PARRISH FINANCIAL

NEWSLETTER

END OF FINANCIAL YEAR EDITION

JUNE 2020

Many are asking the question “what does our future look like in the ‘post’ Covid world”. What will we encounter along the journey towards re-instating normality? Will life return back to the way it was, or is this the beginning of a “new normal”?

Will hand sanitizer become the new checkpoint before entry to our grocery stores? Is contactless delivery service the new standard? Will more businesses operate from home office spaces? Will Australia start looking to expand their trade partners?

The impact of Covid-19 has been far-reaching; leaving few unscathed. Businesses must become more innovative and households need to be more prepared for the ‘what ifs’.

One thing is for sure, the future landscape is changing, no matter your situation. More and more we are relying on internet-based apps and websites for personal and business use. Technology continues to advance. It is exciting yet at times daunting/challenging, but remember, we are all in this together! Thankfully, within the financial planning world, the good old-fashioned face to face interaction is still an important part of our business and we are looking forward to our face to face interactions increasing.

Amid the many disruptions caused by Covid-19, Parrish Financial continues to operate smoothly. With most staff still operating from home until restrictions are completely lifted; you should expect the same great service and friendly faces (okay, voices) that have been supporting you over the years.

“Get into bed and I’ll text you a story.”

STAFF UPDATES

Welcome Emily to the team! Born and raised in Cairns, Emily worked at ANZ for 7 years and found her passion for financial planning after 4 yrs with the bank and moved into the Financial Planning division. Emily has joined us in the capacity of Associate Adviser and is working directly alongside Matthew as she works toward becoming an Adviser in her own right. Emily has a Bachelor of Business (Financial Planning) which she completed in September 2019 whilst working full-time which shows the self-drive and tenacity of her nature and we are so pleased for her to join as a like-minded professional. Emily and her partner Kevin, recently purchased a home and are enjoying the many DIY projects in their spare time (admitting that neither one of them have a handy bone in their body and citing it's the blind leading the blind!) Emily adores Labradors and Golden retrievers and has vowed that once the DIY projects are finished, they will expand their little household by getting a golden retriever which has already been named (Gloria).

Emily also loves to travel and hopes her next holiday will be a white Christmas in New York with Kev. Emily enjoys reading investment books (especially ones recommended by Warren Buffett) and is an avid runner, with a goal of running 10km every day. To balance things out, you will find her desk drawer filled with chocolate at all times.

Here is Tanille, Rochelle's CSO. At the time of printing our last newsletter, we did not have a photo.

A NEW ORDER OF BUSINESS IN FINANCIAL PLANNING

The Financial Planning industry is not immune to change and continues to evolve each year.

The decommission of trail commission:

A call for greater transparency is upon the Financial Planning sector with legislation due to take effect 1st January 2021 many providers have opted to implement this change much earlier. Accordingly, for those clients that have products that have been paying a commission from the products fees we will discuss this with you in the future. Businesses will no longer be paid by the product provider via an in-built 'trail commission' which formed part of the overall product cost. Rather, investors will pay a separate 'adviser service fee' agreed between themselves and their adviser.

Fee Disclosure Statements:

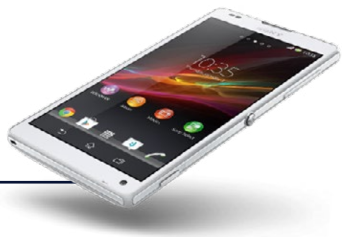
As if you don't already receive enough paperwork, you will also expect to receive an annual Fee Disclosure Statement (FDS) which outlines all advice fees paid for the preceding 12 months. These will be emailed or posted depending on your mailing preference.

