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QUARTERLY INSIGHT

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Summer Update

As we bask in the warmth of summer, the season of joy and celebration, it's impossible to ignore the financial challenges and heightened costs of living casting shadows on our holiday cheer. Our neighborhoods are ablaze with festive lights reminiscent of a dazzling Las Vegas, while temperatures soar, signaling the peak of the holiday season. In the midst of year-end celebrations, we find ourselves navigating the delicate balance between indulgence and responsibility, giving our livers and bellies a well-deserved workout.

As we approach the New Year, we often embark on resolutions only to find them shattered by the time the hangover fades. In this edition of Quarterly Insight, we embark on a journey to unravel the secrets of effective goal setting, equipping you with the tools to fortify your resolve and increase the likelihood of success.

In a world where employers are clamoring for workers and cost-of-living pressures present a challenge to pensioners, many find themselves contemplating a return to the workforce. We delve into the tax implications and the impact on superannuation and investments for those considering this path, providing valuable insights to aid in informed decision-making.

For those on the brink of retirement, strategic financial planning is paramount. Discover the potential benefits of a super recontribution strategy in our article, "How a Super Recontribution Strategy Could Improve Your Tax Position," but remember, always consult your advisor before making significant changes.

As the festive season unfolds, bringing joy but also stress, our article "Am I Normal? Festive Stress" provides valuable tools to navigate the season while safeguarding your mental health.

'Tis the season of giving, and beyond the quest for the perfect gift lies an opportunity to make a meaningful impact through charity. Our article, "How to Give Back," explores the financial structures and tax implications for those seeking to extend their generosity beyond family and friends during this festive season.

Lastly, tantalize your taste buds with a festive recipe, the perfect addition to your New Year's celebration or feasting table.

Thank you for choosing to take your 2023 financial journey with us. We look forward to continuing our work together in the new year. Until then wishing you a delightful read, a safe, and joyous end of the year!

Stepping Stones to Reach Your Goals

The calendar turns over to a fresh, brand new year, full of promise, so how do we keep these promises we make to ourselves and get to the end of the year with our resolutions intact and goals realised?

We all start out with good intentions when we set our objectives for the year to come, but motivation notoriously wanes with time and has the potential to sabotage our chances of achieving our dreams.

While many studies reinforce the notion that willpower struggles after only one month, a study tracking respondents over the course of a full year suggested that at around the three month mark half of resolutions fall over, increasing to a failure rate of around 82% by years end.[i]

Monthly micro goals

One way to deal with our waning motivation, instead of setting one daunting goal to be achieved over the period of a whole year, is to come up with a series of monthly, smaller goals. That will give you 12 'mini goals' which ideally need to be achievable on a daily basis. The theory is that if you follow the same pattern for around 30 days, you'll be establishing this pattern as a habit that you are likely to continue into the future. Each successive month will see you build on that success.

Working towards an end goal

Part of the key to making this approach work, is to ensure that all your monthly micro goals are working towards an overarching end goal. Your micro goals need to follow a theme.

This is where you can come back to your New Year's resolution and base your theme on what you want to achieve for the year. Say your theme for the year is around career aspirations – for example achieving that promotion. Your first month could simply be setting aside some time each day to network and meet people within the organisation – improving your interpersonal skills. The next month might be focused on exploring tools to improve your productivity…and so on as you work your way through each successive month.

If your priority is to work on your health and wellbeing, and end the year capable of running ten kilometres, it's also important to set some micro goals that get you there. Again, you can start small - a way of working incrementally towards your goal might be to start by drinking more water, then a month dedicated to getting more incidental exercise in your day, then a month focused on improving your diet and losing a little weight, working slowly up to lacing up your boots, hitting the track and increasing your endurance.

Smaller goals add up with time

We are calling them micro goals for a reason, it's important to not bite off more than you can chew. The key is how they add up. Viewed alone these smaller goals may not seem like a lot, but the shorter duration makes it a lot more likely you'll stick at them, developing good habits that will hopefully accrue, rather than fade over time. The fact that you are in effect starting afresh every month also gives you a much better chance of success.

