



Welcome to our quarterly magazine – in this edition:

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- Why insurance matters
- Understanding the 2020 lingo
- Season's Greetings from all of us

Welcome to the last edition for 2020. It has been a challenging year with the bushfires, drought and COVID-19 pandemic.

At RI Advice, to assist the changing needs of our clients through this period we have adapted our business to enable more support to be delivered via digital means such as online client meetings and presentations. With this came the accelerated use of technology and platforms to allow our Financial Advisers and their staff to work effectively from home, whilst keeping your data safe and allowing you to engage with your adviser in a time you needed them the most.

I want to thank you for your ongoing support and hope that you have taken comfort from knowing that you have a professional adviser looking out for you so that you can focus on other things, and not be burdened by financial stress. I hope you enjoy the articles in our Q4 publication and I sincerely wish you all a very safe and happy festive season.

Peter Ormsby
RI Advice Group, CEO

Federal Budget summary

The announcements in this article are proposals unless stated otherwise. These proposals need to successfully pass through Parliament before becoming law and may be subject to change during this process.

Overview

The 2020 Budget is all about jobs, jobs and spending to make more jobs. We already have JobSeeker and JobKeeper, and now we have JobMaker and JobTrainer. Each announcement the Treasurer made was translated into jobs.

Tax cuts for 11 million taxpayers equals 50,000 new jobs; expanding the instant asset write-off and the carry back of current losses is another 50,000 jobs.

Bringing forward the Stage 2 personal income tax cuts were the order of the day, and there will be no increases in tax in order to pay for spending. So unlike other economic downturns, there will be no deficits tax on high income earners.

One key theme throughout the Budget, is that the Government is keen to improve outcomes for young people. We know this recession has hit young people hard and many have taken early release of their super.

What you need to know

- **The Budget is forecast to result in a record deficit peaking at \$966 billion** (44% of GDP) in 2024. However, thanks to record low interest rates, this comes with only a minimal increase in interest payments.
- **Jobs are the Government's primary focus** — creating jobs and keeping jobs, with the introduction of the JobMaker plan (including a \$100-\$200 per week hiring credit for eligible employees/employers and reimbursement of up to 50% of an apprentice's training) and the JobTrainer fund.
- **Tax cuts will play a major role** and, unlike other economic downturns, there will be no deficits tax on high income earners. Stage 2 personal income tax cuts are to be brought forward 2 years, backdated to 1 July 2020, with tax savings for around 7 million Australians of \$2,000 or more.
(Note: this has now been legislated.)
- **Businesses operating as a company will be able to carry back tax losses** from the 2019/20, 2020/21 and 2021/22 financial years to offset previously taxed profits in the 2018/19 or later financial years.
This, coupled with the Instant Asset Write-off provisions and expanded access to tax concessions for



small business, is calculated to generate spending and create jobs.
(Note: this has now been legislated.)

- **Aged care gets a boost** with 23,000 additional home care packages. Great news for the 100,000 Australians on the waiting list for these packages.
- **Superannuation measures called 'Your Future, Your Super'** include a stronger focus on reducing fees and costs by increasing transparency and

reducing the incidence of individuals with multiple super funds.

- **Social security** — aged pensioners, veterans and eligible concession card holders will get \$250 this year and another \$250 early in 2021. However, there is no mention of extending JobSeeker.

If you would like to discuss the Federal Budget announcements and how it may impact your financial plan and financial planning objectives, contact your Financial Adviser.



Nominating your super beneficiary

Nominating your super beneficiary is something you have most likely been asked to do if you have a superannuation fund.

But, super fund trustees can only pay your super death benefit to eligible dependants' or to your legal personal representative (LPR), who is generally the executor of your Will. If you haven't elected a valid beneficiary the super fund trustee generally decides who your super goes to.

There are important things you should be aware of regarding super dependants as we have outlined in this article.

Who can you nominate as a super dependant?

Spouse

A spouse includes a legally married spouse or de facto spouse, both same sex and opposite sex.

A spouse can be a person you're legally married to but estranged or separated from. So, if you haven't formally ended a marriage, your husband or wife is still considered your dependant under superannuation law.

