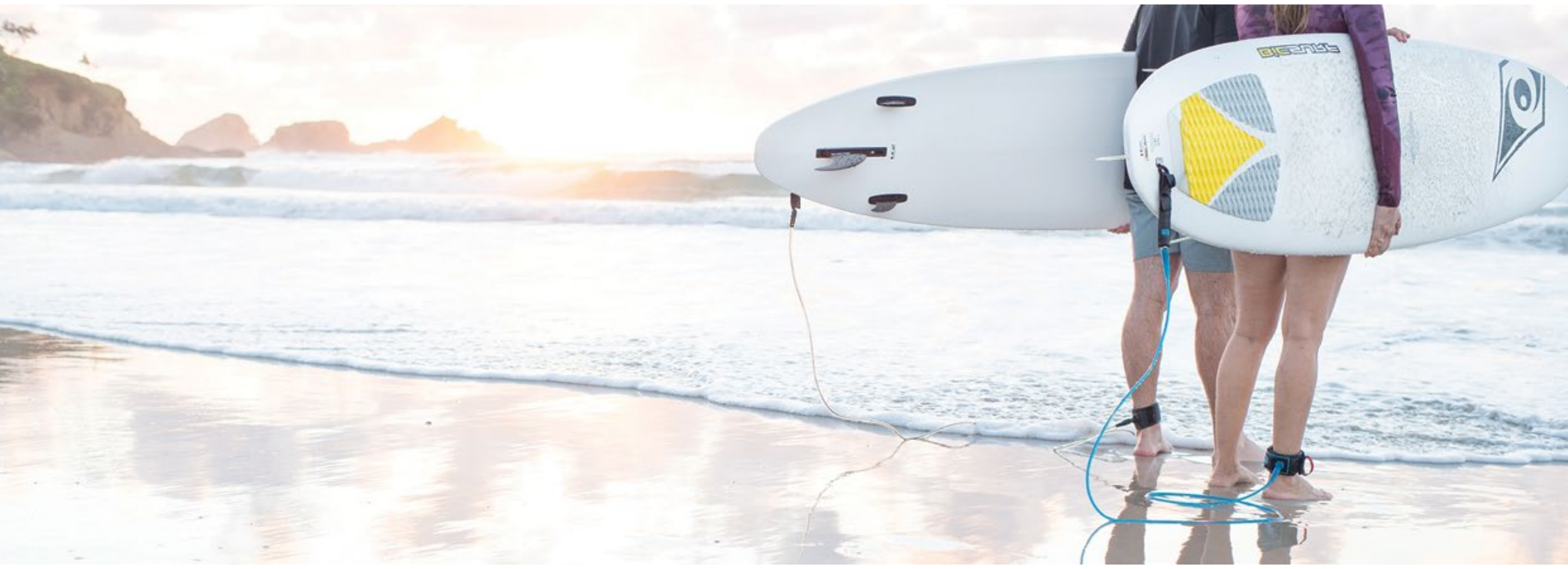

Waverley Wealth News - Summer 2020

Welcome to the latest edition of our client newsletter - Waverley Wealth News.

I hope that you and your family had a safe and happy Christmas and New Year period, and that you had a chance to catch up with family and friends, or the opportunity to get away somewhere relaxing and recharge the batteries.

It is difficult to comprehend the devastation occurring around our beautiful country at the moment, and our thoughts are with all those affected by these relentless fires. Our support, thoughts, well wishes and admiration also go to the 1000's of Emergency Service officers and volunteers that continue to bravely fight the fight to protect our communities, without any fear of self preservation.
We hope that you and your extended families remain safe in these difficult times.

As in previous editions, we try to provide articles that cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss "Can I go back to work if I've accessed my Super", and provide you with information on "Helping grown-up children with their finances". We also include an article on "Our top 10 Lifestyle costs".

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us on 0403 879 982 or email at - enquiries@waverleywealth.com.au

In the meantime we hope you enjoy the read.
Kind regards,
Scott

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Can I go back to work if I've accessed my super?

When you access your super at retirement your super fund may ask you to sign a declaration stating that you intend to never be employed again. But there may be compelling reasons why someone would subsequently return to work.

According to the Australian Bureau of Statistics (ABS) the most common reasons retirees return to full or part-time employment are financial necessity and boredom.[i] Regardless of your reason for returning to work, there are certain rules you should be aware of.

What are the superannuation retirement rules?

You generally will only be able to access your super if you've reached your preservation age and retired, ceased an employment arrangement after age 60, or turned 65. If you're thinking about returning to work after retirement there are rules about super you may need to be aware of depending on your circumstances.

We look at some of the common situations below.

