AMBLESIDE NEWSLETTER

WINTER EDITION
JUNE 2023

WHAT'S INCLUDED

+ A word from the principal
+ Market update
+ $250 power bonus
+ Footy tipping
+ Federal budget outcome
+ Prepare for the EOFY
+ Paying for your funeral
+ Payday super
+ Allira's Fab Four
+ Grandma's Simple Spag Bol!

Ambleside WEALTH ADVISERS

Welcome to our winter newsletter. In this edition Nicole writes about options for prepaying funerals and Katherine outlines changes to when employers must pay superannuation.

At the start of June, we said goodbye, for the second time, to Brooke. She is taking maternity leave for the birth of her and Rick's second child and we look forward to seeing her back at Ambleside next year.

Over the past few weeks, both the Federal and State budgets have been delivered. We're certainly entering a new phase with Governments starting to address the huge debts taken on during COVID. Federal government debt stands at $911 billion, incurring interest of $60 million per day. Victorian government debt is now $115 billion. Apart from the obvious difference in the numbers, a key issue is State governments have limited ways of raising new taxes and revenue sources, making debt repayment harder.

In what will be welcome news to many people, the Australian Competition and Consumer Commission (ACCC) is looking into the difference between mortgage and saving interest rates. We've now had 11 interest rate rises since May 2022 and in many cases bank savings rate have not kept track with these changes. In addition, when rates do go up, mortgages are lifted very soon after the announcement, but it can weeks to see the same lift of rates for savings accounts. The report to Treasury is due on 1st December 2023.

You will recall that IOOF took over the financial advice side of MLC last year. From our point of view, the transition was smooth with no major changes to our business. Since then, IOOF has been rebadged Insignia financial. The next phase of this will affect the investment side of MLC, with underlying investments and platforms changing names and branding over the next six months. This change will be at no cost to you and I believe it will provide some real advantages, including lower ongoing costs, and better technology from both a user experience and cyber security perspective. We'll provide more information as it comes to hand but please let us know if you have any questions in the meantime.

MARKET UPDATE

Market performance. The ASX 200 currently stands at 7138, compared to 7106 twelve months ago. While the share price or capital values haven't moved much, shares have paid an average income (dividend) of around 4% over the period. Whenever we look at returns we remember this point, part of the return comes from the share price, or value, going up, and the other part comes from the income or dividends.

Resource dividends. In terms of dividends the resource sector has shown a very strong return. This has benefited both shareholders, State and Federal Governments. Resource royalties were the major contributor to the recently announced Federal budget surplus. Looking at a few specific examples BHP paid a dividend of 11%, Fortescue 12% and Woodside 11%.

Interest rates are still the big news and after 11 rises we are at 3.85%. Spare a thought for New Zealand where official interest rates are now 5.5% and a home loan will cost you around 7%. As I'm often reminded, this is a far cry from people who borrowed in the late 80's at around 18%. Perhaps the difference now is everything costs a lot more with the Warrnambool median house price now at $605,000. While there is no agreement on where rates will go next most analysts predict they will peak later this year before pulling back in 2024.

Unemployment. Closely linked to interest rates is unemployment. After being at a record low of 3.4% the rate has recently lifted to 3.7%. This is expected as interest rates rise, people have less to money to spend after paying their mortgage and business then need to lay off staff. The average unemployment rate from 1978 to 2023 in Australia is around 6%, suggesting the current unemployment rate will continue to rise.

Banking. As we know the big five banks in Australia (including Macquarie) make up around 20% of the Australian share market. They are highly regulated and very profitable. Apple, the maker of the smartphones many of us use everyday, are making big moves into this area that could threaten this profitability. Apple has recently announced a deal with Westpac which will allow iPhones to accept payments. Think of paying for fruit and veggies at the markets by tapping on the sellers iPhone, with no need for EFTPOS terminals provided by the banks. In addition, Apple already provides credit cards and high interest savings accounts in the US. Watch this space for Apple making increasing inroads into financial services.

$250 POWER BONUS!

This is the second round of $250 power saver bonus. You can receive this bonus simply by submitting your recent electricity bill online via the below website: https://compare.energy.vic.gov.au/psb-faq
We are very happy to assist you.

AMBLESIDE'S FOOTY TIPPING

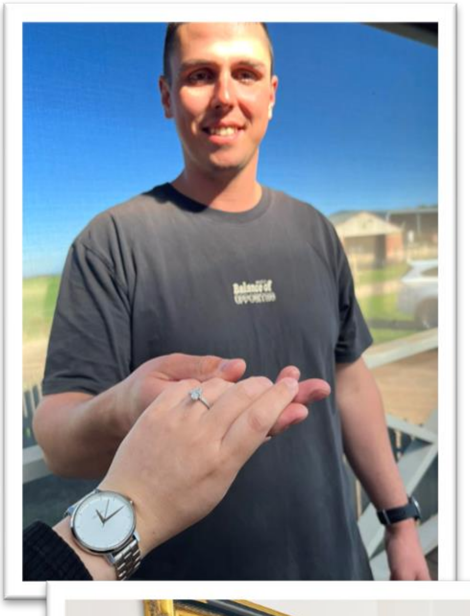
A quick update on the Ambleside's footy tipping competition leader board

1st	Saints	70
2nd	Adrian	68
2nd	Yongy	68
2nd	Razor	68
5th	Dagwood Bumpstead	67
5th	Moose	67

Remember, the awarding prizes for first, second and third places are $250, $200 and $150 respectively. If you are one of the winners, you can pick a voucher from your favourite Kepler Street business (such as the Capital Cinema, 2Tarts or Bohemia Café).

