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The Bell - Spring 2018

Welcome to the latest edition of our quarterly lifestyle newsletter - The Bell.

Our Spring 2018 edition covers 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 How Australians will use their tax returns and provide you with information on does it pay to plan ahead when you travel and how much super should I have at my age?

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us on 08 7123 2939.

In the meantime we hope you enjoy the read.

All the best,
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Does it pay to plan ahead when you travel?

You may be keen to go wherever the wind takes you, or you might be a plan-to-the-hour type of traveller. There are benefits to both styles.

Travellers often fall into two categories—the planned and the unplanned—and more than likely, you already know which of the two camps you belong to, or if you sit somewhere in between.

Whatever your preference, we look at some of the pros and cons of both approaches, which may provide some food for thought before you embark on your next journey.

Why it's great not having a schedule

Travelling without a set timetable is often something that's associated with youth. For example, as a young backpacker, you probably have less commitments and more time to explore.

As people get older, uncharted travel may seem a little less realistic. Although, with many Australians likely to spend 20 years or more in retirement, life after work could be a great time to have a little less structure when it comes to your next trip.

Here are some of the benefits of travelling with fewer plans.

- **You've got access to last-minute deals**
- **There's an element of surprise**
- **You have more time to explore**
- **You can step outside your comfort zone**

When planning can have its benefits

It might be more your style to have every day, every meal and every event mapped out in advance, or it might just be a necessity to accommodate things like limited time, limited money, work, kids, or all of the above!

So, how does it pay to plan ahead?

- **You time it right**
- **You make savings**
- **Transport is available**
- **Your events are sorted**

Things you should do either way

Of course all travel requires a minimum amount of planning—you've got to buy a ticket if you're going overseas right? With that in mind, always consider the following before you travel:

- **Paperwork** – check your paperwork is sorted, including that your visas and passport are valid. Keep in mind, some countries may refuse you entry if you have less than six months' validity on your passport, beyond the period of your intended stay.ⁱ
- **Insurance** – if something happens before you head off, or you lose something, are injured or sick along the way, you'll be glad to have the right travel insurance organised before you go. With nearly one in four Aussie travellers experiencing a loss on their most recent overseas trip (that'd be covered by most travel insurance policies) it may provide peace of mind.ⁱⁱ

- **Money** – knowing you have enough money for the trip and that it's accessible is also worthwhile, as well as ensuring you have a little extra set aside in case of an emergency.
- **Your health** – make sure you get the necessary vaccinations for where you're going. Remember, some countries (in places such as Africa, South America, and Asia) also require proof of vaccination against some diseases as a condition of entry.ⁱⁱⁱ
- **Your safety** – take note of what's happening around the world on the government's Smart Traveller website. And, ensure you're across the customs and laws of the places that you intend on visiting.

What else you may want to consider

There are pros and cons to different planning approaches, but ultimately it'll come down to what suits you, your circumstances and commitments, and what you feel most comfortable with.

The main thing to ensure is you're covered if things take an unexpected turn, and that regardless of your timetable (or lack thereof), that you have fun along the way. After all, that's what holidays are all about!

ⁱ Australian Passport Office - Passport validity and foreign visas paragraph 2

ⁱⁱ Survey of Australians' Travel Insurance Behaviour 2016 page 9

ⁱⁱⁱ Smart Traveller - Health Checks and Vaccinations 8, 12

How Australians will use their tax return

With nearly one in three people planning to save their tax return, have you considered what you might do with yours?

This year more than 75% of Australians expect to receive a tax return, with a large portion of the population planning to use the money they receive to take the edge off their financial commitments.ⁱ

We look at the most common ways people intend on using their tax return and what other ways you could invest this money to get ahead.

How people intend on using their tax return

According to a finder.com.au survey of more than 2,000 Australians, the most common ways people said they'd use their tax return was towardsⁱⁱ:

- Savings (31%)
- Household bills (23%)
- A holiday (12%)
- Home loan repayments (10%)
- Credit card debt (6%).

Other ways you could use your refund

Put it into super

Contributing a lump sum of money into your super is generally a good way to grow your retirement savings, as what your employer contributes mightn't be enough for you to live comfortably in the years after you finish working.

Other benefits of contributing to super, depending on your circumstances, may include special tax treatment or other government incentives.

Also note—the value of your investment in super can go up and down, contribution caps do apply, and there are rules around when you can access this money.

Pay off your education debt

According to government estimates, the average debt for a tertiary student in Australia is currently \$19,100, with the average time taken to clear that debt more than eight years.ⁱⁱⁱ

For many, making a dent in their loan or paying it off in one fell swoop will be a great idea, but given the low-cost nature of Australia's higher education loan program, maintaining compulsory student repayments while addressing other debts or financial goals could also be worth investigating.

Create an emergency fund

Given more than one in two people wouldn't have enough savings to last three months if they lost their job tomorrow^{iv}, an emergency fund can provide peace of mind when it comes to unexpected bills.

