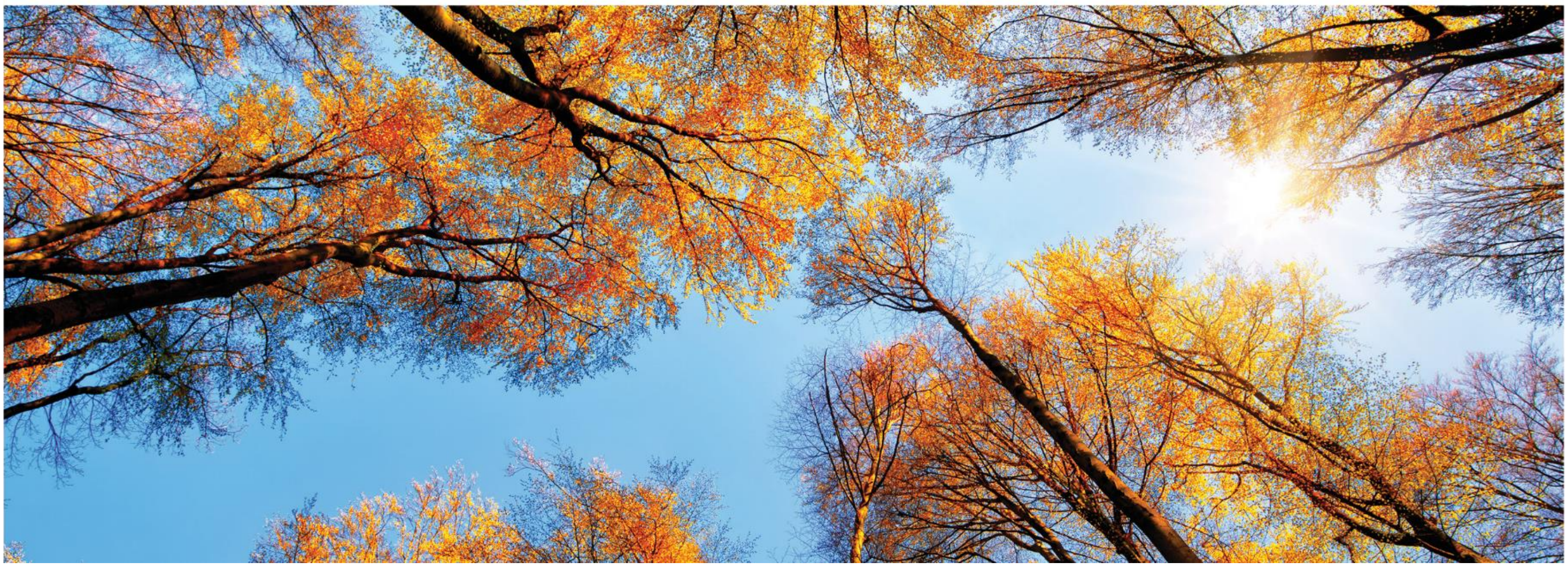


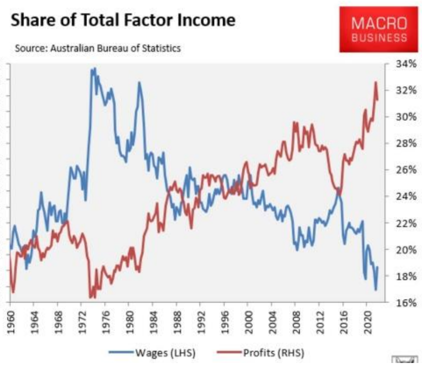
PFG Connect - Autumn 2023

With Autumn underway, the changing season is a reminder to take stock and prepare for what's ahead as the financial year heads towards its final quarter and the May Federal Budget.

The gloomy prospects for economic growth, both in Australia and overseas, are occupying the minds of investors, businesses and political leaders. Will there or won't there be a recession? The Reserve Bank of Australia believes global growth will remain subdued for the next two years and that Australia's economy will slow this year because of rising interest rates, the higher cost of living and declining real wealth. Two charts of interest are included on this page which help to illustrate these factors – the bottom depicts the extreme housing affordability woes where for example in Sydney 45% of the average income is now required to meet average mortgage costs, and the top chart illustrates 'inflation' profits going to corporates rather than to workers.

Higher or more 'normal' interest rates are now however rewarding investors with a reasonable return for short and long term deposits at the low end of the risk spectrum. Cash term deposits are available for 3-4% per annum and bank bonds are paying over 5% per annum at call. Investors in other higher risk assets may soon realise that they aren't being rewarded for the higher of risk they are exposed to.

Lyle Weir/ Peninsula Financial Group
Level 1/ 31 Beach St
Frankston VIC 3199
P 03 9783 4999
E pfg@shepard.com.au
W www.peninsulafinancial.com.au



FLEKING YOUR RETIREMENT PLANS

The concept of retirement is changing, with fewer people working towards a final retirement date and then clocking off for good.

