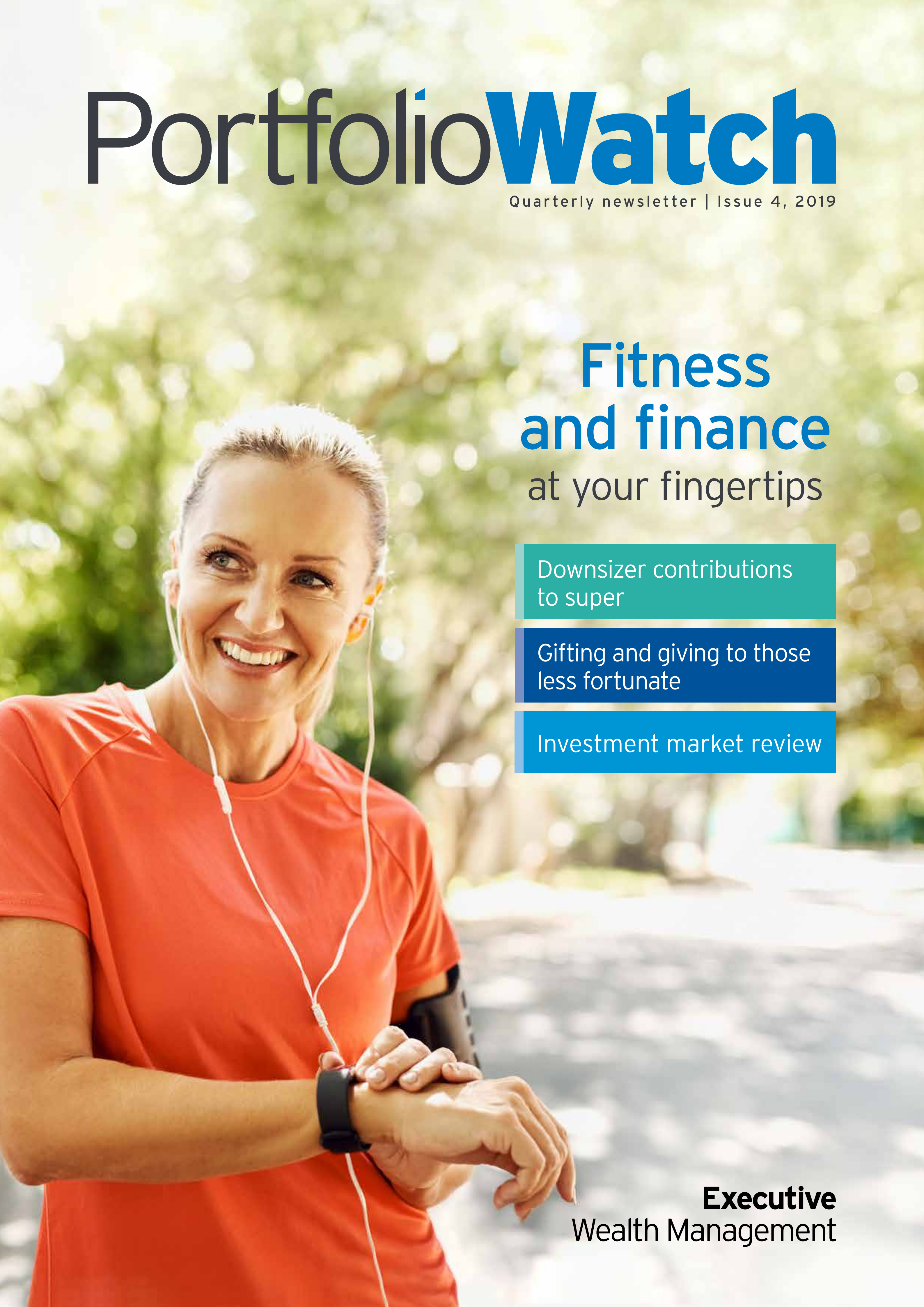

PortfolioWatch

Quarterly newsletter | Issue 4, 2019

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Downsizer contributions to super

Since 1 July 2018, if you're age 65 or over and sell your home, you can now contribute up to $300,000 into your super even if you're currently restricted by other super rules.

This is especially beneficial if you have retired and wish to downsize the family home and use the equity in your home to help fund your retirement. It can be a great opportunity and you don't even need to buy another house with the proceeds of the sale.

