

Welcome to Informed, a quarterly magazine for our clients. We hope you enjoy the articles in this edition.

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If you are new to reading Informed, welcome.

If you are an avid reader of this publication you would be familiar with this forum, delivering relevant and interesting content from the financial planning industry, to help you better manage your financial life.

A core value of our business is that every Australian should have access to, and benefit from, good financial advice. In reading this publication, we hope that you find the articles interesting, and perhaps they will provide some talking points for your next review meeting with your financial adviser.

Enjoy reading this edition of Informed.

Weaning young adults off the bank of Mum and Dad

Helping young adults become financially independent may benefit both them and their parents.

The bank of Mum and Dad has become an important source of funding for young Australians. Research has found that mums and dads are even helping their children to finance business startups.¹

While it's natural for parents to want to help their kids, it may not be viable for the long term, and children will eventually need to be self-reliant. So how can parents help young adults become financially independent?

Teaching them about money

Teaching financial responsibility is one of the biggest lessons parents can give their kids. Children may find the journey to independence easier if they understand the importance of using money wisely.

You can begin by showing them how you use a budget and work with a financial adviser to help you prioritise and manage your finances and set goals.

Helping them save and set goals

Getting your children to save is not only a step towards financial independence – it may also teach them about the benefits of building a nest egg.

Consider talking to them about how savings can grow over time through the magic of compound interest.

Driving home the importance of setting financial goals may encourage younger children to work hard and save money to achieve their aspirations.

For many young adults, perhaps the first goal is buying a car, but also talk to them about longer-term goals such as buying a house and contributing to a superannuation fund.

Being a positive influence

Children usually learn the concept of managing their money from their parents, so it's crucial to be a positive role model.

Having good financial habits may help parents ensure their kids develop a positive money mindset.

Withdrawing support

When it comes time for young adults to manage their own financial affairs, start by weaning them off parental support.

If you don't want to immediately cut them off, experts suggest giving them an allowance instead of paying their bills directly, so they can learn to budget and get used to the responsibility of managing their expenses.

It's important for parents to consider the consequences of sacrificing their financial wellbeing to support their adult children.

While it's inevitable that parents will need to provide a lifeline for their kids every now and then, it's prudent to avoid doing it at the expense of their own retirement prospects and financial welfare.

1 Australian Housing and Urban Research Institute, 2017, 'A new look at the channels from housing to employment decisions'. Available at: https://www.ahuri.edu.au/__data/assets/pdf_file/0008/12023/AHURI_Final_Report_No275_A-new-look-at-the-channels-from-housing-to-employment-decisions.pdf



How to make working in retirement more enjoyable

Pursuing a job that gives you a sense of purpose and keeping a healthy routine may make working in retirement a fulfilling experience.

Many Australians choose to work part time after retirement instead of hanging up their work clothes completely. Data from the Australian Bureau of Statistics shows that 34 per cent of full-time workers aged 45 or over intended to switch to part-time work before retiring.¹

Some people choose to lessen their workload to help ease themselves into retirement. Others want a higher income than what they would receive if they left the workforce altogether. Whatever the reason, working doesn't have to stop you from enjoying retirement.

After all, you have paid your dues, and deserve some flexibility and recreation. Here are some ways to help make your semi-retirement more enjoyable.

Choose a fulfilling job

Ideally, working in retirement should not be just about earning an income. While getting a regular pay cheque is good for your retirement fund, it's advisable to be selective about any job you accept.

Doing something that's fulfilling or gives you a sense of purpose may help make it more worthwhile.

Seek flexibility

Having a flexible work schedule or work arrangement is also important. A flexible schedule may allow you to spend more time on creative or leisure activities, while the ability to work from home on some days may help achieve a good work-life balance. You could spend more time with your family and may even benefit from having a quieter and less stressful work environment.

