



## 2021 Autumn Newsletter

Here's the latest newsletter from Infocus. Please don't hesitate to contact us if you have any questions in relation to these articles, or if we can help you with anything else.

## Economic Update March 2021



**Within this month's update, we share with you a snapshot of economic occurrences both nationally and from around the globe.**

### Bond yields spike

- US inflation fears bubble up and the 10-year bond interest rate rises to reflect this
- Globally COVID 19 cases have declined for 6 weeks, millions vaccinated in the US and UK
- Corporate earnings strongly surprise on the upside and governments continue spending

We hope you find this month's Economic Update as informative as always. If you have any feedback or would like to discuss any aspect of this report, please contact our team.

### The Big Picture

As if there wasn't enough to contend with in coping with the pandemic, US 10-year bond yields spiked at the end of February and that sent Wall Street into a tail spin. The two phenomena are actually connected but not in an obvious way.

President Biden and his team are making great inroads into vaccinating all US adults who want the vaccine sooner than many expected. That was the bad news! Such was the glee at starting to put an end to the pandemic (or so many think – but more of that later) investors and analysts started to think about a rapid recovery for the US economy.

If/when the US economy fully recovers, that will/might bring with it inflation – a problem that the US has not struggled with for more than a decade. Significant inflation means that the US Federal Reserve ("The Fed") will have to start raising its federal funds rates from almost zero up to something a bit more in line with historical norms.

With participants suddenly confronted with the possibility of tighter monetary policy, the yields on longer-dated US Treasuries started to rise – and quickly. The next piece in the jigsaw is that 10-year yields are just about up to dividend yields on the S&P 500. At long last there seemed to be some alternative to investing in shares!

While this sequence of events seems logical, we think the argument is flawed. And the Fed chairman, Jay Powell, agrees.

Markets react harshly when they are blinded-sided. The S&P 500 fell 2.5% on the last Thursday of February and then fell a further 0.5% the next day. Ouch!

For the US to achieve "herd immunity" where the virus dies out on its own, it is widely accepted that the US needs to vaccinate around 70% or more with an "efficacious" vaccine like the ones from Pfizer and Moderna they are using.

Biden has assured us that he will have 600m doses available by the end of July but that's a long way away from getting two jabs into well over 200m American

arms. There are two major problems that Biden is not yet addressing.

# Beat the scammers at their own game



**We've all seen media reports about ordinary Australians losing their entire savings after responding to a phone, email or mail offer that was impossible to resist. While some people may be naïve, scammers are also getting smarter.**

Financial stings have become a serious threat to Australian consumers and businesses. According to the ACCC's Scamwatch website, there were 161,582 reports of scam in 2017, for a total loss of more than \$90 million!

## All shapes and sizes

Identity theft scams involve someone stealing another person's identity and can do anything with it from cleaning out bank accounts to taking out fake mortgages. But scams can come in many guises, including, but not limited to:

- Online account and money transfer scams;
- Health and medical scams;
- Superannuation scams;
- Get-rich-quick scams; • Lottery and competition scams.

## If it sounds too good to be true...

Let's look at the most damaging of all - investment scams.

Scammers know and use all sorts of tricks to entice the vulnerable but there are steps you can take to protect yourself.

Scammers usually make contact "out of the blue" with a blanket offer and use tactics to pressure you into the deal. These "professionals" try to make their offer look as genuine as possible and most will have any or all of the following features:

- Quick, high returns and sometimes tax-free;
- No risk for the investor;
- Mention well-known companies or people (that are actually not involved);
- Discounts for "early-bird" investors or special allocations not available through anyone else.

Investment scams can appear very professional on the surface. By the time the victim realises the offer was too good to be true, the scammer has disappeared with their money.

## What should you do?

If you receive a call or email always check the validity of the offer and provider, by asking:

1. What is your name and what company do you represent?
2. Does your company have an Australian Financial Services licence and what is the licence number?
3. What is your physical address?

If the caller can't or won't provide these details, it will be a scam. If they do answer, take down the details and check the Australian Securities and

Investment Commission list on its MoneySmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) or the Australian Competition and Consumer Commission (ACCC) 'Scamwatch' site ([www.scamwatch.gov.au](http://www.scamwatch.gov.au)).

## Be proactive

Some scams aren't as obvious so always protect your personal information. Never give out bank details or transfer money to anyone you don't know or trust.

Always check your statements and report any suspicious transactions to your financial institutions. Make sure your computer and mobile devices are protected with strong passwords, anti-virus software and firewalls.