Instead, those who have the flexibility to choose are often transitioning out of the workforce over several years, or even returning after a break.

Whether you simply want to wind back your working hours to explore other interests, or don't want to cut your ties with work completely, to make it work you need to plan.

Choosing your retirement date

There is no set retirement age in Australia, but most people will not be eligible to receive an Age Pension until they reach age 67.[i] This means you need enough savings to provide another income source if you retire earlier.

Although most of us have super, you are not permitted to access it until you reach your preservation age, which can vary.

Withdrawing your super also requires you to meet a condition of release. There are various conditions, but the most common one is reaching age 60 and permanently retiring from the workforce. Once you turn 65, you can access your super whether you are working or not.[ii]

Keep in mind, tax also affects your super, with different rates applying depending on your age. Most people can access their super tax-free once they reach 60.

Paying for your retirement

Unfortunately, there is no simple answer to how much income you will need in retirement. It depends on your current lifestyle and planned retirement activities, but a good place to start is the ASFA Retirement Standard.

For around 62% of the population aged 65 and over,the main source of retirement income is the Age Pension and government payments_[iii]

Eligibility for an Age Pension is assessed using your age, residency status and personal income and assets. These determine whether you receive the full fortnightly payment rate, which is currently $1,547.60 a fortnight for a couple.[iv]

As part of your planning, check for other potential sources of income from investment assets, contract work, or rent from investment or Airbnb properties.

Using your super savings

While you may dream of retiring early, many of today's retirees can expect to live well into their 80s, so your super may need to provide income for more than 20 years. If you are unsure whether your super is on track, we can help you check your progress and put strategies in place to achieve your retirement goals.

Most super funds provide online calculators to give a rough estimate of your likely retirement balance and how much income it will provide.

ASIC's MoneySmart Retirement Planner is another resource for working out your retirement income and potential Age Pension payments.

Transition-to-retirement (TTR} pensions

If you would like to ease into retirement, it can be worth investigating a TTR pension. These allow you to cut back working hours while using your super to supplement your income without compromising your lifestyle.

If you are aged under 60 you will pay some tax on pension payments, but they are tax-free once you reach age 60.[v]

TTR pensions also allow you to continue topping up your super through a salary sacrifice arrangement with your employer. You only pay 15% tax on these contributions, which may be lower than your marginal tax rate.[v]

Giving super a late boost

If you have income to spare as you move towards retirement, perhaps from an inheritance or downsizing your home, there are now additional opportunities to continue adding to your super.

You can make personal after-tax contributions of up to $110,000 a year until you reach age 75, even if you are not working. You may even be eligible to use a bring-forward arrangement and add up to $330,000 in a single year.

Once you hit 60, if are planning to sell your current home you can also make a downsizer contribution of up to $300,000 ($600,000 for a couple) into your super account.

Retiree concessions

When you are doing your retirement sums, don't forget some of the concessions on offer to older Australians. If you are aged 60 and over and working less than 20 hours per week, your state's Seniors Card can provide discounts on public transport and some goods and services.

You may also be eligible for the Commonwealth Seniors Health Card for cheaper prescriptions and medical appointments, or a Pensioners Concession Card for discounted public transport.

If you would like to discuss your retirement options and how to fund them, give us a call.

i https://www.servicesaustralia.gov.au/who-can-get-age-pension?contexl=22526
ii https://www.ato.gov.au/lndividuals/Super/
iii https://www.aihw.gov.au/reports/australias-welfare/age-pension
iv https://www.servicesaustralia.gov.au/how-much-age-pension-you-can-get?contexl=22526
v https://moneysmart.gov.au/retirement-income/transition-to-retirement

8 retirement mistakes

Retirement is a phase of life most of us look forward to. It's a chance to pursue other interests, travel and maybe do some part-time work or volunteering.

Thanks to more than 30 years of compulsory superannuation, we are retiring with more savings than previous generations but that also brings its challenges.

According to the government's Retirement Income Review, the average age of retirement in Australia is around the ages of 62 to 65.[i] On average men and women can expect to live to 85 and 88 respectively.

To make the most of your retirement your savings need to last. The best way to achieve that is to have a plan that will help you avoid some common and preventable retirement mistakes.

Mistakes people make

While it's impossible to predict what financial challenges lie ahead, these eight common retirement mistakes remain the same:

1. Not knowing your living costs - When you earn a regular income, you may be less focussed on keeping a track of your living costs. When the regular income stops at retirement, you can be unaware of whether your investment income and/or pension payments will support your lifestyle costs. Know what your living costs are before you retire to help manage expectations.

2. Not looking at your super until just before retiring - Investing too conservatively when you're working could mean you don't have enough super to fund your retirement. Review your super account regularly to ensure it is appropriate for each stage of your life.

