RED DIAMOND Wealth

QUARTERLY INSIGHT

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Autumn Update

Welcome to the Autumn edition of our Quarterly Connections Newsletter. As the crisp air settles in and leaves begin to turn, we're embracing the season by delving into topics that resonate with this phase of life: retirement.

Australia is on the brink of a retirement boom, making it crucial to navigate this transition wisely to safeguard your financial future and we work closely with you to make sure you retire in the best possible financial position. However, it's also vital to think about what retirement means to you and how you want to spend your time. The adage "have something to retire to" is good advice to make for a happy retirement – and a joy-filled life today. Explore our feature article, "Sowing the Seeds for a Happy Retirement" to pave the way for a fulfilling retirement journey.

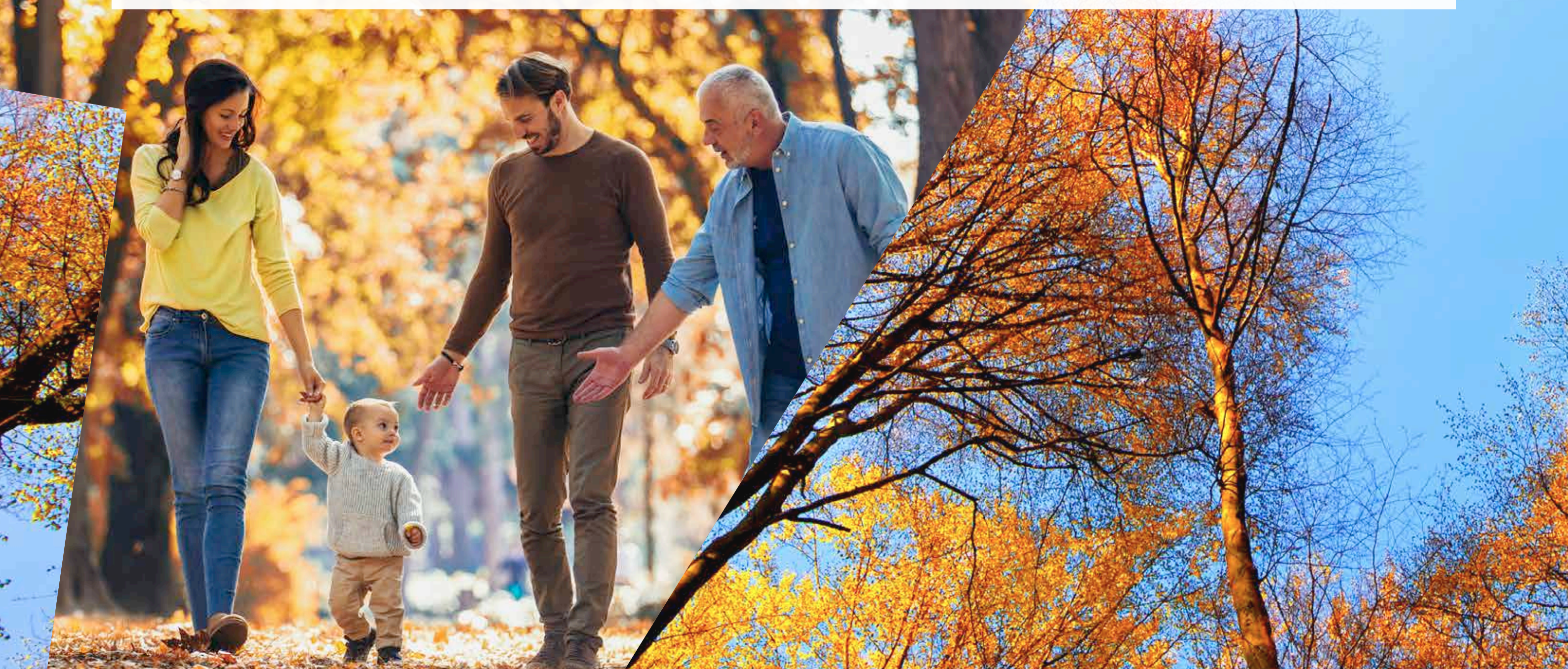
As Benjamin Franklin famously stated, "In this world, nothing can be said to be certain, except death and taxes." With imminent changes to Australia's tax landscape, now is the opportune moment for investors to reassess their strategies. Our article, "Tax Changes – What It Will Mean to Me," outlines the forthcoming alterations to the superannuation taxation system, providing invaluable insights into their implications for you.

In an era where life expectancy continues to rise, prudent management of your superannuation becomes paramount. Our article, "Planning the Best Use of Super," is brimming with actionable advice to ensure your nest egg sustains you throughout your golden years.

