Aptitude

Apt Wealth Partners - Quarterly News

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Live for today, plan for tomorrow

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Strategies to maximise your superannuation

Around 2 in 3 Australians worry they won't have enough money in retirement, and 1 in 5 Australians worry about retirement finances daily or often. The best way to ensure you can live the retirement you want is by planning for it and taking care of your superannuation at every stage in your career.

Here, we talk to Apt Compliance Manager Tammy Tan about how you can maximise yours.

Before discussing specific strategies, Tammy highlights that it is essential to get personalised advice and make use of the strategies that apply to your situation and fit in with your broader financial and life plans.

"While we will discuss some potential strategies in this article, it's important to recognise that not all strategies will be appropriate for everyone. It's critical that you are thinking about your super – and the earlier you start, the better – but it's also important to get advice that sets you on a course for the retirement you want," she says.

Understanding superannuation

Tammy explains that when it comes to your super, knowledge is power.

"The first step to any super strategy is increasing your knowledge. It's important to understand your asset mix and the individual companies you are invested in to ensure you know your exposure."

It may sound simple, but around a quarter of Australians don't know where their money is invested. And, as Tammy puts it, you can't make good decisions if you don't have the baseline information.

Structuring to weather financial storms

Tammy says having the right structure is vital to ensure your super can weather financial storms.

"You will likely experience more than one financial downturn in your career, and these can have a notable impact on your super balance. It's usually okay if these happen early in your career when you have time to make up losses, but if they occur during the pre-retirement phase, they can have significant consequences for your retirement."

However, she points out that there are ways to structure your superannuation to protect and even grow your balance in these conditions. One option, she says, is to keep a portion of your superannuation in cash, ready to tip back into your investments when share prices drop.

Tammy cautions against making moves when the market has already dropped, however.

"You don't want to be moving funds into cash or making panicked decisions that lock in losses after the event. This strategy is about putting safeguards in place before an event, and the right strategy for you will depend on your age, career stage and goals. The earlier you put these safeguards in place, the better. However, it's worth doing at any career stage. Speak to your adviser about the best structure for your circumstances."

Making use of concessional contributions

According to 2022 Finder research, only 14% of Australians make additional monthly super contributions, and only 20% made one-off contributions in the last year. However, making use of your concessional contributions is an important strategy.

"You can make up to $27,500 as concessional contributions, including your employer contributions, which will generally be taxed concessionally at 15% in superannuation. However, depending on your income, the actual amount of tax on concessional contributions may differ. So, if there is an unused portion in previous financial years, it's worth using to both reduce tax liability and increase retirement savings.

"If you are a PAYG employee, you can do this via salary sacrifice contributions. Otherwise, you can make personal contributions throughout the year, noting that you need to let your super fund know that you intend to claim tax deductions. The notice of intent must be provided to the super fund by the date you lodge your tax return for the year the contribution was made, or end of the following financial year, whichever is earlier."

Tammy points out that while there is an annual cap that applies to concessional contributions, if your total super balance is below $500,000 on 30 June of the prior financial year, you can utilise any unused concessional contributions accumulated since 2018/2019 to make concessional contributions in excess of the annual cap. It is also the last opportunity to utilise any unused amount in 2018/2019, as any unused amount not applied after five financial years can no longer be carried forward.

"Using this strategy to make a large contribution not only helps build your superannuation savings for retirement but also improves your overall tax position. For example, where you need to manage capital gains tax due to the disposal of an investment property, or personal income tax due to the receipt of a bonus or termination payment," she says.

Consider boosting your spouse's super

The Workforce Gender Equality Agency (WGEA) highlights that the superannuation gender gap remains an issue. On average, women retire with 42% less superannuation than their male counterparts[1] often due to a combination of time out of the workforce and gender pay gaps.

Tammy says there are ways to rebuild your spouse's super, which can be especially important if they have taken time out of the workforce for family commitments.

