Winter 2024

With Winter now officially underway, some might be heading north to warm up and others may lean into the cold on the snowfields. Whichever you choose, don't forget the approaching end of financial year.

A slight increase in the Consumer Price Index last month, to 3.6% from 3.5% in March, has led some economists to predict we'll be waiting longer for the first official interest rate cuts, perhaps until the end of next year, with little to no chance of a rate rise in the meantime. While inflation has been relatively stable over the past five months, this is the second monthly increase in a row. The biggest prices increases were in the housing, food and beverages, alcohol and tobacco, and transport sectors. Retail spending continues to be weak. The 0.1% increase in turnover in April wasn't enough to make up for a 0.4% drop in March.

The higher-than-expected inflation figures saw Australian share prices take a tumble after reaching a welcome high mid-month. The ASX200 finished the month on a positive note, slightly higher for the month of May. In the US, troubles in the tech sector and a global bond sell-off saw small losses on the Dow, the Nasdaq and the S&P 500 while European markets in London, France and Germany also finished the month on a low.

A strong US dollar along with the uptick in Australia's inflation data saw the Aussie dollar fall from a mid-month peak of just over US67 cents.

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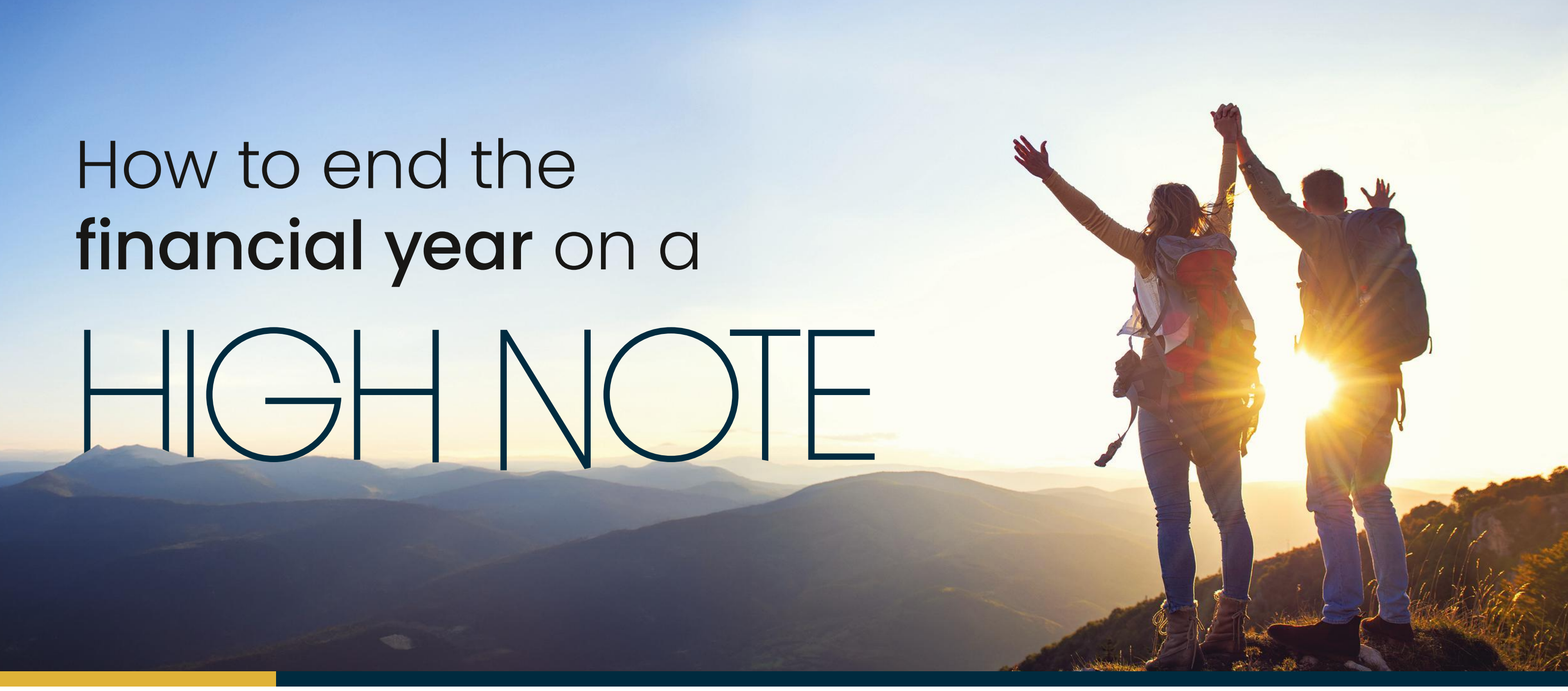

How to end the **financial year** on a HIGH NOTE

As the financial year draws to a close, it's the perfect time to review your financial affairs and set the stage for a successful year to come. By taking care of essential tasks and implementing strategic planning, you can position yourself for a smooth transition and a strong start for the new financial year.

