FIDUCIAN FOCUS

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Individuals are living longer in present times due to an increase in life expectancy. Australia is therefore experiencing a rise in the ageing population as well as a surge in demand for health care services, social services, and aged care. The process of seeking appropriate aged care solutions can be stressful for both clients and their families, requiring thoughtful management of emotional pressures. Amidst these challenges, the role of financial advisers in aged care becomes central to the ongoing financial, and sometimes overall wellbeing, of clients.

The table below highlights the advice topics which clients typically seek financial advice on:

Topic or issue	All Australians
Investments	45%
Retirement income planning	37%
Growing your superannuation	31%
Budgeting or cash flow management	22%
Aged care planning	18%
Risk protection	16%
Self-managed superannuation funds	15%
Debt management	14%
Switching or consolidating your superannuation	13%
Estate planning	12%

Source: ASIC 2019

As the above table depicts, only around 18% of Australians on average seek advice on aged care. In order to improve this figure, the importance of a financial adviser needs to be understood. Every decision a clients makes about aged care has a financial component; from pensions to home care packages, from Carers Payments to Carers Supplements to Carers Allowances, from retirement villages to residential aged care. For aged care decisions, clients and their families may have the following practical and emotional questions:

- Should the family home be sold?
- If the family home is retained, what would happen to it?
- How can the costs, particularly lump sum costs for aged care accommodation, be financed?
- Can enough income be derived to cover other ongoing costs of care?
- What are the opportunities for bequests?
- Are all health care costs covered (motorised scooters, hearing aids etc.)?
- Is a power of attorney needed and what other legal issues need to be considered?

Each of these questions can be dealt with comprehensively with the help of a financial adviser, so that clients maximise their objectives without unduly sacrificing wealth. In some cases, clients will have already made decisions about these issues and will look to their advisers for verification. With the introduction of means testing based on both assets and income for some daily care fees, understanding how these decisions affect the age pension, other supplements and tax for aged care clients has become even more important. Key aspects of the financial adviser's role are to:

- Identify financial goals and objectives
- Provide information on how aged care services will affect financial security
- Formulate strategies to achieve financial goals and objectives such as whether to sell the family home, how to best generate income, how to finance accommodation charges in an aged care facility and how to maintain Centrelink benefits
- Help aged care recipients and their familes to understand the range of care options and how the aged care system works, particularly in terms of fees and charges
- Provide support in finding and accessing the right care, or refer the client to another professional to assist, taking into account the affordability of various options
- Review estate planning needs and make referrals to tax accountants and estate planning lawyers.

In summary, a financial adviser plays a multifaceted role, addressing financial, emotional, and practical aspects to help individuals make informed decisions about their aged care needs and finances as they age. The goal is to ensure a comfortable and financially secure transition into the later stages of life, including any necessary aged care services.

PREPARING YOUR INVESTMENTS FOR THE NEW FINANCIAL YEAR

According to Conrad Burge, Fiducian's Head of Investments, the global economy has been able to sustain moderate growth despite the implementation of tight monetary policy by most of the world's central banks over the past two years in an attempt to contain inflation. The good news is that this has been proving successful, and inflation has been trending down over the past year or so.

However, Australians are still experiencing an increasing cost of living, with the Australian Bureau of Statistics reporting for the quarter to end-December 2023, the main contributors to the increased cost of living were insurance and financial services, housing, food and non-alcoholic beverages, alcohols, and tobacco.

While inflation remains above target for most economies, the International Monetary Fund (IMF) is expecting central banks to be able to begin reducing official interest rates in the second half of this year.

We have identified 10 financial tips that could be incorporated into your personal financial strategy to help you be better equipped to navigate the challenges posed by the higher cost of living in 2024:

1. Know your mindset as well as your goals

It's difficult to remain inspired if you don't know what you are working towards. Goals help you focus your efforts and give you a reason to manage your money better.

2. Pay yourself first

If you let wealth creation be your last priority you are guaranteed to fail. Make your financial goals a top priority.

3. Automate your success

Set up an automatic investment strategy, so you can forget about investing and focus on the more important things in life.

4. Harness the power of compounding

Time and compounding work together to increase wealth dramatically – and the longer you give that process time to work, the more your wealth is likely to increase.

5. Understand risk and select appropriate assets

Match your investment timeframe to your risk profile and investment strategy. Understand that risk changes over time.

6. Diversify

Your financial future is too important to be put in the hands of one property or one company share or even one managed fund. A Fiducian Financial Adviser will help to provide the diversification required to protect your wealth and increase your investment returns.