I have reached my preservation age but am less than age 60

If you've reached your preservation age and wish to access your super, you would usually be required to declare that you're no longer in paid employment and have permanently retired.

If your personal circumstances have since changed, it is possible for you to return to the workforce, however your intention to retire must have been genuine at the time, which is why your super fund may have asked you to sign a declaration previously stating your intent.

I ceased an employment arrangement after age 60

From age 60, you can cease an employment arrangement and don't have to make any declaration about your future employment intentions.

If you happen to be working more than one job, ceasing just one will meet the requirement and you can continue working in the other.

You can choose to access your super as a lump sum or in periodic payments (which you may receive via an account-based pension).

If you're in this situation, you can return to work whenever you like as you wouldn't have needed to declare permanent retirement before accessing your super.

I'm 65 or older

When you turn 65, you don't have to be retired or satisfy any special conditions to get full access to your super savings. This means you can continue working or return to work if you have previously retired.

What happens to your super if you return to work?

Regardless of which of the groups above you fall into, if you have begun drawing a regular income stream from your super savings, you can continue to access your income stream payments whether you return to full or part-time employment.

If you haven't actually accessed your super but have met one of the retirement conditions of release (and advised your fund of this) then your super will generally remain accessible if you return to work.

Meanwhile, it's important to note that any subsequent super contributions made after you return to work will generally be 'preserved' until you meet another condition of release (unless you are aged 65 or over).

Can I access my super at 55 and still work?

In the past, Australians could access their super from as young as 55, but the preservation age is gradually increasing to age 60 and only people born before 1 July 1960 reached their preservation age at 55.

Regardless of your preservation age, you must meet certain criteria before you can access your super, as outlined above. However, if you're aged 60 or over, these criteria simply mean you need to end an arrangement under which you're gainfully employed.

Rules around future super contributions

Your employer is broadly required to make super contributions to a fund on your behalf at the rate of 9.5% of your earnings, once you earn more than $450 in a calendar month.

This means you can continue to build your retirement savings via compulsory contributions paid by your employer and/or voluntary contributions you make yourself.

However, if you're aged 65 or over, and intend on making voluntary contributions, you must first satisfy a work test requirement showing that you have worked for at least 40 hours within a 30-day period before you are eligible to make voluntary contributions in a financial year. Voluntary contributions can't be made once you turn 75 and the last opportunity is 28 days after the end of the month where you turn age 75.

Effects of withdrawing super on your age pension

If you're receiving a full or part age pension, you'd know that Centrelink applies an income test and an assets test to determine what you get paid. Your super or pension account will be included as part of your age pension eligibility assessment.

Any employment income will also be taken into account as part of this assessment, so make sure you're aware of whether your earnings could impact your age pension entitlements.

For those eligible for the Work Bonus scheme, Centrelink will apply a discount to the amount of employment income otherwise assessed.

If you have further questions about how a return to work could impact your ability to access your super, speak to us.

i https://www.abs.gov.au/ausstats/abs@.nsf/mf/6238.0

Helping grown-up children with their finances

It's only natural to want to help your kids with big ticket items to give them a good start in life—particularly in an era when tuition fees and house prices make higher education and owning a home less affordable than in previous generations.

But it can be difficult to know when to start turning off the tap. If you have an adult child who isn't very good with money, then giving them funds with no strings attached might not be the best approach. You might end up enabling their behaviour rather than encouraging better money habits.

Regardless of whether your adult kids still live at home, have moved out or are boomeranging back and forth, it's never too late to start encouraging positive money habits that will help them save, spend and invest more wisely.

Here are some things you could consider to change the money dynamic in your family.

1. Start with the difficult conversation

If you're determined to change the dynamic, it's important to make this clear from the get-go. Sit down in a neutral venue and have an honest discussion. Explain what you're going to do differently and why. It might not be an easy conversation. But in the long run it could help to clear the air and encourage a fresh approach. If your children are still living at home you've got the opportunity to set new ground rules like agreeing on a set amount out of their pay cheque every week for bed and board.

2. Ditch the gifts

If you've found in the past that gifting money doesn't solve their problems long term, then you could try another approach. One option could be loaning them money in instalments, with future amounts dependent on achieving specific goals like saving for their first home, perhaps through the First Home Super Saver Scheme. Another approach could be matching their savings when they reach a pre-determined amount.

3. Focus on goals (short and long-term)

Talk to your children about their life goals. What do they want to do…travel the world? Buy a new car? Save up for a new home? Be open about money and talk about ways to save and invest. Short-term, an everyday bank account can help them set aside money to help them reach their goals.

You can also get your kids thinking long term about how their savings could be working better for them. These days if you want to invest, you don't necessarily need a hefty starting figure or to fill in tedious reams of paperwork. From exchange traded funds to micro-investing platforms, there are plenty of online, digital ways to start small but think big.

