Autumn Edition 2023

News from the Nest

FinNest Financial

Welcome to our Autumn Edition of 'News from the Nest'

We are pleased to share with our valued clients, the latest in topical updates to help you Plan, Grow and Protect your wealth.

This edition features the most up-to-date superannuation strategies to discuss with us, a call to action to plan for your aged care requirements, a compendium of how to prepare for significant life events, and a comprehensive overview of personal insurance options to consider at various stages of life. We will also highlight the latest happenings at FinNest HQ.

Please enjoy and we look forward to seeing you in the Nest very soon.

Brendan Stone
Director – Financial Advice,
FinNest Financial Pty Ltd.

MICHAEL MCGOWAN FPA AGED CARE SPECIALIST

We are delighted to announce that, after completing the Aged Care Steps Accredited Aged Care Professional Program, Michael McGowan has obtained the designation 'FPA Aged Care Specialist'. Our clients and their families with aged care needs can benefit from Michael's contemporary knowledge in this area, which enhances our team's expertise in the complex, multi-faceted and ever-changing field of Aged Care financial advice.
Please feel free to contact us if you need assistance with the aged care requirements of a loved one, we would be happy to assist.

FINNEST FINANCIAL CELEBRATES A 'BIG' MILESTONE

We are thrilled to proclaim a momentous landmark at FinNest Financial. In June of this year, we will mark **ten years** as a financial planning practice! We extend our heartfelt gratitude to our clients for partnering with us to support your lifelong financial aspirations. Our enduring success is a result of your trust in us, and your kind referrals of like-minded people to us. We greatly appreciate your continued support, and we look forward to working with you now and sharing many more milestones with you in the years ahead.

TAKING COVER IN CHANGING TIMES

The pandemic has changed the way so many of us live, with jobs, travel and lifestyle all transformed during COVID-19. Now, as we start emerging on the other side, it may be a good idea to check whether these changes have impacted on your life insurance needs.

Life insurance is the umbrella term for four main types of cover:

1. Death
2. Total and Permanent Disability (TPD)
3. Income Protection
4. Trauma

In some cases, you may require more cover and in others perhaps less. This is not just down to COVID-19. Changes to your insurance needs at any given time are a constant throughout your life.

Insurance through the ages

What you need as a single 20-something building your career is generally quite different from your requirements in your 40s when you may be juggling a young family and a mortgage. Then as you approach retirement and beyond, perhaps with your mortgage paid off, your needs change yet again.

On top of these life cycle changes, what may have seemed appropriate before the pandemic may no longer work. Perhaps you are working fewer hours and as a result have a lower income. Or perhaps you have opted to take early retirement.

Certainly, insurance companies have been mindful of people struggling to pay premiums during the pandemic and have generally honoured payouts on income protection cover if they occurred within that timeframe.

Whatever your circumstances, now is a good time to consider whether your current policies work for you.

What's covered?

Life insurance is the umbrella term for four main types of cover - death, total and permanent disability (TPD), income protection and trauma.

Death cover is self-explanatory. It pays a lump sum to your estate or nominated beneficiaries when you die.

It is often packaged with TPD which covers things like living expenses, repayment of debt and medical costs if you are no longer able to work. If your TPD is held through your super fund, generally this will only be paid if you cannot work in 'any' occupation; if it is held outside super, you may be covered if you can no longer work in your 'own' occupation.

Income protection cover will pay part of your lost income for a pre-determined time if you get sick or are injured and need time off work. It is particularly useful if you are self-employed or a small business owner as you don't have access to sick leave.

Trauma cover meanwhile provides a lump sum amount if you are diagnosed with a major illness or serious injury such as cancer, a heart condition, stroke or head injury. Such payments can be a big help with paying medical bills.

Check your super

Death and TPD insurance can often be purchased through your super fund. If, however, you took advantage of the early release of super allowed during the pandemic in 2020, it could be that you no longer have sufficient savings in your fund to cover the premium payments. Or, if you've not made any contributions to your super for 16 months, your account may have been deemed inactive under super law and closed.

It's important to note that if you lost your job due to COVID-19, then any automatic cover in your super with your previous employer may have stopped. If you have a new employer, the cost may have increased. Also keep in mind that income protection insurance doesn't cover you if you have lost your job due to a business closure or other COVID-related event.