Stay healthy

Staying physically and mentally healthy in retirement is crucial, and maintaining an exercise routine can help. Also consider joining walking, yoga, meditation or other groups in your community to make staying healthy more fun and motivating.

Engage in activities outside work

After working full time for many years, it's easy to end up spending more time at work than necessary.

To break this habit, engage in a regular activity that will keep you busy and help you find fulfilment outside work. It can be as simple as learning a new computer skill or volunteering.

Consider your pension eligibility

Staying employed in retirement may be a great way to boost your income, but keep in mind that your earnings may have implications for your retirement benefits. For example, working when you have become eligible for the Age Pension may reduce your pension payments. Seek professional advice before accepting a job. Your financial adviser may help you optimise your retirement benefits while remaining employed.

1 Australian Bureau of Statistics, 2017, 'Retirement and Retirement Intentions, Australia, July 2016 to June 2017'. Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6238.0>



Catch up on your super contributions

It's time to think about making 'catch-up' contributions to your superannuation.

The benefits of the super catch up rules will only be felt from 1 July 2019, but it's not too early to plan how you may use them to boost your retirement nest egg.

The rules allow eligible individuals to beef up their super by catching up on their concessional contributions.

The concessional or before-tax contribution cap is currently \$25,000 and includes salary sacrifice and mandatory employer payments. Members with a total super balance of less than \$500,000 can 'carry forward' any unused amount below the concessional contribution cap on a rolling basis for five years from 1 July 2018.

For example, if you're eligible and make a total concessional contribution of \$10,000 in FY2018–19, you'll be able to contribute \$40,000 to your super the following financial year – \$15,000 more than the normal concessional cap.

The scheme provides flexibility for qualified individuals to contribute to their super when they have the capacity to do so. It is particularly targeted at:

- people who take time out of work, work part time or have 'lumpy' or irregular income
- women, because they often have interrupted work patterns and generally lower super account balances than men
- individuals who take a break from the workforce due to illness, or to care for someone or pursue further studies
- older people who have more disposable income as their ongoing costs decrease.

Finding out if you're eligible

Even if you don't belong to any of the scheme's target groups, you may still make catch-up contributions using carried-forward amounts from 1 July 2019 if you meet the eligibility criteria. You can contribute in a financial year if:

- your contributions would otherwise exceed the concessional contribution cap for that year
- you had a total superannuation balance of less than \$500,000 before the start of the financial year
- you have previously unused amounts under the concessional contribution cap in one or more of the previous five financial years.

If you are aged between 65 and 74, you must also meet the work test.

Other things to remember

Keep in mind that you won't be able to utilise your unused amounts in a financial year if your total super balance exceeded \$500,000 in the previous financial year. But if your total balance falls below \$500,000, in the next financial year you will once again be eligible to contribute shortfalls from the previous five years.

Time limits also apply.

Available amounts below the cap that are not utilised after five financial years can no longer be carried forward.

If you're thinking of using the catch-up rules, seek professional financial advice on how to use concessional super contributions to your advantage. Your financial adviser may also help you consider the tax implications.

SUPPORT IN AGED CARE

As at 31 December 2017, there were **104,602** people waiting for a home care support package.¹



26.70% had been waiting for more than **12 months**, although many had a lower care package in the interim.¹



Note 1. Dept. of Health: Home Care Packages Program Data Report 2nd Quarter 2017-18. Figures correct as at 30 September 2017.

How do you increase your chances of receiving the support you need to stay in your home?



1 | Arrange to have an Aged Care Assessment to assess eligibility.



2 | Once approved, work with the home support team to develop a package of services you require and work out all the costs you will pay, and what may be subsidised by the government.



3 | Research approved home care support providers in your area, what they offer and the cost.



4 | Sign the home care agreements.

Of course, all of this is much easier the help of a financial adviser who specialises in aged care.



Season's Greetings

We would like to take this opportunity to wish all our clients, friends and family a safe and happy festive season.

We look forward to working with you in 2019.



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