



TWENTY 21 seems to have started off on the right foot with some parts of the world beginning to re-open their borders to International travel, Covid-19 vaccines rolling out across the globe; and the commencement of an Australia-New Zealand travel bubble. Now, here we are almost mid-year and for the most part, Australia seems to be returning to some sort of 'normality' with the vast majority of the country open for business.

Luck of the draw it would seem, how you, your family or business fared during the past 12 months and largely depended on what (trade) sector you belong to. Controversially, the sporting world powered on through a 'business-as-usual' approach, while others were left to adapt at a moments' notice, proving that resilience was arguably the strongest commodity necessary to thrive (or survive).

One thing is for sure, 2020 resembled a Stephen King film that no-one wants for a sequel. With businesses picking up the pieces, children returning to school and the sincerest hopes for a better future, the road to recovery will no doubt be a long one.

Fittingly, amidst ongoing global turmoil and escalating trade wars, the Federal budget was released on Tuesday, 11 May, with little surprises in store – a focus on aiding a domestic economic recovery.

Let us unpack what is in store for the upcoming year and highlight some of the things that may be of benefit to you, or someone you know. We are here to assist you in meeting your goals and achieving the lifestyle you're working towards and thank you for the ongoing support of our business.



BUDGET

Treasurer Josh Frydenberg has delivered the Federal Government's second "pandemic" budget which, again, focuses on key spending measures to drive the Australian economic recovery. We have summarized the announcement into 3 categories, Super, Tax, Social Security/Aged Care:

Superannuation

- **Removal of work test for some contributions** – Currently, if you are aged between 67-74 years old, you must meet a work test (have worked at least 40 hours during a 30 consecutive day period) in order to make a contribution into super. This will no longer apply for this age group when making:
 - Salary sacrifice contributions
 - Non-concessional (after-tax) contributionsHowever, the work test will continue to apply to this age group who wish to make a personal concessional contribution (and claim a tax deduction).
- **Expanding the bring-forward rule** – The ability to utilize the 'bring-forward' arrangements for non-concessional contributions where up to \$300,000 (3 x \$100,000 current annual cap) can be made in a single year is currently only available to individuals under age 65. This will be extended to those 67-74 years of age. (See change in thresholds further on).
- **Removal of Super Guarantee (SG) threshold** – Employers will be required to pay super guarantee contributions to all employees over age 18 irrespective of how much they earn in the month.
- **Reducing the eligibility age for downsizer contributions to age 60** – The ability to make a Downsizer Contribution to super when selling your home will be extended to age 60 (currently you must be age 65+).
- **First Home Saver Scheme (FHSS)** – The amount of voluntary super contributions that can be withdrawn to help purchase your first home will increase from \$30,000 to \$50,000. The annual contribution limit for this scheme will remain at \$15,000. This is a great (tax-effective) measure for anyone who is working toward purchasing their first home in the next few years.
- **Two-year window to exit legacy retirement products** – Some individuals may have a restrictive legacy retirement product, purchased before 20 September 2017 (often referred to as 'complying' products). Those looking to commute will have the opportunity to roll back these funds to super, commence a new income stream or withdraw the funds from super altogether. These include:
 - Market-Linked income streams (otherwise known as Term Allocated Pensions (TAPs))
 - Complying life expectancy income streams
 - Complying lifetime income streams

If you think you will be affected by any of these measures, please speak to us at your next review.

The following topics were not addressed in the budget; however, it is expected that they will proceed as legislated:

- **Compulsory SG** – Set to increase from 9.50% to 10% from 1 July 2021. Employers, take note!
- **Temporary reduction to pension payment minimums** – The government announced on 30 May 2021 that the temporary 50% reduction to pension payment minimums which allows retirees to keep more money in their superannuation accounts will be extended for the 2021/22 financial year.

STOP THE PRESS

Age	Temporary reduction rate (%)	Standard minimum rate (%)
Under 65	2	4
65-74	2.5	5
75-79	3	6
80-84	3.5	7
85-89	4.5	9
90-94	5.5	11
95 or over	7	14

As a result, if you have previously taken advantage of the reduced minimums you will be able to continue to do so for another year. Unfortunately at the time of printing we are unable to determine whether anyone who elected to take a reduced minimum during the current financial year will carry over the new financial year. Correspondence will be issued from various product providers closer to the new financial year and of course we are here and more than happy to assist with any necessary amendments.

