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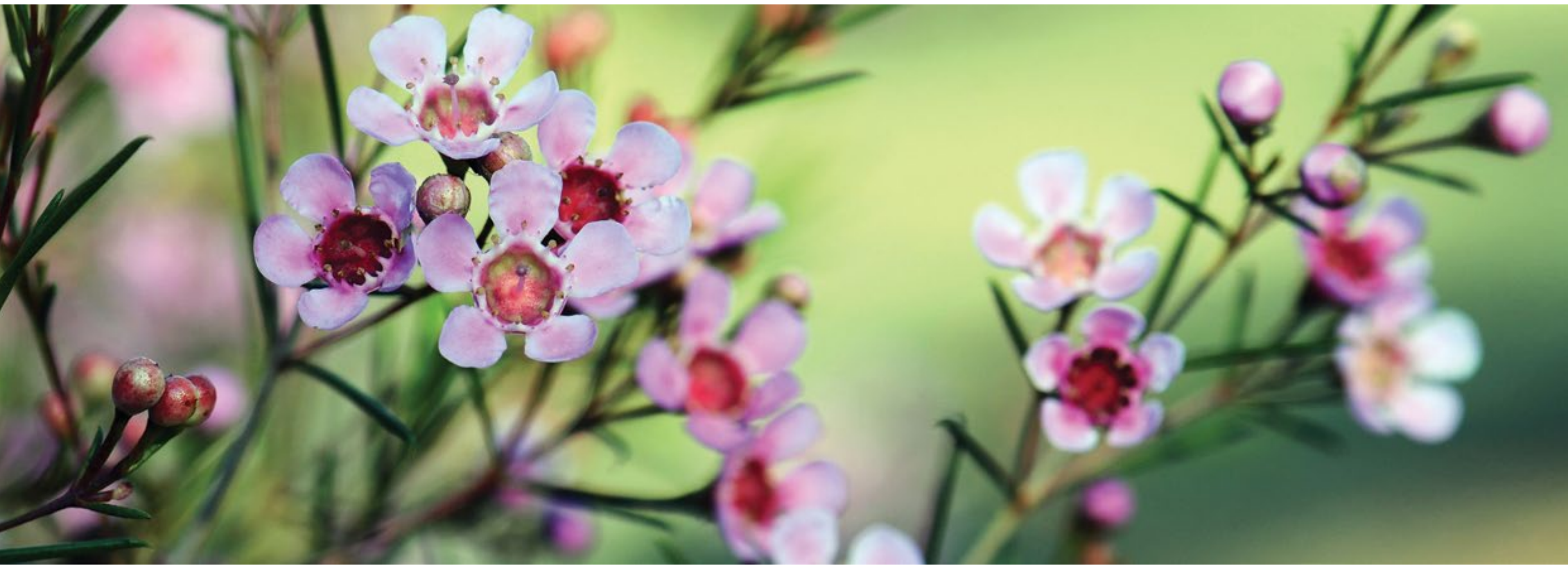

# September 2021

It's September and spring is here, providing a welcome lift in spirits. After some spectacular performances by our athletes at the recent Tokyo Olympics and Paralympics, hopefully you are inspired to achieve some personal goals of your own.

August provided mixed economic news, with central banks, business and consumers remaining cautious. In a widely-reported speech, US Federal Reserve chair, Jerome Powell said there remained "much ground to cover" before he would consider lifting interest rates, sending stocks higher and bond yields lower.

In Australia, shares and shareholders were boosted by a positive company reporting season. According to CommSec, of the ASX200 companies that have reported so far, 84% reported a profit in the year to June, 73% lifted profits and dividends were up 70% to $34 billion. One of the COVID "winners" is the construction sector. While the value of construction rose 0.4% overall in the year to June, the value of residential building was up 8.9% and renovations rose 24.5%, the strongest in 21 years. One of the COVID "losers", retail trade was down 3.1% in the year to June.

While unemployment fell from 4.9% to 4.6% in July, full-time jobs and hours worked were lower due to the impact of lockdowns. The Westpac-Melbourne Institute index of consumer sentiment fell 4.4% in August while the NAB business confidence index fell 18.5 points in July, the second biggest monthly decline since the GFC. Wages grew 1.7% in the year to June, well below the 3% the Reserve Bank wants before it considers lifting interest rates.