"A spouse contribution can be a suitable strategy for households where one partner has a taxable income of less than $40,000, giving the contributing spouse a tax offset of up to $540.

"You may also consider contribution splitting as an equalisation strategy This allows you to split up to 85% of the concessional contributions (including eligible catch-up concessional contributions) made in a financial year to your spouse, provided they are under age 65 and are not permanently retired if they have reached preservation age.

"Boosting your spouse's superannuation balance may help to fund their insurance premiums through super, allow more funds to be transferred to the retirement phase combined as a couple, optimise your social security entitlements or provide earlier access to superannuation if you have age differences."

Protect your income

Income protection isn't only for your security today; it's an integral part of your retirement strategy.

"If you cannot work or earn an income for a period during your working life, whether due to illness, accident or injury, this can have a lasting impact that may be felt in retirement. So protecting your income is an important part of your superannuation and retirement strategy, too.

"Unfortunately, it's one that is often overlooked, and underinsurance is a very real problem in Australia today. So if you don't have adequate income protection or haven't revisited yours in a while, speak to your adviser as a priority," Tammy concludes.

[1]Workplace Gender Equality Agency, https://www.wgea.gov.au/publications/superannuation-gender-pay-gaps-by-age-group

Refinancing your **home loan**

With interest rates rising, many Australians are revisiting their mortgage options. Here, we talk to Apt Wealth Home Loans Broker Matthew Baker about what to consider when it comes to refinancing.

For most of us, a mortgage is the biggest debt we will ever have, and according to Matthew, it's important to revisit it regularly.

"Regardless of the interest rate environment, it's a good idea to review your mortgage every few years to ensure you have the right product for your current circumstances. That could be about interest rate and costs and/or the features you need to support your life stage," he says.

He points out that it is a competitive space for lenders, so despite the current economic climate, there may be a better deal to be had.

When and why should you refinance?

Matthew says that it's worth looking at your options any time you feel your loan isn't working for your lifestyle, particularly if there has been a major change, such as a new arrival, a significant change in income, or a change in life goals and direction.

"Of course, the specific advantages of refinancing will be different for every borrower, but it can be used to reduce your rate, give you more certainty over repayments, add or reduce features to align with your life stage, access home equity or consolidate debts," he explains.

"The first step is always to look at where you are currently at, your life priorities and financial goals, and review these against your current loan product. Speaking to a broker to review this won't cost you anything, but it could save you thousands of dollars."

He adds that it's not just about switching lenders; there may be a better deal with your current lender, and a broker can help you access this.

Features abound, but what's right for you?

Matthew highlights that while many borrowers focus solely on cost, the right features are critical too. He says it's important to start by thinking about what you need from your loan right now and what you are likely to need in the near future.

"For some, and particularly in this environment, offsetting interest is important. For others, it might be accessing home equity or even support during a career break. It really comes back to your circumstances, goals and life stage. And that's why starting with a home loan health check is critical – because it considers all of these factors, not just the financials."

He highlights some of the common features that may be worth considering.

Packaged vs. basic loans

"Packaged loans allow you to bundle other banking products to access a wider range of features," says Matthew. "This could include splitting a loan into part fixed, part variable, accessing credit card facilities and linked offset accounts."

He explains that these types of loans typically incur a fee for packaging but can include rate discounts and fee waivers.

On the other hand, he says, "A basic loan is the no-frills option and may have cheaper rates and fees because the lender is not offering you a range of features. If you don't need additional features, this may be the option for you."

Repayment pauses

"Some loans will offer you the opportunity to pause repayments on your loan, typically only if you are ahead on repayments. This can be a suitable option for those planning a career break, such as parental leave or time out to care for an elderly parent."

He highlights that it is something worth considering if these events are on the horizon. "You might keep the loan for some years into the future, so thinking ahead is a must. Of course, we can't plan ahead for some eventualities, but it's important to consider the likelihood," he says.