Annual Opt-In:

Further to Justice Hayne's report into the Financial Services Royal Commission, he has called for an annual 'opt-in' process which will require clients to sign up to a new agreement every year. A two-year opt-in is already in place for anyone that became a financial planning client from July 2013. The new legislation was due to come into effect this year but has been delayed due to Covid. This means it is more important than ever to participate in your annual review to ensure our mutual agreements remain in place. We understand that many of you are busy so if you can't make it to our office for a meeting; a phone call, facetime or skype meeting is just as easy for us to arrange.

Still a bit confused?

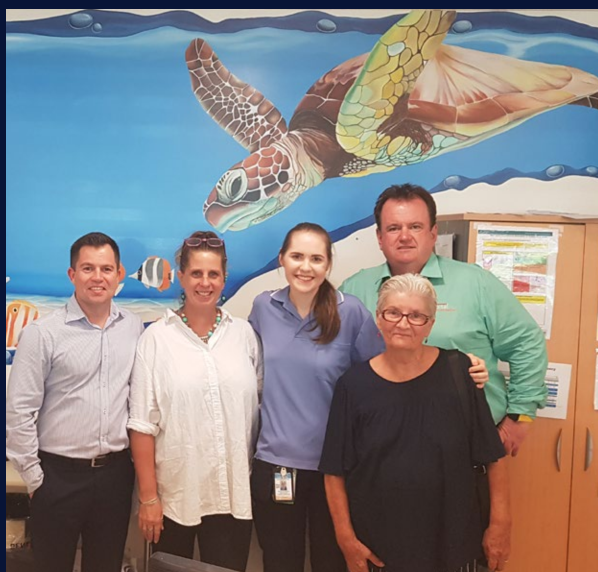
Give us a call today to discuss
07 4054 7778



FNQ HOSPITAL FOUNDATION

Our beautiful client, Dawn Evans (pictured in black outfit), along with Parrish Financial recently made a donation to the Liz Plummer Centre here in Cairns, after losing her husband to cancer. The donation was used to install a bright and colourful hand painted wall mural that greets patients on arrival.

To see the full mural and read the full article you can go to the news section of the FNQ Hospital Foundation website: https://www.fnqhf.org.au/news



WEXIT – WEALTH MANAGEMENT EXIT BANKS DEPART

The great adventure into wealth management by Australian's big four banks over the last 20 years is coming to an end. It has cost them billions of dollars to gain their dominance and billions more to exit the tangled web they have created. A simplified snapshot:

nab

2000 NAB acquires MLC

2016 NAB announces the majority sale of its insurance division to Nippon Life Insurance Group to form MLC Life Insurance

2018 NAB announces intention to divest the remaining parts of MLC, including investments and financial planning

Commonwealth Bank

2000 CBA acquires Colonial Group

2018 CBA announces sale of CommInsure to AIA and sale of Colonial First State Global Asset Management to Mitsubishi UFJ Financial Group

2020 CBA announces sale of Colonial First State to KKR

Westpac

2002 Westpac acquires the Australian operations BT Financial Group.

2007 Westpac lists the investment management arm of BT Financial Group on the Australian Stock Exchange as BT Investment Management (BTIM).

2017 Westpac reduces its holding in BTIM to 10%.

2020 Westpac announces its intended accelerated sale of its remaining superannuation, funds management and insurance operations

ANZ

2002 ANZ forms a joint venture with ING Group for Investments and Insurance in Australia and NZ.

2009 ANZ buys out the remainder of ING Group

2010 Renames the business to Onepath

2017 ANZ sells the majority of its financial advice, super and funds management assets to IOOF

2019 ANZ announces the sale of Onepath Life Insurance to Zurich

Familiar pattern?

One does it and they all follow suit... It doesn't matter which bank CEO you listen to at the moment, they all have the same message. We are focusing on our core business of banking and simplifying our operations.

How have we ended up at this point?