It can also reduce the need to rely on high interest borrowing options, such as credit cards or applying for payday loans, which can often be an expensive form of finance and create unwanted debt.

Invest elsewhere

Whether it's property, managed funds, direct shares or term deposits, consider your situation, in particular the amount of time you have to invest and your attitude to risk.

If you're young, you may have time to ride out market highs and lows, and therefore be willing to take on more risk in the hope of achieving higher returns.

On the other hand, if you're a bit older, you may prefer a more conservative approach as market changes could be harder to recover from as you move toward or if you're already in retirement.

If you'd like some advice on the best ways to use your tax return, speak to us.

i, ii <https://www.finder.com.au/press-release-jul-2017-were-a-nation-of-savers-at-tax-time-31-of-aussies-will-save-tax-return>

iii http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1617/Quick_Guides/HELP

iv <https://www.finder.com.au/press-release-may-2017-10-million-aussies-couldnt-last-jobless>

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How much super should I have at my age?

We look at the average super balances for different age groups in Australia so you can see how your super savings compare.

A healthy super balance can be a key ingredient in being able to live the life we want in retirement. But for many people, retirement is a long way off, and it can be hard to know if your super is on track. If you've been asking yourself – how much super should I have at my age? – read on to find out.

How does your super compare?

The table below shows the average super balances for Australian men and women of different ages (excluding those with no super) so you can compare your balance to others your age.

Age	Average balance – men	Average balance – women
20-24	\$5,924	\$5,022
25-29	\$23,712	\$19,107
30-34	\$43,583	\$33,748
35-39	\$64,590	\$48,874
40-44	\$99,959	\$61,922
45-49	\$145,076	\$87,543
50-54	\$172,126	\$99,520
55-59	\$237,022	\$123,642
60-64	\$270,710	\$157,049

Source: Association of Superannuation Funds of Australia, Superannuation account balances by age and gender 2015-16, October 2017, pg. 9.

Does your super stack up?

If your balance looks low, there could be a number of reasons why your super is lagging your peers, such as taking time out of the workforce to study, travel, raise children, care for older relatives, or being out of work, working part-time, or earning a lower wage than others your age.

As the figures show, these issues particularly affect women, as they have lower super balances than men across all age groups.

Will your super be enough to retire on?

Even if your balance is above others of your age, will it be enough for a comfortable retirement?

The Association of Superannuation Funds of Australia (ASFA) says that “many people will still retire with inadequate superannuation savings to fund the lifestyle they want in retirement” and that “most people retiring in the next few years will rely partially or substantially on the Age Pension for some or all of their retirement as they have inadequate super savings”.ⁱ

The ASFA retirement standard estimates singles will need retirement savings of \$545,000 for a comfortable retirement, while couples will need combined retirement savings of \$640,000.ⁱⁱ

What to do if your super needs a boost

- Firstly, search for lost super. Money belonging to you might be sitting in an account you've forgotten about.
- Secondly, if you have super with multiple funds, think about consolidating it into one account and you could save on fees and charges that could be eating into your balance. However, you'll need to check for exit or termination fees, and ensure that your insurance cover isn't affected.
- And thirdly, you could consider changing how your super is invested, for example, by switching it into a more growth-focused investment option. But bear in mind that returns are not guaranteed, and that higher risk accompanies the opportunity for high returns. To change your investment option, contact your super fund.

Once you've got your super sorted with these quick wins, you can consider ways to boost your balance, including:

- **Salary sacrificing:** you can contribute extra cash into your super from your before-tax salary and it will only be taxed at 15%ⁱⁱⁱ, rather than at your usual marginal tax rate. However, make sure your total super contributions (including any your employer makes on your behalf) don't exceed \$25,000 per year. Speak to your payroll department to set up a salary sacrifice.
- **Personal tax-deductible contributions:** if your employer doesn't offer salary sacrifice, you're unemployed, self-employed or don't want to salary sacrifice, you can make a personal tax-deductible contribution to your super, which is also taxed at 15%, and subject to the \$25,000 per year limit.
- **After-tax contributions (also known as non-concessional contributions):** There's a \$100,000 limit per financial year on the amount of after-tax contributions you can make. If you are under age 65, you can also 'bring forward' the next two years' worth of after-tax contributions, and make up to \$300,000 contribution in a financial year.^{iv}
- **Spouse contributions:** If your partner is out of work, a stay-at-home parent, working part-time or earning less than \$40,000, adding to their super could benefit you both financially.
- **Government contributions:** If you're a low or middle-income earner, you may be eligible for contributions from the government or tax-offsets when you add after-tax money to your super.

Need more help?

Speak to us for more help to ensure you're on track for a comfortable retirement.

ⁱ Association of Superannuation Funds of Australia, Superannuation account balances by age and gender 2015-16, October 2017, pg. 7.

ⁱⁱ Association of Superannuation Funds of Australia, ASFA Retirement Standard, pg. 4.

ⁱⁱⁱ Or 30% if you earn \$250,000 a year or more.

^{iv} Providing your total super balance at 30 June 2017 is less than \$1.4 million.