June 2019

The end of the election uncertainty and the investor-friendly policies of the Coalition produced a relief rally on financial markets in May. The Australian dollar bounced back above US69c after falling to three-year lows the day before the election, but still finished the month down 1 per cent. Local shares surged to an 11-year high before losing some of their gains to finish up 1 per cent for the month.

The Australian dollar more broadly has suffered from a flight to safety as trade tensions between the US and China escalate, pushing the US dollar higher.

In Australia, the Reserve Bank announced they have cut the official cash rate to a record low of 1.25%, and has trimmed its economic growth forecast for 2019 from 3.0 per cent to 2.75 per cent where it is expected to stay until at least June 2021, despite rising iron ore prices. This is against the background of a lift in the unemployment rate from 5.1 per cent to 5.2 per cent in April and a slide in business sentiment.

FM Financial
Burnie - Centrepoint Arcade, 59 Wilson St, TAS 7320
East Devonport - 29 Murray St, TAS 7310
Hobart - Level 4, 29 Elizabeth Street HOBART TAS 7000
Melbourne - Suite 2.14, Level 2, 202 Jells Rd, Wheelers Hill, VIC 3150
Launceston - The Branch Office
45 Cameron St, Launceston TAS 7250

P 1300 763 544
E info@fmfinancial.com.au
W www.fmfinancial.com.au
Facebook fmfinancial
Twitter fmfinancial1

Paving the way for a smooth **EOFY**

As the end of the financial year draws closer, thoughts turn to tax. No doubt you can think of more enjoyable ways to spend your time than preparing for your annual tax return. So how can you streamline the process while ensuring you take advantage of all the claims that are possible?

First, you need to collect all your records of both your income and your expenditure throughout the year.

This includes:

- All your income whether it's from your employer, your super or your pension
- All your bank statements including interest earned and charges paid
- Dividends and distributions from your investments
- Records of investment sales and purchases for capital gains/loss purposes
- Income from rental properties and associated expenses
- Foreign income
- Your private health insurance policy details.

Nowadays, there may also be income to report from your participation in the shared economy such as money earned from Uber or AirBnB.

Ideally all this documentation should be to hand. If it's not, then seriously consider using an app to record all these transactions on a regular basis so when June comes around, you won't spend hours hunting out all the documentation. The Australian Taxation Office, for instance, has a myDeductions app for individuals and sole traders.

Another way to help monitor your expenses is to establish a separate credit card or bank account for your work-related expenses so that they are easily identifiable.

What can you claim?

Once you have your documents to hand then you need to consider what you can claim as work-related expenses. But do make sure you only claim what you are entitled to, because the ATO has work-related expenses in its sites this year.

Basically there are three key criteria:

- You must have spent the money yourself without having it reimbursed
- The money must be directly related to earning income
- You must have a record to prove it.

If your expenses meet these criteria, then there are a host of expenses you may be able to claim. These include vehicle and travel expenses; clothing, laundry and dry cleaning; gifts and donations; home office expenses; self-education; bank interest and account fees; and tools and equipment.

As an investment property owner, you can claim items such as land tax, rates, body corporate charges, insurance, repairs and maintenance, agent's commission, gardening, pest control, costs associated with drawing up leases and advertising for new tenants.

If you have income protection insurance outside super, then tax time is a perfect opportunity to review your cover and maybe prepay your next 12 months of premiums. That way you can claim those premiums as a deduction in the current year and reduce your tax liability. Other types of life insurance are generally not tax deductible outside of super.

Check your super

Superannuation is another area for attention. If you have not reached your concessional contributions cap of $25,000 (which includes your employer's contributions and salary sacrifice amounts) then consider putting the shortfall into your super. Any personal concessional contributions you make can be claimed as a tax deduction. But don't wait until the 11th hour as your contribution may not be processed by the fund until after June 30. You will need to notify your fund of your intent to claim a deduction and there are applicable timing requirements for this notice.

Taking advantage of the government's co-contribution can also be worthwhile for those who are eligible. If you earn less than $37,697 in 2018-19 and contribute $1,000 to your super as a personal contribution for which you don't claim a tax deduction, the government will match it with a $500 co-contribution. That's an effective 50 per cent return on your investment.[i] The co-contribution reduces progressively to nil once your income reaches $52,697. You must meet the eligibility criteria to qualify.