And, while you can't be legally married to two people, it is still possible to have two spouses – a legally married spouse and a de facto spouse.

Child

A child includes an adopted child or a step-child. Even though a step-child is included in the definition of a child, if you end the relationship with the natural parent or the natural parent dies, the child is no longer considered your step-child.

However, they may still be considered a financial dependant or in an interdependency relationship with you and could therefore continue to be a beneficiary of your super.

Financial dependant

Generally, a person is financially dependent on you if they relied on you for necessary financial support. A person may be wholly or partially financially dependent on you.

Interdependency relationship

Two people have an interdependency relationship if they live together and have a close personal relationship. One or each of them must also provide financial support to the other and at least one of each of them needs to provide domestic and personal care to the other.

Two people may still have an interdependency relationship if they do not live together but have a close personal relationship.

An example would be if they're separated due to disability or illness or due to a temporary absence, such as overseas employment.

Who is not a dependant?

Generally your parents, siblings or friends who don't live with you and who are not financially dependent on you or in an interdependency relationship with you, are not dependants.

If you do not have a dependant you should direct your super to your LPR and prepare a Will which outlines your wishes.

Legal personal representative

An LPR is the person responsible for ensuring that various tasks are carried out on your behalf when you die. If you nominate your LPR as the beneficiary of your superannuation, you are nominating the executor of your Will or if you die without a Will, the administrator of your estate. Your Will should outline the proportions and the people you wish your estate, including your super, to go to.

For assistance in how to nominate your super beneficiaries, ask your Financial Adviser to help you get everything in place as you want it to be.

1. In this article a dependant refers to a 'SIS dependant' which is an eligible person under the Superannuation Industry (Supervision) Act 1993 that a member may nominate as a beneficiary. Source: Australian Executor Trustees.

FEDERAL BUDGET UPDATE 2020/21

JOBS
The Government's primary focus – creating jobs and keeping jobs. Introduction of the **JobMaker plan** and the **JobTrainer fund**.

SOCIAL SECURITY
Those eligible will receive **two** payments of **\$250**. Payments will be made from **November 2020** and **early 2021**.

SUPERANNUATION
New **'Your Future, Your Super'** measures to reduce the number of super funds per member.

BUSINESS OWNERS
Will be able to **carry back** tax losses from previous financial years and a **\$100-\$200** per week hiring credit with JobMaker to help generate jobs.

TAX CUTS
No deficits tax on high income earners. Stage 2 personal income tax cuts are to be brought forward **2 years**, backdated to **1 July 2020**.

AGED CARE
23,000 additional home care packages.

Cyber security

Did you know that Cybercrime is one of the most prevalent threats in Australia, and the most significant threat in terms of overall volume and impact to individuals and businesses? According to the Australian Cyber Security Centre, Australians lost over \$634 million to scams in 2019.

We know cyber crime is a real threat to Australian businesses, which is why we are doing what we can to keep our data, systems and devices safe. Here are a few simple steps you can take too.

What you can expect from us

-  A secure network and up-to-date devices
-  Regular back-up of our data
-  No shared accounts or passwords
USERNAME
P@SSWORD123
-  Strong password management framework and two-factor authentication
-  Password protected documents if we need to share your personal information
-  A process to report and resolve any suspicious activities or issues



We want to make sure we keep your personal information safe

If you have any concerns, please get in touch with your financial adviser

What you can do to protect your personal information

- Install anti-virus software on all your devices and regularly update the software 
- Use a strong password or unique passphrase and activate two-factor authentication where possible iEATcake4breakfast
- Don't share your personal information or whereabouts on social media 
- Never give out your personal information over the phone unless you have properly identified the caller 
- Remember that we will not ask you to perform financial transactions over the phone 
- Let us know if you see an email from us that you think may be a scam 

Why insurance matters

In a year that has seen so many unexpected events take place it is top of mind for most Australians now more than ever that life does not always go the way we plan, but 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 currently 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
- 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 you could no longer earn an income.

Less stress

Unforeseen illness, injury, permanent disability, and death – it is not nice to think about but it does 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

ASIC found that the "claim declined" rate was around 50% higher where the claimant went direct to the insurer than if they 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.