Add some support into your plan

Don't be afraid to put in some processes to help you get there – it can be a good idea to use online apps to aid or track your progress. It can also help to dangle the carrot and build in some rewards for when you get to the end of each month successfully. Tell friends and family what you are working on and celebrate your successes with them.

By the end of the year, you can look back with satisfaction at each little milestone as a personal win and you'll have stepped towards, and finally reached an overall goal that may have seemed intimidating unless broken down into manageable chunks.

So what are you waiting for? Get out that calendar and pencil in a goal a month to reach your dreams this year.

i http://www.richardwiseman.com/quirkology/new/USA/Experiment_resolution.shtml

Returning to Work After Retirement

Employers are desperate for workers and cost of living pressures are making it tough to live on a pension. That's a perfect mix of conditions to send some retirees back to work. But it's smart to get good advice before you take the leap.

With unemployment rates at historic lows and employers facing a shortage of skilled workers, an increasing number of retirees are choosing to re-enter the workforce. According to recent data from the Australian Bureau of Statistics (ABS), approximately 45,000 more individuals aged over 65 are actively working compared with a year ago.[i]

Some retirees may have been forced to return to work to financially support themselves. National Seniors research found 16 per cent of age pensioners re-entered the workforce after initially retiring, while another 20 per cent said they would consider returning to work.[ii]

Declining superannuation returns combined with rising inflation and cost of living pressures may be some of the reasons why retirees could soon be returning to work.

Things to consider

Returning to work after retirement raises several important financial and logistical considerations for retirees including the effect on the Aged Pension and superannuation.

If you receive an Aged Pension and are planning to return to work, you will need to let Centrelink know you are receiving additional income within 14 days. The extra income may mean that your pension is reduced if it exceeds Centrelink's income threshold. It's essential for retirees to be aware of these thresholds and how their earnings may affect their pension to plan their finances effectively.

Eligible age pensioners should also consider the Work Bonus incentive. This incentive encourages age pensioners to return to work with no or less impact on their age pension. Under the Work Bonus, the first $300 of fortnightly income from work is not assessed as income under the pension income test. Any unused amount of the Work Bonus will accumulate in a Work Bonus income bank, up to a maximum amount. The amount accumulated in the income bank can be used to offset future income from work that would otherwise be assessable under the pension income test.

Effect on superannuation

Returning to work after retirement can have implications for your superannuation, particularly if you're receiving a pension from your super fund. You can continue taking your pension from super, but you will still have to meet the minimum pension requirements.

So, even though you may not need that pension income, you have to withdraw at least the minimum, which depends on your age and your super balance. This minimum pension rate is set by the government. Failing to meet these requirements can have tax implications and may affect your pension's tax-free status.

You can convert your super pension phase back into the accumulation phase if you wish to stop taking the minimum pension. However, be aware of the tax differences. In the accumulation phase, any income and gains are taxed at 15 per cent whereas they are tax-free in the pension phase.

Don't forget that if you retain your pension account, then you will have to open a new super accumulation account to receive employer contributions because you cannot make contributions into a super pension account.

Other investments

If you have personal investments outside super and have been receiving a pension, your lower income may mean that you are not paying tax on any gains from them. But extra income from a job may mean you move up a tax bracket and any investment income and capital gains will then be assessed at the higher rate.

Returning to work after retirement can have far-reaching implications on your finances, particularly with regard to your Aged Pension and superannuation. It's vital to carefully seek appropriate advice to ensure a smooth transition back into the workforce, allowing you to make informed decisions that align with your financial goals and overall well-being.

If you would like to discuss your options, give us a call.

i https://www.abc.net.au/news/2023-07-21/retirees-in-demand-as-employers-face-tight-labour-market/102626676

ii https://nationalseniors.com.au/news/finance/a-working-retirement-retirees-who-return-to-work#:~:text=National%20Seniors%20research%20found%2016,next%20year%20if%20you%20do

How a Super Recontribution Strategy Could Improve Your Tax Position

Withdrawing part of your superannuation fund balance then paying it back into the account, known as a recontribution strategy, may sound a little strange but it could deliver a number of benefits including reducing tax and helping to manage super balances between you and your spouse.

Your super is made up of tax-free and taxable components. The tax-free part generally consists of contributions on which you have already paid tax, such as your non-concessional contributions.