Protect your mental health

One area that has received more attention during the pandemic is mental health. Not all insurance policies provide cover for mental health without exclusions or additional premiums. Nevertheless, according to the Financial Services Council, insurers paid out $1.47 billion in mental health claims in 2020.[i]

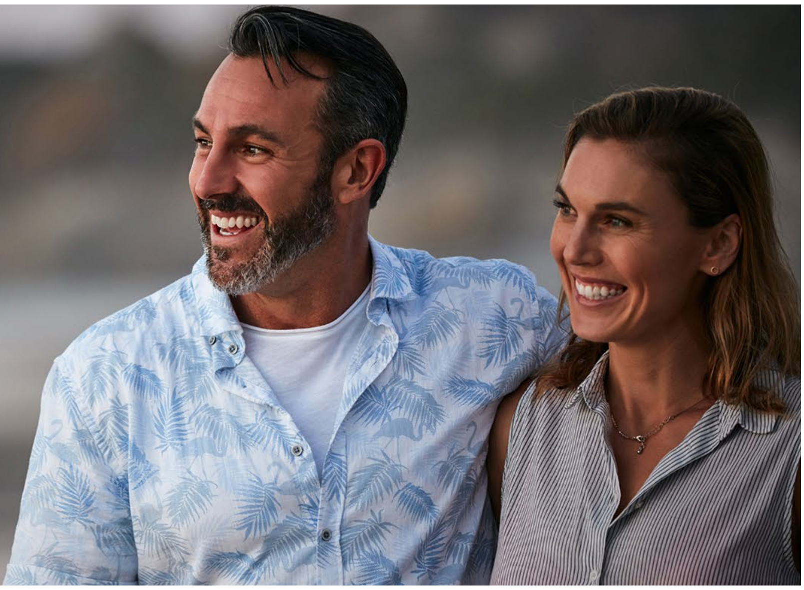
If your circumstances have changed, then it may be worth examining whether your life insurance cover still suits your needs and whether there are ways you can save money through lower premiums. For instance, you might reduce the amount you are insured for or remove some of the benefits.

If you would like to discuss your life insurance needs and whether your existing cover is still appropriate give us a call.

i: https://en.wikipedia.org/wiki/Holmes_and_Rahe_ stress_scale

SHARING SUPER A WIN-WIN FOR COUPLES

Australia's superannuation system is based on individual accounts, with men and women treated equally. But that's where equality ends. It's a simple fact that women generally retire with much less super than men.



The latest figures show women aged 60-64 have an average super balance of $289,179, almost 25 per cent less than men the same age (average balance $359,870).[i]

The reasons for this are well-known. Women earn less than men on average and are more likely to take time out of the workforce to raise children or care for sick or elderly family members. When they return to the workforce, it's often part-time at least until the children are older.

So, it makes sense for couples to join forces to bridge the super gap as they build their retirement savings. Fortunately, Australia's super system provides incentives to do just that, including tax and estate planning benefits.

Restoring the balance

There are several ways you can top up your partner's super account to build a bigger retirement nest egg you can share and enjoy together. Where superannuation law is concerned, partner or spouse includes de facto and same sex couples.

One of the simplest ways to spread the super love is to make a non-concessional (after tax) contribution into your partner's super account. Other strategies include contribution splitting and a recontribution strategy.

Spouse contribution

If your partner earns less than $40,000 you may be able contribute up to $3,000 directly into their super each year and potentially receive a tax offset of up to $540.

The receiving partner must be under age 75, have a total super balance of less than $1.7 million on June 30 in the year before the contribution was made, and not have exceeded their annual non-concessional contributions cap of $110,000.

Also be aware that you can't receive a tax offset for super contributions you make into your own super account and then split with your spouse.[ii]

Contributions splitting

This allows one member of a couple to transfer up to 85 per cent of their concessional (before tax) super contributions into their partner's account.

Any contributions you split with your partner will still count towards your annual concessional contributions cap of $27,500. However, in some years you may be able to contribute more if your super balance is less than $500,000 and you have unused contributions caps from previous years under the 'carry-forward' rule.

If your partner is younger than you, splitting your contributions with them may help you qualify for a higher Age Pension. This is because their super won't be assessed for social security purposes if they haven't reached Age Pension age, currently 66 and six months.[iii]

Recontribution strategy

Another handy way to equalise super for older couples is for the partner with the higher balance to withdraw funds from their super and re-contribute it to their partner's super account.

This strategy is generally used for couples who are both over age 60. That's because you can only withdraw super once you reach your preservation age (between 55 and 60 depending on your date of birth) or meet another condition of release such as turning 60 and retiring.

Any super transferred this way will count towards the receiving partner's annual non-concessional contributions cap of $110,000. If they are 74 or younger at the start of the financial year in which the contribution is to be made, they may be able to receive up to $330,000 using the 'bring-forward' rule.