Tax

- LMITO to stay for another year – The low and middle income tax offset (LMITO), which provides an offset of up to \$1,080 was due to cease 30 June 2021. This will be extended for another year (30 June 2022). The offset is automatically calculated when you lodge your income tax return.
- Tax residency rules simplified – Currently there are four (often conflicting) tests to determine if you are an Australian tax resident for income tax purposes. It has been proposed to simplify this system by applying one primary test – an Australian tax resident is someone who has physically been in Australia for at least 183 days in the financial year. Additional secondary tests may be used for those who do not meet the primary test.
- Small business tax concessions extended 12 months – Businesses will continue to benefit from two significant concessions announced last year, as follows:
 1. Eligible businesses with annual turnover less than \$5 billion will be able to deduct the full cost of depreciable assets first used or installed before 30 June 2023.
 2. Eligible companies can carry back losses for another year being the 2022-23 year to offset against profits in 2018-19 or later years.
- Freeze on Medicare surcharge and private health insurance thresholds – The single and family thresholds used to determine if the Medicare Levy surcharge is payable and the private health insurance rebate available, will remain at current levels for 2021-22.

Social security and aged care

- Boost in funding – The Government has projected to spend \$17.7b over the next 4 years. A further 80,000 homecare packages will become available to help combat the current waiting list for care packages. An additional \$10 per day Basic Daily Fee Supplement for every resident in residential aged care (paid directly to the aged care provider). No new resident fees were announced in this budget.
- Pension loan scheme (to offer lump sums) – The pension loan scheme is a reverse mortgage style scheme which allows pensioners to receive fortnightly payments using the equity in their home. Limits apply. From 1 July 2022, it is proposed to extend this scheme to allow up to 50% of the maximum annual rate of pension to be received as a lump sum (limited to two lump sum payments in 12 months). Based on current rates, the maximum lump sum payment would be:
 - \$12,385 for singles
 - \$18,760 combined for couples

Still a bit confused?

Give us a call today
to discuss **07 4054 7778**



Important: All of the budget measures are proposals only until legislated and are subject to change.

CHANGES TO SUPER CAPS

In line with indexation, annual superannuation contribution caps will increase as follows:

	Current	From 1 July 2021
Concessional	\$25,000	\$27,500
Non-Concessional	\$100,000	\$110,000
Non-Concessional (Bring-Forward)	\$300,000	\$330,000
Transfer Balance Cap (how much super can be transferred to pension)	\$1,600,000	\$1,700,000

MYGOV DID YOU KNOW?



- The myGov portal aims to provide Australians with a single (secure) destination for accessing government online services with one login and one password. After registering, you receive an online 'inbox' where letters and statements will be sent to you from many government agencies.
- You may also be able to link services such as Tax Department (ATO), Centrelink, Medicare to your login and view important information from one login thereby making life easier for you.
- In many instances, you can update your personal details.

Speak to us at your next review and we can help get you started!

COVID-19 VACCINE AND INTERNATIONAL TRAVEL

- While many parts of the world are starting to open up again, Prime Minister Scott Morrison is not saying when all Australians will be vaccinated or when international borders will definitely open again; however, he has indicated that the budget assumes borders will stay closed until the middle of 2022.
- As at 25 May, a total of 3,690,622 vaccine doses have been administered in Australia.
- If you would like to keep abreast of the latest updates about the Covid-19 vaccine rollout, visit the official website www.health.gov.au and click on 'Find out more about COVID-19 vaccines' link.

End of financial

YEAR

SIX Tips for end of financial year planning

1 MAKE A SUPER CONTRIBUTION (PRE-TAX)

- **Salary sacrifice (pre-tax)**
An arrangement through your payroll where you forego some of your wages to be directed into super. A variety of benefits accompany this strategy: boost your super savings, benefit from dollar-cost averaging into the market, and reduce your income tax each pay period. (This should be reviewed regularly to avoid risk of exceeding the annual cap).
- **Personal Concessional (deductible) contributions**
Generally, these are lump sum contributions made directly from you into super which provides you with a tax deduction at tax time to help you manage your income tax position (and build up your retirement savings). Care should be taken to ensure that you do not exceed the concessional cap limits available. To manage this, your available cap must be determined before submitting a notice of intent to claim a tax deduction (remembering not to lodge your income tax return until after the claim has been finalized). We recommend that you seek our advice in all instances to avoid exceeding the allowable limits and incurring any penalty interest.
- **Carry-forward provision (pre-tax)**
Available to individuals who have less than \$500,000 in super, you may be able to utilize unused concessional cap from previous years (beginning 2018/19 financial year); thereby, maximizing your deductions. This is can be a handy measure for individuals returning to the workforce or those who have not utilized the contribution limits fully over the last few years.