And beat the scammers at their own game – if you are contacted by one of these fraudsters, immediately report it to the ACCC via [www.scamwatch.gov.au](http://www.scamwatch.gov.au) or phone 1300 795 995. Hopefully the scammer will end up the victim instead.

Source: Financial Writers Australia

If you have any questions please don't hesitate to contact the office.



2/24 The Esplanade  
Wagga Wagga  
NSW 2650  
Australia

Phone: 02 6921 1813  
Fax: 02 6931 9800  
Email: [lisa@asbwagga.com.au](mailto:lisa@asbwagga.com.au)

**ASB Financial Services**

[asbwagga.com.au](http://asbwagga.com.au)

**General Advice Warning** This information is of a general nature only and neither represents nor is intended to be specific advice on any particular matter. Infocus Securities Australia Pty Ltd strongly suggests that no person should act specifically on the basis of the information contained herein but should seek appropriate professional advice based upon their own personal circumstances. Although we consider the sources for this material reliable, no warranty is given and no liability is accepted for any statement or opinion or for any error or omission. If you do not wish to continue to receive future newsletters or wish to opt-out from future newsletters, send a reply email with the subject UNSUBSCRIBE. Under the terms of the Spam Act 2003, we are committed to responding to your opt-out request within 5 (five) working days.

Infocus Securities Australia Pty Ltd ABN 47 097 797 049 AFSL and Australian Credit Licence No. 236523.

# To gift or not to gift? What about your pension?



With Australia's age pension being subject to an assets and income test, a simple way for part-pensioners to increase their pension payments is to give away some assets.

Not surprisingly the government is on to such an obvious strategy. It's called gifting, and while it is perfectly legal for you to give away whatever you want whenever you want, if you exceed the relevant limits, Centrelink will continue to assess, what it calls "deprived assets", for five years.

## The limits

Gifting is defined as giving away assets or transferring them for less than their market value. Limits are the same for both singles and couples.

If you give away less than \$10,000 within a single financial year and no more than \$30,000 over five consecutive financial years, Centrelink will disregard these gifts.

Any gifts in excess of the allowable amount will be assessed as an asset (and, where applicable, subject to the income

test) for a period of five years from when the gift was made.

## Planning ahead

These rules don't just apply to existing pensioners. They also concern anyone who is applying for the age pension, as recent retiree Frank discovered.

Frank has reached age pension age and based on his current assets and income he should be eligible for a part pension. However:

- Four years ago he gave his daughter one of his cars, valued at \$25,000.
- At the same time he gave his son \$25,000 in cash, to match the value of the car.
- Two years ago Frank sold a beach house on the open market for \$210,000. This was \$40,000 less than the initial valuation from the estate agent.
- In the past year he spent \$35,000 on home renovations and \$15,000 on an overseas trip.

## What does this mean for his pension assessment?

The money spent on renovations and holidays count as normal living expenses, not a gift. Likewise, with \$210,000 being the best offer Frank received for his holiday home after it had been on the market for a couple of months, the property would not be considered to have been disposed of for less than its market value.

Whilst he understands that the money he gave to his son is clearly a gift, Frank's biggest surprise is the treatment of the car. Four years after he gave it to his daughter it's about to be treated by Centrelink as an asset Frank still owns.

That means Frank gave away \$50,000 in one year. The annual 'Gifting Free Area' is

\$10,000, so the difference, \$40,000, will be counted as an asset for the next year. This will reduce his pension by more than \$100 per fortnight.

If Frank had thought about his pension five years before he was eligible to apply for it, he could have achieved a better outcome.

## Seek advice

To gift or not to gift? It's an intricate question. The right answer depends very much on personal circumstances, talk to us today!

*Source: Financial Writers Australia, April 2019*

If you have any questions please don't hesitate to contact the office.



2/24 The Esplanade  
Wagga Wagga  
NSW 2650  
Australia

Phone: 02 6921 1813  
Fax: 02 6931 9800  
Email: [lisa@asbwagga.com.au](mailto:lisa@asbwagga.com.au)

**ASB Financial Services**

[asbwagga.com.au](http://asbwagga.com.au)

**General Advice Warning** This information is of a general nature only and neither represents nor is intended to be specific advice on any particular matter. Infocus Securities Australia Pty Ltd strongly suggests that no person should act specifically on the basis of the information contained herein but should seek appropriate professional advice based upon their own personal circumstances. Although we consider the sources for this material reliable, no warranty is given and no liability is accepted for any statement or opinion or for any error or omission. If you do not wish to continue to receive future newsletters or wish to opt-out from future newsletters, send a reply email with the subject UNSUBSCRIBE. Under the terms of the Spam Act 2003, we are committed to responding to your opt-out request within 5 (five) working days.