As well as boosting your partner's super, a re-contribution strategy can potentially reduce the tax on death benefits paid to non-dependents when they die. And if they are younger than you, it may also help you qualify for a higher Age Pension. These are complex arrangements so please get in touch before you act.

A joint effort

Sharing super can also help wealthier couples increase the amount they have in the tax-free retirement phase of super.

That's because there's a $1.7 million cap on how much an individual can transfer from accumulation phase into a tax-free super pension account. Any excess must be left in an accumulation account or removed from super, where it will be taxed. But here's the good news – couples can potentially transfer up to $3.4 million into retirement phase, or $1.7 million each.[iv]

By working as a team and closing the super gap, couples can potentially enjoy a better standard of living in retirement. If you would like to check your eligibility or find out which strategies may suit your personal circumstance, get in touch.

i https://www.superannuation.asn.au/ArticleDocuments/402/2202_Super_stats.pdf.aspx?Embed=Y
ii https://www.ato.gov.au/individuals/income-anddeductions/offsets-and-rebates/super-related-taxoffsets/#Taxoffsetforsupercontributionsonbehalfof
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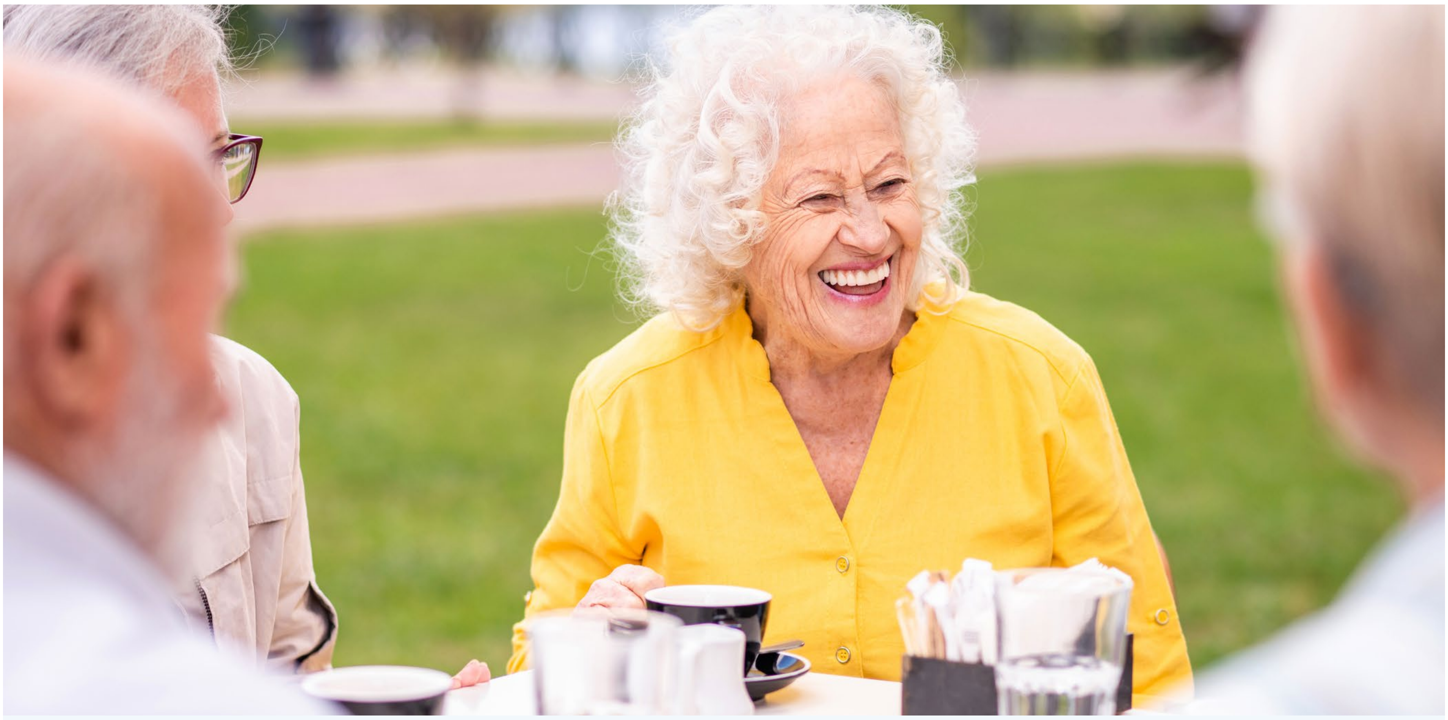

AGED CARE – ARE YOU PREPARED?

No-one likes to talk about getting old, but when you or a family member needs help, there's no getting around it. Many of our clients want to know what choices they have in their older years – and before the crisis hits.