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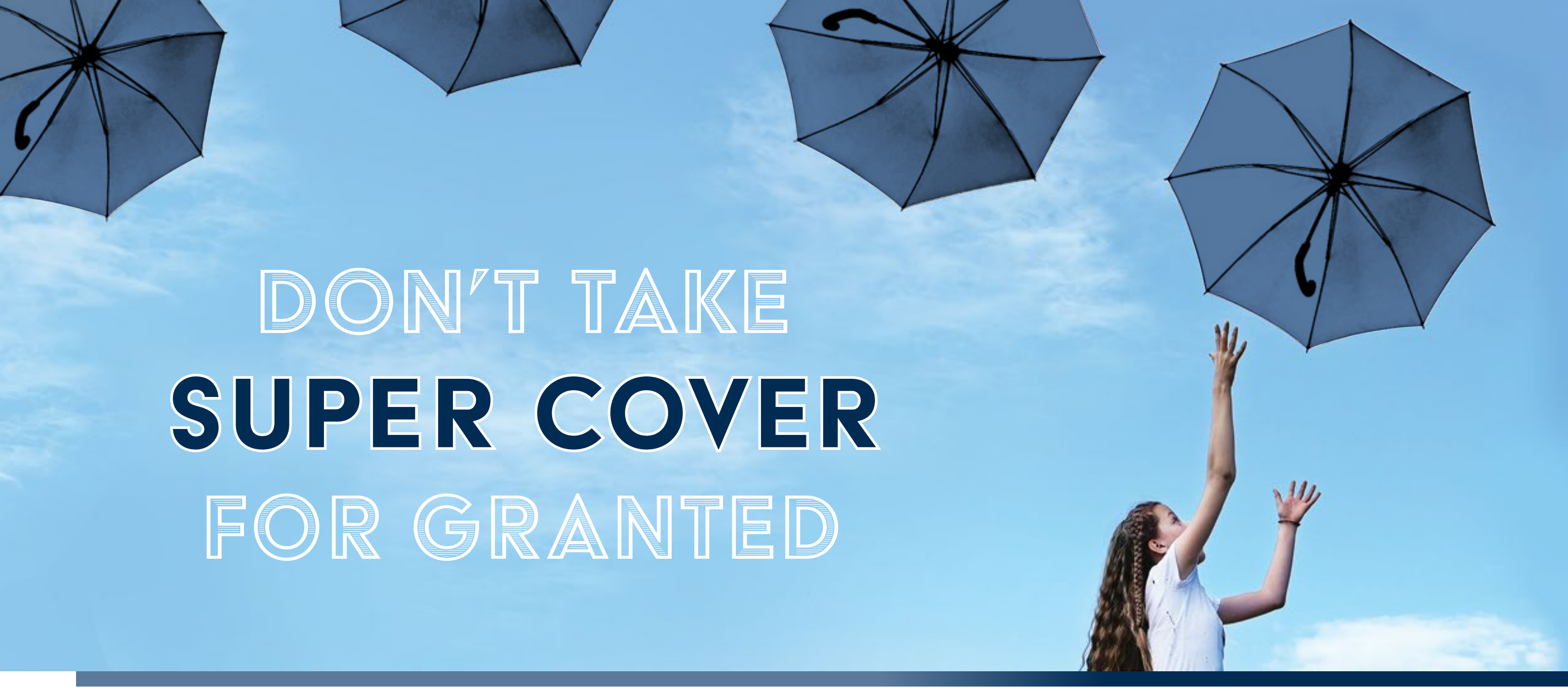


# DON'T TAKE SUPER COVER FOR GRANTED

Buying insurance through super has many advantages, but you need to make sure you are getting the right cover for your individual needs. In some cases, you may be paying for nothing.

Most super funds offer life and total and permanent disability (TPD) insurance to fund members and, in some cases, income protection cover.

But since the introduction of the Protecting your Super reforms in 2019, this cover is no longer automatic.

If you have less than $6000 in your account or it has been inactive, then the insurance component will have been cancelled unless you advised the fund otherwise. An account may be deemed inactive if, for example, it has not received a contribution for more than 16 months.