How does it work?

You can use the money from the sale of your house to make a 'downsizer contribution' to super of up to $300,000 for singles or $600,000 (combined) for a couple. This applies to anyone over 65 and you don't need to meet the usual work test to make super contributions.

What types of properties are included?

The property must be located in Australia. It doesn't need to be your current home – it can be your, or your partner's, former home as long as you or your partner have owned it for more than 10 years and lived in it at some point. An investment property that neither of you have lived in is not eligible. Also, the property does not need to be owned by both members of a couple for both of you to make a contribution of up to $300,000 each to your super.

Unfortunately, the sale proceeds from a houseboat, caravan or mobile home cannot be used.

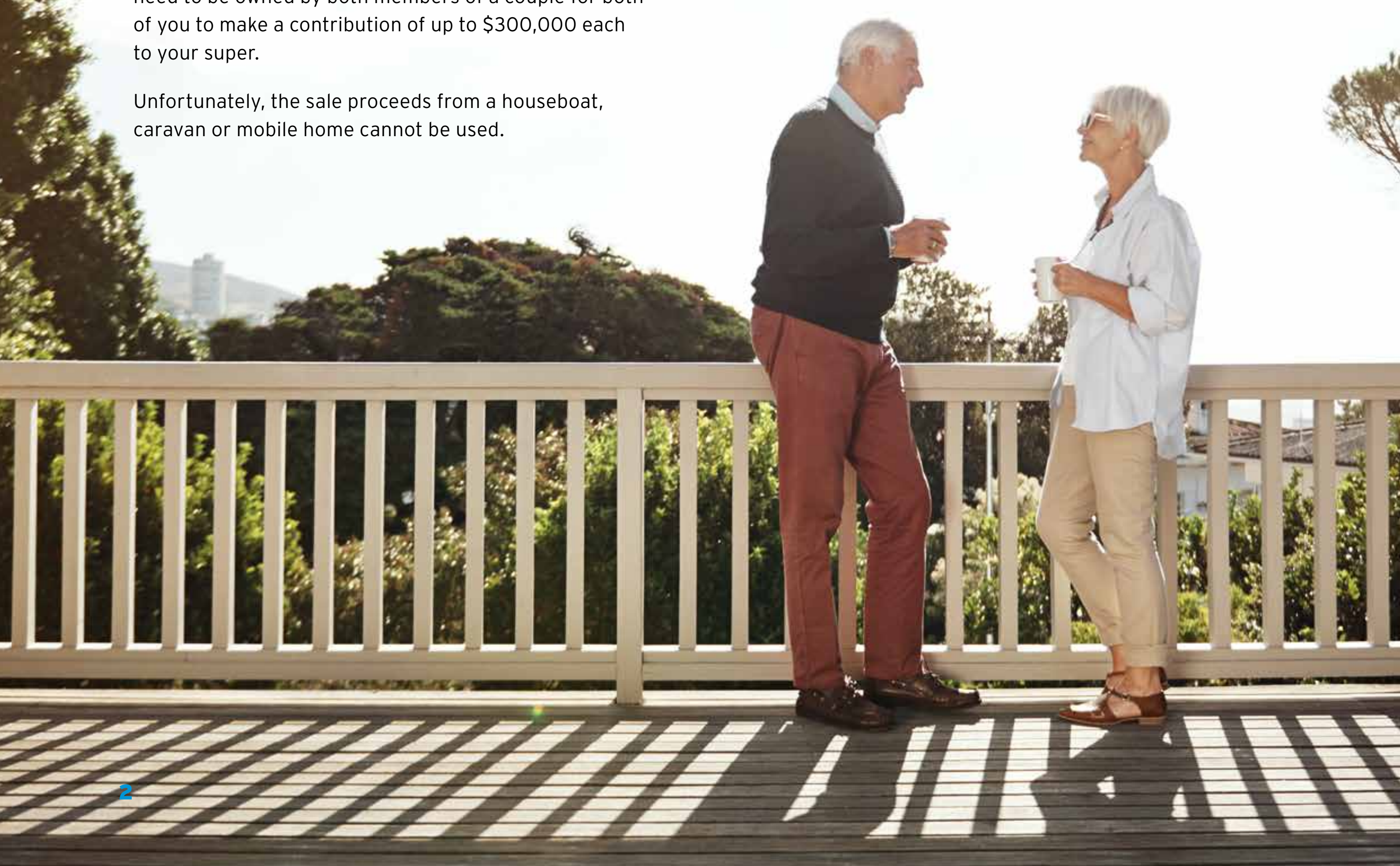
Who is eligible?

