



Waverley Wealth News - Winter 2019

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

I trust that you and your family are well and keeping warm during the winter months. Marg and I are now well and truly back from our wonderful Overseas holiday, and we are now busy working out how we can save enough money to go back again!!

The end of the 2018/19 Financial Year has delivered another positive year for global markets, although the world economic environment continues to remain a little uncertain with Trump, China, Europe, Brexit, North Korea and even our own Federal election having an impact on the share markets around the world. It goes without saying that volatility and uncertainty will always be with us. As always, if you would like to discuss your portfolio in more detail, please don't hesitate to contact me for a chat.

Our articles 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 “Take control of your finances now for the new financial year”, and provide you with information on “How to play catch up with your Super. We also include an article on “Here's how to lead a happier life”.

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.



Waverley Wealth Management Pty Ltd

PO Box 352

Glen Waverley

Vic 3150

P 0403 879 982

E scott@waverleywealth.com.au

W www.waverleywealthmanagement.com.au

Take control of your finances now for the new financial year

If you set yourself money goals at the start of 2019, the upcoming new financial year is a great time to check if you're on track.

And if you didn't set any goals – or if you have strayed off track – this is the perfect time to get organised, write a checklist and stick with it!

Don't wait until 1 July to start. Kick off now with these practical tips:

1. Set some goals

Think about what you want to achieve this financial year. Is it to save for something special, to curb your spending or to reduce your debts? Once you know what you're aiming for you can set and achieve your goals.

2. Understand where your money goes

If you're running out of money before payday, or you'd just like to get a better understanding of where your money goes, it's probably a good idea to start tracking your spending.

3. Set a budget

Get serious about managing your budget.

If you don't already have a budget, now's a good time to set one. Use AMP's budget calculator to work out your expenditure and find out how much you could put aside each payday.

4. Get your super sorted

Find out if you have any lost super and how you can consolidate it to avoid paying multiple fees.

5. Consolidate your debt

Now might be the time to get rid of extra credit cards and opt for a single card with a lower interest rate and less fees. See Canstar for a comparison of credit cards.

If you have a home loan, consider increasing your loan amount and using the extra money to pay off your other debts. A home loan usually has a lower interest rate than debts such as credit cards, so this will help you to avoid paying higher interest rates.

If you don't have a home loan, consider getting a personal loan at a lower interest rate to help you pay off your debts sooner.

6. See where you can make savings on big ticket items

Take advantage of end of financial year sales to buy big ticket items, such as cars, whitegoods or furniture. And be sure to do your research on products and prices, shop around and don't be afraid to bargain.

Make sure you get the best rates available on your frequent bills such as insurance and energy. Use comparison websites, such as comparethemarket.com.au to compare product benefits and costs and check Canstar to see how your interest rates and financial products stack up.

7. Commit to better money habits

Resolve to curb any costly bad habits that can drain your finances, such as paying for things that you can do yourself. Do you really need to outsource house cleaning or washing the car?

What else should you think about?

Working on your finances can be a bit daunting at any time, not just when the new financial year is drawing close.

So if you'd like help with working out your financial goals contact us today for some help.

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How to play catch up with your super

Now you can put more into super at the concessional rate of tax, starting from the 2019-20 financial year.

Putting more money into the tax-friendly framework of superannuation to help you enjoy a fulfilling retirement...it's one of those things that seems like a no brainer, especially with the benefit of hindsight.

In a recent report Australians in retirement said that making extra super contributions was the most common change they would make if they could have their time again.

So the theory's all well and good. But back in the real world it's not always so easy.

There are times in our lives when it may be hard to free up the funds for super.

- When you're taking time off work to care for a newborn baby
- When you're looking after elderly relatives
- When you're concentrating on reducing the mortgage, paying the bills and simply putting food on the table.

But there may be other times when you have more capacity to direct some money into super.

The good news is that new legislation means you may be able to put more into super at a concessional rate of tax.

