



April 2021

Autumn is here. As the vaccine rollout continues, restrictions ease, and life is a little closer to normal despite occasional setbacks.

There was a raft of positive economic news in March, which should make the Federal Treasurer's job a little easier when he hands down the Budget on May 11. The Australian economy staged a remarkable V-shaped recovery in 2020, growing 3.1% in the December quarter and 3.4% the previous quarter – the biggest 6-month lift on record - after plunging into recession in the first half year. The main contributor was iron ore, which has doubled in price since March last year.

As the vaccine rollout began and restrictions eased, business and consumer confidence rebounded. The NAB Business Confidence Index rose to an 11-year high of +16.4 points in February while the ANZ-Roy Morgan Consumer Confidence rating hit a 7-year high of 124 points in March, up 30% over the year.

Confidence was reflected in a recent surge in new vehicle sales, housing construction and property values. It was also boosted by a fall in unemployment from 6.4% to an 11-month low of 5.8% in February. Company profits have also remained strong, with 86% of ASX200 companies reporting a profit in the December half year. Although aggregate earnings fell 17%, dividends were up 5% on a year ago with an estimated \$26 billion currently flowing to shareholders.

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Give your finances a shake out

Like trees losing their leaves in autumn, why not take a leaf out of their book and choose this time of year to shed some of your own financial baggage.

In the style of Marie Kondo, the Japanese organising whizz who has inspired millions to clean out their cupboards, decluttering your finances can bring many benefits.

While you work through all your contracts, investments and commitments, you will no doubt discover many that no longer fit your lifestyle or are simply costing you in unnecessary fees.

And if that is the case, then it is likely that such commitments will not be sparking any joy. And joy is the key criteria Kondo uses to determine whether you hold on to something or let it go.

So how does decluttering work with your finances and where do you start?

Where are you?

The first step is probably to assess where you are right now. That means working out your income and your expenses.

There are many ways to monitor your spending including online apps and the good old-fashioned pen-and-paper method.

Make sure you capture all your expenditure as some can be hidden these days with buy now pay later, credit card and online shopping purchases.

The next step is to organise your expenditure in order of necessity. At the top of the list would be housing,

then utilities, transport, food, health and education. After that, you move on to those discretionary items such as clothes, hairdressing and entertainment.

Work through the list determining what you can keep, what you can discard and what you can adapt to your changed needs. Remember, if it doesn't spark joy then you should probably get rid of it.

Weed out excess accounts

Now you need to look at the methods you use when spending. Decluttering can include cancelling multiple credit cards and consolidating your purchases into the one card. This has a twofold impact: firstly, you will be able to control your spending better; and secondly, it may well cut your costs by shedding multiple fees.

Another area where multiple accounts can take their toll is super. Consider consolidating your accounts into one. Not only can this make it easier to keep track of, but it will save money on duplicate fees and insurance. If you think you may have long forgotten super accounts, search for it on the Australian Tax Office's lost super website. Since July 2019, super providers must transfer inactive accounts to the tax office.

Once you have reviewed your superannuation, the next step is to check that your investments match your risk profile and your retirement plans. If they aren't aligned, then it's likely they will not spark much joy in the future when you start drawing down your retirement savings.

If you have many years before retirement and can tolerate some risk,

you may consider being reasonably aggressive in your investment choice as you will have sufficient time to ride investment cycles. You can gradually reduce risk in the years leading up to and following retirement.

Sort through your insurances

Another area to check is insurance. While insurance, whether in or out of super, may not spark much joy, you will be over the moon should you ever need to make a claim and have the right cover in place.

When it comes to insurance, make sure your cover reflects your life stage. For instance, if you have recently bought a home or had a child, you may need to increase your life insurance cover to protect your family. Or if your mortgage is paid off and the kids have left home, you might decide to reduce your cover.

Prune your investments

If you also have investments outside your super, they too might benefit from some decluttering. As the end of the financial year approaches, now is a good time to look at your portfolio, sell underperforming assets and generally rebalance your investments.

Many people who have applied Marie Kondo's decluttering rules to their possessions talk about the feeling of freedom and release. It may well be that applying the same logic to your finances gets you one step closer to financial freedom.

If you would like to review or make changes to your finances, why not call us to discuss.

Taking a break

- A WIN FOR YOU & THE ECONOMY

2021 is shaping up to be a much more positive year than 2020 in so many ways. For people who put holiday plans on hold or those with itchy feet because they haven't had much of a break for a while, this year is the year to get out and about.

While overseas jaunts are off the table for some time to come, Australia's management of the pandemic means we are able to head off and explore the local sights, while helping local communities and industries hit hard by 2020.

Recently the Australian Government announced their latest stimulus package for these industries, with \$1.2 billion allocated to help our domestic tourism and aviation sectors.ⁱ

From 1 April 2021, there will be 800,000 half-priced flights available to 13 key regions which includes the Gold Coast, Cairns, the Whitsundays and Mackay region, the Sunshine Coast, Lasseter and Alice Springs, Launceston, Devonport and Burnie, Broome, Avalon, Merimbula and Kangaroo Island.

It's also worth keeping your eye out for state run initiatives in the form of travel voucher schemes. While the amounts offered and conditions vary from state to state, they generally enable you to wine, dine or stay the night in a location with part of your bill subsidised.

The importance of R&R

There's nothing like a holiday to help us feel more relaxed and give us a break from our everyday lives, something we very much need after the year that was.