It seems that bankers did not really understand the complexities of what they were getting into. Wealth management businesses are diverse businesses and require ongoing capital investment into systems and technology and need to keep a focus on the constant changing regulatory environment to remain compliant. The Royal Commission certainly highlighted the shortcomings in the way the banks have managed their wealth management divisions. The result is that they no longer have the appetite to be in this area. It has caused considerable reputational damage to their cherished brands; bank boards have been turned upside down and new CEO's appointed along with facing massive remediation expenses to ensure the businesses now comply with the law.

A new era?

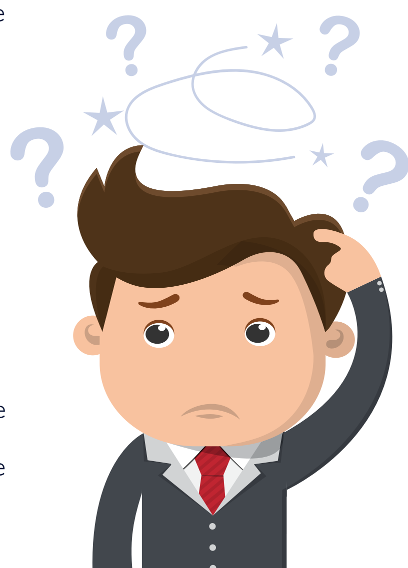
The more things change, the more they stay the same, as they say. 20 years ago, the banks had very little exposure to wealth management and then it became a frenzy for each to partner up and acquire various wealth management businesses. Now it is a race to divest what hasn't already been sold.

To a certain extent we are going back to standalone focussed businesses, although the regulatory landscape is very different now. The most recent activity has been the announcement on the 13th May in relation to KKR purchasing 55% of CFS from the Commonwealth Bank. On completion of the necessary regulatory approvals it is expected that this will complete in the first half of next year. Commonwealth Bank retains 45% however we would suspect in time they would sell this down too.

All banks are exiting this space so at some point a sale occurs and a new owner arrives. It is expected that it will be business as usual at CFS in the short term and it makes sense that any buyer wants to add value and growth to the business they have acquired. KKR have stated its proposed investment program for CFS is intended to deliver a range of substantial benefits over time including:

- a simplified product offering, with competitive pricing and choice
- improved service experience including accelerated investment in digital channels
- modernised technology systems to deliver a market leading superannuation service

Decisions are best made once sufficient information is available. It is early days for the changes that are occurring within wealth management. We continue to monitor and evaluate these changes along with other providers and products available in the industry.



END OF FINANCIAL YEAR

It's that time of year again!

Super – consider these strategies

- A personal deductible contribution to super (up to the annual $25K concessional cap).
- A spouse contribution of $3,000 to gain a tax offset of $540 (this instantly reduces tax payable). The receiving spouse must be under age 70 (a work test applies if aged 65-69). Receiving spouse's income must be under $37,000 for full offset and under $40,000 for part.
- A government co-contribution - If your total assessable income is under $53,564 for the FY, a non-deductible (after-tax) contribution to super may provide you with a co-contribution payment up to $500!

Other helpful EOFY strategies

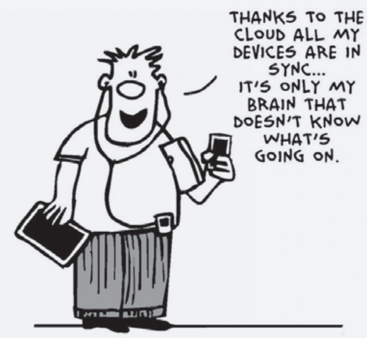
- Income Protection – remember to provide your annual statement of premiums paid for policies owned/funded by you and claim these as a tax deduction to reduce your taxable income.
- Investment loan interest – don't forget to provide your Accountant with statements of any investment loans that you have for investment purposes. The interest may be tax deductible against your personal earnings.
- Instant asset write-off for businesses – this threshold has been increased which provides a business with greater deductions this FY (see 'Covid-19 for businesses' section).

The above strategies can be complex depending on your situation, be sure to speak to us before going ahead so we can provide you with personal advice.

