inTouch

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Welcome to our quarterly magazine – in this edition:

- Coming soon, to a world near you
- Consider making a (larger) personal deductible contribution
- Why does insurance matter?
- Be in control of your retirement
- Have you considered starting a pension?

Welcome to the second edition of InTouch for 2022, in what has already been a year of many changes on both the world stage and domestically with a new federal government.

In times of change, it's important to know your financial adviser is always there to answer your questions, look at new opportunities and help when you need professional guidance regarding your financial future.

I hope you enjoy these articles covering topical matters such as making a larger personal deductible contribution and things to think about when starting a pension along with some good steps to be in control of your retirement.

Peter Ornsby, CEO, RI Advice Group

Coming soon, to a world near you

From spending time in virtual reality worlds to sitting down for a meal made of bugs, our day-to-day life tomorrow could be very different to the one we know today.

Imagine if you travelled back 30 years and told your past self how the world would change over the three decades that were to follow.

From the overall impact of the internet – video calls, remote working, smartphones and that demand (or is it desire?) to be connected 24/7 – to the technology we have in our cars (cars that park themselves!) our world has changed significantly.

So, what could be on the horizon for the coming decade and beyond? We take a look at four innovations that could be coming soon to a world near you…

The Metaverse – welcome to a new reality

The term 'Metaverse' sprung into the public consciousness in October 2021 – according to Google Trends, there were barely any searches for the term before October and then, bang, it became one of Google's most-searched terms[1].

This, of course, coincided with Mr Zuckerberg rebranding Facebook, WhatsApp and Instagram under the 'Meta' banner[2].

It begs the question, what is 'the metaverse'? It's being described by some as something more akin to a period of time rather than a technology, but it's essentially a new, virtual world. A world in which you can – via a headset and touch-sensitive clothing – interact with people and surroundings. It could enable you, for example, to 'virtually' attend a concert in New York City, a sports event in London, or scale the Eiffel Tower.

That's not all. Within the metaverse, there'll be things to buy – and sell. From virtual 'land' to build on, to clothing and footwear. The likes of Gucci[3] and Nike are embracing it strongly. Nike even bought a company that makes digital footwear at the end of last year[4] – yes, really – and the company says almost seven million people have already visited its metaverse store[5].

Esports – a whole new playing field

Just in the same way that many young people across the world have held ambitions of forging a career in sport while playing cricket, soccer, rugby, AFL and tennis in their childhoods, many of today's youngsters are hoping to win a pro contract playing video games.

Esports (short for electronic sports) involves competing online in video game competitions and is becoming bigger and bigger by the year, with various game manufacturers running tournaments and leagues for their own titles. So much so, in fact, that the 2021 League of Legends World Championship had a prize pool of US$2.18m[6], while more than 173,000 people turned up to watch a 2017 esport event in Poland – a world record[7].

As with traditional sports, esports is serious business. Players compete in local comps, hoping to get spotted by teams who'll give them a go. Once on the roster, players will practise and train together. They'll be coached much in the same way 'traditional' sports players are and potentially earn a fortune.

For youngsters today, the opportunity of making it big by playing computer games is very real. Here in Australia, a pre-pandemic esports event attracted more than 17,000 people to the Rod Laver Arena in Melbourne, where crowds watched players battle it out for the USD$100,000 prize pool[8].

Food – sustainability at its core

Over the coming years what we eat, and how it's produced, could change dramatically.

The farming sector is focused on sustainability[9], and people are generally far more conscious about the sustainable choices they make in their day-to-day lives[10], so ethically and sustainably produced meat, fruit, vegetables and dairy products will likely take centre stage.

So too, could, 'complementary proteins'. These have been around for a while now with varying degrees of 'taste satisfaction', but over the coming years, we'll see increasingly sophisticated 'meat-free meat' available. Plant-based meat alternatives commonly feature vegetable proteins from soy, pea, wheat or rice, and some even 'bleed' like real meat[11]. The closer to the taste and texture fake meat gets, the bigger the decisions for the most committed meat eater.

And what about bugs? Yes, bugs. A report from the UN's Food and Agriculture Organization in 2013 highlighted eating insects as a way to solve world hunger[12], and subsequently ants, insects and worms have featured on menus of some restaurants here in Australia[13].

