FIDUCIAN FOCUS

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The Government first announced several big changes to super contributions for older people in the 2021/22 Federal Budget. These included:

- partially removing the work test for people aged 67 to 74^, extending eligibility to make non-concessional contributions (NCCs) under the bring-forward rule to people under age 75 at the start of the financial year,
- increasing the maximum amount of eligible contributions made over multiple financial years that can be released under the First Home Super Saver (FHSS) Scheme from $30,000 to $50,000, and
- reducing the downsizer contribution eligibility age from 65 to 60 years.

The good news is that these proposals have now been legislated and are ready to go from July 1, 2022.

^ Includes a period of up to 28 days following the end of the month in which the person turns age 75.

Work test removal – it's about time!

From July 1, 2022, a person who has reached age 67 can make/receive voluntary (both member and employer) contributions up until 28 days following the end of the month in which they turn 75 without meeting the work test
(or work test exemption). However, the work test (or work test exemption) will still be required as a condition (under the Tax Act) for people in this age cohort to claim a tax deduction for personal contributions.

No change to age 75 cut-off

Importantly, voluntary contributions cannot be made outside 28 days following the end of the month in which the person turns age 75.

Extension of non-concessional bring-forward rule – from 65 to 67 and now under 75!

One way of maximizing your superannuation contributions and boosting your account could be to use the bring-forward rule. The bring-forward rule previously allowed those under 67 years old to make up to three years' worth of non-concessional (after-tax) contributions to their super in a single income year.Under the new rules, the age of eligibility has increases so to trigger the bring-forward rule, a person must be under age 75 on July 1 of the financial year in which you contribute.

First Home Super Saver (FHSS) scheme

Under the First Home Super Saver scheme, first-home buyers have been able to make voluntary contributions to super that can ultimately be withdrawn, along with associated earnings, to purchase their first home.

The maximum amount of eligible contributions that can now be released under the FHSS Scheme will be increased from $30,000 to $50,000. However, the $15,000 per financial year limit and all other eligibility requirements will remain.

Downsizer superannuation contributions

Currently, if you are aged 65 and older, you can contribute proceeds from the sale of your home to super. You can contribute up to $300,000 regardless of your age, work status or total superannuation balance.

From 1 July 2022 the eligibility age at which you can make a super downsizer contribution will reduce from 65 to 60.

All other downsizer contribution eligibility requirements will remain the same.
Note that a person's age for determining eligibility for the downsizer rules is their age when they make the contribution (not settlement or exchange of contracts).

Summary

The changes from July 1 are a step closer to simplifying the super system for older people.
That having been said, there are still some complicated rules in this area, and it is essential that you seek professional financial advice on these matters to ensure the right decisions for your particular circumstances and goals.

Rate Rises and the effect on your cash flow

This year may see many families struggle financially. Since May this year, the RBA has lifted cash rates from 0.1% to 0.85% amid rising inflation and costs. For an increasing number of retirees who have left the workforce with mortgage debt, that could put some strain on the household budget, and some may consider downsizing the home. With the age restriction relaxed, a new downsizer superannuation contribution rule change taking effect on 1 July, means that if you're over the age of 60 and eligible, on the sale of your home you can contribute up to $300,000 ($600,000 for a couple), into your super.

With rising house prices across Australia pushing home ownership dreams out of reach for younger generations, particularly in the metropolitan areas, paying down a mortgage is a growing problem for those at the other end of the property ladder: retirees are increasingly leaving the workforce with mortgage debt which was not the norm among middle income Australians even 10 years ago.

According to Rachel Ong, Professor of Economics at Curtin University, between 1990 and 2015 the percentage of 55-64 year olds who owned their home outright fell from 70 per cent to 47 per cent. During the same period, the percentage of those carrying a mortgage debt rose from 12 per cent to 31 per cent. The balance were property renters.

Brendon Coates, the economic policy program director at Grattan Institute and author of Money in Retirement: More than Enough attributes the growing trend of people spreading the cost of buying a house over more of their lives on two factors: higher property prices that are now around 10 times the average wage compared with three to four times two decades ago. The second factor is that many Australians are delaying their entry into the property market as they save for a larger deposit over a larger timeframe, leaving less working years to pay down their loans.