You are eligible to take advantage of this scheme if you are age 65 or over.

Unlike non-concessional contributions, the good news is that you don't need to be working and there are no upper age limits to making downsizer contributions.

Also, the current total super balance test of $1.6 million and the $100,000 non-concessional contributions cap restrictions don't apply which makes it a great option if you want to contribute more to super and are currently ineligible because of these restrictions.

You can only make a downsizer contribution from the sale of one home and the contribution must be made within 90 days of receiving the proceeds of the sale.



Benefits

One benefit of making a downsizer contribution and investing your money in super is the potential tax savings. That is, when you draw down on your super as an account-based pension you do not pay tax on investment earnings, on amounts up to $1.6 million.

Watch our video online for more information.

What do you need to do?

If you are considering selling your home and making a downsizer contribution you should:

- seek advice from a financial planner as there may be lifestyle or financial considerations they can help you work through
- provide your super fund with the Australian Taxation Office's 'Downsizer contribution into super' form either before, or at the time of, making your downsizer contribution
- make your downsizer contribution within 90 days of receiving the proceeds of the sale of your property, which is usually at the date of settlement.

Please note: if your family home is currently exempt from the Centrelink assets test and you sell it and put the proceeds into super – your age pension entitlement could be affected.

If downsizing and contributing to super is something you're interested in, please contact us to discuss your particular circumstances.

Case study: Downsizers Amanda and Daryl

Amanda, age 62 and Daryl, age 63 are married. Amanda bought an apartment as her principal home in 1990 for $150,000. She lived there for seven years, got married and her husband Daryl moved in. The couple subsequently move into Daryl's home which he purchased in 1997.

In 2022, Amanda turns 65 and is still working. Daryl is fully retired. She sells the apartment for $800,000. Amanda wants to maximise super contributions for both Daryl and herself using the sale proceeds.

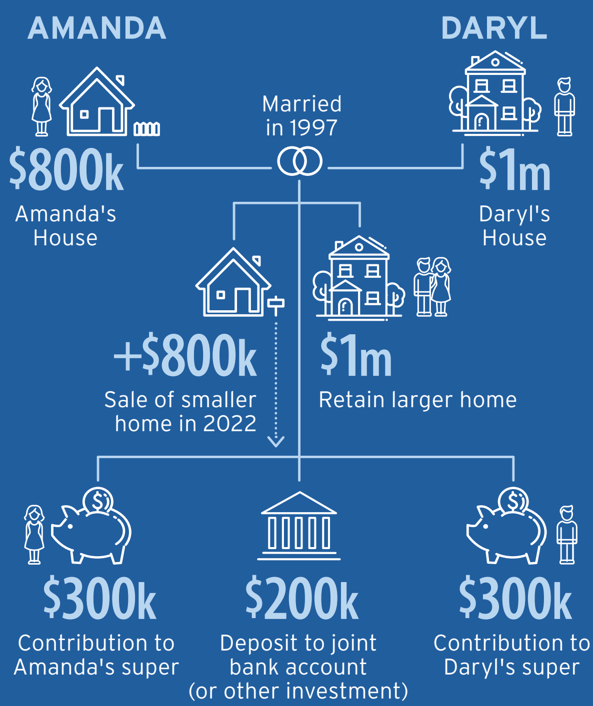
Downsizer contributions

Amanda and Daryl can each make a downsizer contribution of $300,000 to their super because:

- Both Amanda and Daryl are over 65 at the time of making the contribution.
- Downsizer contributions are not subject to the work test. The fact that Daryl is no longer working is not relevant.
- Amanda owned the apartment for more than 10 years just prior to selling. The property is not required to be owned by both of them.

Making the contribution

Amanda and Daryl must make the downsizer contributions within 90 days of settlement. They must each elect to treat their contribution as a downsizer contribution by using the approved **'Downsizer contribution into super' form** which needs to be provided to their respective super fund before or when making the contribution.