Infocus Securities Australia Pty Ltd ABN 47 097 797 049 AFSL and Australian Credit Licence No. 236523.

# Estate Planning; there's no time like the present



**Nobody knows what's around the corner. That's why the best time to think about planning your estate is right now. While writing a Will is an essential part of the process, there's so much more to estate planning that can ensure your wishes will be fulfilled exactly the way you want. A little planning today can make a big difference to your family's tomorrow.**

## It's all about your peace of mind

Estate planning is different for every person, but every plan has the same goal: peace of mind. With a proper estate plan in place, you can be confident that should you die or become unable to manage your affairs, you have everything in order. Your plan may cover your own life care instructions as well as how your assets will be managed and, ultimately, distributed according to your wishes in the most efficient and tax-effective way.

## Make sure your decisions are the ones that count

Estate planning will ensure you have peace of mind knowing that:

- Your loved ones, including children, are provided for and protected.
- Your children's inheritance receives

increased protection if a relationship breaks down.

- You have received professional advice on how to structure your assets to optimise tax advantages.
- Your wishes are recorded in legally-binding documents, free from ambiguity.
- Your affairs will be managed by someone you trust when you die or are no longer able to legally manage your affairs.

## There's no time like the present

The best time to think about your estate plan is right now. If something unexpected was to happen to you and you don't have an estate plan in place, your estate and your loved ones could be faced with legal disadvantages and extra costs. Not to mention added stress at an already difficult time. You should also keep in mind that your estate plan can keep evolving as your life does. Certain life events such as marriage, divorce or the birth of a child should prompt the need for estate planning advice or a review of your existing plan.

## Where there's a Will...

Generally, your Will forms the basis of your estate plan. This essential document spells out your wishes for the distribution of your assets to your beneficiaries. It also allows you to:

- choose your executor
- appoint a guardian for any minor children
- establish a trust to transfer your assets tax effectively
- make specific gifts to charities
- establish a trust for minor children or another purpose.

Without a legally valid Will, known as "dying intestate", you risk your estate being distributed according to strict legislative requirements. If you don't make your wishes clear, a government-appointed executor could be left to decide who benefits from your estate.

**Choosing a trusted executor** An important part of writing your Will is appointing an executor. Your executor is responsible for carrying out your wishes for the entire administration of your estate,

from funeral arrangements to the ongoing management of assets until the estate is completed. Your executor - or executors - can be a family member, a trusted friend or professional, or a nominated trustee company. Their responsibilities may include:

- Confirming your Will is legally valid and, in some States, obtaining a grant of probate.
- Preparing a statement of your assets and liabilities - what you own and what you owe.
- Advising beneficiaries of their entitlements.
- Lodging tax returns, if required.
- Managing and protecting your assets prior to distribution. For example, superannuation, insurance, safekeeping of valuables and re-investment of surplus funds.
- Establishing trusts.
- Making payments or distributing assets to beneficiaries.

## Enduring Power of Attorney - keeping things on track when you can't

An Enduring Power of Attorney is a key part of your estate planning. If you are no longer able to manage your own affairs due to an accident, illness or the loss of mental capacity, this legal document will ensure that someone you trust can step in when needed. In much the same way as nominating an executor, you can appoint trusted family members, friends or a professional trustee to act as your Attorney.

## A trust could help preserve everything you've worked for

Apart from distributing assets through your Will, you can also choose to distribute assets via trust. A trust is a legal structure used to hold assets that can be owned in the name of an individual, family or business. Trusts generally exist to protect those assets and minimise tax with specific rules and instructions detailed in a trust deed, which is prepared by your solicitor. There are several types of trusts that may be a useful vehicle in your estate plan if you want to:

- pass on a family business
- make a gift to charity
- be flexible in distributing your assets for tax purposes
- protect and manage assets until beneficiaries reach a certain age.

If you have any questions please don't hesitate to contact the office.