The most recent lending indicators from the ABS reveal that the average national mortgage size has increased by 18% over the past year alone to a record high of $595,568 in November 2021, with property owners in Victoria seeing the largest annual increase of 24%. With the maximum recent home loan interest rate rise of

0.85% (total of May 0.35% and June 0.50% rate rises), that would mean the average home buyer will be paying an additional $110 per month for a principal and interest loan over 25 years (Source: Domain home loan repayment calculator).

Downsizing and your Super

Considering your super's strength in your 50's might not be high on your to-do list, but not prioritising your super in the final decade before retirement or even semi-retirement could leave you on the back foot.

According to the Association of Superannuation Funds of Australia (ASFA) CEO Dr Martin Fahy+, price increases in essentials such as petrol (up 27.3%), hospital and medical services (up 6.7%), and fruit (+4.7%) and vegetables (+5.5%) have all accelerated following supply chain disruptions from the COVID-19 pandemic and the current conflict in Ukraine, hitting retirees particularly hard.

The ASFA Retirement Standard~ says the 'comfortable' retirement standard for retirees aged between 65-84 who own their own home is a minimum annual cost of $45,962 for singles and $64,771 for couples. This includes items like daily essentials, private health insurance, a range of exercise and leisure activities as well as the occasional restaurant meal and some travel.

Maybe you want to review your current living arrangements and how this may impact your retirement. If you are thinking of downsizing your home, changes to the downsizer contribution rules from 1 July 2022 may now see you eligible, meaning, retirees can boost their super by contributing $300,000 ($600,000 for couples) from the sale of their home. As noted above, an additional bonus is the age has been dropped from 65 to 60 years old (from 1 July 2022) to be eligible for the downsizer contribution. There are some additional eligibility considerations, so you should consult with your financial planner.

Time for a health check

The rise in interest rates does not mean it's time to panic, in fact, for many retirees the boost in Term Deposit rates could be very welcome. However, whether you're retired or planning on retiring this might be a great opportunity to review your current financial plan to ensure you're on the right path for you, your family and your lifestyle.

It's important that you refer back to your original plan and if you don't have one, to consider putting one in place, ensuring there is some flexibility to manage any unexpected changes.

Our expert Financial Planners are available to provide you with advice and work through a plan and strategies that would be suitable for your life during this changing market.

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***https://grattan.edu.au/report/money-in-retirement/*
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+https://www.superannuation.asn.au/media/media-releases/2021/media-release-24-august-2021
~https://www.superannuation.asn.au/resources/retirement-standard

Asian equity market outlook

Understanding the Asian equity market in a time where disease and war plays a major role can be confusing. Conrad Burge, Head of Investment for Fiducian Group Limited answers some questions about the current market in Asia and how investing in India may offer strong potential returns over the long term.

- **What is the current outlook for Asian equities?**

  The outlook for Asian equities varies significantly between countries as the region is far from being one entity. Some markets are attractively priced while others appear expensive. The Chinese market, for example currently looks cheap but, as we know, the country faces extreme challenges at present, including severe flow-on effects from lockdowns in place across the country to counter the spread of new variants of the COVID-19 disease (necessary because the Chinese vaccine has proved relatively ineffective in preventing the spread of the disease).

  On the other hand, the Indian stock market currently appears relatively expensive after rising by 29% last year but this ignores the positive outlook for the Indian economy and for corporate earnings growth. The Indian economy is forecast to grow by an impressive 8.2% this year (IMF April report) and by around 7% in 2023, while earnings are forecast to grow by over 20% this year and by 14% in 2023 (Yardeni Research).

- **What impact do geopolitical pressures have on this sector**

  Geopolitical pressures could potentially have an enormous impact on East Asia in particular as the region is highly dependent on imported energy, including oil, gas and coal. If the Ukraine war is prolonged, these negative effects could be expected to multiply and slow growth.

  In the case of India, however, this economy is relatively self-sufficient and is far less dependent on exports to the developed world. Self-generated economic growth is likely to be sustained in India even in the event of a prolonged slowdown in the rest of the world.