When this component is withdrawn or paid to an eligible beneficiary, there is no tax payable.

The taxable component generally consists of your concessional contributions, such as any salary sacrifice contributions or the Super Guarantee contributions your employers have made on your behalf.

You may need to pay tax on your taxable contributions depending on your age when you withdraw it, or if you leave it to a beneficiary who the tax laws consider is a non-tax dependant.

How recontribution strategies work

The main reason for implementing a recontribution strategy is to reduce the taxable component of your super and increase the tax-free component.

To do this, you withdraw a lump sum from your super account and pay any required tax on the withdrawal.

You then recontribute the money back into your account as a non- concessional contribution. If you withdraw this money from your account at a later date, you don't pay any tax on it as your contribution was made from after-tax money.

The recontribution doesn't necessarily have to be into your own super account. It can be contributed into your spouse's super account, provided they meet the contribution rules.

To use a recontribution strategy you must be eligible to both withdraw a lump sum and recontribute the money into your account. In most cases this means you must be aged 59 to 74 and retired or have met a condition of release under the super rules.

Any recontribution into your account is still subject to the current contribution rules, your Total Super Balance and the annual contribution caps.

Benefits for your non-tax dependants

Recontributing your money into your super account may have valuable benefits when your super death benefit is paid to your beneficiaries.

A recontribution strategy is particularly important if the beneficiaries you have nominated to receive your death benefit are considered non-dependants for tax purposes. (The definition of a dependant is different for super and tax purposes.)

Recontribution strategies can be very helpful for estate planning, particularly if you intend to leave part of your super death benefit to someone who the tax law considers a non-tax dependant, such as an adult child.

Otherwise, when the taxable component is paid to them, they will pay a significant amount of the death benefit in tax. (Your spouse or any dependants aged under 18 are not required to pay tax on the payment.)

Some non-tax dependants face a tax rate of 32 per cent (including the Medicare levy) on a super death benefit, so a strategy to reduce the amount liable for this tax rate can be worthwhile.

By implementing a recontribution strategy to reduce the taxable component of your super benefit, you may be able to decrease – or even eliminate – the tax your non-tax dependant beneficiaries are required to pay.

Watch the contribution and withdrawal rules

Our retirement system has lots of complex tax and super rules governing how much you can put into super and when and how much you can withdraw.

Before you start a recontribution strategy, you need to check you will meet the eligibility rules both to withdraw the money and contribute it back into your super account.

If you would like more information about how a recontribution strategy could help your non-dependants save tax, give our office a call today.

Am I Normal? Festive Stress

Ways to manage your stress when the festive season rolls around.

At the risk of sounding like the Christmas Grinch, I'm not a big fan of the festive season.

It's a time of year when we're meant to be merry and bright – the days passing in a champagne-tinged blur of tinsel and turkey and endless holiday fun.

And yet, every year I find my mental health taking a nose-dive as the stress of the season catches up with me.

Amid the hectic frenzy of end-of-year deadlines and Christmas shopping and social engagements, I often feel a bit lost.

Everywhere I look I see scenes of family togetherness – Hallmark card depictions of the 'perfect' Christmas.

It can be an isolating experience if, like me, you live alone, and your family are on the other side of the world.

I often find myself struggling with that familiar sense of splintered belonging while everyone else seems to be having the time of their lives with their nearest and dearest.

If you can relate, then rest assured you're not alone in feeling alone.

More than two million Australians will feel socially isolated during the festive season, according to Salvation Army research.

For those who are grieving lost loved ones or the end of a relationship, it can be a particularly difficult time of year.

Financial stress can also be a concern as we're bombarded with marketing for Christmas bargains and end-of-year-sales, ramping up the pressure to buy lavish gifts.

Steve Ellen, professor of psychiatry at the University of Melbourne and co-author of Mental, said social media can exacerbate feelings of anxiety as we compare ourselves to others.

"If someone already feels isolated, Christmas can really exaggerate loneliness, particularly if it seems that everyone else is having a great time surrounded by people they love," Dr Ellen said, "That sense of social comparison can ramp up the expectation that Christmas should be a time of blissful happiness when for many people, it's actually a time of high stress."