CENTRELINK AND DVA CHANGES

Reduced deeming rates – on 1 May 2020, the deeming rates dropped from 1.0% to 0.25% for the lower tier, and 3.0% to 2.25% for the higher tier. What does this mean for you? Essentially, this means that those of you who are 'income-tested' may end up with a slight increase in entitlements.

MyGov account – A MyGov account is fast becoming a hot commodity! It certainly makes life easier if you are wanting to easily update your personal details, making minor changes to your assets (for Age Pension purposes) or track super contributions (particularly useful if you have more than one job). If you don't already have a MyGov account in place, speak to us about how you can do so; and remember to bring your details in for your next appointment.



WATCH

April saw markets bounce back following steep declines in March. Global and domestic government bond yields stabilised as liquidity conditions improved following significant policy easing. Australian and global shares also improved, fuelled by large monetary and fiscal easing as well as an easing of lockdown measures. Meanwhile, sectors such as healthcare and technology outperformed relative to other sectors due to their perceived defensive characteristics.

All in all, the road to recovery will be gradual, however, history tells us that economies can bounce back quickly after a severe downturn so a quick recovery is possible but uncertain. Recovery could take many forms. Nevertheless, if the old saying "never waste a crisis" holds true, then there are plenty of ways we could use the COVID-19 pandemic to fix some of the underlying problems that plague the Australian and global economy alike.

COVID-19

The Federal Government announced an enormous financial support package for Australians in response to Coronavirus.

If you are unsure of the measures available to you; please speak to us about any of the following:

For business owners

- JobKeeper – a wage subsidy to help retain employees
- Cash injection – temporary cash flow payments up to $100,000 to keep small to medium-sized businesses operating
- Apprentices and trainees – a 50% wage subsidy for the period 1 Jan – 30 Sep 2020.
- Financial distress safety net – to lessen the threat of actions that could unnecessarily push businesses to being wound up or forced into insolvency or bankruptcy during this time.
- Instant asset write-off – an increase of threshold from $30,000 to $150,000 for businesses with aggregated annual turnover of less than $500m.
- Credit and loans – access to additional loans from participating lenders. The Government will provide a guarantee of 50% to SME lenders for new unsecured loans to be used for working capital.
- Supporting regions and sectors - $1b has been set aside to support communities, regions and industries most significantly

For individuals and households

- Financial support and payments – JobKeeper payment, increased income support, JobSeeker flexibility.
- Access to super – Access to $10,000 in the current financial year as well as $10,000 in the new financial year.
- Extra payments – two x one-off payments of $750 to help boost the economy. (To be eligible you are currently receiving social security, veteran and other income support or are an eligible concession card holder).

Conditions apply to many of the above measures and some may have a significant impact to your future. You can find more information at www.treasury.gov.au/coronavirus or please speak to us for personalised advice.

Insurance premium relief

Due to Covid, most insurance providers have been inundated with requests to cancel insurance policies and have been working overtime to find a way to help individuals reduce or pause their premium costs without having to cancel their policy in full and risk being without cover when it matters most. If you are struggling to pay your premiums, please contact us to work out what is a suitable way forward for you.

Federal Budget

With the disruption of Covid, Parliament postponed our May Budget release – this is now happening in October and we will endeavour to provide a summary of this in our December newsletter edition.

Account-Based Pension draw down reductions

From 1 July 2020 many pension providers are automatically reducing minimum pension payments to the reduced minimum. That means, for those that normally draw the minimum only from their Account-Based Pension will automatically reduce to the new 50% reduced payment.

If this effects you and you would like your pension amount re-instated to the current rates as shown in the table below. Please contact our office to advise.

Age	Current rates	Reduced rates 2019-20 & 2020-21
Under 65	4%	2.0%
65-74	5%	2.5%
75-79	6%	3.0%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or more	14%	7.0%

PARRISH FINANCIAL