- **When it comes to investing in Asian equities, in your opinion, where are the opportunities, and what are the risks?**

  Investing in Asian equities is for investors looking for solid returns over the longer-term and is not recommended for those seeking short-term gains as markets can be volatile. The risks could be high for the Chinese market if lockdowns continue, if problems in the property market are not soon resolved and, in geopolitical terms, if the country's leadership continues to up the ante against Taiwan and threaten military action against its neighbour.

India, on the other hand, is likely to continue to grow strongly over coming years despite any maelstroms that emerge internationally.

- **Of course, India is considered as an emerging market. Last year, India's equity markets were said to have had the best performance in Asia. Do you think the trend will continue this year? If so, why?**

  The trend for the Indian share market this year is unpredictable. However, the longer-term outlook remains positive. Output continues to grow strongly year-by-year; the population is continuing to increase (unlike East Asia, including China, where populations are already declining rapidly in some cases) and the middle class is continuing to expand at a rapid rate. This growth in the educated middle class bodes particularly well for consumer stocks, transport, infrastructure, services of all kinds, including software and technology more generally.

- **When was the Fiducian India Fund established and what does it offer investors?**

  The Fiducian India Fund was established in 2007 and has a strong performance record. In 2021, the Fund out-performed the index (Bombay BSE100) by over 11% and by 4.8% per annum over the 10-year period, returning over 18% per annum in $A terms to 31 December 2021.*

  Through a diversified blend of four managers, the Fiducian India Fund provides investors with the opportunity to gain actively managed exposure to a high-growth economy with the potential for strong future growth.

- **What is your forecast for Asian equities, in particular Indian equities, moving forward?**

  The Indian share market has a record of out-performance and this is likely to continue into the future as it is clear that India could become one of the world's major economies over the next two decades.* As such, the Indian share market could potentially out-perform most other Asian equity markets over coming years, particularly given solid economic fundamentals in terms of population growth, an educated workforce, growing openness to foreign investment and a strengthening alliance with western countries.

* Past performance is not a reliable indicator of future performance and we do not guarantee the performance of the Fund or any specific rate of return. Potential investors should also obtain and consider the relevant Target Market Determination (TMD) and Product Disclosure Statement (PDS) (available from your financial adviser and via fiducian.com.au) before making a decision about whether to acquire or continue to hold any financial product.

Welcome to our new Financial Planners

Brandt Piercy - Fiducian Financial Services Adelaide

Hamish McLean-Perry - Fiducian Financial Services Bendigo

James Wearn – Fiducian Financial Services Canberra

Justin Turtle - Fiducian Financial Services - Sydney CBD

CEO Sleepout

For the second year, Robby Southall our Executive Chairman for Fiducian Financial Services joined hundreds of CEOs, business owners as well as community and government leaders in sleeping outdoors to support the many Australians who are experiencing homelessness and people at risk of homelessness.

Homelessness can affect anyone at any time. The Australian Bureau of Statistics has found that over 116,000 Australians are experiencing homelessness. Of these, 60% are under 35, 44% are women and 13% are under 12 years old.

In 2021, the Vinnies CEO Sleepout raised over $9.3 million for people experiencing homelessness and people at risk of homelessness.

You can Support Robby and this fabulous cause www.ceosleepout.org.au. Every bit helps.

Vision Beyond AUS

Vision Beyond AUS

Vision Beyond AUS was founded by Fiducian Executive Chairman Indy Singh in 2011. The aim is to fund and support free eye surgery at established local hospitals and independent rural clinics committed to providing free care for those living below the poverty line.

Since 2013 Vision Beyond AUS has returned eyesight to just over 46,000 men women and children, provided eye screening to 14,000 children in rural Nepal and given free medical consultation to an estimated 75,000 persons who live in developing countries such a Myanmar, Cambodia, India, Nepal and Ethiopia and without eyesight exist as a burden to their communities and families. In addition, over $200,000 of surgical equipment has been supplied or funded in these countries so that their surgeons can carry out necessary surgeries.

To find out more or to provide support visit www.visionbeyondaus.org.au.

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