July 2024

With the shortest day behind us, the longer days ahead will give us a chance to enjoy the outdoors, even if there's still a need to rug up.

Technology stocks have driven Australian shares, and global markets, to new highs in the last 12 months. The S&P/ASX 200 finished the financial year 7.8% higher, slightly less than the previous year. Technology stocks gained 28% during the year.

In the US, the S&P 500 index rose 14% in the first six months of 2024 in one of the strongest performances since the dotcom bubble of the 1990s. Tech stocks were behind much of the gain, in particular AI chipmaker Nvidia, which overtook Microsoft and Apple as the world's most valuable public company last month.

An interest rate cut is widely expected in September in the US but in Australia, many commentators predict another rate increase before the end of the year to help tame inflation. The RBA left interest rates unchanged at 4.35% at its June meeting but news that annual CPI was up by 4.0% in May compared with 3.6% in April will give the Bank cause for concern.

The Australian dollar ended the financial year almost where it began at just under US67 cents, after 12 months of volatility with highs of almost US69 cents and lows under US63 cents.

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Being informed is the KEY to AVOIDING SCAMS

While it seems we all like to think we are clever enough to outwit a scam, Australians collectively lost more than 480 million to scams last year.

Every year scammers get more sophisticated in the methods they use to part us with our money – or our valuable personal information. It's important to recognise that even the savviest of us can fall victim to scams that are ever evolving to take us for a ride.

Let's look at the scams that are having the most impact – and how to avoid them.

Phishing scams continue to reach new heights

The most common type of scam, and one that continues to increase in prevalence is known as phishing. The reason these scams are so common, is that unlike romance scams targeting those looking for love, or financial scams targeting investors, phishing scams target everyone – and everyone who has an email account, or a mobile phone is vulnerable.

There were nearly 109,000 phishing-related scam reports last year, with losses amounting to $26.1 million (up 6 per cent year-on-year).[i]

These may come in the form of text messages or emails from a scammer pretending to be a legitimate business or government entity you know and trust.

They are designed to convince you to provide personal information to steal your identity or to be able to access bank accounts and/or superannuation accounts. Or they can simply be asking you to part with your money to pay an overdue invoice, a "fine," or tax debt.

There are also the scammers who pretend to be a person you know, in order to extract money from you. A classic that's been doing the rounds is the "Hi mum/ dad" text where the scammers pretend to be one of your kids who has lost their phone and urgently needs you to transfer them money.

How to avoid getting caught

So, given how convincing these messages can be, how do you keep yourself safe? The best defence is awareness and knowing what to look for, so let's look at some common characteristics of scam emails and texts and some of the methods commonly employed by scammers so you can be alert – and stay safe.

- **Urgent call to take action or threats –** Scammers will often create a sense of urgency, telling you to take immediate action to claim a reward or avoid a fine or penalty. They are hoping you'll react without thinking too much about it or checking the legitimacy of the message or email.

  TIP: Be sceptical if a message is prompting urgent action and approach with caution.

- **Emails that look like they are coming from a trusted source –** Scammers are often quite good at mimicking a business's branding and at first glance can look pretty convincing.

  TIP: Some of the red flags to look for are spelling mistakes or a generic greeting (if the message is from a provider, they should have your name on file).

  Check the email source carefully. Scammers use subtle misspellings of the legitimate domain name. Like replacing "o" with a zero or replacing "m" with an "r" and a "n".

- **Suspicious links –** Scammers include links to online forms to capture your information that can look uncannily like the real thing and often send computer viruses and malware through malicious attachments. If you suspect that a message, or an email is a scam, don't open any links or attachments.

  TIP: Hover your mouse over, but don't click the link. Look at the address that pops up when you hover over the link and see if it matches the link that was typed in the message.

  To visit a provider's website rather than click on a link to a website manually type the official web address into your browser. You could also use a search engine to find the official website and log in that way.

With phishing attempts becoming ever harder to spot and avoid, it's more important than ever to stay vigilant and equip yourself with tools to make sure you don't take the bait. If you think you may have fallen prey to a scam, contact your bank and report the matter to *Scamwatch*.[ii]

i https://www.sbs.com.au/news/article/481m-in-losses-and-302k-complaints-the-scams-hitting-australians-hard/hg52ignc8

ii https://www.scamwatch.gov.au/report-a-scam

Going for gold

CONSIDERATIONS FOR INVESTORS

Gold fever is in the air and it's not just the prospect of medals at the upcoming Paris Olympics.

Gold prices have been climbing strongly in 2024 as investors, jittery about the effects of wars in the Middle East and Ukraine, buy up the asset because of its reputation as a safe haven. The spot price has risen more than 18 per cent since mid-February.[i]

Demand for the precious metal is also being driven by central banks adding to their gold reserves to hedge against currency and other market risks.

For investors, gold has been an alluring buy for centuries thanks to its association with wealth and power. As a precious metal and a physical asset, it often attracts a certain confidence, which is sometimes misplaced.