"They might feel pressure to have the 'perfect' day but when there are tensions and conflicts in families, being confined with relatives for an intense period of time can actually be quite challenging, or even traumatic if you're forced to be around someone who has caused you great hurt in the past."

Dr Ellen said Christmas is usually a time of increased alcohol consumption, which can increase the risk of conflict erupting over the glazed ham and roast potatoes.

It's enough to make you want to retire to bed and wake up when it's January.

But there are steps you can put in place to help you survive the holidays and reduce your stress. The most important thing you can do is manage your expectations – of yourself and of your family members.

"It's an incredibly busy time of year and it can feel like a real juggling act just trying to get everything organised – from the logistics of Christmas lunch to planning holidays and managing work deadlines, which often pile up because everyone is trying to get their workload tied off before the end of the year," Dr Ellen said.

"But you have to accept that you can't do everything. You don't have to be perfect. And it's really important to try to balance all that time with family and social engagements with time for yourself – otherwise you'll end up burnt out and exhausted."

"Don't forget it is a holiday – so get some rest, sleep in, and plan some time for exercise." For those who are facing their first Christmas without a loved one, Dr Ellen said it was important to acknowledge the grief.

"It's ok to feel whatever you're feeling. Don't feel obliged to put on a happy face. But it can help to have an exit strategy in place so you can quietly step away from the festivities and take some time for yourself if things become too much," he said.

If you're worried about having too much time alone, check out what's on in your area – the local council will often run events.

Check in with other people who might find this time of year hard – those who are recently divorced or separated or might be struggling with illness.

And if you're stressed about spending time with difficult family members, try not to fixate on unhappy memories.

"Just because Christmas has been bad in the past doesn't mean it always has to be that way. If you can let go of past conflicts and try not to revisit old fights or grudges it will be a much calmer day."

"Also try to spend time over the holidays with the people you like most. So, if the festive season with family is a challenge, balance it out with time with friends and other people who make you feel good in the week after Christmas."

"Try not to become trapped by traditions. New celebrations that better meet your current life might prove less stressful and may lead to new traditions."

Dr Ellen also recommended paying attention to basic emotional first-aid to stay well during the silly season – try to get enough sleep, eat as well as you can, minimise alcohol intake and make time to exercise.

And remember, despite all the hype and the expectation, Christmas is just another day.

Top tips for managing festive stress:

- Let go of expectation. You don't have to do everything. There is no such thing as 'perfect.'
- Take time out for yourself – it's not selfish, it's restorative.
- If Christmas with family is challenging, make time to spend with people whose company you enjoy.

Credit Jill Stark https://www.beyondblue.org.au/personal-best/pillar/in-focus/am-i-normal-festive-stress

How to Give Back

Australia is a giving country, but we often give in kind rather than financially.

Whenever there is a disaster here or overseas, Australians rush to donate their time, household goods and cash. However, we still lag other countries when it comes to giving money.

According to Philanthropy Australia, our total financial giving as a percentage of Gross Domestic Product is just 0.81 per cent, compared with 0.96 per cent for the UK, 1 per cent for Canada, 1.84 per cent for New Zealand and 2.1 per cent for the US.[i]

Currently the number of Australians making tax deductible contributions is at its lowest levels since the 1970s.[ii] Despite this, the Australian Tax Office reports that deductible donations claimed by individuals rose from $0.74 billion in 1999-2000 to $3.85 billion in 2019-20.[iii]

Considering an estimated $2.6 trillion will pass between generations over the next 20 years, the opportunities for increasing our financial giving abound. Philanthropy Australia wants to double structured giving from $2.5 billion in 2020 to $5 billion by 2030.[iv]

Many ways to give

There are many ways of being philanthropic such as small one-off donations, regular small amounts to say, sponsor a child, donating to a crowd funding platform or joining a giving circle.

For those with much larger sums to distribute, a structured giving plan can be one approach.

Structured giving

You can choose a number of ways to establish a structured giving plan including through a public or private ancillary fund (PAF), a private testamentary charitable trust or giving circles.

Whichever way you choose, there are attractive tax incentives to encourage the practice.

The type of vehicle will depend on:

- the timeframe of your giving
- the level of engagement you want
- whether you want to raise donations from the public
- whether you want to give in your lifetime or as a bequest
- whether you want to involve your family to create a family legacy.