In addition, insurance cover is no longer offered to new fund members aged under 25.

## Is it right for you?

If you do have insurance in your super account, then it's a good idea to check the cover is right for you. This is particularly the case now that the stapling measure has been introduced as part of the recent Your Future, Your Super legislation.

From November 1, unless you choose a new fund when you change jobs, the first fund you joined will be 'stapled' to you throughout your working life. This is where problems can arise; while the fund stays the same, so will the insurance cover.

Say you move from a low-risk job where the insurance offered in your super was more than adequate to a high-risk job such as in construction or mining. Would your insurance now cover you if you were no longer able to work? And if it did, would the cover be sufficient? It may well be that your new occupation is not even covered.

Most TPD policies within super are for "any" occupation rather than "own" occupation. This three-letter definition can make a world of difference. If you still have the capacity to work in some other occupation, then it is likely your insurance will not pay out.[i]

## Many benefits

Despite this, there are still many benefits from having insurance cover in your super. Firstly, the premiums are generally lower because the fund buys the insurance cover in bulk. In addition, your premium payments are effectively lower as they come out of your pre-tax rather than your post-tax income.

What's more, you are not having to put your hand in your pocket to pay the premiums as the money automatically comes out of your super. Of course, the flipside is you will have less money working to build your retirement savings.

So, when it comes to taking out insurance, going through your super has lots of positives.

But the downside is that the default level payout may be lower than you might need. You should check if this is the case and maybe consider making additional premium payments to give yourself and your family more appropriate cover. Be aware though that opting for a higher payout could mean you have to undergo a medical.

Also, life insurance cover in super actually reduces over time to the point where your cover reaches zero by the time you are 70. And for TPD cover it ceases at 65.[ii]

## Regular checks

Wherever you get insurance cover, it's important to remember that its purpose is generally to cover any outstanding debt and ongoing financial obligations should you pass away or become unable to work.

For this reason, it is important to regularly check your insurance within your super to ensure it is sufficient to maintain your lifestyle.

If it falls short, then you might also consider taking out a policy outside super.

While income protection is sometimes available through your super, it may be necessary to look outside. Such policies pay you a regular income for a specified period if you are unable to work through an illness or injury, and premiums are tax-deductible outside super.

When you are leading a busy life with lots of claims on your income, insurance may be seen as an unnecessary expense. But when it comes to the crunch, it can play a valuable role in you and your family's life when you need it most.

*Please call us to discuss your insurance needs and whether your existing cover, both inside super and outside, is sufficient.*

i https://moneysmart.gov.au/how-life-insurance-works/total-and-permanent-disability-tpd-insurance

ii https://thenewdaily.com.au/finance/dollars-and-sense/2021/08/02/insurance-life-tpd-superannuation/

# Aged care payment options

When it comes time to investigate residential aged care for yourself, your partner, parent or relative, the search for a facility and how to pay for it can seem daunting. The system is complex, and decisions are often made in the midst of a health crisis.

Factors such as location to family and friends, reputation for care or general appeal are just as important as the sometimes-high price of a room and other fees in residential aged care.

Even so, costs can't be ignored.[i]

## Accommodation charges

The first thing to be aware of when researching your residential aged care options is that there are separate costs for the accommodation and the care provided by the facility.

The accommodation payment essentially covers your right to occupy a room. You can pay this accommodation fee as a lump sum called the Refundable Accommodation Deposit (RAD), or a daily rate similar to rent, or combination of both.

The daily rate is known as the Daily Accommodation Payment or DAP and is effectively a daily interest rate set by the government. The current daily rate is 4.04 per cent. If the RAD is $550,000 then the equivalent DAP is $60.87 a day ($550,000 x 4.04%, divided by 365 days).

A resident can pay as much or as little towards the RAD as they choose, but any outstanding amount is charged as a DAP.

The RAD is fully refundable to the estate, unless it is used to pay any of the aged care costs such as the DAP.

## Daily fees

As well as an accommodation cost there are daily resident fees that cover living and care costs. There is a basic daily fee which everyone pays and is set at 85 per cent of the basic single Age Pension. The current rate is $52.71 a day and covers the essentials such as food, laundry, utilities and basic care.