Of course, in many cultures, eating bugs is commonplace, and there are a host of protein bars on sale today in the western world made from cricket flour[14] – so food containing insects could well become a staple of our diet in the not-so-distant future.

1. https://trends.google.com/trends/explore?date=all&q=metaverse
2. https://www.abc.net.au/news/2021-10-29/why-facebook-changes-name-to-meta-meaning/100579882
3. https://vault.gucci.com/en-US/story/metaverse
4. https://www.theverge.com/22833369/nike-rtfkt-nft-sneaker-shoe-metaverse-company
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14. https://www.greenbelly.co/pages/best-cricket-bars
15. https://www.colesgroup.com.au/media-releases/?page=coles-the-first-major-australian-supermarket-to-take-to-the-skies-launching-grocery-drone-delivery-service

Drone delivery

Drone delivery has been successfully deployed overseas by the likes of Amazon, and here in Australia Coles is piloting a new air-bound delivery method in Canberra[15], in partnership with on-demand drone delivery service Wing.

More than 250 products are available for Canberra customers to order and receive in a matter of minutes, and if the trial is successful it could provide the template for how we receive our groceries in the years to come. There's a host of benefits, including taking a potentially significant amount of traffic – and the consequential emissions – out of the equation.

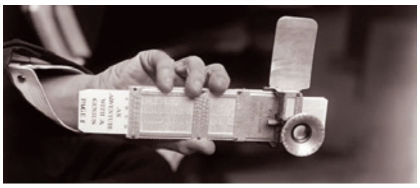
Not to mention it would be very handy on those occasions you begin to make that morning cup of coffee and realise you've run out of milk…

Three innovations that didn't make it

Of course, not all new ideas and innovations take off. Here are three that were much-vaunted at the time but failed to make any great impression whatsoever.

1. The Segway: It was proposed as a turn-of-the-century alternative mode of transport, which would significantly reduce car use. It didn't.

2. The Fiske Reading Machine: Rather than handling large, cumbersome books, in 1922 it was thought the future of reading would be words printed on tiny pages and read with a modified magnifying glass – saving space, money and paper.



3. Electrified water: In the early 1900s, water that had an electric charge through it was heavily promoted due to its supposed many wonderful properties – including the ability to wash clothes without soap, and cure your hangover too. Ultimately, it proved ineffective.

Consider making a (larger) personal deductible contribution before 30 June

By making personal contributions to your super, you may be able to claim a tax deduction to reduce your tax liability which may allow you to pay less tax and invest more in super.

If you have not fully used your concessional contribution cap in previous years, now might be the time to make a larger personal deductible super contribution.

Personal deductible super contributions

If you make a personal super contribution, you may be able to claim the contribution as a tax deduction and reduce your taxable income.

The contribution will generally be taxed in the fund at the concessional rate of up to 15%, instead of your marginal tax rate which could be up to 47%. Depending on your circumstances, this strategy could result in a tax saving of up to 32% and enable you to increase your super.

Concessional contributions caps

Personal deductible super contributions like super guarantee and salary sacrifice contributions count towards your concessional contribution cap. An annual cap on concessional contributions applies each financial year. The concessional contributions cap for the 2021/2022 financial year is $27,500 but if your total super balance last 30 June 2021 was less than $500,000 your concessional cap may be higher.

In fact, your concessional cap might be over $100,000 if your fund has not received a concessional contribution in the last few years.

Carry forward concessional contributions

Your unused concessional contributions cap can be carried forward for up to five years allowing a concessional contribution greater than $27,500. Unused concessional contributions from the 2018/19, 2019/20 and 2020/21 financial years can be used in the current financial year if your total super balance at 30 June 2021 is less than $500,000.

Opportunity

Now may be a good opportunity to use any available carry forward concessional contributions to reduce your tax and build super for retirement. For example, you may have realised a large capital gain, received a large bonus or simply received a pay rise and would like to make a larger deductible super contribution.

How can you claim the deduction?

To be eligible to claim the super contribution as a tax deduction, you need to submit a valid 'Notice of Intent' form to your super fund. You will also need to receive an acknowledgement from the super fund before you complete your tax return, start a pension, withdraw or rollover money from the fund to which you made your personal contribution.