2/24 The Esplanade  
Wagga Wagga  
NSW 2650  
Australia

Phone: 02 6921 1813  
Fax: 02 6931 9800  
Email: [lisa@asbwagga.com.au](mailto:lisa@asbwagga.com.au)

ASB Financial Services

[asbwagga.com.au](http://asbwagga.com.au)

**General Advice Warning** This information is of a general nature only and neither represents nor is intended to be specific advice on any particular matter. Infocus Securities Australia Pty Ltd strongly suggests that no person should act specifically on the basis of the information contained herein but should seek appropriate professional advice based upon their own personal circumstances. Although we consider the sources for this material reliable, no warranty is given and no liability is accepted for any statement or opinion or for any error or omission. If you do not wish to continue to receive future newsletters or wish to opt-out from future newsletters, send a reply email with the subject UNSUBSCRIBE. Under the terms of the Spam Act 2003, we are committed to responding to your opt-out request within 5 (five) working days.

Infocus Securities Australia Pty Ltd ABN 47 097 797 049 AFSL and Australian Credit Licence No. 236523.

# Health Insurance... Yes or No?



**The argument has been waged for many years - do I take out health insurance or do I invest the same amount each year and if I get sick, the money will be available (and it's earning me interest!)?**

As with any type of insurance the decision is a personal one. Many people go without car, home or life insurance, thinking that the money is better spent or invested elsewhere... they are willing to take that risk. But how many of us have actually sat down and weighed up the differences between taking out health insurance or not, particularly with the government penalties on those not covered by a private health fund?

## Could this be you?

Paul is a 30-year-old family man who pays \$2,000 per year for basic health cover. By age 70 he would have contributed around \$200,000 (adjusted for inflation). For this amount, he and his family are covered for

hospital (with elective surgery) and ancillary medical costs, although still subject to his insurer's hospital excess.

If Paul and his wife decided to cancel their health fund insurance and invest the \$2,000 per year, assuming the \$2,000 is indexed at 4% pa and the investment returns 7% pa, by age 70 their investment would be worth around \$786,000! They would have to pay all of the costs of having a doctor of their own choice, in a hospital of their choice plus any other associated specialist costs. Paul will also pay the Medicare Levy Surcharge on his taxable income, which can be thousands of dollars (see below).

\$786,000 sounds much better in your pocket than giving away \$200,000 for something that will never usually cost that much... but how many of us are prepared to put away that amount of money and never touch it? That's the tough question.

Source: Financial Writers Australia

## The Medicare Levy Surcharge

If you earn over \$90,000pa as an individual or \$180,000pa as a family and don't have private health insurance, you will be charged the Medicare Levy Surcharge as outlined in the following table:

	No change	Tier 1	Tier 2	Tier 3
<b>Single threshold</b>	\$90,000 or less	\$90,001 - \$105,000	\$105,001 - \$140,000	\$140,001 or more
<b>Family threshold</b>	\$180,000 or less	\$180,001 - \$210,000	\$210,001 - \$280,000	\$280,001 or more
<b>All ages</b>	0.0%	1.0%	1.25%	1.5%

If you're a high-income earner this could amount to a hefty sum and wipe out any potential tax refund at the end of each year (or you may even have to pay extra tax).

But it still might be worth sitting down and doing your sums. Another option is to take out the most basic hospital cover and invest the difference you would be paying for full private health cover in your "own health fund". Then when you get your tax refund, add that to your growing kitty. You might not end up with as much as the above case study, but if you're willing to work out the difference, you might still be well ahead.

Insurance should be seen as just that – *Insurance*. We always hope we won't need it but it's there in case we experience unforeseen emergencies.

There are always alternatives and their associated upsides and downsides. In the end, the decision is up to you.

If you have any questions please don't hesitate to contact the office.



2/24 The Esplanade  
Wagga Wagga  
NSW 2650  
Australia

Phone: 02 6921 1813  
Fax: 02 6931 9800  
Email: [lisa@asbwagga.com.au](mailto:lisa@asbwagga.com.au)

ASB Financial Services

[asbwagga.com.au](http://asbwagga.com.au)

**General Advice Warning** This information is of a general nature only and neither represents nor is intended to be specific advice on any particular matter. Infocus Securities Australia Pty Ltd strongly suggests that no person should act specifically on the basis of the information contained herein but should seek appropriate professional advice based upon their own personal circumstances. Although we consider the sources for this material reliable, no warranty is given and no liability is accepted for any statement or opinion or for any error or omission. If you do not wish to continue to receive future newsletters or wish to opt-out from future newsletters, send a reply email with the subject UNSUBSCRIBE. Under the terms of the Spam Act 2003, we are committed to responding to your opt-out request within 5 (five) working days.

Infocus Securities Australia Pty Ltd ABN 47 097 797 049 AFSL and Australian Credit Licence No. 236523.