Changes for inactive super accounts

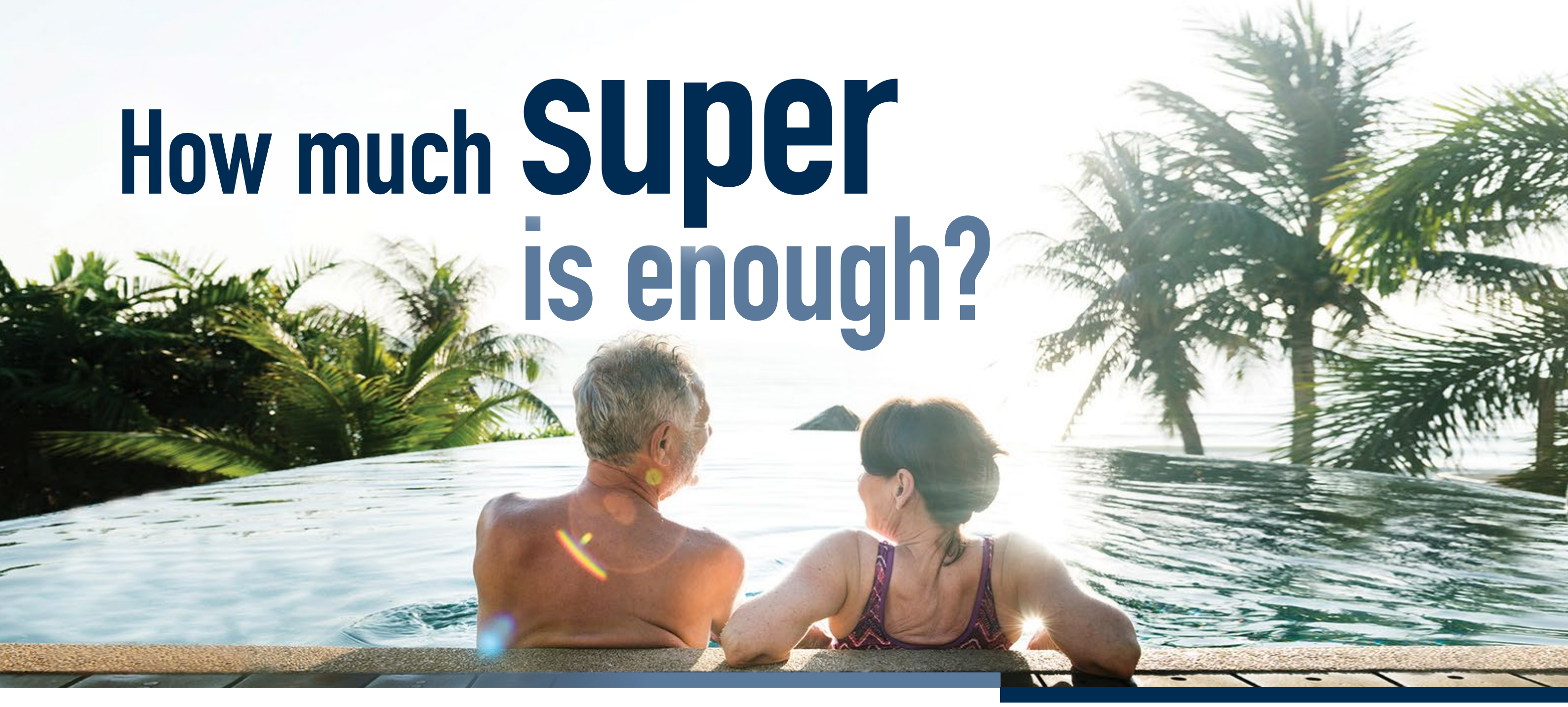
It is also worth noting that come July 1 your super fund will cancel your life insurance policy if no contributions or rollovers have been made to your account in the last 16 months. If you want to maintain insurance cover with such a fund, you need to contact your fund or make a contribution or rollover into that fund to keep your account active. Alternatively, you could speak to us about purchasing cover outside super.[ii]

If you would like some help making tax time less taxing this year, speak to your tax agent or give us a call.

i https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Super-co-contribution/?anchor=Eligibilityforthesupercocontribution#Eligibilityforthesupercocontribution

ii https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/insurance-through-super

How much super is enough?



Most of us dream of the day we can stop working and start ticking off our bucket list. Whether you dream of cruising Alaska, watching the sun rise over Uluru, improving your golf handicap or spending time with the grandkids, superannuation is likely to be a major source of your retirement income.

The more money you squirrel away in super during your working years, the rosier your retirement options will be. The question is, how much is enough?

Estimating your needs

Financial commentators often suggest you will need around two thirds (67 per cent) of your pre-retirement salary to enjoy a similar standard of living in retirement.[i] Lower income households may need more because they typically spend more of their income on necessities before and after retirement.

The latest ASFA Retirement Standard estimates that a couple retiring today needs a retirement super balance of $640,000 to provide a comfortable standard of living. This would provide an annual income of $60,977.[ii]

Singles need a lump sum of $545,000 to provide a comfortable income of $43,317 a year. These figures assume people own their home and include any entitlements to a full or part Age Pension.

How do I compare?

According to the latest figures, the mean super balance for all workers is $111,853 for men and $68,499 for women. The mean balance at retirement (age 60-64) shows most people retiring today fall well short of the amount needed for a 'comfortable' retirement.[iii]

The gap between men and women persists at all ages. By the time women reach their 60s they have 42 per cent less super than men on average and are more likely than younger women to have no super at all.

How can I boost my super?

If your super is not tracking as well as you would like, there are ways to give it a kick along. When your budget allows, or you receive a windfall, consider putting a little extra in super. Even better, set up a direct debit or salary sacrifice arrangement.