Make sure you can utilise the deduction – as it is generally not tax-effective to claim a tax deduction for an amount that reduces your assessable income to a point where you are not paying any tax. This is because you would end up paying more tax on the super contribution than you would save from claiming the deduction.

If you have any questions please contact your financial adviser.

Why does insurance matter?

The unexpected events of the past few years have made financial protection a front of mind matter for most Australians. Now more than ever we appreciate that life does not always go the way we plan. Having a plan in place if things do take an unexpected turn can mean that our health, lifestyle and family are better protected.

If you don't have any type of personal insurance cover, or you have not reviewed it with your financial adviser for a while, now is a good time to do so.

Types of insurance

There are a few different types of insurance that you should consider, based on what matters to you and what you would most like protected if you were to suffer illness, injury, disablement or premature death.

It's best to discuss insurance options with your financial adviser as they can tell you what different types of insurance policies are available, what they cover, and how to structure them in your overall financial plan, based on your individual situation and goals.

The types of insurance policies you may discuss are:

- Life insurance
- Total and Permanent Disablement insurance
- Critical illness insurance also called Trauma cover
- Income Protection insurance.

The benefits of an insurance policy

Family first

You and your loved ones count on your income to enjoy a certain standard of living, which is why insurance is particularly important if you have dependents. It means the people who matter most in your life are protected from financial hardship if your income stopped.

Less stress

Profound unforeseen illness, injury, permanent disability, and death –are not nice to think about but these events happen. If it happened to your family it would probably be an extremely challenging time, wrought with emotional stress, and even grief. With personal insurance in place, the financial stress can be reduced, allowing you to focus on getting well, and rebuilding your life.

Financial security

Illness, injury and disablement do not come cheap. If you needed funds to recover from illness or injury would you have enough disposable income to cover medical bills whilst still paying your household expenses?

Could you modify the home if need be? Would you want access to the best medical cover, treatments and rehabilitation options?

Insurance provides financial security so your life can continue with as much normalcy as possible, whilst you seek the best care available.

At a time when everything else seems out of control, it is good to know your financial security isn't!

The difference a financial adviser can make

Data collected by APRA found that in the case of Total & Permanent Disability cover, the "claim declined" rate was around double for claimants who arranged their cover direct with the insurer than for claimants who went through an adviser. In other words, you have a much greater chance of success with an adviser[1].

A financial adviser looks at your specific circumstances, your lifestyle, goals and appetite to risk. Together you can discuss personal insurance policies, tapping into their expert knowledge and understanding of the requirements of insurance providers.

You can also discuss options for holding insurance inside and outside of superannuation and, should you need to make a claim on a policy, your financial adviser can liaise with insurance companies and superannuation entities on your behalf as your advocate.

If it's time to consider personal insurance cover, or you want to review your existing policy, a financial adviser is willing and able to assist you.

1. APRA: Life insurance Claimsand Disputes Statistics, June 2021 (issued 19 October 2021)

Be in control of your retirement

Are you approaching retirement? Then chances are the funding of your lifestyle in retirement may be on your mind. Take steps now to avoid getting caught short on retirement income and live the retirement lifestyle you want.

The qualifying age is increasing by six months every two years until it reaches 67 in July 2023. The Age Pension age increased to 66 and a half on 1 July 2021.

If for example, you are planning to retire at 60 you will need to wait until you're 67 before you can apply for the Age Pension. You'll have to rely on your own savings and super in the interim, making it crucial to ensure you have enough money put away for later years. But the good news is that there's still time to grow your retirement savings.

Boost your super

Contributing more to your super can be a reliable route to bolstering your retirement fund. By making extra contributions through salary sacrifice, you can grow your super and at the same time reduce the amount of income tax you pay. The government will tax your salary sacrificed contributions, within the allowable concessional contribution cap, at 15 per cent, which may be much lower than your marginal tax rate.

Making non-concessional or after-tax super contributions is another option. Generally, you can contribute up to $110,000 each financial year if your total super balance is less than $1.7 million at 30 June of the last financial year. To understand how these contributions work, it's wise to get professional advice.

Beef up your savings

Your personal savings outside of super can supplement your super payments in retirement.

But are they growing enough now to provide you with some level of income when you retire?