2 MAKE A SUPER CONTRIBUTION (AFTER-TAX)

- **Salary sacrifice (after-tax)**
This is of particular benefit to individuals who 'cap out' due to high levels of income, and especially government employees wanting to take advantage of the super matching program offered by their employer. Individuals could still benefit from regular investments being made into super via 'after-tax' contributions to amplify super savings and take advantage of dollar-cost averaging (regular investing) into the market.
- **Lump sum non-concessional contributions**
If your employer does not offer a 'salary sacrifice' program, you can make lump sum contributions using your after-tax funds.

- **Bring forward provision**

This measure entitles individuals to bring-forward 2 years' worth of contributions, up to 3x the annual cap in 1 year. Helpful if you have recently received a windfall.

- **Government Co-contribution**

By making a \$1,000 non-deductible contribution into super, you may be eligible for a co-contribution of up to \$500 from the Federal Government! Subject to:

- Be under age 71 at end of financial year
- Receive at least 10% of assessable income from eligible employment
- Assessable income of \$39,837 or less (for full co-contribution)
- Assessable income between \$39,838 - \$54,838 (for partial co-contribution)

- **Spouse Contribution Tax Offset**

A spouse contribution of \$3,000 may entitle you to a tax offset of \$540 (reducing your tax payable). This equates to an 18% return! The receiving spouse must be under age 75 (a work test must be satisfied if between 67-74) with income of less than:

- \$37,000 for full offset or
- \$40,000 for partial offset

3 TAKE ADVANTAGE OF SALARY PACKAGING

A salary packaging arrangement allows eligible individuals to pay for expenses using pre-tax dollars (limits apply). Salary packaging is not available to everyone – employers such as Government, Health, Education or religious organisations offer this arrangement only. You should speak to us and/or your HR department to find out more.

4 PRE-PAY INTEREST ON YOUR INVESTMENT LOANS

Pre-paying your loan interest increases your deductions to reduce your taxable income.

5 INCOME PROTECTION

Income Protection premiums are generally tax deductible to the owner. Deductions reduce your taxable income and thus your personal tax liability. But more importantly, holding an income protection policy provides certainty of future income should you be unable to earn an income due to sickness or injury, and that translates to peace of mind.

6 SMALL BUSINESS CONCESSIONS

Consider accessing the instant asset write off measure to maximise deductions.

WHAT IS BITCOIN AND WHY IS IT BOOMING?

Over the past year, Bitcoin has featured regularly in the financial headlines, being eclipsed perhaps only by articles on Covid and the related vaccines! But, what is it exactly and why has its price exploded since the onset of Covid, or more particularly, since the economic policy response to the pandemic? In some sense, Bitcoin is the modern-day equivalent of the gold rush...and then some.

What is Bitcoin?

Bitcoin was created more than ten years ago by Satoshi Nakamoto – an individual or group of people whose identity remains unknown. In quite simple terms, a Bitcoin is software or a computer file that is stored in a 'digital wallet' app on a smartphone or computer, in a virtual vault. It is an example of a 'cryptocurrency', but it has features that extend well beyond the traditional definition of a currency.

Like a regular fiat currency, Bitcoins have no intrinsic value. Bitcoins have a price only because their users agree upon it. However, unlike regular fiat currency, cryptocurrencies have no centralised regulating authority and they rely on a 'blockchain' architecture. The latter refers to a shared digital ledger of transactions where the validation (or intermediation) of transactions is decentralised and made public across members of the network to prevent fraud.

Bitcoins are created via a form of virtual mining that requires tremendous computing power (and this requires an energy source – electricity). Computers are used to calculate increasingly difficult sums and the owners are eventually rewarded with a Bitcoin. The environmental impact of Bitcoin mining is large. In 2020, its carbon footprint was equivalent to that of Argentina.i

What Bitcoin is not

Bitcoin is not an asset and, nor therefore, cannot it be thought of as an asset class in the traditional sense. This is because Bitcoin does not generate cash flows. Nor does it have the characteristics of a commodity, which derives its value from use as a raw material to be transformed into something of use. Hence, for these reasons, Bitcoin cannot be valued.