4. Focus on the basics like debt

Like many of us in Australia, your kids may not have received a great education about finance. So when they think about borrowing money, they may not have much of a grasp of the difference between 'good debt' and 'bad debt'. It could be worth explaining the difference between borrowing money for a car and for a house—once you've paid it back, what are you left with? A car that may have shed 75% of its value or a house that's probably improved its value and most importantly provided a home to retire in?

5. Walk the walk

Your approach to your own finances can make a difference. It's important that you model good financial management, show them how you manage your finances and explain how you approach setting up your financial future. As always, we are here to assist if you need us.

Our top 10 lifestyle costs

Six out of the top 10 categories relate to just two things. Can you guess what they are, and could you be cutting back?

As a nation, Aussies aged 18 and over spent approximately $145 billion on lifestyle costs over a 12-month period, with the average spend per person around $7,800, according to research.[i]

While clothing and footwear took out the number one spot by a country mile on the top-ten list for lifestyle expenditure, six out of 10 categories related to just two things - eating and drinking out.[i]

Below we list the lifestyle costs that made up the top-10 list and some possible ways you could cut back in these areas without cutting back on life.

Lifestyle expenses costing Aussies the most

Below is what Aussies spent collectively on various lifestyle categories in the space of one year[i]:

1. Clothing and shoes - $21.5b
2. Restaurant dinners - $11.7b
3. Cigarettes - $10.7b
4. Takeaway dinners - $10.6b
5. Weekend brunch outings - $7.4b
6. Gambling and lotteries - $6.7b
7. Buying lunch at work - $6.4b
8. Buying coffee out - $5.9b
9. Drinks at the bar - $5.8b
10. Sportswear / sports equipment - $5.5b.

Ways to cut back on spending

If the categories in the top 10 do sound a little too familiar, and you're looking at ways to make your money go further, the good news is you don't have to cut these things out completely to reduce you're spending. Here are some suggestions.

Clothing and shoes

Consider writing down what you're after before you go shopping to avoid buying things you don't need, or rent or raid a good mate's closet if you have an event but don't want to wear something you've worn before. Even buying one less item a month (at $100) could save you $1,200 a year.

Restaurant dinners

Depending on how many courses you're having and what selections you're making from the drinks menu, opting to eat at home occasionally won't ruin your social life. Taking turns to host dinner parties with friends could reduce everyone's costs, as could everyone bringing their favourite dish.

Cigarettes

Whether you're a heavy smoker or count yourself more of a social one, reducing your intake by even a packet a week (assuming a packet is around $35) could put over $1,800 a year back in your pocket, not to mention the potential health benefits.

Takeaway dinners

Say you get takeout three times a week and spend roughly $30 each time. If you swapped just two of those takeaway meals with something you could cook at home for say $10 a meal – that'd be a saving of $40 a week, which is just over $2,000 annually.

Weekend brunch outings

Whether you're ordering smashed avo or you're more of the bacon-and-eggs type, add a coffee, and you're probably paying around $25 per brunch. As an alternative, opting for a picnic basket filled with $5 worth of stuff you have at home and hitting the park twice a month could save you $480 a year.

Gambling and lotteries

Whether you buy the odd lottery ticket or have the occasional flutter on the pokies, making this a less frequent event or setting yourself a limit could put money back in your pocket. Meanwhile, if it's going from a recreational to regular activity and you need help, call the Gambling Helpline on 1800 858 858.

Buying lunch at work

The convenience of it may be a wonderful thing, but if you're forking out $50 Monday through Friday, keep in mind bringing something from home (for say $4 a portion) could save you nearly $1,500 a year. Even if you make lunch one week and buy it the next, you could put away around $750 a year.

Buying coffee out

The barista might make a better coffee than you can but giving up five takeaway coffees a week could save you around $1,000 a year. And, if the instant coffee you make is really that bad, even cutting back on one or two takeaways a week could save you more than $400 over 12 months.

Drinks at the bar

If your drink of choice costs around $7 – cutting out just three drinks a week could save you over $1,000 a year. Another idea is to check out what deals are on as you might be able to get a drink thrown in for free when purchasing your dinner. Apps like TheHappiestHour might provide ideas.

Sportswear / sports equipment

If you're paying a lot here, you could consider a different type of fitness regimen where you swap a new set of dumbbells or boxing gloves for a scenic walk or swim at the beach. Ditching an unused gym membership (which might be $40 a fortnight) could also save you $1,000 a year.

Talk to us if you need a hand getting on top of your spending or even if you are doing great on cutting back and want to have a chat about best to grow your savings.

i Australians eating away savings, spending a whopping $4 billion on food and drink per month