Principal and interest vs. interest-only repayments

"While principal and interest repayments are usually best, there are occasions when an interest-only repayment term may make sense, particularly if you have a temporary period of increased outgoings or decreased income. For example, when you are building or renovating your home and paying rent during the build or taking parental leave, you may need more cash available to cover living expenses," Matthew states.

He adds that going interest-only for even a short period of time is a complex financial decision, and it's best to seek expert financial advice before going down this path.

Loan portability

If you are thinking about upgrading or downsizing your property in the next few years, then loan portability might come into play for you. It essentially allows you to move your loan to your new property without arranging a new one.

Offset vs. redraw facilities

Using offset or redraw facilities can be a great way to reduce interest while still being able to use your money should it be required, but Matthew highlights that it's important to know the difference.

"Both offset and redraw facilities allow you to park funds against the loan principle, reducing your interest. The key difference is when and how you can access your funds," Matthew explains.

"With an offset, you can typically access your money as you would any other bank account, but with a redraw, there may be restrictions or costs involved, so it's important to make sure you have the best option for you."

Understand refinancing costs

While refinancing can save money, Matthew highlights that it may incur upfront costs and it's important to be aware of these and weigh them against the potential savings.

"There may be application, valuation, settlement and/or exit fees involved with moving your loan, so it's important to factor these in."

He says for many people, the savings will outweigh any upfront costs in a relatively short period of time, particularly in the current climate.

"Your broker will be able to explain the associated costs and calculate the savings over time to give you a very clear picture before you make any decisions."

Is your home loan right for you?

Apt Wealth Home Loans, powered by Mortgage Choice, offers a free home loan health check that takes into account your goals, circumstances and financial situation to determine whether your home loan is right for you.

Speak to your Apt Adviser or contact Apt Wealth Home Loans on +61 3 8779 5254 to find out more.

Financial planning **throughout your career**

When thinking of financial planning, many Australians automatically think of retirement. However, financial planning is about setting you up for success at every age. And often, the earlier you start, the better the long-term outcomes. Here, we talk to Apt Director Andrew Dunbar about what you should consider in your financial plan during each decade of your working life.

Your 20s

“Your 20s are about experiencing life with an income for the first time, and the benefit of financial planning is that it really is about balancing your current lifestyle and getting yourself in a good position for the future,” says Andrew.

“This is critical in your 20s when, typically, you have less debt and financial responsibility, so you can build valuable foundations while enjoying your life too.”

Andrew highlights the key areas for those in their 20s as follows:

- Working out what’s most important to you to align your money goals and your values.
- Knowing where your money is going at a detailed level to build the foundations for healthy spending habits.
- Getting started with investing, even if it’s small amounts, to learn how investments work and how to grow them over time.
- Building financial literacy, as knowledge is power when it comes to your finances.

“This is especially important around superannuation, something many of us don’t consider in our 20s. Superannuation is your money, so you should protect and grow it. If you put an additional $50 per month into super now, at 7% earnings it will grow to $131,240 by retirement age,” Andrew points out.[2]

- Investing in your future earning potential, building your career path and setting the course for the future while you have time to focus on yourself.
- Shaping your impact by giving time to the causes that are close to your heart through volunteering or fundraising activities.
- Protecting your future with income insurance, as you don’t know what is around the corner, even if you are fit and healthy.

[2]Calculated using Moneysmart’s Compound Interest Calculator, https://moneysmart.gov.au/budgeting/compound-interest-calculator

Your 30s

"In your 30s, you are likely starting to think more about the future and what you want out of life. That might be a house in your desired neighbourhood, starting a family or building the lifestyle that you want," Andrew explains.

He adds that you may have experienced a significant shift in values since your 20s, as the focus moves away from yourself and on to lifestyle, family and/or property goals.

