



FINANCIAL ONE



Financial One Spring Newsletter

Dear Client,

Welcome to the latest edition of our client newsletter.

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime we hope you enjoy the read.

All the best,
The Team at Financial One

Financial One

Level 2, 100 Melville Street, Hobart, Tas,
7000

P 03 6235 0111

F 03 6234 7222

E info@financialone.com.au

W www.financialone.com.au

Facebook [financialonetas](https://www.facebook.com/financialonetas)

Errollyn Services Pty Ltd trading as Financial One ABN 65 009 582 352 is an Authorised representative of Charter Financial Planning Limited ABN 35 002 976 294 Australian Financial Services Licensee Licence number 234665

If you no longer wish to receive direct marketing from us you may opt out by calling us on the phone number under our contact details. You may still receive direct marketing from AMP as product issuer, bringing to your attention products, offerings or other information that may be relevant to you. If you no longer wish to receive this information you may opt out by contacting AMP on 1300 157 173. This document contains general advice only. You need to consider with your financial planner, your investment objectives, financial situation and your particular needs prior to making any strategy or products decision.



How to rebuild your super after a COVID-19 withdrawal

For many people, the government's COVID-19 (coronavirus) early release of super scheme has been a lifesaver, with the money accessed from retirement savings helping provide additional support at a time of economic uncertainty.

In total, 1.81 million Australians have withdrawn \$13.5 billion from super funds, at an average amount per person of \$7,473ⁱ.

If you're one of these 1.81 million, you might be wondering about the long-term impact your super withdrawal could have on the quality of your retirement. If you're one of these 1.81 million, you might be wondering about the long-term impact your super withdrawal could have on the quality of your retirement.

The good news is there's plenty you can do to help make sure you can still enjoy the kind of retirement you've always dreamed of.

How much super do you need?

According to the ASFA Retirement Standard, to be able to live a comfortable life in retirement, doing things such as eating out at restaurants, enjoying leisure activities and traveling occasionally in Australia and overseas (once current restrictions ease), it's estimated you'll need a super lump sum of \$545,000 if you're single, or \$640,000 between you if you're in a coupleⁱⁱ.

What is the impact of a super withdrawal?

By withdrawing part of your super early, you don't just lose the amount you've withdrawn from your retirement savings, you also lose the opportunity to earn an investment return (or make additional money) on that money. As super is a long-term investment, so the amount you stand to forfeit could be larger, the younger you are.

If you're interested in getting an idea around what possible impacts a withdrawal now may have down the line, you can check out the

MoneySmart's Superannuation calculator.

Unfortunately, if left alone this shortfall won't take care of itself, but there are some things you can do to help rebuild your retirement savings.

Ways to help your super recover

As a result of the economic shutdown you may have been forced to cut back on your spending and live a little more frugally. Rather than returning immediately to your former lifestyle as your income recovers, try to maintain some of the measures you adopted to save, and that might include putting extra money into your super.

There are a number of ways you can make super contributions in addition to those your employer makes on your behalf.

• Concessional (before-tax) contributions

These can take the form of either salary sacrifice contributions, which are voluntary contributions you ask your employer to pay out of your before-tax income, or tax-deductible personal contributions, which are contributions you make using after-tax dollars (such as when you transfer funds from your bank account into your super), then claim a tax deduction.

• Non-concessional (after-tax) contributions

This refers to money you put into your super fund using after-tax dollars and don't claim a tax deduction on. Some people choose to make non-concessional contributions when they've reached their yearly concessional contribution cap.

• Spouse contributions

If your spouse is in a better financial position than you, they may be able to help rebuild your super through spouse contributions, providing you earn less than \$40,000 per year. Subject to eligibility rules, they'll also benefit from a tax-offset on the after-tax contributions they make into your super account.

• Government assistance

If you're a low-to-middle-income earner and make an after-tax contribution to your super, which you don't claim a tax deduction on, you might be eligible for a government co-contribution of up to \$500 into your super.

The government also offers another type of super assistance known as the low income

super tax offset (LISTO). If you earn \$37,000 or less a year, and receive concessional super contributions, the government may refund the tax you paid on those contributions back into your super account, up to a maximum of \$500 per year. This will happen automatically at tax time if you qualify.