Private ancillary fund

A private ancillary fund is a standalone charitable trust for business, families and individuals. It requires a corporate trustee and a specific investment strategy. Once you have donated, contributions are irrevocable and cannot be returned. To be tax deductible, the cause you are supporting must be a body identified as a Deductible Gift Recipient by the Australian Tax Office.

The benefits of a PAF are that contributions are fully deductible, and the deductions can be spread over five years. The assets of the fund are exempt from income tax.

The minimum initial contribution to a PAF is at least $20,000. The costs of setting up a PAF are minimal and ongoing costs are usually about 1-2 per cent of the value of the fund.

Each year you must distribute 5 per cent of the net value of the fund to the designated charity.[v]

Testamentary charitable trust

An alternative to a PAF is a testamentary charitable trust, which usually comes into being after the death of the founder. The governing document is either a trust deed or the Will.

With a testamentary charitable trust, trustees control all the governance, compliance, investment and giving strategies of the trust. The assets of the trust are income tax exempt. The minimum initial contribution for such a fund is usually $500,000 to $2 million.[vi]

Philanthropy through structured giving still has a long way to go in Australia. The latest figures for total giving in Australia is $13.1 billion, of which $2.4 billion is structured giving. Currently the number of structured giving entities stands at just over 5400.

As the baby boomers pass on their wealth to their families, there is a wide opening for some of this money to find their way into charities and causes through structured giving.

If you want to know more about structured giving and what is the right vehicle for you to help the Australian community at large, then give us a call to discuss.

i,iii https://www.philanthropy.org.au/wp-content/uploads/2022/11/7480-PHA-Giving-Trends-and-Opportunities-2023-1.2.pdf

ii https://www.socialventures.com.au/sva-quarterly/insights-to-grow-philanthropic-giving-for-not-for-profits/

iv,vii https://www.philanthropy.org.au/our-impact/a-blueprint-to-grow-structured-giving/

v,vi https://www.philanthropy.org.au/guidance-and-tools/ways-to-give/choosing-the-right-philanthropic-structure/

Pomegranate & Pear Green Salad with Ginger Dressing

Indulge in the enchantment of a visually captivating salad that tantalizes your senses even before the first delightful bite. Crafted to perfectly compliment those sun-soaked summer BBQs, this salad promises both refreshment and delectable flavours.

And fear not if some ingredients don't align with your taste—simply swap them out with your preferred array of delectable elements. Tailor this culinary masterpiece to your heart's content!

Ingredients

Salad

- ½ cup raw pecans (halves or pieces)
- 5 ounces baby arugula
- 2 ounces (about ½ cup) goat cheese or feta, crumbled
- 1 large ripe Bartlett pear, thinly sliced
- 1 Honeycrisp or Gala apple, thinly sliced
- Arils from 1 pomegranate

Ginger dressing

- ¼ cup extra-virgin olive oil
- 1 tablespoon apple cider vinegar, to taste
- 1 tablespoon Dijon mustard
- 1 tablespoon maple syrup or honey
- 1 teaspoon finely grated fresh ginger
- ¼ teaspoon fine sea salt
- About 10 twists of freshly ground black pepper

Method

1. To toast the pecans, place them in a skillet over medium heat. Toast, stirring often, until they're fragrant and starting to turn golden on the edges, about 4 to 5 minutes. Remove the pecans from the heat and roughly chop them (no need to chop if you started with pecan pieces). Set aside.

2. Arrange the arugula across a large serving platter (or bowl, but the salad looks prettiest on a platter). Sprinkle the chopped pecans and crumbled goat cheese over the arugula. Fan out your slices of pear and apple and arrange them across the salad in sections (see photos). Sprinkle all over with fresh pomegranate arils.

3. To prepare the dressing, combine all of the ingredients and whisk until blended. Taste, and if it isn't quite zippy enough, add another teaspoon of vinegar.

4. Wait to dress the salad until you're ready to serve (the dressing will wilt the greens over time). When you're ready, drizzle the ginger

Source: https://cookieandkate.com/pomegranate-pear-green-salad-with-ginger-dressing/

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