Topping up super

One important item for the To Do list is to top up your super with either concessional (pre-tax) or non-concessional (post-tax) contributions. For example, you could make a voluntary concessional contribution up to the limit allowed and then claim a tax deduction on your personal assessable income for it.

Consider making additional contributions to your own super account or your spouse's account, to take advantage of tax concessions.

If you have unused concessional cap amounts from the previous five years and a super balance less than $500,000 on June 30 the previous year, you may be eligible to make a catch-up (or carry-forward) contribution greater than the annual limit.

Maximising contributions not only helps you build your retirement savings but can also provide valuable tax benefits. But it's critical to be mindful of your caps and to ensure that you make any super contributions before the end of the financial year to meet the deadline.

Reviewing investments

Reviewing your investment portfolio is a valuable task at any time but particularly now.

For example, you could take a look for any capital gains or losses that could be used strategically to manage your tax liability.

Also, it is worth considering how your portfolio performed over the past 12 months against your goal of capital growth, income, or balance.

You may decide to readjust your goals or your investments to help steer performance in the right direction for the next 12 months.

Of course, if you're planning any changes, it's important to check in with us to ensure you're making informed decisions about your investments.

Paying expenses early

Another useful strategy at tax time can be to bring forward any deductible expenses or interest payments before 30 June to reduce your taxable income.

That could include incurring expenses on an investment property, prepaying interest on investment loans, making charitable donations, or claiming eligible work-related expenses.

Make sure you keep detailed records and receipts to support your deductions.

The ATO's myDeductions app is a great place to start for free record keeping and to asst you to be ready for tax time.

Setting up salary sacrifice

As you look ahead to the new financial year, consider whether a salary sacrifice arrangement might be right for you.

Salary sacrifice allows you to divert a portion of your pre-tax salary directly into your superannuation, which effectively reduces your taxable income and boosts your retirement savings.

You will need to think carefully about your living expenses to work out the amount you can afford to contribute to your super, ensuring you do not exceed your concessional (before-tax) contributions cap of $27,500, (which will increase to $30,000 from July 1 2024) to avoid paying any extra tax.

Your employer or payroll department can help you set up a salary sacrifice arrangement.

Checking your budget

This is a good time to revisit your financial goals and how you're tracking, and then put together a strong budget for the new financial year that will help get you further along the track.

Take the time to review your income and expenses and identify any areas where you can cut back spending or improve your income.

This exercise not only helps you understand your financial habits but also allows you to reallocate funds towards your goals, such as paying down debt, building an emergency fund, or increasing your investment contributions.

Consult with professionals

Don't forget to check in with your trusted advisers – financial advisers, accountants, or tax professionals – to make sure you are making the most of any opportunities for financial growth and maximising tax savings.

Taking advantage of our expert advice to review your current financial situation and goals, and checking that you are making the best decisions for you can make a difference. It provides peace of mind, ensures that you are complying with any obligations and, importantly, puts you in the best position to achieve your financial goals.

Caught IN THE *middle:* HELP FOR THE SANDWICH GENERATION

If you are feeling a bit like the meat in the sandwich you are not alone. The 'sandwich generation' is a growing social phenomenon that impacts people from all walks of life, describing those at a stage of their lives where they are caring for their offspring as well as their elderly parents.

The phenomenon is gathering momentum as we are tending to live longer and have kids later. It even encompasses royalty – Prince William has been dealing with a sick father while juggling school aged kids (as well as a partner dealing with serious health issues).

A growing phenomenon

The number of people forming part of the sandwich generation has grown since the term was first coined in the 1980's, as we tend to live longer and have kids later. It is estimated that as many as 5% of Australians are currently juggling caring responsibilities which has implications for family dynamics, incomes, retirement and even the economy.[i]

Like many other countries, the number of older Australians is growing both in number and as a percentage of the population. By 2026, more than 22 percent of Australians will be aged over 65 – up from 16 percent in 2020.[ii] It is also becoming more common for aging parents to rely on their adult children for assistance when living independently becomes challenging.

The other piece of bread in the sandwich is that as a society we are caring for kids later in life. The median age of all women giving birth increased by three years over two decades.[iii]

And with young people staying in the family home well into their twenties, we are certainly supporting our children for longer. Even after the kids leave the nest, it's also common for parents to become involved in looking after grandchildren.

Taking its toll on carers

While we want to support our loved ones, when that support is required constantly and intensively for both parts of the family, it can mean that something has to give and that 'something' is often the carer's well-being.

Even if you are not part of the sandwich generation but being squeezed at either end – caring for kids or parents, acting as a primary care-giver often requires you to provide physical, emotional, and financial support. It's common to feel it take a toll on your own emotional and physical health, and sometimes your finances as you sacrifice some of your savings or paid work to help your loved ones.