> To build up your savings, you may have to invest part of it and make sure it's growing faster than the rate of inflation over the long term.

You should seek professional advice to see what investments are appropriate for you.

Know your entitlements

Besides the Age Pension, you may be eligible for other government benefits and concessions. For example, you may be eligible for a concession card such as the Pensioner Concession Card (if you are receiving the Age Pension), Commonwealth Seniors Health Card or the state based Seniors Card. Concession cards like these may entitle you to discounts on some commercial and public services. Concessions that allow you to buy prescription medicine at a discount may also be available.

But keep in mind that these benefits have strict eligibility rules. There's also no guarantee that these entitlements will still be available by the time you retire. So, take charge of your retirement.

Working with your financial adviser, you can develop a strategy that helps ensure you'll be well provided for regardless of changes to pension policies.

Have you considered starting a pension?

The Government have extended the temporary minimum pension drawdown amount until 30 June 2023. With the flexibility to draw a smaller pension amount, now may be a good time to consider whether you should start a pension.

Temporary extension of the minimum pension drawdown reduction

The extension of the temporary minimum pension drawn down may benefit you if you do not need the extra cashflow but would still benefit from starting or retaining an account-based pension.

The new minimum pension drawdown is based on your age as follows:

Age of recipient	Standard percentage factor	Percentage factor 2019/20 to 2022/23
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%

What is an account-based pension?

Account based income streams are purchased with super money and may either be a standard account based pension (ABP) or a transition to retirement income stream (TRIS).

Each year at least a minimum pension payment must be made from the account-based pension (except if started in June that year).

Generally, the owner of an ABP can access capital at any time. Capital from a TRIS can only be accessed if it contains an unrestricted non-preserved benefit or a condition of release allowing access to capital is satisfied.

To commence an ordinary ABP you must have satisfied a full condition of release such as attained age 65 or reached preservation age and retired.

To commence a TRIS you need only have attained preservation age which depends on your date of birth. If you were born before 1 July 1963 you will have already attained preservation age.

Preservation age is determined by the super member's date of birth as indicated in the following table:

Date of birth	Preservation age	Eligible upon attaining preservation age between
Born on or before 30 June 1963	-	Already eligible
1 July 1963 – 30 June 1964	59	1 July 2022 – 30 June 2023
On or after 1 July 1964	60	1 July 2024 onwards

Tax on pension payments

If you are age 60 or over pension payments are tax free. If you are between preservation age and 60 your pension payments may be taxable but you will receive a 15% tax offset on any taxable component.

Tax on fund earnings

A standard ABP (non-TTR) is purchased with unrestricted non-preserved benefits only. Investment income on assets supporting a standard ABP are exempt from tax. This means, all else being equal, you may expect better investment returns in an ABP compared to an equivalent super (accumulation) account.

Other issues to consider

By drawing down a pension on your retirement savings you may have less retirement savings for the future. However, keep in mind that earnings on funds in an ABP are tax free which may help boost your returns. Also keep in mind that there may be an opportunity to contribute any surplus pension back into super as a non-concessional contribution up until you turn age 75. Non concessional contributions forms part of tax-free component. On death, these tax-free components may also be distributed tax efficiently to beneficiaries.

If you have any questions, please contact your financial adviser.

When it comes to your retirement, financial advice can make all the difference.

If you're getting closer to retirement, you're probably exploring all the things you'd like to be doing: spending more time on hobbies, more time travelling or simply less time working.

One thing you want to make sure of is that you have a steady income stream to make the most of what you really want to do. And that's where the value of financial advice has been proven to help those with a goal achieve what they want.

Of those who set goals with a financial adviser, 86% said financial advice helped them achieve their goals.*

This key insight came to light in a groundbreaking survey of over 12,000 Australians in conjunction with CoreData. It found the benefits of financial advice helped whatever your age, wealth or gender. So, whatever you're looking to achieve in retirement, we're here to help. We can provide you with professional advice for your financial planning needs.

Let us help you plan for your retirement.
Call us today to arrange a meeting.

Source: IOOF Survey 2020: *The True Value of Advice – A study of 12,643 Australians*

Please feel free to pass our contact details to your friend or colleague who can contact us to be added to our mailing list for a free copy of our quarterly inTouch magazine.

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