Summer 2023

It's December – the month that always seem to race by as we approach the end of the year and all the festivities it brings. We hope you all have a lovely, happy, and safe festive season.

On the economic news front, there was some good news. Consumer prices eased by more than expected in October. The news that inflation may have been tamed means interest rate rises may be behind us, for now. The positive data also led to a jump in the Australian dollar, taking it to a new four-month high.

Retail spending slowed in October after a short-lived boost in August and September. But, in a further sign of good times ahead, business investment in the September quarter increased by 0.6% to almost $40 billion.

In mixed outcomes for sharemarket investors, there were some devastating lows this year, and a flat performance as November ended, but the ASX200 is up 4 points since the beginning of the year. The unemployment rate has increased slightly to 3.7% with an extra 27,900 people out of work in October.

Overseas, China's plan to bolster support for infrastructure drove iron ore prices 36% higher than the low in May. Although prices slipped $4 in November from a one-year high of $138 per tonne. While oil prices have steadied with cuts to production on the table to reduce stocks. Brent crude ended the month at around $83.

SEA Financial Group
Suite 411, Level 4
2 Brookhollow Ave
Norwest, NSW, 2153
P (02) 9634 5337
E info@seafg.com.au
W https://seafg.com.au/

P.O Box 6800
Norwest, NSW, 2153

It's nice to enjoy a break over the summer months. In fact, it's an Aussie tradition – that mass exodus after Boxing Day that sees us head off for some well-earned rest and relaxation. However, it can be hard to unwind when we have a device in our pocket buzzing away every couple of minutes.

Even those who manage to resist taking work away with them and checking work emails while on holiday, can spend a lot of time on a digital device! And while you are glued to that device, chances are you are not 'in the moment' enjoying your time with family and friends fully or the delights of wherever you are vacationing.

Digital addiction

It's not an overstatement to say that during our everyday lives we are glued to our devices. The average person spends around five and a half hours a day on their phone – that's over two months over the course of a year![i]

We also tend to check our phones on average around 8 times an hour – almost once every 8 minutes. And just over half of Aussies (50.65%) consider themselves addicted to their phones.[ii] Throw in the amount of time we spend on tablets, laptops and other devices and it's clear we generally spend a lot of time in front of a screen.

A vacationing trend

A new trend that may help to curb our online addictions is known as a 'digital detox' holiday.

Resorts and lifestyle destinations have got on board and many offer wellness packages offering a respite from the fast pace of online life with no phones, texts, emails, social media use or web browsing for the duration of your stay.

You don't have to fly off to an internet black spot or sign up for a digital detox retreat to get the benefits though. Doing your own digital detox can be as simple as switching your phone to airplane mode or better still turning your devices off for a designated time every day or for a period of time.

Breaking free

The benefits of getting away from a screen, even if it's just for a short break, are numerous but the main benefit of having a proper digital detox is reducing stress. If your phone or tablet isn't buzzing, beeping or vibrating in your pocket or hand every few minutes, you start to breathe deeper and slow down.

Another plus of having a break from your device is the way it can affect the quality of your interactions with others. If you are not staring at a screen you open up opportunities to engage more fully with those around you. That means better quality time connecting with friends and family.

If you are a solo traveller, it can be challenging to not have the safety blanket of a phone in your hand, however there is something special about being more aware of your surroundings and taking in the little moments as they happen, without distractions.

Open to offline discovery

While tech can certainly make travel smoother in many ways, going phone free can open up opportunities for discovery. While it's tempting to grab your phone to check the Google score of every restaurant you pass or using Maps to locate local attractions, it can be satisfying stumbling across a great little eating place tucked away down a laneway or finding a wonderful local market on your travels.

And when it comes to sharing your discoveries, you could also try keeping it offline. Instead of snapping moments to share immediately on social media, knowing you are going to be constantly distracted checking how your posts are being received, try to treasure those moments as they happen.

Whether you digitally detox for a few hours a day, a few days, or the duration of the holidays, your vacation will benefit from you unplugging for a bit. And who knows, you may even find some of your good digital detoxing habits follow you into the New Year.

i,ii https://www.reviews.org/au/mobile/2022-mobile-phone-usage-statistics/

RETURNING TO WORK *after retirement*

Employers are desperate for workers and cost of living pressures are making it tough to live on a pension. That's a perfect mix of conditions to send some retirees back to work. But it's smart to get good advice before you take the leap.

With unemployment rates at historic lows and employers facing a shortage of skilled workers, an increasing number of retirees are choosing to re-enter the workforce. According to recent data from the Australian Bureau of Statistics (ABS), approximately 45,000 more individuals aged over 65 are actively working compared with a year ago.[i]

Some retirees may have been forced to return to work to financially support themselves. National Seniors research found 16 per cent of age pensioners re-entered the workforce after initially retiring, while another 20 per cent said they would consider returning to work.[ii]

Declining superannuation returns combined with rising inflation and cost of living pressures may be some of the reasons why retirees could soon be returning to work.

Things to consider

Returning to work after retirement raises several important financial and logistical considerations for retirees including the effect on the Aged Pension and superannuation.

If you receive an Aged Pension and are planning to return to work, you will need to let Centrelink know you are receiving additional income within 14 days. The extra income may mean that your pension is reduced if it exceeds Centrelink's income threshold. It's essential for retirees to be aware of these thresholds and how their earnings may affect their pension to plan their finances effectively.

