



**HERITAGE**  
PRIVATE WEALTH



## Winter 2023 Newsletter

Welcome to our June newsletter and, as the winter sets in and the end of the financial year approaches, it's a good chance to spend some time tidying up and reviewing your finances.

Concerns that the Reserve Bank may lift interest rates this month, along with the drama over the US debt ceiling and the worry that the US Treasury may run out of cash, have affected local markets and the Australian dollar.

The dollar is at its lowest level in six months, at just under US65 cents, while the ASX200 ended the month nearly 3% down thanks also to weaker commodity prices. Energy and mining stocks led the falls. Brent Crude was down 7.5% for the month while iron ore prices hit a six-month low.

Inflation rose 6.8% in the 12 months to April, up from 6.3% in March and the number of housing approvals nosedived in April, down 8.1% after a 1.0% fall in March.

The rising prices have continued to dent consumer confidence. The ANZ-Roy Morgan Consumer Confidence survey has now spent 13 straight weeks at its lowest mark since the 1990-1991 recession. The survey reveals that only 7% of Australians expect good times ahead for the Australian economy in the next 12 months. With less money to go around, retail trade has plateaued over the past six months.

The latest unemployment figures show a slight increase to 3.7% in April and a slight decrease in the participation rate.

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# Setting yourself up for *success* in the new financial year

The start of a new financial year is the perfect time to get your financial affairs in order. Whether it's tidying up your paperwork, assessing your portfolio or dealing with outstanding issues, there are plenty of practical actions you can take.

Here are some strategies for starting the new financial year on the right foot.

## Tidy up your paperwork

Dealing with the paperwork is the task most of us love to hate. But taking a day to trawl through the 'To Do' pile and the growing mountain of filing could be a good investment in yourself. What's more, you might identify some savings.

## Set your budget

A lot can happen in a year, so it makes sense to review your budget to ensure it still works towards your goals in the new year. This will help you track your changing expenses and ensure you're not overspending. And if you haven't got a working budget, now's a great time to start. There are plenty of budgeting apps and tools available online that can help you get started.

## Assess your portfolio

Another important step to take as you start the new financial year is to assess your investment portfolio.

Some important questions include:

- Why did you start investing and have your circumstances changed? For example, you may have started investing to receive a better return than your term deposits but now that term deposits rates have increased and share markets are challenged, should you revisit that goal?
- What is the investment performance? Is it in line with your expectation and the benchmark?

- Should you consider diversifying into different asset classes?
- Is dividend reinvestment the best option for you or should you take the dividend income into cash?
- Is your risk appetite still the same, or should you be aggressive or more conservative?

## Check your insurance

Now is a good time to examine your insurances closely and to consider whether they match your needs and risks. It is also a good reminder to take note of policy renewal dates so that you can shop around to make sure you get the best price.

## Understand Federal Budget changes

Keeping up to date with the commentary about Federal Budget initiatives may be useful.

The measures aimed at easing the cost of living will provide a boost to some. They include energy bill relief for concession card holders and energy saving incentives. Meanwhile those with chronic health conditions will benefit from a number of changes announced in the budget.

The Budget also included support for families with cheaper childcare and a more flexible Paid Parental Leave scheme, and incentives for some types of new home building projects.

## Review your superannuation

A review – at least annually – of your super account is vital to make sure that:

- Your investments and risk strategy are still right for you
- The fees are reasonable
- Any insurance policies held in your super account are appropriate
- Your employer contributions are being made
- Your death benefit nomination is relevant
- You don't have multiple accounts incurring unnecessary fees

You might also consider a salary sacrifice strategy, where you ask your employer to make extra super contributions from your pre-tax salary. These additional contributions are taxed at 15 per cent within the super fund, plus an additional 15% if Division 293 tax applies to you (income over \$250,000).

Meanwhile, it is not too late to top up your super balance for this financial year using either concessional contributions (from your pre-tax income) or non-concessional contributions (after-tax income). Don't forget the caps on payments, which are \$27,500 for concessional contributions and \$110,000 for non-concessional.

It is a good idea to get some expert advice regarding your super contributions, we can assist with the best ways to manage your contributions.

So, set yourself up for a fresh start to the year with some simple strategies to help you achieve your financial goals.





# Who needs a testamentary trust?

The rising cost of living is grabbing all the attention right now as people struggle to pay the increasing prices. But in the meantime, our collective wealth has been growing steadily and is being transferred to the next generation at increasing rates.

In fact, the value of inheritances as well as gifts to family and friends has doubled over the past two decades.<sup>i</sup>

A 2021 Productivity Commission report found that \$120 billion was passed on in 2018 and that amount is expected to grow fourfold between now and 2050. In 2018, the value of the average inheritance was \$125,000 while gifts averaged \$8000 each.

So, there is a lot at stake and it means that estate planning – a strategy for dealing with your assets after you die – is vital to help fulfil your wishes and protect the interests of the people you care about.