Then there is a means tested care fee which is determined by Services Australia or Veteran's Affairs. This figure can range from $0 to about $256 a day depending on a person's income and assets. The figure has an indexed annual and a lifetime cap – currently set at $28,339 a year or $68,013 over a lifetime.

Some facilities offer extra services, where a compulsory extra services fee is paid. It has nothing to do with care but may include extras like special outings, a choice of meals, wine with meals and daily newspaper delivery. It can range from $20-$100 a day.

A means assessment determines if you need to pay the means-tested care fee and if the government will contribute to your accommodation costs. Everyone who moves into an aged care home is quoted a room price before moving in. The means assessment then determines if you will have to pay the agreed room price, or RAD, or contribute towards it.

## How means testing works

A means-tested amount above a certain threshold is used to determine whether you pay the quoted RAD and how much the government will contribute towards the means-tested care fee.

A person on the full Age Pension and with property and assets below about $37,155 would have all their costs met by the government, except the $52.71 a day basic daily fee.

A person on the full Age Pension with a home and a protected person, such as their spouse, living in it and assets between $37,155 and $173,075 may be asked to contribute towards their accommodation and care.

To be classified a low means resident there would be assessable assets below $173,075.20 (indexed). It is also subject to an income test.

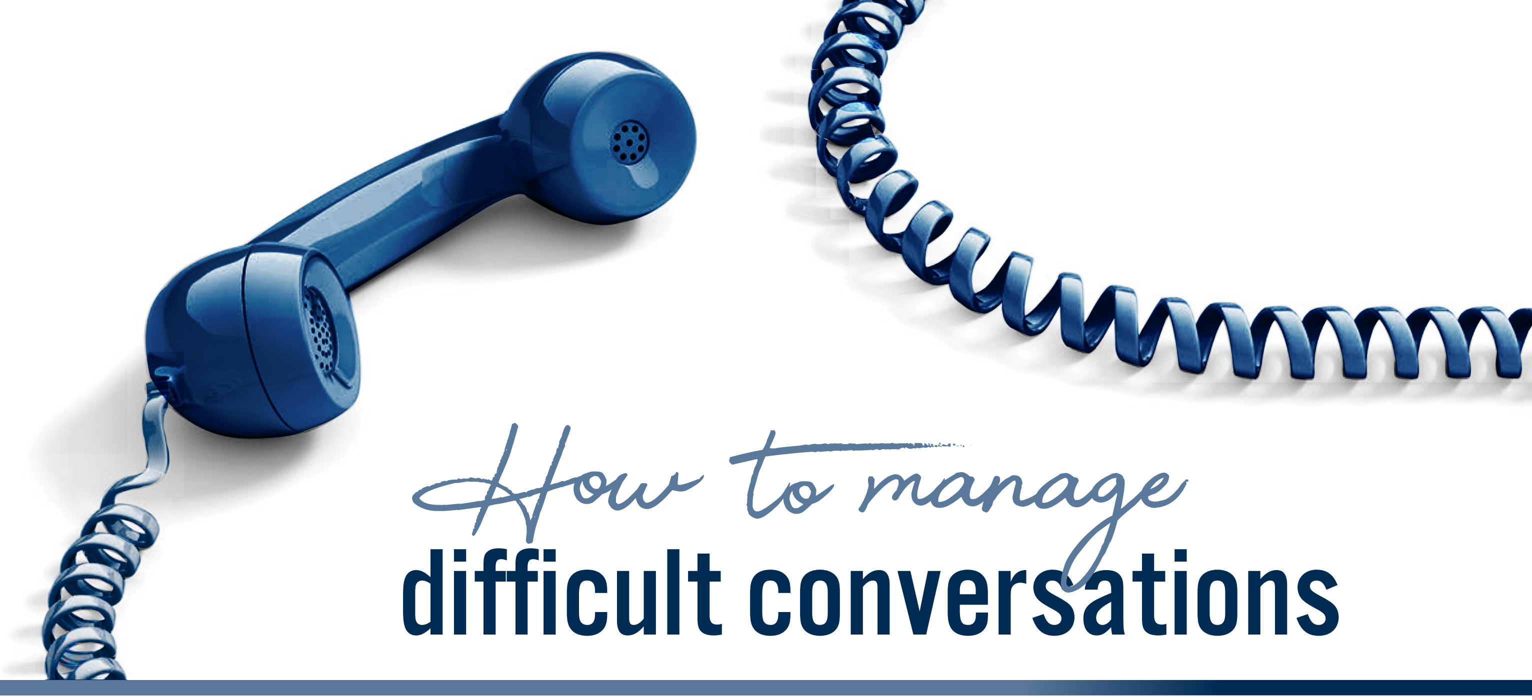
A low means resident may pay a Daily Accommodation Contribution (DAC) instead of a DAP which can then be converted to a Refundable Accommodation Contribution (RAC). They may also pay a small means-tested care fee.