But first, a reminder about the super taxation rules.

What are concessional contributions?

Concessional contributions into super get special tax treatment. For most of us, that means you'll pay less tax on your super contributions than you do on your income.

Concessional contributions can generally be made two ways.

- By you through personal deductible super contributions.
- By your employer through salary sacrifice or super guarantee (SG) payments.

There's a cap on how much can be put into your super at the concessional tax rate each year. The cap has fluctuated over the years but at the moment it's \$25,000.

Until recently, your cap was reset every year – so if you didn't put the full \$25,000 into super you lost your entitlement to any unused amount. But if you're eligible, you can now carry forward any unused amount for up to five years.

Who is eligible to make catch up concessional contributions?

It's a good idea to be across the rules so that you can plan ahead.

- The ability to make a catch-up concessional contribution applies to people whose total superannuation balance was **less than \$500,000** on 30 June of the previous financial year.
- The **five-year carry-forward period** started on 1 July 2018 so the 2019-20 financial year is the first one when you can actually make extra concessional contributions using any unused super contribution cap.
- **Work test rules** still apply for people aged 65 or over.
- The usual notice requirements continue to apply for **personal deductible contributions**.
- **Unused amounts** can be carried forward regardless of your total superannuation balance but expire after five years.

What other ways can you boost your super?

There are plenty of other ways to boost your retirement savings.

- You can make super contributions to a lower earning spouse and receive a tax offset.
- You can receive a government co-contributions if you earn below a certain amount.
- You can contribute up to \$100,000 to your super as a non-concessional after-tax contribution. If you're under 65, you can bring forward two years of this cap, allowing you to contribute a total of \$300,000 at a time.

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How to boost your super in the lead-up to retirement – Ashlea's story

Ashlea knows she needs to save for a comfortable retirement. But right at the moment she's paying for the kids' education and then there's the mortgage to cover. It's not the right time. So Ashlea makes do with her employer's SG payments of \$5,000 a year.

Fast forward three years and things have changed. Ashlea's youngest daughter has just graduated from high school, she's chipped away at the mortgage on the family home and she's secured a promotion at work so she's earning more income. It's the right time to start playing catch-up with her super.

Until recently, Ashlea would generally have been limited to the \$25,000 concessional contribution cap. But now she can use her unused cap amounts from previous years to put more into her retirement savings.

She could put as much as \$85,000 into her super as concessional contributions—that's her unused cap amounts from the previous three years added to the current year cap.

She decides to make a personal tax deductible super contribution of \$45,000 on top of her \$5,000 SG payment so this means she still has \$35,000 in unused contributions that will roll over to the following year.

However, if her extra payments take her super over the \$500,000 threshold, she wouldn't be able to use the unused concessional contribution amounts in future years unless her balance falls below \$500,000 again. Please see the table below.

	2018-19	2019-20	2020-21	2021-22
SG payment	\$5,000	\$5,000	\$5,000	\$5,000
Extra contributions	\$0	\$0	\$0	\$45,000
Total concessional contributions	\$5,000	\$5,000	\$5,000	\$50,000
	2018-19	2019-20	2020-21	2021-22
Unused cap rolled over	\$20,000	\$40,000	\$60,000	\$35,000

The new rules could prove particularly useful for anyone who's spent time out of the workforce to catch up with their super, as well as people approaching retirement wanting to maximise their retirement savings and minimise their tax.



Here's how to lead a happier life

From our beaches and outdoor lifestyle to our democracy and cultural diversity, there a lot to feel happy about in Australia.

However, living a happy life doesn't always come easy. Concerns about money, relationships and the future can often stand in the way of living the life you want. The good news is there are ways to take charge of your happiness.

Measuring happiness

It may sound simple – but what is happiness? How do we quantify happiness?