We know that having a break, whether it be from work or just our regular routines, tends to improve our wellbeing. It can offer a circuit breaker from some of your stressors, give you a new perspective as you take in new surroundings, lighten your mood as you do things you enjoy, give you a chance to spend some quality time with loved ones and simply recharge your batteries by sleeping in and taking it easy.

Supporting local

Perhaps you had to cancel that trip to Paris or have to let go the idea of relaxing on a beach in Bali. Fortunately, we are spoiled for choice when it comes to travelling in Australia, whether it's a beach holiday you are after, a hike in the mountains, a trip to the snow, a tour of the outback or a foray into a rainforest. We are blessed with a myriad of natural wonders as well as vibrant cities with world class restaurants, attractions and nightlife. Not only will you have a wonderful time, you can also feel good about supporting businesses who need a hand getting back on their feet.

While it can seem like a distant memory due to the COVID-19 outbreak, 2020 was also a hard time for many Australians due to the bushfires that ravaged many parts of the country.

As a result, the locations affected are needing to rebuild and welcome tourists back, so why not give them a visit.

Planning your trip

Whether you take advantage of the flight specials or instead travel by bus, train or car, seeing another part of the country will give you something to look forward to.

While we may have become nervous about forward planning due to the uncertainty of 2020, being organised will enable you to make the most of travel deals and plan your itinerary so you can fit in everything you want to do.

If you're concerned about travelling at the present time, why not take the road less travelled and head to a private spot (perhaps an Airbnb rather than a busy hotel) in a destination that isn't as well-known. By avoiding popular travel periods such as the school holidays, you will also avoid the crowds.

Wherever you travel in Australia, whether it's to the other side of the country or just down the road, we hope you enjoy your well-deserved break and are able to recharge your batteries for what is shaping up to be an exciting year ahead.

ⁱ https://www.nestegg.com.au/invest-money/economy/government-launches-half-price-flights-to-kickstart-tourism?utm_source=Nestegg&utm_campaign=11_03_2021&utm_medium=email&utm_content=1&utm_emailID=12572647d444fd955c403119b8e4aec9f388abb9d188716e87830bfdcb9e9693

There's more than one way to BOOST your retirement income



After spending their working life building retirement savings, many retirees are often reluctant to eat into their “nest egg” too quickly. This is understandable, given that we are living longer than previous generations and may need to pay for aged care and health costs later in life.

But this cautious approach also means many retirees are living more frugally than they need to. This was one of the key messages from the Government’s recent Retirement Income Review, which found most people die with the bulk of the wealth they had at retirement intact.ⁱ

One of the benefits of advice is that we can help you plan your retirement income so you know how much you can afford to spend today, secure in the knowledge that your future needs are covered.

Minimum super pension withdrawals

Under superannuation legislation, once you retire and transfer your super into a pension account, you must withdraw a minimum amount each year. This amount increases from 4 per cent of your account balance for retirees aged under 65 to 14 per cent for those aged 95 and over. (These rates have been halved temporarily for the 2020 and 2021 financial years due to COVID-19.)

One of the common misconceptions about our retirement system, according to the Retirement Income Review, is that these minimum drawdowns are what the Government recommends. Instead, they are there to ensure retirees use their super to fund their retirement, rather than as a store of tax-advantaged wealth to pass down the generations.

In practice, super is unlikely to be your only source of retirement income.

The three pillars

Most retirees live on a combination of Age Pension topped up with income from super and other investments – the so-called three pillars of our retirement system. Yet despite compulsory super being around for almost 30 years, over 70 per cent of people aged 66 and over still receive a full or part-Age Pension.

While the Retirement Income Review found most of today’s retirees have adequate retirement income, it argued they could do better. Not by saving more, but by using what they have more efficiently.

Withdrawing more of your super nest egg is one way of improving retirement outcomes, but for those who could still do with extra income the answer could lie in your nest.

Unlocking housing wealth

Australian retirees are some of the wealthiest in the world, with median household wealth of around \$1.4 million. Yet close to \$1 million of this wealth is tied up in the family home.

That’s a lot of money to leave to the kids, especially when many retirees end up living in homes that are too large while they struggle to afford the retirement lifestyle they had hoped for.

For these reasons there is growing interest in ways that allow retirees to

tap into their home equity. Of course, not everyone will want or need to take advantage of these options. But if you are looking for ways to use your home to generate retirement income, but don’t relish the thought of welcoming Airbnb guests, here are some options:

- **Downsizer contributions** to your super. If you are aged 65 or older and sell your home, perhaps to buy something smaller, you may be able to put up to \$300,000 of the proceeds into super (up to \$600,000 for couples).
- **The Pension Loans Scheme (PLS)** Offered by the government via Centrelink, the PLS allows older Australians to receive tax-free fortnightly income by taking out a loan against the equity in their home. The loan plus interest (currently 4.5 per cent per year) is repaid when you sell or after your death.
- **Reverse Mortgages** (also called equity release or home equity schemes). Similar to the PLS but offered by commercial providers. Unlike the PLS, drawdowns can be taken as a lump sum, income stream or line of credit but this flexibility comes at the cost of higher interest rates.

The big picture

While super is important, for most people it’s not the only source of retirement income.

If you would like to discuss your retirement income needs and how to make the most of your assets, give us a call.

ⁱ Retirement Income Review, <https://treasury.gov.au/sites/default/files/2020-11/p2020-100554-complete-report.pdf>