7. Invest in yourself

One of the best investments you can make is in your own financial education. Be aware of what's happening in share markets and in your superannuation fund. The share market is complex and sophisticated, but the underlying principles are straightforward. Investing a little time to educate yourself could pay big dividends.

8. Don't worry about the 'right time' to start investing

Don't be paralysed by fear. Seek strategic advice, choose a sound investment, and start investing. A sound investment strategy considers changes in the market and your personal circumstances.

9. Stay on track

Review your investment strategy on a regular basis to ensure you are maximising your wealth opportunities.

10. Seek professional advice

Expert advice helps you to get ahead faster by making the right choices.

A Fiducian Financial Adviser can offer you professional, independent advice based on your unique set of circumstances. Visit www.fiducian.com.au to book an appointment with a financial adviser in your local area.

HOW YOUR SUPER CAN HELP YOU SAVE ON TAX

Along with the Age Pension and the money we save voluntarily, superannuation makes up a key pillar of Australia's retirement income system. The regular contributions your employer makes to your account are constantly working in the background to help you secure a comfortable retirement.

Boosting your super by making personal contributions during your working years is also important, and the good news is there are ways to do so that might also be tax effective.

Salary sacrificing

If you can get by on a slightly lower take-home pay, one potentially tax-effective way to boost your super is salary sacrificing (assuming your employer offers this option). This involves giving up a part of your salary and directing your employer to pay it into your super account instead.

These extra contributions will be taxed in your super fund generally at a rate of 15% instead of your marginal tax rate (which can be as high as 45% for some people)[^]. Importantly, your employer is still obligated to pay your full super guarantee — a salary sacrifice arrangement won't reduce the amount you're entitled to each year.

Claim a deduction on personal super contributions

Any personal super contributions you make directly into your fund from your after-tax income or savings are considered non-concessional contributions, meaning tax has already been applied and they won't be taxed further when received by your super fund[^].

However if you claim a deduction, these contributions become concessional contributions and will be treated as if they came from your pre-tax income instead[^]. Rather than being taxed at your personal tax rate, your personal contributions will generally be taxed at 15%, with the remaining amount deposited straight into your super account.

Take advantage of government co-contributions

Low and middle income earners who make a personal after-tax super contribution might be eligible for a government co-contribution of up to $500. You won't need to opt in to receive this — so long as you're eligible and your super fund has your tax file number, the ATO will pay it automatically.

As for the tax benefits, the ATO makes clear that this payment won't be included in your taxable income, nor will it be subject to tax when it's paid to your super fund^.

Spouse contributions

If your spouse's annual income is less than $40,000 and you decide to top up their super account by at least $3,000, you might be able to claim a deduction of up to $540. The full tax offset is available if your partner's annual income is $37,000 or less — after that, the amount decreases incrementally before phasing out completely at $40,000^. Just keep in mind that there are certain other eligibility criteria both you and your spouse also need to meet.

This might be helpful if your spouse works part-time, has a low income, or isn't working at all. A lagging super balance might lead to a less than ideal retirement if it goes unaddressed. By adding even a small amount to your spouse's account each year, you might be able to increase the chances of securing the retirement you both desire.

^https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/how-to-save-more-in-your-super

MARCH PROFESSIONAL DEVELOPMENT DAYS 2024

Coming together as a group strengthens our Fiducian community. We recently hosted our first Professional Development (PD) Days for 2024, in Melbourne. Over 140 Financial advisers, staff and management came together from around the country to share and learn from various areas of the business, building on our professional abilities, knowledge, and skills so we can continue to provide the highest quality of financial advice to our clients.

WELCOME TO OUR NEWEST FINANCIAL ADVISERS

Please welcome our newest financial advisers who commenced with the business in the last six months. We are thrilled to have these experienced advisers join the Fiducian Group. If you wish to book an appointment with a financial adviser in your local area, www.fiducian.com.au/financial-advice/find-a-financial-adviser.

Amy Peterson
South Perth, WA

Jarryd Baxter
Sunshine Coast, QLD

Haden Lacey
Buddina, QLD

Gurbinder Gill
Burwood, VIC

Michael Roberts
North Sydney, NSW

Nicole Niu
Sydney CBD, NSW

Will Han
Canberra, ACT

David Mead
Adelaide, SA

Glenn Treacy
Ballarat, VIC

Louis Randles
Sydney CBD, NSW