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

¹. ASIC: Life insurance claims: An industry review



Understanding the 2020 lingo

This year has been all about the COVID-19 lingo – JobKeeper, JobSeeker, HomeBuilder, JobMaker. So, what does it all mean and what initiatives will continue in 2021?

JobKeeper

The JobKeeper Payment scheme is a wage subsidy the Australian Government introduced for businesses significantly affected by coronavirus (COVID-19). The scheme commenced on 30 March 2020.

Businesses that suffered a substantial decline in turnover were eligible for a payment of \$1,500 per fortnight for each eligible employee, provided the business paid salaries or wages of at least that amount to the employee each the fortnight. A business that suffered a substantial decline in turnover was eligible for a payment of \$1,500 per fortnight for one business participant who is actively engaged in operating the business.

From 28 September 2020, the JobKeeper Payment was extended for eligible businesses until 28 March 2021.

Businesses and not-for-profits are required to re-assess their eligibility for the JobKeeper extension with reference to their actual turnover. Businesses eligible for the JobKeeper extension receive \$1,200 per fortnight from 28 September

2020 and \$1,000 per fortnight from 4 January 2021, for eligible employees and business participants. Lower rates of payment (\$750 from 28 September 2020 and \$650 from 4 January 2021) apply for eligible employees and business participants who work less than 20 hours a week in the relevant period.

If you are a business owner and unsure if you qualify for the JobKeeper extension, talk to your Financial Adviser and check the Government Treasury and Australian Tax Office websites for more information.

JobSeeker

The JobSeeker Payment is an income support payment that replaced the previous Newstart Allowance and is targeted at individuals aged between 22 years old and Age Pension age who are looking for work.

On 27 April 2020 the Australian Government introduced a temporary Coronavirus Supplement of \$500 per fortnight which was paid in addition to certain income support payments including JobSeeker Payment. The payment of the Coronavirus Supplement has been extended from 25 September 2020 to 31 December 2020 at the rate of \$250 per fortnight.

How much you are paid on JobSeeker depends on your individual circumstances. Your Financial Adviser and the Services Australia website can assist in providing more specific information based on your circumstances.

HomeBuilder

Another Coronavirus measure introduced by the Australian Government is the HomeBuilder package to stimulate the building and construction industry. Under this scheme, grants of \$25,000 are provided to eligible owner-occupiers to build a new home or renovate an existing home. The value of a new home cannot exceed \$750,000, while a contract to renovate an existing home must be between \$150,000 - \$750,000 and the value of the property before the renovation must not exceed \$1.5 million.

There are additional eligibility rules so if you think you may be eligible, check all the requirements before you go about applying, but be quick as it is only available to eligible applicants who enter a construction contract by 30 December 2020.

JobMaker

On 6 October 2020 the Australian Government announced its Budget 2020/21 plan, which included a \$74 billion JobMaker Plan as a key element, designed to support a stronger economic recovery and help get more Australians back into paid work.

Within the JobMaker Plan there are a number of measures including:

- **Lower taxes** – the Government has brought forward personal income tax cuts by two years.
- **Hiring Credit** – if legislated, this scheme will provide businesses with a monetary incentive to hire employees aged between 16 and 35 years old. (continued >)

It is estimated around 450,000 jobs for young Australians will be supported through the JobMaker Hiring Credit.

- **Apprenticeships** – if legislated, the Government will invest an additional \$1.2 billion into the Boosting Apprenticeships Wage Subsidy, which is estimated to benefit up to 100,000 new apprentices and trainees.
- **JobTrainer** – if legislated, the Government will establish a \$1 billion JobTrainer Fund to support up to 340,700 additional free or low-fee training places for Australians wishing to retrain and upskill which will increase their job prospects.

Want personalised advice?

For assistance understanding the lingo, and for a general review of your financial plan, contact your Financial Adviser who can work through the details in relation to your individual circumstances.



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.

Please note: inTouch is of a general nature only and neither represents nor is intended to give specific advice on any particular matter.

This publication does not contain tax advice and it is recommended that you speak with a tax specialist about your circumstances. We strongly suggest that no person should act specifically on the basis of information contained herein but should obtain appropriate professional advice on their own personal circumstances.

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