Support for caregivers

It can be difficult to acknowledge you need assistance but there are a number of ways you can access help.

Deciding what to get help with

It can feel like there is not enough hours in the day and that's overwhelming. Try to think about what you really need to do and where your time is best spent and consider if you can get assistance with tasks or duties you don't have to do. This may mean outsourcing things like buying a healthy meal instead of cooking or getting a hand with gardening or lawn mowing.

Think about what others could assist with to lighten and share your load.

Accessing support

There are also support networks out there that exist to take off some of the pressure. Reach out to local support networks via *Carers Australia* for help identifying mainstream and community supports.

You or your loved ones may also be entitled to government support, under the *National Disability Insurance Scheme* (NDIS) or *My Aged Care*. These programs provide funding and resources to help pay for essential care; from domestic assistance with cleaning and cooking, to home modifications, to 24-hour care for those who require more support.

The importance of self-care

It's vital to take some time out for yourself and make your own wellbeing a priority. Don't feel that it's selfish to take care of your own needs as that's an essential part of being a carer. Resources like respite care and getting support when needed is an important gateway to self-care.

Managing your finances

Caregiving can put financial pressure on the whole household and has the potential to impact retirement savings. The assistance of a trusted professional can help, and we are here if you need a hand.

Raising kids as well as supporting parents to live their best lives as they age is becoming more common and can be a challenging time of life. While the act of caring is the ultimate act of kindness – the most important thing to remember is to be kind to yourself.

i https://info.careforfamily.com.au/blog/sandwich-generation

ii https://www.sydney.edu.au/news-opinion/news/2023/10/09/confronting-ageing-the-talk-australia-has-to-have.html

iii https://www.abs.gov.au/ausstats/abs@.nsf/2f762f95845417aeca25706c00834efa/b130815d4b2de356ca2570ec000c1c60!OpenDocument

The art of refinancing

Refinancing your home loan has the potential to save you thousands, reduce your monthly repayments and free up your finances to achieve your goals.

However, mastering the art of refinancing requires strategic planning, an understanding of the process and taking numerous considerations into account. Whether you plan on external or internal refinancing, here's what to keep in mind.

Understand the different types of refinancing

While many people think of refinancing as switching lenders, you can also choose a better deal but stay with your original lender. Refinancing through your original lender but opting for a different deal is referred to as an internal refinance; external refinance is where you find a different lender.

In 2023, it was reported that Australia had the largest boom in mortgage refinances in history over the past three years.[i] And according to Finder's Housing Market Report 2023, while in 2019 just over half of refinancers were external refinancers, by mid-2023, this had jumped to 72%.[ii]

Know the market and interest rate movements

As the stats show, in recent times more mortgage holders than ever, are swapping lenders in order to chase a better deal. Often this is the main goal – to refinance to get a lower interest rate.

Given the fluctuations in the market and the rise and fall of interest rates, it's smart to keep informed as to what's happening. It's also a good idea to touch base with a financial expert to get their take on whether now is a good time to refinance.

Assess your financial health

It's then time to look at your financial situation, so you have a clear understanding of your credit score, current financial position and equity, income, and debt-to-income ratio.

It may have been some time ago that you last did this and it's likely that some things have shifted, especially given the higher cost of living at the moment.

Understand your loan

Whatever your reasons for wanting to refinance are, you need to understand what your current commitment is and what changes you want to make.

Read through your current loan's terms and conditions, as it may have been a while since you've checked them. You can chat to your current lender to see if there are any benefits you haven't been utilising or costs you are unaware of.

Understand refinancing costs

A follow-up from knowing your loan is ensuring you have a clear understanding of refinancing costs. While the lure of a better deal can be hard to resist, you may find that it may cost you more than you had thought.

Calculate your break-even point to determining if refinancing is beneficial – this includes taking any valuation fees and payout costs (such as exit fees) into consideration. If you are on a fixed rate home loan, you may need to pay a break free if you refinance.

Consider the impact on your credit score and LVR

Another thing to be aware of is how refinancing can impact your credit score. Aspects that come along with refinancing, such as ending a loan and needing another credit check, can cause your credit score to dip. And if there is the possibility that you skip out on a mortgage payment (should the refinancing process take longer than expected, for example), this will further damage your credit score.

Loan to Value Ratio (LVR) is the difference between the amount you're borrowing to the value of the property. If your LVR is over 80%, you need to pay Lender's Mortgage Insurance (LMI). When refinancing, it's likely that your LVR has shifted due to your mortgage repayments, so your LVR tends to be lower as a result. However, if your property has fallen in value and your LVR has risen, then you may need to pay LMI when refinancing.

We can assist with refinancing to ensure it's not only beneficial for you, but that it also frees up your finances. Get in touch today so we can discuss your options.

i https://www.macrobusiness.com.au/2024/03/mortgage-refinancing-boom-turns-bust/

ii https://www.finder.com.au/home-loans/housing-market-report