Patchy performance

Day traders might be lucky enough at times to buy or sell gold for a decent profit by correctly guessing when to get in or out but, generally speaking, gold is not an easy investment to love.

Over the longer term, it hasn't always beaten inflation, the price can plunge at a time when market conditions suggest it should be rising and its performance against stocks and bonds has been varied.

In fact, there have been long periods of persistently low prices. It languished for around six years from 1988 before recovering and then again for the decade or so leading up to the beginning of COVID-19 in 2020. The uncertainty of the pandemic-era helped spark a rally that has increased the price by almost 38 per cent.

Pros and cons

So, is gold worth considering as part of a portfolio? As with any investment, there are pros and cons.

Like many other asset classes, gold can help to diversify a portfolio and reduce certain risks. During stock market downturns, gold prices often (but not always) begin to rise.

Some investors like the idea that it is a scarce, physical asset and, despite its ups and downs, gold has tended to hold its value over time.

At times gold has provided a good hedge against inflation. For example, in the US between 1974 and 2008, there were eight years when inflation was high and during those times, gold prices rose by an average of 14.9 per cent annually.[ii] But different periods give different results. While US CPI growth was around 6.8 per cent in 2021 and 2022, gold prices were achieving an annual increase of just over 1 per cent.

How to invest

You don't need to lug home gold bars and hide them under the bed to have a stake in a gold investment.

Of course, it is possible to own gold bullion by buying online or in person from one of a number of registered dealers in Australia. The actual gold can be delivered to you or held in storage for a fee. You could also own physical gold by buying jewellery although there are high mark ups and resale value isn't assured.

The ASX provides the avenue to buy shares in one or more of the many gold mining companies. You'll need to do your homework carefully to consider the credentials of the companies. Some are riskier than others depending on the countries in which they operate and their size.

You could also consider exchange traded funds (ETFs) that are linked to or track the gold price. One advantage is provided by funds that hedge currency risk so that your returns won't be affected by differences in the US dollar. Although with any fund, you'll need to factor in an annual management fee, which will reduce your ultimate return.

If you're interested in achieving a balanced portfolio, we'd be happy to help you.

i https://tradingeconomics.com/commodity/gold

ii https://www.forbes.com/advisor/investing/gold-inflation-hedge/

To sell or not to sell is the question for moving into aged care

Moving into residential aged care can trigger a range of emotions, particularly if it involves the sale of the family home.

What is often a major financial asset, is also one that many people believe should be either kept in the family or its value preserved for future generations.

Whether or not the home has to be sold to pay for aged care depends on a number of factors, including who is living in it and what other financial resources or options are available to cover the potential cost of care.

It also makes a difference if the person moving into care receives Centrelink or Department of Veterans Affairs payments.

Cost of care

Centrelink determines the cost of aged care based on a person's income and assets.[i]

For aged care cost purposes, the home is exempt from the cost of care calculation if a "protected person" is living in it when you move into care.

A protected person could be a spouse (including de facto); a dependent child or student; a close relative who has lived with the aged care resident for at least five years and who is entitled to Centrelink income support; or a residential carer who has lived with the aged care resident for at least two years and is eligible for Centrelink income support.[ii]

Capped home value

If the home is not exempt, the value of the home is capped at the current indexed rate of $201,231.[iii]

If you have assets above $201,231 – outside of the family home – then Centrelink would determine you pay the advertised Refundable Accommodation Deposit (RAD) or equivalent daily interest rate known as the Daily Accommodation Payment (DAP), or a combination of both.

The average RAD is about $450,000. Based on the current interest rate of 8.36% [note – this is the rate from July 1] the equivalent DAP would be $103.07 a day.

Depending on your total income and assets, you may also be required to pay a daily means tested care fee. This fee has an indexed annual cap of $33,309 and lifetime cap of $79,942.

This is in addition to the basic daily fee of $61.96 and potentially an additional or extra service fee.

There is no requirement to sell the home to pay these potentially substantial costs, but if it is a major asset that is going to be left empty, it may make sense.

Other options to cover the costs may include using income or assets such as superannuation, renting the home (although this pushes up the means tested care fee and can reduce the age pension) or asking family to cover the costs.

Centrelink rules

For someone receiving Centrelink or DVA benefits, there is an important two-year rule.

The home is exempt for pension purposes if occupied by a spouse, otherwise it is exempt for up to two years or until sold.

If you are the last person living in the house and you move into aged care and still have your home after two years, its full value will be counted towards the age pension calculation. It can mean the loss of the pension.

Importantly, money paid towards the RAD, including the proceeds from a house, is exempt for age pension purposes.

Refundable Deposit

As the name suggests, the RAD is fully refundable when a person leaves aged care. If a house is sold to pay a RAD, then the full amount will ultimately be paid to the estate and distributed according to the person's Will.

The decisions around whether to sell a home to pay for aged care are financial and emotional.

It's important to understand all the implications before you make a decision.

Please call us to explore your options.

i https://www.myagedcare.gov.au/understanding-aged-care-home-accommodation-costs

ii,iii https://www.myagedcare.gov.au/income-and-means-assessments