** Australian HNWIs invest internationally, seeking opportunities beyond domestic markets. This global perspective allows them to respond swiftly to major events, like Covid-19, safeguarding their portfolios.
- **Diversification:** They prioritise uncorrelated income streams. Holding investments in the US, Europe, or Asia alongside Australian assets mitigates risks during local economic downturns.

- **Defensive Assets:** HNWIs have shifted from domestic investments to global opportunities via bonds, tailored investments, and currency. Their focus on wealth preservation endures.
- **Intergenerational Wealth Transfer:** These investors plan for the long term, considering how wealth will pass to future generations.

In summary, Australian HNWIs think differently, diversify globally, and prioritise wealth preservation.

[Read the full article here for deeper insights.](#)

2023 National Seniors Australia research

Financial wellbeing and rising cost of living

As inflation soars to the highest rates in two decades, older Australians becoming increasingly concerned about their capacity to manage the rising cost of living.

Most concerned included

Women
Younger respondents
People in poor health



Essentials top cause of concern

Health costs
Energy costs
Grocery expenses

2/3 of older Australians are **concerned about the rising cost of living**

53% of older Australians are worried about **outliving their savings**

62% **cutting back on spending** – the most common strategy to adjust to higher cost of living

Top financial priorities

91% Regular income for **essentials**

86% Affording **care and medical costs**

81% Income that **adjusts for inflation**

The retirement income people want

64% Income **linked to the cost of living**

25% A combination of **stable and variable income**

2% Income **linked to markets**

Source: Challenger.

About the research: The cost of living and older Australians' financial wellbeing studies how pressures from the cost of living are affecting the lifestyle, retirement finances and the financial security of older Australians (aged 50+). The research is a joint partnership between National Seniors Australia and Challenger and is one of the largest comprehensive surveys of older Australians. You can access the full report here: <https://nationalseniors.com.au/uploads/2023-NSA-Ch-Financial-wellbeing-and-cost-of-living.pdf>

The board game renaissance

The board game market is growing and growing, and there are some compelling reasons to play that go way beyond nostalgia.

Over the past decade, the board game market has grown at a rather surprising rate. Valued at US\$7.2bn in 2013, its estimated value today is US\$12bn, joining other 'analogue' platforms – think books, magazines and vinyl records – in creating something of a retro rebellion against the always-on, screen-focused lives many of us now lead.

There's something intrinsically heart-warming about playing board games.

From fond childhood memories (excepting, or perhaps including those occasional board-turning-over tantrums) to spending quality, engaged time with your own children and grandkids today, board games can be a genuine antithesis to modern living, providing a worthwhile alternative to screen time.

However, the reason for board games retaining their popularity goes far beyond nostalgia. They also teach some incredibly valuable skills.

For example, research has shown that playing board games can help youngsters develop hand-eye coordination, social skills and fine motor skills,¹ as well as boost self-esteem, learn how to think flexibly and strategically, and improve attention span and focus – as well as getting accustomed to winning and losing, which is incredibly important as we travel through life.

Playing board games on a regular basis isn't just beneficial for kids. Research published in 2019 showed that playing board games can help protect against dementia and cognitive decline, as well as providing preventative and therapeutic intervention for ADHD, depression and anxiety disorders.²

All things considered, it's no surprise that board games are still incredibly popular today.

And they've been part of life for more than 5000 years.

Board games – they've been around for a while!

Today, of course, there are thousands upon thousands of board games to choose from (at the most recent count, more than 140,000), but they mainly fall into one or more of six categories: two-player games (think Connect Four), multiplayer elimination (for example, Monopoly), multiplayer non-elimination (Cluedo), economic strategy (Risk), physical skill (Operation), and word games (Scrabble).

Incredibly, many of today's favourites are variations of games that were created a long, long time ago.

One of the oldest board games in the world is Senet,³ which archaeological evidence suggests was played in the latter days of Egypt's First Dynasty, around 3100 BCE.

Played on a board with three rows of ten squares, two players had to move their counters (usually between five and seven) from one end of the board to the other, with opportunities to block, thwart and disrupt the other player's progress.

Instead of dice, players threw casting sticks or bones to decide how many spaces to move, while the final five squares often featured hieroglyphics, which could – among other things – send players backwards on the board.

Dating back even further is Mancala, which evidence suggests was in existence in Ancient Egypt, while boards have been found in Jordan dating back to 5870 BCE. A two-player strategy game, Mancala is one of the oldest games still to be played today.



A *slightly* more modern game (dating back to just 2600 BCE) is The Royal Game of Ur.

Played on a board of 20 squares, with a three-by-four area and a three-by-two area connected by two squares, Ur was a hugely popular game with people of all classes in the Middle East.

Interestingly, we know the full rules for this game, as a curator at the British Museum was able to decipher writing on a clay tablet dating back to 177-176 BCE, which detailed how the game should be played. The tablet was discovered in the late 1800s in Babylon and is another 'race to the end' game, with strategy and cunning involved too.

¹www.smithsonianmag.com/science-nature/best-board-games-ancient-world-180974094/ ²<https://manhattanpsychologygroup.com/benefits-board-games/>

³<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6380050/>

Many popular board games today are derived from those early games, while some still exist in their original form. Backgammon, for example, dates back to the 17th century, while Chess can be traced back to 15th century Europe and Checkers, the second best-selling board game ever, dates back to 3000 BCE.

More recently, the game Cluedo was invented during World War II as a way of helping people pass the time in air raid shelters.

Another, The Game of Life board game, explains financial concepts (for example, getting your first job, paying off student debt, growing a family and saving for retirement).

Board games are a pastime that has seemingly been in our psyche for eternity – evidently with good reason.

So, dust off the board games on the shelves in the spare bedroom, because, as well as providing some much-needed non-screen time, those physical and mental health benefits are a hugely compelling reason to get those counters on 'start', give the dice a roll, and re-establish board game night!

³<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6380050/>

Top 5 best-selling board games of all time



Chess

3 million sets sold annually in the US alone



Checkers

Estimated 50 billion+ games have been sold



Monopoly

More than 275 million games sold



Scrabble

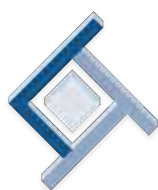
150 million units sold



Cluedo

150 million units sold

Thinking ahead? Let's talk about strategies for creating a positive financial future.



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