3. Underestimating the impact of inflation - Australia's rate of inflation hovered below 3 per cent per year between June 2012 and early 2020. Since the onset of the global pandemic in March 2020, inflation has jumped to more than 7 per cent.[ii] The cost of living may require you to reassess your retirement planning.

4. Not understanding your government entitlements - If you're age 66 or older, you may be eligible for a full- or part-Age Pension. However, if you are not eligible for the Age Pension, you may still be eligible for other entitlements including the Seniors Card, Pensioner Concession Card, income tax offsets or pensioner stamp duty exemption/concession.

5. Letting the noise affect your investment decisions - Negative news headlines can create uncertainty during market volatility. History has shown, over the long run the market trends upwards. All this noise can make it difficult to stick your long-term strategy.

6. Trying to time the financial markets - "We haven't the faintest idea what the stock market is gonna do when it opens on Monday - we never have," said legendary share investor Warren Buffett. Say you invested $10,000 in the ASX 200 index by trying to time the market and missed the 40 best days between October 2003 to October 2022, your investment would be worth $9,064, whereas if you remained fully invested it would be worth $46,099.[iii] Trying to time the markets is never a good idea.

7. Being asset rich and cash poor - You may have built up a strong balance sheet of assets, but in retirement you need income. For many Australians, their family home could be their biggest asset. You may have other assets but are they generating enough income? This could include rent from an investment property, share dividends or managed fund distributions. If the income is insufficient, downsizing into a smaller home could free up enough money to live on.

8. Not consulting professionals - Financial advisers, accountants and other financial professionals can help set you on the right path by navigating the complexities of superannuation, investments, constant rule changes and other factors that affect your retirement. A good retirement plan, implemented correctly, can set you up for life.

Start Planning

Whether it's due to lack of time or awareness, too many people tend to make these same mistakes when entering retirement which can lead to unwanted financial surprises.

A phase of life you have looked forward to for so long deserves careful planning. So please get in touch if you would like to review your retirement income needs.

i Retirement Income Review Final Report. July 2020 page 63 Retirement Income Review Final Report (treasury.gov.au)

ii https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release

iii From 31 Oct 2003 to 04 Oct 2022, Fidelity AustraliaTiming the market | Fidelity Australia

Raising resilient kids

We **all** want the very best for our kids and as much as we would like to shield them from the difficult aspects of life, sadly we can't keep them from facing challenges along the way - both big and small.

The term 'helicopter' parenting has been bandied around a bit in recent years and refers to parents hovering over their children, with this well-meaning hyper vigilance aimed to keep them out of harm's way. The problem with this style of parenting is that it can lead to children being so shielded from life's mishaps that they don't develop coping mechanisms.

It's important for kids to learn how to cope when things don't go well and deal with the big emotions that accompany life's problems. After all, life only tends to get more challenging as we move from childhood into adulthood, and with the ability to bounce back more important than ever, by actively helping your kids develop resilience, you'll be setting them up with important skills for life.

What is resilience?

Although the term 'resilience' is talked about a lot, it's not always well understood. Resilience is not about putting on a brave face in an unfortunate situation or developing such a thick skin that we learn not to care about what happens to us. Resilience is the ability to acknowledge a challenging situation or negative event, employ coping strategies, and rebound to feel okay again. That does not mean that you don't react or feel strong emotions, just that you are able to recover and continue on with your life.

This can be a lot easier said than done for us grown-ups with all our life experiences and coping skills that we can draw upon, but it can be particularly challenging for little ones, teens and even young adults.

How do we help our kids foster resilience?

The good news is that resilience is a skill that can be learned and built upon and when we help our kids, we as grown-ups can become more resilient too!

Each day, our kids are internalising messages about the world and their place in it and that inevitably includes exposure to stressors. However, that's not all bad. Gradual exposure to stress, at manageable levels, actually helps children become more resilient. Their brains are encoding each experience, whether it's minor like handing in homework late or more significant like being bullied.

Each experience they have creates new neural pathways to help them in future situations and assist them to develop their own coping mechanisms they can call upon in future.

A helping hand

There is one key thing that can help build resilience and that's the role of supportive adults in children's lives. To help kids navigate problems and bounce back from setbacks it helps to consider the following framework.

The "Three C's":

Connection: Children who feel a sense of connection with others are more equipped to handle problems. We connect with our kids when we spend time with them - giving them our full and present attention, listening to their hopes and fears and feeling their joy, and their sadness.

Consistency: Children need a foundation of consistency to be in the best possible place to cope with change. This can take many forms and could include consistency of routine, location or relationships. Establishing, and committing to threads of consistency in your child's life anchors them as other pieces shift and move and provides a sense of stability in an uncertain world.

Comfort: A big dose of comfort when needed can help a child to be more courageous. Knowing that someone has their back and is there to comfort them when they fall can empower a child to take risks.

We can't always wrap our children in cotton wool and prevent them from experiencing unpleasant situations - but we can do our best to equip them to deal with difficulties and be there to help when they need a guiding hand.