When should you start thinking about aged care?

Any age is a good time to start thinking and planning for aged care, regardless of whether you are in your early retirement years or are well into retirement. The need for care can arise suddenly or result from a more gradual decline in capabilities.

If you are in good health, aged care is probably not on your radar. But this is the best time to have the conversation - you've still got capacity and you're not in panic mode.

Or, if you're lucky enough to still have your parents, starting the conversation while they are healthy is definitely sensible. They might not be thrilled that you're raising the subject, but it gives an opportunity to find out what is important to them when choices need to be made.

How to find help

Making an informed decision about aged care is incredibly important. Making the wrong decision can have far-reaching consequences for the whole family. When aged care decisions go badly, the stress can lead to family conflicts, fuelled by the Three G's of aged care® – Grief, Guilt and Greed

However, not all advice is good advice. Aged care financial advice is a specialist area. The rules change constantly, as do the available strategies. This is why Michael McGowan in our office has qualified as an **Accredited Aged Care Professional**™ to ensure we have the skills and knowledge to give you the right advice.

Don't accidentally fall into these traps:

01

Leaving it too late to have the conversation

Once Mum or Dad can't return home from the hospital, you're in crisis mode. This is not the best environment to make life-changing decisions for anyone.

02

Thinking it will never happen

Unfortunately the statistics say otherwise. On average, we can expect to live 17-25% of our retirement with a frailty that may threaten our ability to live independently without care. With those odds, planning ahead is vital.

For more information, call FinNest Financial today to arrange an appointment to start your aged care planning.

MANAGING BIG LIFE CHANGES

You've probably heard the saying 'change is as good as a holiday'. And sure, in some situations, altering your circumstances can be refreshing. But not all major life changes make you feel immediately clear, secure, and ready to take on the world. When everything you know is turned upside down, moving forward successfully is not a quick snap – it's a transitional process.

Navigating through the darkness before the dawn is tough. Conversely, many people struggle with sudden good fortune. The good news is, countless people like you have been there before. They've struggled with decisions and made mistakes so that you don't have to.

The most stressful life (and financial) events

According to the Holmes Rahe Stress Scalei, the biggest life events you may have to overcome include:

1. Buying a home
2. Involuntary unemployment
3. Divorce or separation
4. Retirement
5. Estate planning
6. Pregnancy or gaining a new family member
7. Major changes to business

How to deal with sudden changes

So what do all these life events have in common? Basically, they induce psychological states where you're more likely to be emotional and reactive than logical and rational. This can lead to poor outcomes which only fulfil your short term needs, or worse, cause further detriment to all involved.

There's only one way to remove yourself from that reactive state – mindfulness. Mindfulness means being self-aware, having the ability to see your situation from an outsider's perspective, and thinking before you act.

Here's how you get there:

- Get a mentor. A friend, family member or amenable acquaintance who has been through what you're going through. They'll be able to give you a fresh perspective and (evidence-based) hope for the future.
- Take it one day at a time. And if you don't think you can get through a day, try a shorter time period. As a wise TV comedienne recently said, "You can stand anything for 10 seconds. Then you just start on a new 10 seconds."
- In a similar vein, concentrating on small tasks, one at a time, can help make a seemingly impossible task seem much more manageable. For example, take income insecurity. You may be feeling anxious because you don't know how to pay for all of the expenses you currently have. But listing your expenses in priority order can help clarify just how little you have to spend to get by.
- It's a good idea to have scheduled 'down time' while you're going through a major change. Whether it's meditation, exercise, a massage, shopping, or a good old snooze, mark it in your diary – and don't let anyone cross it out. This can help prevent you from feeling overwhelmed at other times – such as when you're making an important financial decision.
- Take action. Putting off work involved with a major life change just means the stress snowballs. Even taking a small step can help take the pressure off. For example, if you're feeling a bit restless about being retired, enquire about a volunteering position. You don't have to make a commitment, but you've opened yourself up to the possibility of contributing your skills to a cause.
- Ask yourself how much of your situation you can really control. Try to be objective – pretending you're giving advice to a loved one can help. Letting go of what you can't control allows you to spend mental energy on what really matters.

Hindsight is 20/20 – when to reassess after change

After you've made it through to the other side of a major life event, it's important to reassess your financial situation. You may think that you've dealt with all the financial implications. But doing a review of your finances can still yield benefits...

If you've recently been through a big change, get in touch with us to help reassess and plan for a prosperous future.

https://en.wikipedia.org/wiki/Holmes_and_Rahe_ stress_scale

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To find out how FinNest Financial can help you plan, grow and protect your financial future, please feel free to contact us:

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