

your **money** your **future**

Newsletter: September 2020

Welcome to the latest edition of our client newsletters.

Our articles cover 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 topics include:

- Changes to super contribution rules for over 65s
- Ways to use your tax refund for a stronger financial future
- Protect yourself from COVID-19 related scams.

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

In the meantime we hope you enjoy the read.

All the best

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Changes to super contribution rules for over 65s

The Federal Government has updated superannuation laws to allow older Australians to contribute to their super for longer.

Work test to apply from age 67

The government has increased the age up to which super contributions can be made without having to meet a work test from 65 to 67.

The work test requires you to be in paid work for a minimum of 40 hours in any consecutive 30-day period in the financial year to make voluntary super contributions.

From 1 July 2020, the work test only applies for people aged between 67 and 74.

So, people aged 65 or 66 will now be allowed to make voluntary super contributions—both concessional and non-concessional—regardless of whether they are working or not. The usual contribution caps will continue to apply.

AMP Technical Strategy Manager John Perri says, “This change recognises that many of us may have to work longer to have adequate savings for our retirement.

“Extending the work test age to 67 will allow more individuals aged 65 and 66 to top up their super without having to meet the work test, if they are financially capable of doing so. For some this is important after the impacts of COVID-19 on incomes and investments.”

Increased age limit for spouse contributions

The government has increased the cut-off age for spouse super contributions from 69 to 74, from 1 July 2020. So, a receiving spouse can build their super for longer, assuming they continue to meet the work test from age 67.

Any contributions received by a spouse will count towards their ‘non-concessional’ after-tax contribution limit.

Work test exemption continues to apply

The ‘work test exemption’ for recent retirees will continue to apply for people aged 67 to 74.

This allows people with a total super balance below \$300,000 on 30 June of the previous financial year to make voluntary super contributions for 12 months from the end of the financial year in which they last met the work test. It can only be applied once.

For spouse contributions the work test exemption applies to the receiving spouse.

Contact us to discuss what these changes mean for your situation.



Ways to use your tax refund for a stronger financial future

Not sure what to do with your tax refund? Strategic financial decisions for your tax return begin with a strong plan.

Whether you breeze through tax time or dread the extra admin, receiving a tax refund makes the effort worthwhile. For many of us, getting a financial boost will be even more welcome this year, and you might be looking around for the best ways to use it.

These simple actions can help you figure out how to make a plan for your tax return. And if you're looking for inspiration for how to spend it, we suggest some ideas to consider, too.

Plan to succeed

Never underestimate the power of a well-crafted plan – it's easy to watch funds dwindle when you haven't given them a clear direction. Recent research has revealed that 81% of us admit to splurging an average of \$1,430 annually as a result of comfort spendingⁱ and that one in six Australians struggles with credit card debtⁱⁱ.

Like any goal, your ambitions for this year's tax return can be more easily realised if you have a concrete plan in place. In fact, studies have found that taking the time to write down your goals and plans can actually improve your chances of making them happenⁱⁱⁱ.

Once you've lodged your tax return, you should have a decent idea about the amount of your refund. Use the time before you receive the money to give yourself a financial check-up and decide exactly where you plan to put your tax refund to avoid excitement spending once it lands in your account. This includes any money you're hoping to use for a holiday or other splurge – work it into your financial plan to avoid spending beyond your means.

Anticipate your upcoming living expenses

When making your plan, you might want to consider your upcoming living expenses, particularly any large, irregular bills such as car insurance and registration costs, utility bills and general home maintenance.

Putting aside some of your tax return as a cushion for upcoming expenses or in an emergency fund helps you avoid reaching for other financial support – such as personal loans and credit cards – when the bills start to build up.

Reduce outstanding debt

If you have some debt to pay down, you're not alone: the average Australian household debt-to-income ratio is around 190%, meaning we owe almost twice as much as we earn each year^{iv}. Putting your tax return towards any outstanding debts, including mortgage repayments, personal loans and any credit card debt may help reduce any interest charges.

According to the research...

- 81%** of Australians admit to splurging an average of **\$1,430** annually on comfort spending
- 1 in 6** Australians struggles with credit card debt
- 190%** the debt-to-income ratio for the average Australian household

Invest in growing your wealth

If you don't need the money for immediate expenses, paying off debt (or the occasional luxury), you might be looking to make a long-term investment with the extra money. You might consider contributing some or all of your refund to boost your super, or add it to a term deposit or savings account.

The Australian Government's new HomeBuilder grant means that home renovations are on many people's minds. If you're thinking about home improvements that will add value to a property, experts say that repainting rooms, updating the kitchen and adding a bathroom are among the most profitable upgrades and home improvements^v.

Make tax-deductible purchases

If you've been holding off buying specific equipment for work, such as a new laptop or desk, now could be a good time to make the purchase. For purchases over \$300, tax deductions are calculated on the depreciation of the 'effective life' of the item^{vi}. If you purchase them at the beginning of a financial year, the item has almost a full year to depreciate before you do your next tax return.

Donate to a charity

Although this has been one of the most difficult years in living memory, Australians have shown extraordinary generosity by donating to bushfire appeals and other charities. If you plan to support a charity or not-for-profit organisation, don't forget that any donations over \$2 to eligible organisations in Australia are tax deductible^{vii}. Just remember to keep a receipt for when you start preparing next year's tax return.

Contact us to discuss how you can best use your tax return. We can provide you with advice tailored to your unique financial situation.