Benefits

- ☑ No need to meet the work test for super contributions
- ☑ No need to meet the age test for super contributions
- ☑ Can take advantage of super through an account-based pension including nil tax on earnings up to $1.6m

Fitness and finance at your fingertips

With the digital age permeating every aspect of modern life, it's not surprising there's been an explosion of innovative technologies to help keep our physical, mental and financial health on track. Here's a closer look at some wellness technology currently on the market.

App-based fitness and wellness

We live in an era where smartphones and smart watches are ubiquitous so, it makes sense to use them to help achieve our fitness goals and improve our health and wellbeing.

Here are three popular apps currently available:

1. MyFitnessPal

MyFitnessPal offers tools to help track your daily food intake, calories, exercises and steps. Features include:

- a huge food database where you can select meals, track major nutrients and count calories
- a barcode scanner for purchased food items so you can log them in the app
- connectivity with several other apps, including Apple Health, Fitbit, MapMyFitness, Runkeeper and more.

2. Strava

Strava is the Instagram or Facebook for runners. It takes the interaction and social features of these social media platforms and pairs it with activity tracking technology. Features include:

- tracking measurements for distance, speed, elevation, calories burned, heart rate and cadence
- the ability to take part in challenges with other users.

3. Headspace

Headspace, a meditation and mindfulness app, offers a gentle introduction to meditation by starting you off on a free 'Take10' program, which gives you the chance to meditate for just 10 minutes a day over 10 days. Other features include:

- guided breathing and visualisation exercises
- tailored options for those who suffer from anxiety or experience panic attacks.

Wearable technology

While most of us think of the iconic Apple Watch when we hear the word 'wearables', wearable technologies also include fitness trackers, heart rate monitors and global positioning trackers.

Here are three new wearables on the market:

1. Huami AmazFit GTS

The AmazFit GTS looks like the Apple Watch, but it has better battery life, with up to two weeks on a single charge. It also features 12 different exercise modes, 24/7 heart rate monitoring, a GPS and sleep tracking.

In the 13th Worldwide Survey of Fitness Trends for 2019, wearable technology took the number one spot for fitness trends[1].

A cautious approach

The rise in apps and wearables means more of us are giving over access to our personal information, which means more opportunities for cybercriminals.

Given more than 75% of mobile apps fail basic cyber security tests, it's vital to apply the same vigilance to your app usage as you would with any other online or digital tool[2]. Consider the following precautions:

- **Only download from trusted sources:** before downloading, conduct research to make sure the app is legitimate. Check reviews, confirm the legitimacy of the app store and compare the app's official website with the app store link to confirm consistency.
- **Understand app permissions before accepting them:** be cautious about granting apps access to personal information on your phone or letting the app have access to perform functions on your phone. Make sure to also check the privacy settings for each app before installing.

2. Garmin Venu

The Garmin Venu smart watch tracks your standard health metrics plus respiration and an estimation of your hydration and sweat loss. A new 'workouts' feature uses animations to demonstrate exercise moves on the display.

3. TCL Movetime Family Watch MT40S

Designed to help older people, TCL's latest smartwatch comes with a locator app as well as reminders about medication and upcoming appointments. In the event of an emergency, you can hold down the power key for three seconds to send a message to pre-set contacts alerting them that you need help.

Virtual reality to boost fitness and wellness

No longer just the realm of gamers, virtual reality (VR) is making its way into the mainstream in new ways, including the gym. From spin classes with VR headsets that take you through stunning virtual forest trails, to boxing classes on the TV in your living room, VR in fitness can please the senses as well as get the blood pumping.

And, if you'd rather play a game than pound the pavement (or treadmill), then there's good news for you. A recent study found that 41 people aged 18 to 39 who played three VR exercise games all believed they were working out with lower intensity than the physiological data reflected.

Harnessing apps for financial wellness

It's also important to manage your financial wellness because financial stress has a very real impact on our day-to-day health and wellbeing.

To help streamline your financial management you may want to consider a cashflow and budgeting tool that can give you a complete view of your financial position.

If you want to know more about accessing a secure money management app please contact us and we can help.

1 American college of sports medicine, 'Worldwide survey of fitness trends for 2019', November/December 2018.
2 Moveo, '7 Ways to Protect Mobile Applications Against Dangerous Cyber Threats', 2 August 2019.