CONGRATS BROOKE!

It's been a big couple of months for our Client Services Administrator Brooke Haberfield. She not only just started maternity leave, but on Mother's Day she also got engaged to Rick! Congratulations to you both, and I bet your son Huey is super existed for the arrival of his younger sibling on 29th June 2023!



FUNDING OPTIONS FOR YOUR FUNERAL: FUNERAL INSURANCE, PREPAID OR BONDS?

Planning for a funeral may not be appealing, but it's crucial to consider the impact it can have on your loved ones. Leaving them with the financial burden of funding your funeral can cause significant stress. That's why it's important to explore the available funding options and plan accordingly. Similarly to estate planning, the goal is simple: to ensure your loved ones aren't overwhelmed emotionally or financially.

There are three common ways to address funeral funding: prepaid funerals, funeral bonds, and funeral insurance.

With prepaid funerals, you make advance payments to the funeral home, enabling you to plan and pay for the expenses ahead of time. This arrangement ensures your wishes are respected and relieves your family of the financial burden. The funds are typically held by the funeral home in a trust account or invested in an insurance policy.

Funeral bonds, also known as funeral investments or funeral insurance bonds, are investment products designed to accumulate funds for funeral expenses. They function like savings accounts or investment bonds, allowing your funds to grow over time.

Funeral insurance, on the other hand, is an insurance policy specifically designed to cover funeral costs. By paying regular premiums, your beneficiaries receive a lump sum payment upon your death, providing the necessary funds for the funeral expenses.

A recent ABC article highlighted the drawbacks of funeral insurance and funeral bond policies. It emphasized that many policyholders end up paying more in total premiums than the benefits they receive. A 2014 ASIC report revealed that annual premiums for consumers over 50 have quadrupled, and a study from 2011 found that some policies could result in paying $140,000 in premiums for a $6,000 benefit if the policyholder lives until 80. Consumer advocates are calling for a ban on funeral insurance due to poor value for money and targeting vulnerable consumers through emotive advertisements.

Criticism also extends to prepaid funeral plans and bonds, with customers being overcharged and facing fees for non existent services. Additionally, there is a risk of funeral policies going unclaimed.

The article suggests another alternative option of leaving funds in a bank account. In this case, the executor of your estate can settle the funeral expenses directly at your bank, using the funds in your savings account. It's crucial to have a good understanding of the funeral costs and inform your loved ones about the payment arrangement to avoid any confusion or unexpected financial burdens left on them.

In conclusion, it's important to carefully consider the benefits and risks of each funding option and make well-informed decisions when planning for funeral expenses. - Nicole O'Sullivan

Source: https://www.abc.net.au/news/2023-04-19/funeral-insurance-policy-plans-insuranceline-rort/102230678

FEDERAL BUDGET RECAP

KEY TAKEAWAYS

•An electricity bill credit of up to $500 will be available for pensioners, concession card holders, and small businesses.
•Employers will be required to pay employees' super at the same time as their salary from July 1, 2026.
•The Medicare levy will increase for low-income thresholds for singles, families, and seniors/pensioners from July 1, 2023.
•The 2023 Federal Budget focuses on cost of living relief, including lower power bills, higher welfare payments, and support for small businesses and housing.
•Proposed changes are subject to becoming law.

COST OF LIVING

•Electricity bill credits up to $500 for pensioners, concession card holders, and others.
•Eligible small businesses will receive credits up to $650.
•Changes to the Pharmaceutical Benefits Scheme will allow individuals to buy twice as many medicines for the price of one script.
•Increased bulk billing for children, pensioners, and concession cardholders.
•Low-cost loans for household energy upgrades.

SUPER

•Reduction of tax concessions on certain superannuation accounts for individuals with a total super balance of over $3 million.
•Additional tax of 15% on earnings exceeding the $3 million threshold.
•Individuals with a total super balance less than $3 million are not affected by this change.

SOCIAL SECURITY

•The fortnightly rate of JobSeeker Payment and certain benefits will increase by $40 on September 20, 2023.
•The minimum age for the higher rate of JobSeeker Payment will reduce from 60 to 55 for those who have received the payment for nine or more continuous months.
•Rent Assistance rates will increase by 15%, providing recipients with up to $31 extra per fortnight.
•The number of Home Care packages will increase by 9,500 in 2023/24 to improve the in-home aged care system.