Eligible age pensioners should also consider the Work Bonus incentive. This incentive encourages age pensioners to return to work with no or less impact on their age pension. Under the Work Bonus, the first $300 of fortnightly income from work is not assessed as income under the pension income test. Any unused amount of the Work Bonus will accumulate in a Work Bonus income bank, up to a maximum amount. The amount accumulated in the income bank can be used to offset future income from work that would otherwise be assessable under the pension income test.

Effect on superannuation

Returning to work after retirement can have implications for your superannuation, particularly if you're receiving a pension from your super fund. You can continue taking your pension from super, but you will still have to meet the minimum pension requirements.

So, even though you may not need that pension income, you have to withdraw at least the minimum, which depends on your age and your super balance. This minimum pension rate is set by the government. Failing to meet these requirements can have tax implications and may affect your pension's tax-free status.

You can convert your super pension phase back into the accumulation phase if you wish to stop taking the minimum pension. However, be aware of the tax differences. In the accumulation phase, any income and gains are taxed at 15 per cent whereas they are tax-free in the pension phase.

Don't forget that if you retain your pension account, then you will have to open a new super accumulation account to receive employer contributions because you cannot make contributions into a super pension account.

Other investments

If you have personal investments outside super and have been receiving a pension, your lower income may mean that you are not paying tax on any gains from them. But extra income from a job may mean you move up a tax bracket and any investment income and capital gains will then be assessed at the higher rate.

Returning to work after retirement can have far-reaching implications on your finances, particularly with regard to your Aged Pension and superannuation. It's vital to carefully seek appropriate advice to ensure a smooth transition back into the workforce, allowing you to make informed decisions that align with your financial goals and overall well-being.

If you would like to discuss your options, give us a call.

i https://www.abc.net.au/news/2023-07-21/retirees-in-demand-as-employers-face-tight-labour-market/102626676

ii https://nationalseniors.com.au/news/finance/a-working-retirement-retirees-who-return-to-work#:~:text=National%20Seniors%20research%20found%2016,next%20year%20if%20you%20do

HOW TO GIVE BACK

Australia is a giving country, but we often give in kind rather than financially.

Whenever there is a disaster here or overseas, Australians rush to donate their time, household goods and cash. However, we still lag other countries when it comes to giving money.

According to Philanthropy Australia, our total financial giving as a percentage of Gross Domestic Product is just 0.81 per cent, compared with 0.96 per cent for the UK, 1 per cent for Canada, 1.84 per cent for New Zealand and 2.1 per cent for the US.[i]

Currently the number of Australians making tax deductible contributions is at its lowest levels since the 1970s.[ii] Despite this, the Australian Tax Office reports that deductible donations claimed by individuals rose from $0.74 billion in 1999-2000 to $3.85 billion in 2019-20.[iii]

Considering an estimated $2.6 trillion will pass between generations over the next 20 years, the opportunities for increasing our financial giving abound. Philanthropy Australia wants to double structured giving from $2.5 billion in 2020 to $5 billion by 2030.[iv]

Many ways to give

There are many ways of being philanthropic such as small one-off donations, regular small amounts to say, sponsor a child, donating to a crowd funding platform or joining a giving circle.

For those with much larger sums to distribute, a structured giving plan can be one approach.

Structured giving

You can choose a number of ways to establish a structured giving plan including through a public or private ancillary fund (PAF), a private testamentary charitable trust or giving circles.

Whichever way you choose, there are attractive tax incentives to encourage the practice.

The type of vehicle will depend on:

- the timeframe of your giving
- the level of engagement you want
- whether you want to raise donations from the public
- whether you want to give in your lifetime or as a bequest
- whether you want to involve your family to create a family legacy.

Private ancillary fund

A private ancillary fund is a standalone charitable trust for business, families and individuals. It requires a corporate trustee and a specific investment strategy. Once you have donated, contributions are irrevocable and cannot be returned. To be tax deductible, the cause you are supporting must be a body identified as a Deductible Gift Recipient by the Australian Tax Office.

The benefits of a PAF are that contributions are fully deductible, and the deductions can be spread over five years. The assets of the fund are exempt from income tax.

The minimum initial contribution to a PAF is at least $20,000. The costs of setting up a PAF are minimal and ongoing costs are usually about 1-2 per cent of the value of the fund.

Each year you must distribute 5 per cent of the net value of the fund to the designated charity.[v]

Testamentary charitable trust

An alternative to a PAF is a testamentary charitable trust, which usually comes into being after the death of the founder. The governing document is either a trust deed or the Will.

With a testamentary charitable trust, trustees control all the governance, compliance, investment and giving strategies of the trust. The assets of the trust are income tax exempt. The minimum initial contribution for such a fund is usually $500,000 to $2 million.[vi]

Philanthropy through structured giving still has a long way to go in Australia. The latest figures for total giving in Australia is $13.1 billion, of which $2.4 billion is structured giving. Currently the number of structured giving entities stands at just over 5400.[vii]

As the baby boomers pass on their wealth to their families, there is a wide opening for some of this money to find their way into charities and causes through structured giving.

If you want to know more about structured giving and what is the right vehicle for you to help the Australian community at large, then give us a call to discuss.

i,iii https://www.philanthropy.org.au/wp-content/uploads/2022/11/7480-PHA-Giving-Trends-and-Opportunities-2023-1.2.pdf

ii https://www.socialventures.com.au/sva-quarterly/insights-to-grow-philanthropic-giving-for-not-for-profits/

iv,vii https://www.philanthropy.org.au/our-impact/a-blueprint-to-grow-structured-giving/

v,vi https://www.philanthropy.org.au/guidance-and-tools/ways-to-give/choosing-the-right-philanthropic-structure/