Investment market review Quarter-ended 30 September 2019

Australian shares

The S&P/ASX 300 Accumulation Index underperformed global markets in the September quarter, rising 2.6%.

Most sectors had positive returns with the exception of mining (down 5.5%) and Telecommunications (down 5%). This was driven in part by the poor performance of Rio Tinto (ASX: RIO) and BHP Billiton (ASX: BHP), as both companies were heavily impacted by the falling iron ore price. This was due to increased iron ore production and supply coming from Brazil and declines in steel production in China. Low demand for base metals, due to US and China trade tensions, disadvantaged South32 (ASX: S32), a Western Australian mining and metals company. In contrast, stronger gold prices supported companies like Newcrest (ASX: NCM), one of the world's largest gold mining companies.

	1 year (%)	5 year (% pa)	10 year (% pa)
Australian shares	12.6	9.5	8.0

Listed property trusts

The Australian real estate investment trust (A-REIT) sector produced a return of only 1.1% during the September quarter.

Real estate investment companies, Goodman (ASX: GMG) and Dexus (ASX: DXS) were primarily responsible for the relatively weak performance during the quarter. While earnings for both companies during the 2018/19 financial year were slightly above expectations, the outlook for both of them meant analysts have lowered their expectations for the 2019/20 and 2020/21 financial years. This contributed to their weakening share prices. In the case of Goodman, some index-driven selling may have also contributed to share price weakness. That is, Goodman was removed from the FTSE EPRA NAREIT Global Index (an index designed to represent overall performance in income-producing listed real estate worldwide) due to its business model shifting away from rental income to be more development based. This created pressure on investment managers, who follow the index, to sell Goodman shares.

	1 year (%)	5 year (% pa)	10 year (% pa)
Listed property trusts	18.4	13.8	11.1

International shares

Global markets had a strong quarter with the MSCI World Index in Australian dollar terms recording a gain of 4.6% during the quarter.

Globally, most share markets rose during the quarter led by positive returns during July and September which offset weak performance in August. The global rally was led by bond proxy sectors, that tend to offer predictable returns – such as utilities, real estate and consumer staples, because they benefited from two rate cuts by the US Federal Reserve and a further cut by the European Central Bank.

The Australian dollar weakened during the quarter which supported unhedged global equity returns. Key drivers included falling interest rates (making holding the Australian dollar less attractive) and a decline in iron ore prices due to increased iron ore supply.

	1 year (%)	5 year (% pa)	10 year (% pa)
International shares	9.2	12.9	12.0

Fixed interest

Australian and global bond yields fell further during the quarter with the AusBond Composite rising 2%.

In Australia, weak economic growth continued. Poor consumer and business confidence, as measured by Westpac and NAB surveys respectively, points to further weak economic growth ahead. While inflation rose slightly by 0.6% during the June 2019 quarter (reported in July), on an annual basis it was only 1.6%. This remained below the Reserve Bank of Australia's (RBA) target range of 2-3%. In addition, the unemployment rate of 5.2% in September remained above the RBA target of 4.5%. Taken together, these factors contributed to the RBA rate cut decisions in June, July and October. Concerns over rising trade tensions between the US and China, as well as weaker global growth fears, contributed to falling yields globally which also impacts Australian bond yields.

	1 year (%)	5 year (% pa)	10 year (% pa)
Fixed interest	11.1	5.3	6.0

Cash

The RBA's outlook for the economy continues to be driven by concerns over slowing economic growth and their view that rate cuts can continue to support lower unemployment without increasing inflation.