According to Andrew, the key priorities to consider are:

- Responding to changing values and needs by setting new financial goals.
- Working your way up the career ladder by building new skills and continuing your education, whether formal or informal.
- Getting on the property ladder with a first home purchase, which, for most of us, also means taking on the single biggest debt we will ever have.

"The loan you choose for your first home can have long-term repercussions, so it's an area where expert advice can really help put you on the front foot from the very beginning," Andrew highlights.

- Building up emergency funds so that you can quickly access at least 6 months' salary to cover emergencies as your financial responsibilities increase.
- Starting to save now for longer-term lifestyle goals, such as children's education, preparing for career breaks or planning to reduce your mortgage.
- Getting serious about investing as your investments will play a significant role in funding your life goals and securing future income streams.
- Giving back to the community may remain important to you, but there is often a shift from volunteering your time to giving small donations as the pace of life and your responsibilities increase.
- Protecting your future and your loved ones by ensuring your income and life protections are adequate for your increasing financial responsibilities.
- Buying happier time by outsourcing things you don't enjoy (e.g. cleaning).

Your 40s

In your 40s, you are more likely to have more debt and financial responsibility than at any other point in your life, and it can be busy as a result. Your career is likely to be in full swing and you may have a hectic family life.

"The right financial plans can help you navigate this time and stay on track for the future," Andrew explains.

For those in their 40s, key priorities include:

- Using your money to support your lifestyle. In this decade, your outgoings will most likely be the highest they have ever been.
- Setting up future income streams. While spending may be high, it's important to keep an eye on the future, thinking about how your investments will produce income streams.
- Taking a more active role in your super. With retirement on the 15–20-year horizon, it's not yet time for a defensive strategy, but it's important to ensure your super is structured to weather financial storms.

"Financial downturns can and will happen throughout your career. We often call them once-in-a-lifetime events, but many of us have experienced both the GFC and COVID-19 in our working careers, so this is somewhat of a misnomer. It's critical to prepare for these events by structuring your super so they don't define your future," Andrew advises.

- Continuing to support the causes that are important to you. You are far less likely to have time to volunteer in your 40s, but you can think about structured giving to those causes that have meaning for you, such as sponsoring a child or taking part in a regular giving program.
- Making your estate plans. You've likely accumulated assets by this decade, so it's important to know they will be distributed to your loved ones if something were to happen to you.
- Reviewing insurances. As your assets, salary and possibly your family have grown, it's important to make sure your insurances are adequate to cover you or your family's lifestyle if they were to lose your income.
- Outsourcing to free up time to do what you love and spend time with loved ones.

"In this decade, you'll be incredibly busy – maybe the busiest you'll ever be – so it's important to be realistic about what you can do yourself for your mental, emotional and physical health. Allocating funds to buy away negative experiences is perfectly reasonable.

"Your money should be used to enable a more meaningful life, and outsourcing domestic or other tasks to achieve this makes sense for many people," Andrew explains.

Your 50s

"In your 50s, you'll often experience significant shifts in your lifestyle, goals and values. While your career may remain important, as your life changes, you'll likely be thinking about what's next. You might be preparing for life in an empty nest and starting to shift the focus back to yourself and your lifestyle," says Andrew.

He highlights that balance is critical in this decade.

"While you may be planning for retirement, it's also important to ensure you can enjoy your lifestyle today."

Here are some key areas to consider:

- Reviewing your superannuation investments and strategy. As retirement is now a decade away, staying on top of your super and thinking about more defensive strategies is critical. You should have already structured your super to weather financial storms, but if you haven't, it's not too late.

- Paying off debt. As the end of your working life approaches, it's important to focus on paying off debt while you have a steady income.

"It's not uncommon to receive an inheritance in this decade, and if that applies to you, it's important to think about how you put it to good use," says Andrew.

- Shaping your lifestyle to meet changing wants, needs, goals and values.

"Your 50s is commonly a period of change, whether it is the kids moving out of home or changing lifestyle desires. Many people find themselves reflecting on what they want out of life and this could be about downsizing, relocating or simply doing more of what you love," explains Andrew.