Bitcoin is not “valued”, it is “priced”

While Bitcoin cannot be valued, it can of course be priced and traded, and even form part of a portfolio. This is because it is a type of currency. In addition, Bitcoin's scarcity value means it also has some features of a collectible (such as rare coins and stamps). Hence, Bitcoin can be priced against other currencies, including other cryptocurrencies.

Some people like the fact that Bitcoin is not controlled by the government or banks. This allows people to spend their Bitcoins fairly anonymously. Although all transactions are recorded, nobody can know which pertained to you unless you told them. In terms of security, it is possible to lose your Bitcoin wallet or delete your Bitcoins and lose them forever. There have also been thefts from websites that let you store your Bitcoins remotely.

Bitcoin returns and reasons to buy

In recent times, the price of Bitcoin has skyrocketed, as can be seen in the chart above. In US dollar terms, Bitcoin has appreciated by 825% since the 15th of April last year, and by more than 110% year-to-date. So, what has driven the price of a Bitcoin from below US\$10,000 to above US\$60,000 in the space of a year?

Traders ultimately believe that the price will move higher for any number of

Bitcoin's meteoric rise...and fall - USD spot price



reasons. Some are buying it because they feel it is in the early stages of a speculative bubble from which large gains can be made. Others argue that it will gain acceptance as a global digital currency.

Some buyers point to Bitcoin as a possible safe haven from the policy errors of governments and central banks. This mistrust is similar to the way an exposure to gold is seen as an inflation hedge and a store of value in times of great uncertainty. A once-in-a-century pandemic seems to fit the bill. In this sense, Bitcoin is akin to “gold for millennials”! But, it is being purchased across all age groups.

In more recent times, Bitcoin has increasingly gained institutional acceptance, and some companies are deploying part of their cash reserves into cryptocurrencies. Sophisticated investors have noted that the price of Bitcoin is quite lowly correlated to traditional asset classes. As such, some investors are holding a small proportion within a diversified portfolio.

(Typically just a few percent of total assets due to its high volatility – the Bitcoin price has at times depreciated by as much as 70%.)

A simple conclusion

Overall, Bitcoin is not for the faint-hearted. Governments could disrupt it by regulating against its use (India plans to ban Bitcoin) or a new technology might emerge. But, Bitcoin has momentum and the ‘Fear Of Missing Out’ (FOMO) on its side – so it matters little if any of the reasons above are indeed valid... for now.





THE IMPACT OF MENTAL HEALTH ON INSURANCE

Disability (income protection) claims related to mental health issues now account for around 11% of all claims, ranking ahead of cancer (10%) and only behind accidents (38%) and musculoskeletal (18%) issues. Speaking on the matter, Senator Hume said: "Higher levels of unemployment will likely have impacts on total permanent disability (TPD) and income protection pricing and the 'return to work' process. These things are likely to have flow on effects to the ever-present discussions about sustainability and affordability." The Prudential regulator has already prompted

Did you know?

The Government already spends about \$5.2 billion per year on mental health services; however, critics have warned that it will not be enough.

industry-wide changes, such as the end of 'agreed' and 'guaranteed' value disability policies, which pay a set income regardless of actual earnings at the time of claim. (All policies established after 31 March 2020 are now 'indemnity', which means pre-disability income must be evidenced at the time of claim.) Senator Hume (and others) have flagged another possibility: insurers could become more involved in mental health rehabilitation. Watch this space! When did you last review your insurance policies? Speak to us about it at your next review.

STAFF UPDATES

Welcome Mahala Gall to the team!

Mahala has joined us in the capacity of Client Service Officer and leads the team in this space. Having worked 5 years in Financial Planning (and previously 11 years in the Financial Services sector), Mahala comes with a great deal of experience and enthusiasm. Her favourite part of the job is the 'implementation' process where she gains the satisfaction of seeing a task completed from the very beginning through to the end, using her attention-to-detail to detect potential anomalies and enhance efficiencies in processes along the way.

Mahala is an accomplished "CrossFitter", but you will also find her hiking on

weekends and generally being active. She has a love for Spartan racing which sees her overcome some very challenging obstacle courses and these events have taken her all around Australia since she competed in her first one in 2017. She is looking forward to having her husband and oldest (of two) daughters compete alongside her in the near future.

A baby on the way

Matthew, Monique and Harvey (now 4) are expecting the arrival of a little girl in mid-July. In anticipation, Matthew recently snuck in a fishing trip to the Archer River – Aurukun.



HAVE YOU BEEN IN FOR A REVIEW LATELY?

Contact us to arrange an appointment!

Phone: 07 4054 7778 or email

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