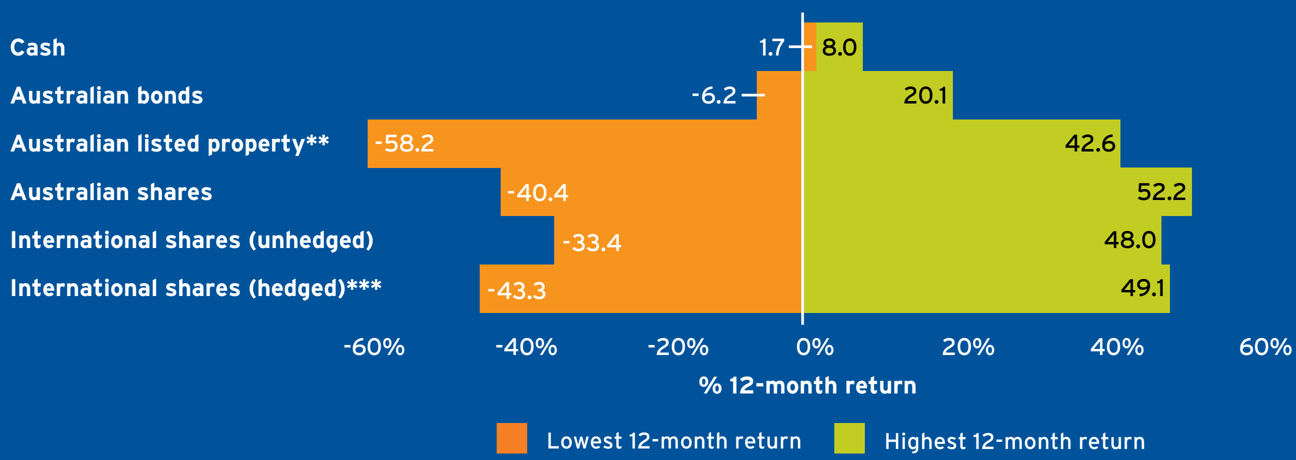
RBA rate cuts have different impacts across the economy. Some groups and areas benefit while others are disadvantaged. Borrowers benefit because lower interest rates, provided they are passed on by the banks, reduce mortgage repayments and improve borrower spending. Savers are disadvantaged because they receive less interest income. This affects retirees and people with large amounts of cash held in bank accounts or conservative investment portfolios.

	1 year (%)	5 year (% pa)	10 year (% pa)
Cash	1.7	2.0	2.9

A long-term view

This chart displays the highest and lowest 12-month returns of the major asset classes since September 1999*

As you can see, cash provides the greatest stability and security, having never generated a negative return over a 12-month period. The trade-off for this stability and lower risk is that cash will be unlikely to match the higher returns generated by other asset classes.



Source: Indices used are: Cash – Bloomberg AusBond Bank Bill, Fixed Interest – Bloomberg AusBond Composite 0+ year, Australian shares – S&P/ASX 300 Accumulation, International shares (hedged) – MSCI World ex Australia Net Total Return Index (AUD hedged), Listed property trusts – S&P/ASX 300 A-REIT Accumulation.

* Data is from September 1999 to September 2019 for all classes except Property and international shares (hedged).

** Listed Property start date is June 2001

*** International shares (hedged) start date is January 2001

PortfolioWatch

Gifting and giving to those less fortunate

Traditionally the end of year celebrations are seen as a time of gift giving. It's also a good time to give to those less fortunate. Here are some tips on smart gifting and giving.

Set a budget

Determine how much you can realistically afford to spend on gifts without going into debt.

Make a list of everyone you plan on giving a gift to and decide how much you want to spend on each person.

Consider the charity or charities you want to give to and include them in your budget. Some charities allow you to give someone a gift that will benefit an individual or community.

Start early

Buying early means you can take advantage of sales and avoid the pressure of buying the wrong, and usually more expensive, gift because you've run out of time.

Look for savings and incentives

Try to shop online first as you're less likely to impulse shop and can easily compare prices across various websites. You can also find discounts through online community classifieds such as daily deal sites.

Remember who you're shopping for

When you're shopping, it's very easy to also find items that will be just perfect for you. If you really want to treat yourself, the summer sales are a great time to pick up a bargain.

Giving to those less fortunate

Not everyone can afford gifts or afford to celebrate the end of the year. During the festive season there are a number of ways you can give:

- Make a one-off donation to a charity – this option is much easier these days as many charities allow you to give online. Don't forget that any donation over $2 is tax deductible.
- Give to a charity as a gift – if you know someone who is passionate about a particular charity or cause, consider buying them a donation to a charity as a gift. Some charities allow you to buy seeds, animals or fresh water to help people in poverty.
- Start a sponsorship – if you want to contribute more than a one-off donation, you might want to think about sponsoring a child. This can be for children either overseas or in Australia.
- Volunteer your time – if you want to give your time rather than money, volunteering is a smart way to give. If your company provides you with a volunteer day, make sure you use it before the year is up.
- Donate food or gifts – donating food or gifts is a good option to help families who are not as well off as you. Look out for opportunities to donate at work, schools or shopping centres.

If you have any questions, please contact us.

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