One powerful tool in planning your estate is a testamentary trust, which only comes into effect after your death. It operates in a similar way to a discretionary family trust and your Will acts as the trust deed, providing instructions for the trust.

It allows you to control the distribution of your assets and provides a way of managing any tax implications for your beneficiaries. Testamentary trusts are often used to protect assets from unforeseen circumstances such as lawsuits, creditors and divorces and they can help to preserve a family's wealth.

A testamentary trust can be useful for those with blended family relationships and children with complex needs. For example, a child with a disability who is unable to manage their own investments can be supported by the use of a trust. Testamentary trusts may also help to provide some certainty for parents that their young children will be provided for. They are also often used by philanthropists as a way of providing a legacy for a cause they support.

## Choosing a trustee

If you are setting up a testamentary trust, you will need to appoint one or more trustees who will manage administration and distributions.

The trustee could be a family member (who may also be a beneficiary) or the role could be handed to an independent person or organisation.

Trustees should understand the tax situation of each of the beneficiaries to ensure that the timing and amount of distributions don't inadvertently cause difficulties for them. Trustees must also lodge a tax return every year and maintain trust accounts and records.

As the ATO points out, for the trust to operate effectively, a high level of co-operation between family members may be important so that tax, financial and other information is shared.

## The pros and cons

Whether or not you should set up a testamentary trust in your will depends on your own circumstances.

### The positives include:

- The ability to control the distribution of income
- The possibility of some tax advantages for your beneficiaries
- A level of protection for your assets from lawsuits, family breakdowns and business difficulties
- A way of keep a family's wealth intact into the future
- Support for vulnerable beneficiaries such as those with special needs or lacking financial experience and minors
- Can be used by anyone with assets to distribute, whatever the size of their estate

### On the other hand, there are a number of considerations to be aware of such as:

- The complex paperwork and reporting required
- The cost to establish the trust and keep it running
- The possibility of disputes among beneficiaries or with the trustee over the future of the trust, distributions, and its administration

Testamentary trusts are a valuable strategy to help ensure your wishes are followed. They can shape your legacy, provide fairly for your loved ones and protect assets.

Call us if you would like to know more about establishing a testamentary trust and to see whether it is suitable for you.

<sup>i</sup> <https://apo.org.au/node/315436>



# Sowing the seeds for a happy retirement



The thought of retirement is an enticing one for many of us. Imagine throwing off the shackles of the workforce and being able to do whatever you want, whenever you want. But why wait until you are retired to do the things you love?

Retirement is a time where we finally have the space to do what we want to do with our lives, whether that's travel, developing and learning new skills, taking up hobbies or just enjoying the company of those we care about.

The problem with waiting until we are retired is we are postponing engaging in things that could be making us happy right now. Exploring what gives us joy now and developing those skills will make for a much easier transition as you wave goodbye to your working years.

## Something to retire to

Retirement represents a big shift in the way we live our lives and it's not uncommon for that adjustment to be a little challenging. For many, our jobs give us a profound sense of identity and define how we perceive ourselves, so our sense of self can suffer when we leave the workforce. There is also often a gap in our lives where work used to be.

That's why rather than looking forward to retiring from something, 'have something to retire to' is a common piece of advice to encourage people to think about what they want their life to look like when they leave the workforce.

Think about what defines you now and satisfies you outside of work, and putting in place a plan of how that

may play out in retirement can be a good idea.

## Start today to do the things you love

While it can be hard to carve out time while you are still in the workforce, it's possible to take small steps and set aside dedicated time each week or commit to activities that won't take a lot of your time.

If you are keen to travel when you retire, consider signing up for a short course in the language of the country you are keen on visiting to get prepared for the trip of your dreams.

Or if you want to finally write that novel you've been mulling over for years, set aside a little time now to draft a framework and get a head start. Who knows by the time you retire you may be on your second novel!

Keen to do more exercise? Join a gym now and get into a routine – even if you only manage to get there a couple of times a week it's a good start.

It takes a while to develop new habits and skills so starting to pick up the things you want to explore in retirement now sets you up for a smoother transition when you have more time to devote to these activities. Starting now also gives you a chance to try things out and see if they are something you want to commit time and energy to.

## Fostering connections with those you care about

While spending time doing things you love makes for a happy and satisfying retirement, another important factor is being around people you enjoy being with.

Think about the people you enjoy spending time with and foster those friendships right now. Not only will it make for an easier transition when you retire, it will also bring you joy and the benefits of those relationships right now. There is always room in your life for making new friends too!

## The best laid plans can change

It's important to be open minded in your plan of how you see your retirement unfolding. Remember that not everyone retires on their own terms. Some need to retire sooner than expected or in a different manner than expected due to ill health, caring for a family member or because of a decision or situation in the workplace.

On that basis it's important to live well now – enjoy your present life and embrace the things that make you happy as you'll also be setting yourself up to enjoy retirement – whether it's just around the corner or still a way off.