• Find and consolidate your super

As at 30 June 2019, there was \$20.8 billion in lost and unclaimed super across Australia according to the ATOⁱⁱⁱ. If you think you might have some super floating around in the system from a previous employer, it's worth doing a super search to locate it.

And if you find any lost or unclaimed super, you might consider consolidating all your super into one account to make it easier to manage and keep track of, and avoid paying multiple fees and charges. Before deciding which super fund to consolidate into, consider all the features and benefits of your super funds, whether any exit or withdrawal fees apply and any insurance cover you may have, when making your decision.

Thinking about making a second super withdrawal?

If you're still struggling financially you might be considering making an additional withdrawal from your super savings. Under the government's scheme, if you're eligible, you can withdraw up to \$10,000 more from your super between 1 July and 24 September this year.

But before taking this step there are a number of things to consider.

Key among these is whether you're eligible for any other kind of COVID-19 government assistance.

Speak to us before making a decision as we can help.

i <https://www.apra.gov.au/covid-19-early-release-scheme-issue-6>

ii <https://www.superannuation.asn.au/ArticleDocuments/269/ASFA-RetirementStandard-Summary-2018.pdf.aspx?Embed=Y>

These figures assume you'll also receive a part Age Pension from the government and that you own your own home.

iii <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Lost-and-unclaimed-super-by-postcode/>



4 ways to help prepare your finances for a recession

If you think storms may lie ahead, it makes sense to prepare your craft for choppy waters. With Australia facing continued economic uncertainty, it may be time to take stock of your finances and get in the right shape.

First the good news. The Australian economy fared better in the first quarter of 2020 than many other countriesⁱ. To the end of March, the economy only contracted 0.3%, compared with 2.0% in the UK and a whopping 9.8% in China.

More challenging times may lie ahead. A century on from the last global pandemic, this looks like a downturn unlike any other in living memory. Back in 1990, Treasurer Paul Keating lamented the “recession we had to have.” This time around, we’re trying to thaw an economy that’s been deliberately placed into hibernation. It isn’t something we’ve seen before, so lessons from previous recessions may not apply.

However, if you’re worried about the threat of redundancy, your investments or your retirement plans being disrupted, there are things you can do to secure your financial lifeboat.

1. Revise your budget

A realistic budget helps you get a clearer view of what you can and can’t afford.

If you don’t have one already, you can create a view of your total income and expenses, on a weekly, fortnightly, monthly or yearly basis.

2. Decide what matters most to you

Reassessing your budget helps you decide what’s essential and what you can put on hold, or perhaps ditch altogether to lessen the strain on your household finances.

Essentials might include your mortgage or rent, utilities or car insurance if you need to keep running a vehicle. Remember that even if something is essential, you might still be able to make a saving on it.

Look for a better deal on comparison sites like Finder, which can help you find potentially preferable offers on everything from car insurance to shopping.

Low interest rates are likely to remain for some time, so this might be a good time to approach a mortgage broker to see if there’s an alternative that’s right for you.

3. Pay down and consolidate debt

Debt consolidation is one way to take control of your finances and potentially pay off your debts sooner.

This means combining or consolidating your debts into one loan with, ideally, a lower overall interest rate. Assuming you can cover your repayments, the lower interest rate means you’ll pay less interest and pay off your debt sooner, as long as you continue to make the same repayments on the original debt. Otherwise the consolidated debt is spread out over the life of the bigger loan.

This approach might also help you simplify your finances by reducing multiple repayments for credit cards, store cards and a car loan for example, into one monthly payment.

Fees and conditions may apply. Check your existing loan terms to see if any early

termination fees apply. If you’re applying for a new loan, confirm the application fee costs and eligibility criteria.

Keep in mind that debt consolidation will only be effective if you’re disciplined about making your repayments. And before making a decision, speak to us.

4. Keep your eyes on the horizon

As with most investment and super strategies, it helps to look long term rather than thinking only of the next few weeks or months. It’s easy to get discouraged when many forms of media concentrate on negative or shocking news.