- You may be able to make a tax-deductible contribution up to the $25,000 annual concessional cap but be aware that this cap includes employer contributions and salary sacrifice.
- You may also be able to contribute up to $100,000 a year after tax, or $300,000 in any three-year period. You can't claim it as a tax deduction, but earnings will be taxed at the maximum super rate of 15 per cent rather than your marginal rate and you can withdraw the money tax-free from age 60. Your age and the amount you have in super can restrict the amount of contribution caps.
- If you earn less than $37,000, your other half can contribute to your super and claim a tax offset of up to $540. The offset phases out once you earn $40,000 or more.
- If you are a mid to low income earner and make an after-tax contribution to your super account, the government will chip in up to $500. To receive the maximum, you need to earn less than $37,697 and contribute at least $1,000 during the financial year. The government co-contribution reduces the more you earn and phases out once you earn $52,697.
- Speak with your employer about directing some of your pre-tax salary into super. 'Salary sacrifice' contributions are taxed at a maximum of 15 per cent (30 per cent if you earn over $250,000). But stay within your concessional contributions cap of $25,000 a year, which includes employer contributions.

To work out the difference extra contributions could make to your retirement nest egg, try out the MoneySmart retirement planner calculator.

As the end of the financial year approaches and with the federal election looming, this is a great time to utilise your annual contribution caps and get a tax deduction for voluntary concessional contributions. If you would like to talk about your retirement income strategy, give us a call.

i Moneysmart, Last updates 27 Aug 2018, https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/super-contributions/how-much-is-enough

ii ASFA Retirement Standard, 1 December 2018, https://www.superannuation.asn.au/resources/retirement-standard

iii Superannuation Statistics, March 2019, ASFA, https://www.superannuation.asn.au/ArticleDocuments/269/SuperStats-Mar2019.pdf.aspx?Embed=Y

The **mental mechanics** of procrastination

Even the most productive amongst us is prone to procrastination at times. So, what can we do about it? And how can we make sure it's not getting in the way of us achieving our goals? Understanding the mental mechanisms at play is a good place to start.

At the core of procrastination is impulsiveness. Those who tend to procrastinate often have difficulty in delaying gratification. What's happening here is that two parts of the brain are working in opposition. The prefrontal cortex which controls your willpower is fighting a losing battle against your thalamus which thrives on the sensory pleasures of the here and now.[i]

How it manifests

Procrastination manifests differently in everyone but it usually entails putting off a boring, difficult or important task in favour of something easy or instantly gratifying. Some common symptoms include: random web browsing, social media scrolling, snacking, cleaning and TV binging. Less obvious, but just as prevalent, is the phenomenon of priority dilution where a frenzy of busyness can mask the fact that we are just avoiding harder tasks.[ii]

Procrastination can also be a self-perpetuating cycle. Some psychologists have labelled this the procrastination doom loop.[iii] You begin procrastinating because you 'don't feel in the mood' which then incurs feelings of guilt for not having got onto the job sooner. This guilt makes you feel worse, making you more likely to continue procrastinating.

So how do you fix it?

Before you put in place some strategies to combat procrastination, it's good to reflect on why you do it in the first place. We all procrastinate for different reasons. Here are some of the most common:

- **You feel like an imposter**. This is really a self-esteem issue. Many of us put off hard tasks because we don't believe in our own abilities.
- **You're a perfectionist.** While perfectionists can often deliver incredible outcomes, they can also be unproductive, especially when their perfectionism is driven out of a fear of failure. The result can be wasting time on details and forgetting the big picture, or constantly missing deadlines because the product is 'not ready'.
- **You love that last-minute thrill.** Like the kid in school that occasionally got A's in spite of completing their homework on the bus, some of us get a thrill out of leaving tasks until the last minute, mistakenly believing that the quality doesn't suffer.

Changing your habits

Once you've reflected on what sort of procrastinator you are, you can choose the tools that will best help you.

If you suffer from imposter syndrome, positive self-talk can help, using mantras to break the negative feedback loop.

For a perfectionist, sometimes fear of not doing something impeccably can stop you from starting at all. The task can just feel too big to overcome. If this sounds like you, break the project into smaller units and find a point of entry that is not too daunting.

For the thrill seekers, why not try a series of incremental deadlines? Remember self-imposed deadlines are more malleable than those set by others, so it may well be worth telling a friend or family member your goals so they can hold you accountable.

The other thing to remember is that your willpower can fatigue. Planning mindful breaks is important to allow your prefrontal cortex to recharge.

Keep it positive

Some tasks bring us more pleasure than others. We're far less likely to procrastinate when we love what we're doing. So, when thinking about your goals, make sure they line up with your passions.

And when you do find your mind wandering—or reaching for your phone at work—gently acknowledge what you're doing then return your mind to the task. By recognising your triggers and knowing which tools work for you, you might just find yourself picking up speed and achieving more in your day.

i https://www.nationalgeographic.org/media/procrastination-and-brain/

ii https://www.inc.com/jessica-stillman/is-priority-dilution-the-new-procrastination.html?cid=readmore

iii https://www.theatlantic.com/business/archive/2014/08/the-procrastination-loop-and-how-to-break-it/379142/