PERSONAL TAX

•No changes to personal income tax were announced, including no changes to the Stage 3 tax cuts or extension of the Low and Middle Income Tax Offset.
•The Medicare levy low-income thresholds will increase from July 1, 2023, allowing low-income earners to earn more income before being liable to pay the levy.

SMALL BUSINESS TAX

•Small businesses with an annual turnover of less than $50 million may receive an additional 20% deduction on spending that supports energy efficiency.
•Small businesses can immediately deduct the full cost of eligible assets costing less than $20,000 between July 1, 2023, and June 30, 2024.

HOUSING

•From July 1, 2023, joint applications by friends, siblings, and other family members will be allowed under the First Home Guarantee and Regional First Home Buyer Guarantee.
•The Family Home Guarantee will expand eligibility to single legal guardians of children such as aunts, uncles, and grandparents.

Source: Federal Budget key changes (mlc.com.au)

PREPARING FOR THE

As the end of the financial year approaches, it's important to be prepared and consider key factors for both the current and upcoming year. Here are some reminders and tips to help you navigate this period:

Prior to 30 June 2023:

Assess your income: Calculate your total earnings, including salary, dividends, capital gains, termination payments, and rental property income.

Deductions: Understand the deductions you're eligible for, which can reduce your tax liability. This may include work-related expenses, self-education costs, personal super contributions, accountant fees, donations, and investment-related expenses.

Tax-saving strategies: Explore ways to minimize your tax bill, such as making personal super contributions within the deductible limit of $27,500*. Additionally, consider co-contributions for low or middle-income earners, employee salary sacrifice arrangements, and spouse contributions that may qualify for a tax rebate.
*doesn't consider unused carry-forward caps

Additional levies: Keep in mind that everyone is required to pay the Medicare levy (2% of taxable income). Depending on your income level and health insurance coverage, you may also need to pay the Medicare levy surcharge.

Landlord responsibilities: If you own rental properties, ensure you have the necessary documents, including the annual tax statement from the property's managing agent. Keep track of expenses like land tax, strata fees, insurance, and mortgage interest. Retain receipts for capital improvements and maintain records of property transactions.

Capital gains offsetting: If you have realized a capital gain from investments, consider offsetting it by selling underperforming assets that no longer align with your investment goals. This can create a capital loss, reducing your taxable income and potentially freeing up funds for new investment opportunities.

Prepaying investment loans: If you have a geared asset, such as a rental property, and the means to do so, check with your lender if they allow prepayment of 12 months' interest on your investment loan. This strategy can bring forward your tax deduction into the current year and help offset any capital gains or additional income earned.

Talk to your accountant to check which strategy suis your needs.

After 1 July 2023:

Account-based pension minimum drawdown: Starting from 1 July 2023, the government's standard minimum drawdown rates will apply to all account-based pensions. For individuals aged between 65-74, the minimum drawdown rate will increase from 2.5% to 5%.

By keeping these considerations in mind, you can better prepare for the end of the financial year and plan for the upcoming year.

ALLIRA'S FAB FOUR!

Favourite food?
Lemon Meringue Pie

Favourite holiday destination?
Fiji

Favourite TV show ?
Grand Designs

Favourite app on your phone?
Real Estate.com

PAYDAY SUPER

With effect from the 1st of July 2026, employers will be required to pay their employees' super at the same time as they pay their salary and wages.

Currently, employers are required to remit their employees' superannuation to their fund every quarter.

As part of this year's budget measures, the government has announced the move from quarterly reporting to the requirement to pay at the same time as wages are paid. There are two dominant reasons for this change.

First, is to reduce employer non payments. The ATO estimates that $3.4 billion of workers' superannuation was unpaid in the single year of 2019/20

The second reason is a more positive one and one will positively impact employees' super balances.

Albert Einstein is quoted as having said "Compound interest is the eighth wonder of the world."

Compound interest is interest calculated on the initial principal plus addition contributions. Compound interest is the act of generating interest on interest.

The superannuation environment is the perfect one to see the magic of compound interest at work over years, if not decades.

The introduction of pay day super is one that can only result in more money in the hands of retirees.

- Katherine Goudie

GRANDMA'S SIMPLE SPAGHETTI BOLOGNESE

Ingredients:

I tsp olive oil	1 cup tomato sauce
500g mince	2 cups water
1 onion	Salt and Pepper
2 tsp cloves	½ tsp cayenne pepper
2 tsp nutmeg	300g spaghetti
2 bay leaves	Optional - Parmesan

Method:

1. Chop onion and cook in olive oil in a large pot.
2. Add mince and once brown add remaining ingredients (may need more sauce or water).
3. Simmer for 30 to 40 minutes.
4. Cook Spaghetti separately then add to Bolognese sauce.

   To serve add parmesan on top.

- Supplied by Lauren Billington