- ⁱ <https://mozo.com.au/credit-cards/articles/comfort-spending>
- ⁱⁱ <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-201mr-asic-s-review-of-credit-cards-reveals-more-than-one-in-six-consumers-struggling-with-credit-card-debt/>
- ⁱⁱⁱ <https://www.forbes.com/sites/markmurphy/2018/04/15/neuroscience-explains-why-you-need-to-write-down-your-goals-if-you-actually-want-to-achieve-them/#460ecc5a7905>
- ^{iv} <https://www.rba.gov.au/speeches/2019/sp-ag-2019-03-20.html>
- ^v <https://www.domain.com.au/advice/which-renovations-offer-the-best-return-when-you-sell-20160223-gn1awa/>
- ^{vi} <https://www.ato.gov.au/Individuals/Income-and-deductions/In-detail/Decline-in-value-of-depreciating-assets/>
- ^{vii} <https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Gifts-and-donations/>

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Protect yourself from COVID-19 related scams

Aside from the shutdowns, job losses and restrictions, there's been another worrying element to the COVID-19 (coronavirus) pandemic – scammers are zeroing in on the changes to our financial interactions and shopping habits to take advantage of people across Australia.

Government website Scamwatch.gov.au reports that it's received reports of over 2700 COVID-19 related scams – with over \$1,114,000 in reported losses – since the pandemic beganⁱ.

Types of scams to look out for

Phishing scams:

'Phishing' is a type of fraudulent messaging (either through email or SMS text), and often directs people to enter their personal information on a fake website. Once personal information is entered, it's sent to scammers and your computer may be compromised, or in other words, hacked.

Alternatively, the scammer may want you to open an email attachment so that a malicious script can be executed resulting in your computer and data being compromised.

Known COVID-19 phishing scams include those pretending to be from:

- MyGov, the Department of Health, the Australian Taxation Office and Services Australia
- the World Health Organization
- banks, supermarkets, travel agents, and
- insurance and telecommunication companies.

To avoid becoming a victim, you shouldn't click on links in messages or respond to messages that ask for personal or financial details. Instead, delete any suspicious messages, and check they're real by visiting the organisation's website directly using your internet browser (rather than through clicking a hyperlink) and calling them on the number located there. Additionally, we recommend you hover your cursor over the suspicious link (without clicking) to reveal its true destination (URL).

Be sure to visit the ACCC's scam watch webpage to obtain more info.

Online shopping scams:

Some scammers have created fake web-based or social media stores that sell products related to COVID-19 such as cures, vaccinations or face masks, however upon placing an order and paying, victims receive nothing.

The website may look legitimate by using professional layouts and logos, but one of the best ways to detect a fake seller is to search for reviews before purchasing. Another tell-tale sign can be requests for upfront payment via unusual methods such as money order, wire transfer, international funds transfer, preloaded card or a cryptocurrency like Bitcoin.

Superannuation scams:

Scammers are taking advantage of the government's COVID-19 temporary change to super, which allows eligible people to access some of their super early.

These scams typically begin with a phone call claiming to be from a super fund or financial services company. The scammer may ask if you've been contacted by your super fund first, then if the answer is no, offer to check whether you're eligible to access your super early or help you to do it.

Another scam involves offering to check that you haven't been locked out of your super account, or tell you that your inactive super account will be locked if not merged with another super account. They often ask you for your personal details to "help out", try to obtain log in credentials and/or request a fee payment in return for their assistance.

There have also been cases where texts claiming to be sent from the National Superannuation Review offer a review of your superannuation due to COVID-19 and changes to legislation.

If you're contacted in such a way, you should avoid sharing any personal details and instead get in touch with the organisation yourself to check whether the contact was legitimate.

It's worth noting that the only way to apply to withdraw your super, if you are eligible under the COVID-19 early release of superannuation scheme, is online through the MyGov website. So there's no need to involve a third party or pay a fee to get access under this scheme.

How to protect yourself

Amid our online interactions and cashless transactions, cybercrime is, sadly, a part of modern life. And scams are becoming increasingly sophisticated.

However, there are some things you can do to stop yourself from becoming a victim:

- Remain alert about unsolicited contact – if it feels off, it probably is. Never give information about your superannuation to someone who has contacted you. Take your time and consider who you might be dealing with. Instead, contact the organisation yourself and ask them about the phone call/email/text message – if it's legitimate they can confirm it, and if not, there's a good chance they already know about the scam or by alerting them to it, you can help protect others.
- Protect your personal details – don't share sensitive, commonly-used personal data, such as your date of birth, Medicare or driver's licence number with others, and avoid using shared or public computers to log into sensitive websites. Also make sure you keep your details up to date with organisations you deal with so that if something should go wrong, they can notify you.
- Protect your passwords – choose difficult passwords that aren't related to your personal information (such as your date of birth or phone number) and change them regularly. Take care about how and where you store your passwords and never share them with anyone.
- Protect your devices – installing and updating security software, such as firewall, anti-virus, anti-spyware and spam filtering software, helps protect your devices against fraudulent activity by detecting and preventing online attacks.
- Avoid clicking on hyperlinks – you should never enter sensitive details into a website you've arrived at by clicking on a link. In particular, always go directly to the website of a financial institution or online banking system and always log out when you're finished.

Report it

If you become aware of a scam, or fall victim to one, you should report it to Scamwatch or ReportCyber and the organisation in question.

ⁱ <https://www.scamwatch.gov.au/types-of-scams/current-covid-19-coronavirus-scams>