- Making more concrete retirement plans. With retirement 5–15 years away, it's time to firm up your plans and ensure you will have the income streams to live the life you want in retirement.

"Now is the time to have not only financial plans but lifestyle ones too. Planning ahead for what you want out of life, from big-ticket items, like trips, to the day-to-day, will give you a better chance of a successful emotional transition. It's something that is often overlooked, but it is important to ensuring you get the retirement you want and deserve," adds Andrew.

- Planning for your career exit. It's also time to think about how and when you want to leave the workforce. If you are an employee, that might be a transition to a retirement strategy or an exit strategy for a business owner.

- Continuing philanthropy. Your philanthropy may continue to be about financial contribution, and you may consider leaving a bequest in your will as part of your legacy. As your children leave home, you may also find yourself with more time to return to volunteering.

Apt Wealth Partners is helping more and more younger Australians shape their future and achieve the best possible long-term outcomes. If you have loved ones who haven't received advice, we encourage you to share relevant tips and consider introducing them to your adviser.

Tips to save when planning the trip of a lifetime

As a nation, we love to travel. In fact, research house IBIS World is predicting our international travel will grow by a whopping 360.8% this year, equating to some 7.28 million departures. For many of us, however, the cost-of-living pressures have postponed grand travel plans. On the bright side, we have more time to plan ahead. Here, Apt Senior Adviser and resident travel enthusiast Tracey Pace shares her tips to save when planning the trip of a lifetime.

According to Tracey, 'the devil is in the details' when it comes to planning a cost-effective trip. "It's not always about focusing on the upfront cost of a particular component, but rather the value you will derive from it. And that's going to be different for everyone," she says.

Flights

Flying has always been expensive from Australia, but in the wake of COVID, costs have risen further on many routes. So, no matter the class you want to travel, whether you favour some airlines, or want direct or stop-over, Tracey says it's worth comparing to find the best deals.

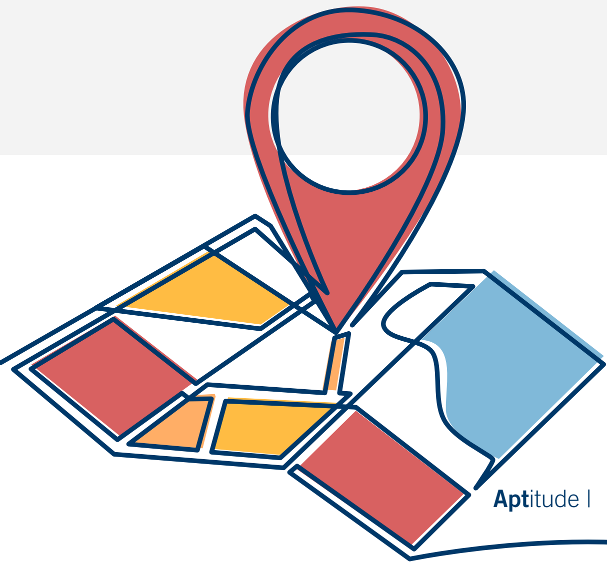
"Using comparison sites like Skyscanner or Webjet can be a great way to see what's on offer across multiple airlines. And if you have flexibility on your departure date, they'll often highlight when you can get a better price around your chosen dates. Flights can be cheaper on some days, particularly mid-week, so it can save a few hundred dollars," she says.

Tracey says that although comparison sites are good to review alternatives, she usually buys directly from the airline, finding this to be the most cost-effective option.

She also points out that the lowest price doesn't always equate to the best value.

"Flexible fares will usually cost a little more, but changing cheaper fare classes may result in losing some or all the original fare. So, the extra upfront cost may be worth it if there is a chance you will need to make changes."

And when it comes to direct versus stop-over flights, Tracey adds that it's important to factor in what the stop-over will cost when weighing up the price difference.