Finally, as AMP’s Head of Investment Strategy and Economics and Chief Economist Shane Oliver points out, anyone who got too negative for the long term in the last major pandemic of 1918-19 might have missed out entirely on the ‘roaring twenties’, a decade of economic growth and widespread prosperity.

Here to help

Contact us if you have any concerns about your financial situation you’d like assistance with.

Remember, if you’re feeling overwhelmed or need to talk to someone about how you’re feeling right now, you can access free services anytime, including:

- Lifeline: 13 11 1
- Beyond Blue: 1300 22 4636
- Mental Health Line: 1800 011 511.

ⁱ ABC News, Australia in its first recession in 29 years as March quarter GDP shrinks



COVID-19: How long may your super savings take to recover?

As investment market volatility continues, what does this mean for Australians' retirement savings?

The COVID-19 (coronavirus) crisis has caused uncertainty in many areas of life, not least on investment markets. Share prices have been fluctuating wildly as investors react to unfolding global events.

From its high point in March the Australian All Ordinaries Index shed more than a third of its value before recovering some ground towards the end of Juneⁱ.

And just as concerning have been the day-to-day swings. The coronavirus pandemic has created the largest daily fluctuations since the Great Depression, with the US S&P 500 Index experiencing an average daily change of 4.8% in the five weeks to 8 April 2020ⁱⁱ—higher than both the GFC and the 1987 share market crash.

Why this could affect your super

You may not think of yourself as an investor in stocks and shares. But most Australian super accounts are invested in shares to some degree because of their potential to deliver strong long-term gains. So share price ups and downs are still likely to affect your finances, and many people's super balances have taken a hit as a result of the volatility.

Many working Australians have their super in a balanced option, where your super is spread across a mix of investments—from 'growth' assets like shares and property, which can deliver higher potential long-term returns but with higher risk, to 'defensive' assets such as bonds and infrastructure,

which can potentially provide some level of protection against share market downturns.

So, the good news is your super may not have been quite as affected by the COVID-19 volatility as the headline share price numbers you see in the media.

But it's important to check with your super provider exactly how your retirement savings are being invested. Different super funds define 'balanced' in different ways and it's possible up to 80% of your retirement savings could be invested in growth assets such as shares, even in a balanced fund.

When will your super bounce back?

We can't be sure. Market movements are difficult to predict, even for experienced investors and economists.

AMP Capital Chief Economist Shane Oliver says, "Short-term sometimes violent swings in share markets are a fact of life but the longer the time horizon, the greater the chance your investments will meet their goals.

So, in investing, time is on your side and it's best to invest for the long term when you can."ⁱⁱⁱ

Should you think about switching your investment mix?

It's tempting to react to short-term market movements by changing your investment strategy. But it could be worth bearing in

mind that if you sell out of shares when prices are low you may end up crystallising your losses and missing out on any future upturns.

As Shane Oliver says, "We've seen recently growth assets like shares have periods of bad short-term performance versus bonds and cash. But they provide superior long-term returns, which is essential to grow retirement savings. It makes sense for superannuation to have a high exposure to them.

The best approach is to simply recognise that super and investing in shares is a long-term investment."^{iv}

What's lifecycle investing?

One option to consider could be a lifecycle investment strategy. This is where your super investment mix is automatically adjusted as you get older to reflect your changing tolerance for risk—from when you're just starting out with plenty of years ahead of you in the workforce to when you're approaching retirement and you have less time to play catch-up after a downturn.

If you're concerned about the impact of COVID-19 on your super investments, speak to us for quality financial advice based on your current situation and future needs.

i <https://www.amp.com.au/insights/grow-my-wealth/shares-climb-a-wall-of-worry-but-is-it-sustainable>

ii <https://www.marketwatch.com/story/stock-market-investors-have-to-go-back-to-1929-to-find-daily-swings-this-wild-2020-04-07>

iii <https://www.amp.com.au/insights/grow-my-wealth/olivers-insights/five-charts-on-investing-to-keep-in-mind-in-rough-times-like-these>

iv <https://www.amp.com.au/insights/grow-my-wealth/why-super-and-growth-assets-like-shares-have-to-be-seen-as-long-term-investments>