## Payment strategies

The fees you may pay for residential care and how you pay them requires careful consideration. For example, selling assets such as the former home to pay for your residential care can affect your aged care fees and Age Pension entitlements.

*If you would like to discuss aged care payment options and how to ensure you find the right residential care at a cost you or your loved one can afford, give us a call.*

i All costs quoted in this article are available on https://www.myagedcare.gov.au/aged-care-home-costs-and-fees



# How to manage difficult conversations

Saying or hearing the words, “We need to talk,” whether it’s in the workplace or in your personal life, can be a source of tension and conflict but there are ways to manage conversations that have the potential to be difficult.

Difficult conversations can range from speaking to a family member about concerning behaviour, to ending a romantic relationship, to navigating care options with elderly parents. In the workplace, challenging conversations include raising concerns about performance or unacceptable conduct, although predictably talking about remuneration has been ranked the most difficult conversation, with 33% of those surveyed stating that they avoided conversations about their pay.[i]

Can you remember a time when you’ve had to initiate a conversation you’d rather avoid? Or when someone approached you for ‘the talk’? Perhaps even now you have a challenging conversation looming that you need to have, but keep avoiding? You’re not alone, research has found that one in four people have been putting off a tough conversation for more than six months, while one in 10 have been doing so for a year.[ii]

The thing is, avoiding it usually doesn’t help. If handled the right way, an open conversation may even improve the situation or strengthen a relationship, and at the very least your perspective will be better understood. So, let’s look at some ways to tackle a hard topic.

## Preparation helps

It helps to give some thought to what you are trying to achieve by having the conversation. Examine your motives carefully and be clear about what you would like as the ideal outcome.

It can be beneficial to do some “role play” in your head before the chat. To prepare yourself for what you think will be said and practice the best way of expressing yourself. Having said that, it’s impossible to prepare for all eventualities and you do need to accept the fact that you are entering into an open-ended dialogue that could go in any direction.

## Active listening

While it’s always tempting to go straight in with your thoughts on the matter, it can be beneficial to start the conversation with some questions to obtain a sense of how the other party feels. Listen to their perspective with an open mind without interrupting and ask their permission to give you the opportunity to respond if you are finding it hard to get a word in.

## Use your words

When sharing your ideas, it can be helpful to use collaborative language such as ‘we’ or ‘us’ instead of ‘you’ and ‘me’. Acknowledge that you understand and appreciate the other parties’ perspective by using phrasing such as “so what you are telling me is…”.

It’s a good idea to use ‘I’ statements. So, instead of saying, ‘You don’t care about me!’, which can make the other person defensive, try: ‘I feel upset with when you…’.

Try not to talk in generalities. Get to the point, describe exactly what you want from the discussion – do you want an apology, your point of view acknowledged, or change in behaviour moving forward? This will help provide structure to the discussion and a clear way forward.

## Look for solutions

The ideal outcome is a mutually acceptable solution to the problem at hand. To avoid the discussion becoming adversarial ask for ideas ie “What are your thoughts are on how we can move forward and work through this issue together?”

Of course, not all conversations are going to have a happy ending. There will be people, situations or behaviours that you just can’t talk through – and that’s okay. By agreeing to disagree you have both at least aired your respective viewpoints.

You should also be proud of yourself for taking part in a difficult conversation. It takes real courage. And remember each challenging conversation you have is a learning experience making the next one that little bit easier.

i https://www.managers.org.uk/knowledge-and-insights/news/top-10-difficult-conversations/

ii https://www.hrmonline.com.au/topics/management-of-workplace-issues/avoid-tough-conversation-quit/