"You may end up spending money on expensive airport food, short-term airport accommodation, lounge access or purchases to keep the kids (or yourself!) entertained. So, you need to factor this in and work out if the savings actually make sense or it's a false economy."

For those who collect loyalty points, Tracey has a great hack. And it's something she's very familiar with, having used the technique herself for an upcoming trip.

"It's not always possible to find reward seats or you may not have enough points for your destination. But for many programs, there is another way to use your points," she explains.

"We couldn't get the flights we wanted with our points, but we discovered that we could use them to pay for groceries. So, we've started using them this way, while putting aside the cash we would usually spend at the checkout to fund the flights we want."

Lastly, when using search engines to research your trip, it may be worth deleting cookies and clearing the search history before you search again. While it is debated among experts and the jury is still out, some believe the price shown to you will escalate when tracking cookies flag that you have looked at a flight before.

Accommodation

When selecting accommodation, Tracey says it's critical to have a clear understanding of how you will use the space before you book.

"If you are travelling solo or as a couple with a packed itinerary, a small, functional room may be all you need as you won't spend much time in it, so it's an area where it may make sense to tighten the purse strings.

"However, if you are travelling with kids, as a larger group, or planning to have some downtime, more spacious accommodation such as self-contained apartments may make more sense. While it will likely cost more upfront, it could actually save a significant amount."

Tracey highlights that eating out every day, three meals a day, can quickly run up a hefty bill, and it can also lose its lustre after a while.

"Having your own kitchen will allow you to prepare some easy, lighter meals yourself. And if you are travelling with endlessly hungry children or teenagers, enabling them to grab their own snack can save a lot of time and frustration too."

Tracey also points out that this type of accommodation can also offer laundry facilities – ideal to save you lugging additional items. “If you are away for weeks or even months, being able to do your own washing saves you from dragging everything with you or having to find and pay for a drycleaner or laundry in a new city and make sure it’s all back before you move on.”

Once you know what you are looking for, it’s important to compare your options across different platforms.

“With so many hotel aggregators out there, it is important to do your research and include the hotel’s own site. Sometimes, but by no means always, this can be cheaper as the hotel avoids third-party commission.”

Even when it comes to holiday home rentals, comparison is important, says Tracey.