The World Happiness Report, published by the United Nations Sustainable Development Solutions Network, uses six key variables to determine a country's happiness levels:

1. Income
2. Healthy life expectancy
3. Social support (having someone to count on in times of trouble)
4. Generosity
5. Freedom
6. Trust (measured by the absence of corruption in business and government).

Countries that rank highly in these six areas tend to have 'happier' populations, with individual's reporting higher life satisfaction.ⁱ

Australia ranked highly in the World Happiness Report 2017, coming in equal ninth place with Sweden.¹ Norway was first, followed by Denmark, Iceland, Switzerland, Finland and the Netherlands.

Canada and New Zealand were just ahead of Australia, in seventh and eighth place, respectively. The US fell to 14th in 2016 (from third in 2007) due to reduced social support and increased corruption.¹

So, as a country we're doing well – but what about happiness on a personal level?

Achieving happiness each day doesn't need to be an elusive goal. By building a sense of purpose, strong personal relationships and financial control, you could be well on your way to maximising your happiness.

A sense of purpose

Off the south coast of Japan lies Okinawa, an archipelago that boasts some of the longest living people in the world.ⁱⁱ Along with various other lifestyle factors, their pursuit of other goals lead to a sense of wellbeing and give more meaning to life.

Okinawans have a strong sense of purpose – what they call their 'ikigai'.ⁱⁱ An ikigai is what drives you to get out of bed every day, your reason for being. It could be sharing your knowledge and skills with others, looking after your family, cooking delicious food, playing a sport or musical instrument, or advocating for others.

Finding an ikigai, whatever it might be, and trying to live it each day could increase your happiness.ⁱⁱⁱ Ask yourself, what is my passion? How do I find meaning in life? When do I feel most at peace or energised?

Strong personal relationships

Enjoying close relationships with caring, supportive people is a key ingredient of wellbeing.^{iv} Having someone by your side to share your thoughts, dreams and fears with, and who makes you feel loved and valued, can help you overcome the obstacles life throws your way. But where to start?

Think about who you reach out to – or have reached out to in the past – to connect and share with. Keep in touch with these people, and put in the effort to rekindle any relationships you've been too busy for lately.

Join a group or club. From book clubs to sports teams, bushwalking groups to community advocacy organisations, joining a team that shares your passions is a great way to form a deep connection with someone – and even live your ikigai at the same time!

Financial control

Financial stress affects nearly one in three people in Australia, according to new research from Core Data, commissioned by Australian start-up Financial Mindfulness.^v

Importantly, Core Data's research showed that experiences of financial stress was not confined to low-income households but felt more widely across different salary brackets.^v These experiences of financial stress could include being unable to pay bills on time, afford a meal with friends or holiday, or raise sufficient funds in time for something important, among others.^{vi}

So, perhaps minimising financial stress isn't only about how much money you have – but how well you manage it.

While the idea of reviewing your finances and setting up a budget may provoke feelings of gloom, it could be an effective way to reduce your financial stress and increase your happiness.

If you need further assistance, we are here to offer guidance to help you to achieve your financial and life goals.

Reach out

Remember, it's not possible to be happy all the time. Many other factors play a huge role in our happiness. If things are getting you down, support is available. Contact beyondblue or call Lifeline on 13 11 14.

By finding your purpose in life, forming strong connections with others and achieving a sense of control over your finances, you can hopefully take charge of creating and maintaining your own happiness. And remember, you're already off to a good start simply by living in Australia.

ⁱ United Nations Sustainable Development Solutions Network (2017), World Happiness Report 2017

ⁱⁱ National Geographic, Blue Zones, Okinawa, Japan

ⁱⁱⁱ World Economic Forum, 9 Lessons from the world's Blue Zones on living a long, healthy life

^{iv} Australian Psychological Society (2016), APS Compass for Life Wellbeing Survey

^v Financial Mindfulness, Personal financial stress devastating Australian lives

^{vi} Australian Bureau of Statistics, 6560.0 Household Expenditure Survey, Australia: Summary of Results, 2015-2016

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