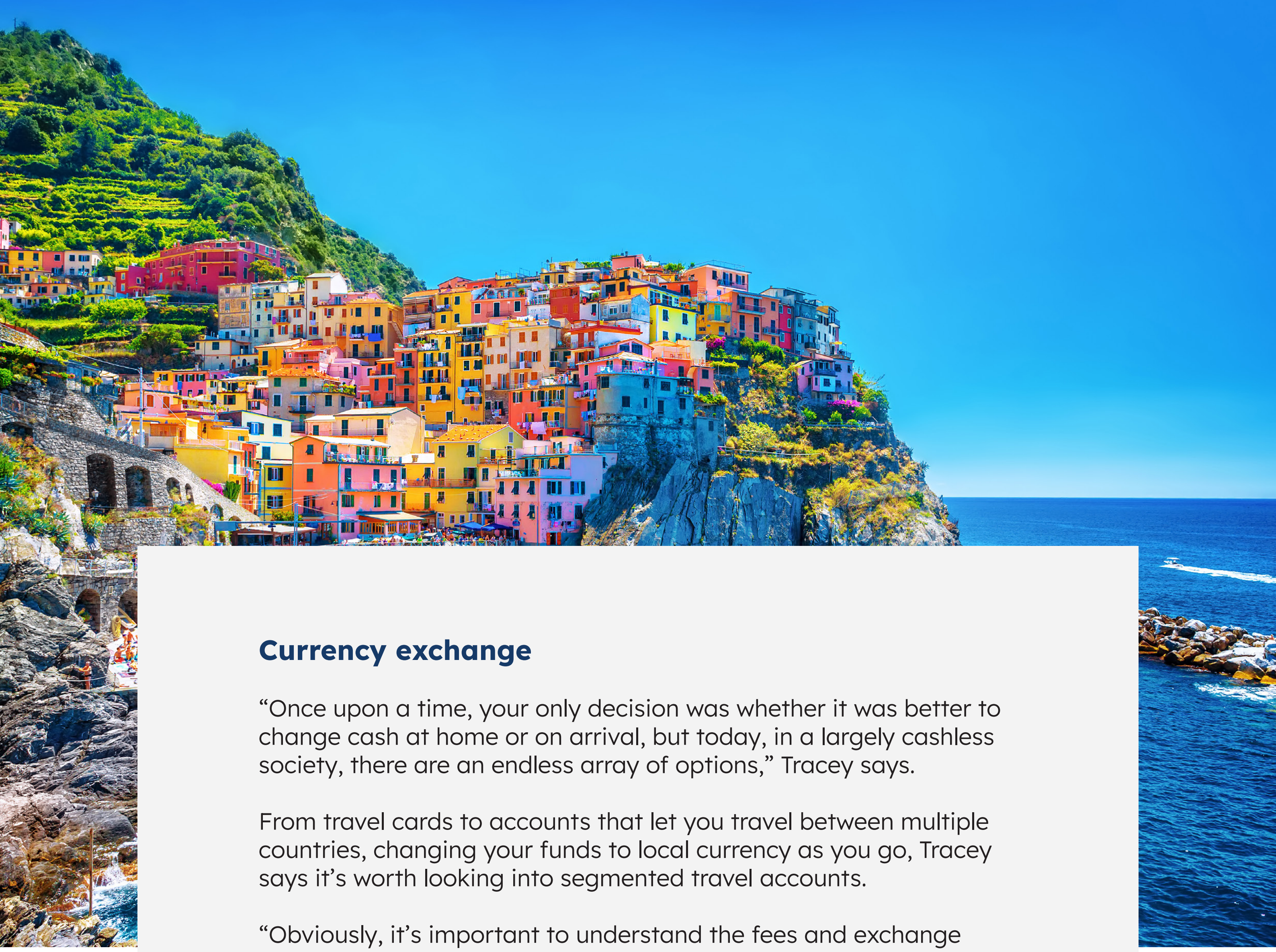
“Many of these properties are listed on more than one site and may be on hotel comparison sites too. In my own experience, I have found significant differences in price and even cancellation terms on the same place, so hunt around before committing.”

Activities

“It can be hard to adequately budget for activities as they can often be spur-of-the-moment,” says Tracey.

While she says it’s important not to be too regimented with this and miss out on spontaneity and making memories, you can plan ahead for some big-ticket or must-do activities.

“If you are visiting Europe, for example, there are likely to be specific landmarks, galleries or museums that you are planning to visit. It can pay to do your research, as some are cheaper when pre-purchased (making sure it is a genuine and official ticketing site, of course!). Or you may find that it is free or cheaper on certain weekdays. This sort of thing can quickly add up.”



Currency exchange

"Once upon a time, your only decision was whether it was better to change cash at home or on arrival, but today, in a largely cashless society, there are an endless array of options," Tracey says.

From travel cards to accounts that let you travel between multiple countries, changing your funds to local currency as you go, Tracey says it's worth looking into segmented travel accounts.

"Obviously, it's important to understand the fees and exchange rates with each product, but it can be a better alternative than opening up your accounts to risk of fraudulent transactions or lost cards, which can be particularly devastating while travelling, or even just foreign transaction fees and differing exchange rates."

She highlights that for most destinations, it's a good idea to have a small amount of cash on hand when you arrive for incidentals or local, cash-only expenses. Although these are getting rarer, they can be more prevalent in smaller or developing nations.

Dreaming of your next trip? Talk to your Apt Adviser about how you can build it into your financial plan and savings goals.

Disclaimer

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