In addition, the most important part of retirement is making it there to enjoy it in the first place. With so many threats to our health that are within our power to control, the article provided by insurer Zurich entitled ' Secret of the 'Blue Zones': Lifestyle Habits for Longevity' will demonstrate that six lifestyle habits of people who live in areas with a disproportionate number of Centenarians. This article will provide some insight into aspects of your life you can change to increase your chances of a long and fulfilling retirement.

Finally, we have some tips on protecting yourself from scammers to ensure that shady characters do not steal what you have worked so hard and long for.

We hope this edition serves as a guiding light on your journey towards a secure and fulfilling retirement.
Happy reading!



Sowing the Seeds for a Happy Retirement

The thought of retirement is an enticing one for many of us. Imagine throwing off the shackles of the workforce and being able to do whatever you want, whenever you want. But why wait until you are retired to do the things you love?

Retirement is a time where we finally have the space to do what we want to do with our lives, whether that's travel, developing and learning new skills, taking up hobbies or just enjoying the company of those we care about.

The problem with waiting until we are retired is we are postponing engaging in things that could be making us happy right now. Exploring what gives us joy now and developing those skills will make for a much easier transition as you wave goodbye to your working years.

Something to retire to

Retirement represents a big shift in the way we live our lives and it's not uncommon for that adjustment to be a little challenging. For many, our jobs give us a profound sense of identity and define how we perceive ourselves, so our sense of self can suffer when we leave the workforce. There is also often a gap in our lives where work used to be.

That's why rather than looking forward to retiring from something, 'have something to retire to' is a common piece of advice to encourage people to think about what they want their life to look like when they leave the workforce.

Think about what defines you now and satisfies you outside of work, and putting in place a plan of how that may play out in retirement can be a good idea.

Start today to do the things you love

While it can be hard to carve out time while you are still in the workforce, it's possible to take small steps and set aside dedicated time each week or commit to activities that won't take a lot of your time.

If you are keen to travel when you retire, consider signing up for a short course in the language of the country you are keen on visiting to get prepared for the trip of your dreams.

Or if you want to finally write that novel you've been mulling over for years, set aside a little time now to draft a framework and get a head start. Who knows by the time you retire you may be on your second novel!

Keen to do more exercise? Join a gym now and get into a routine – even if you only manage to get there a couple of times a week it's a good start.

It takes a while to develop new habits and skills so starting to pick up the things you want to explore in retirement now sets you up for a smoother transition when you have more time to devote to these activities. Starting now also gives you a chance to try things out and see if they are something you want to commit time and energy to.

Fostering connections with those you care about

While spending time doing things you love makes for a happy and satisfying retirement, another important factor is being around people you enjoy being with.

Think about the people you enjoy spending time with and foster those friendships right now. Not only will it make for an easier transition when you retire, it will also bring you joy and the benefits of those relationships right now. There is always room in your life for making new friends too!

The best laid plans can change

It's important to be open minded in your plan of how you see your retirement unfolding. Remember that not everyone retires on their own terms. Some need to retire sooner than expected or in a different manner than expected due to ill health, caring for a family member or because of a decision or situation in the workplace.

On that basis it's important to live well now – enjoy your present life and embrace the things that make you happy as you'll also be setting yourself up to enjoy retirement – whether it's just around the corner or still a way off.

Tax Changes – What It Will Mean to Me?

Prime Minister Anthony Albanese has announced changes to address ongoing cost of living pressures with all 13.6 million Australian taxpayers receiving a tax cut from 1 July 2024, compared to the tax they paid in 2023-24.[i]

Now is the time to assess what it means to your hip pocket and what implications it may have for end of financial year planning as a result of the new rules, due from 1 July 2024.

The Federal Government has recently announced changes to the third stage of a series of tax reforms introduced by the previous Coalition government almost six years ago which were designed to deliver tax cuts to most, simplify the tax system and protect middle income earners from tax bracket creep.

The proposed changes

The new rules will see the current lowest tax rate reduced from 19 per cent to 16 per cent and the 32.5 per cent marginal tax rate reduced to 30 per cent for individuals earning between $45,001 and $135,000.

The current 37 per cent marginal tax rate will be retained for those earning between $135,001 and $190,000, while the existing 45 per cent rate will now apply to income earners with taxable incomes exceeding $190,000.

In addition, the low-income threshold for Medicare levy purposes will be increased for the current financial year (2023-24).

A single taxpayer with a taxable income of $190,000 paid $59,967 tax in 2023-24. Under the revised rules, they will now pay $55,438 tax, a tax cut of $4,529. While still a reduction in tax paid, this compares with the $7,575 tax cut received if the original Stage 3 tax cuts had proceeded.

On the other hand, low-income earners will receive a bigger tax cut under the revised rules.

A single taxpayer with a taxable income of $40,000 who paid $4,367 in tax in 2023 24, would have received no benefit from the original Stage 3 tax plan, but will now receive a tax cut of $654 under the revised rules.

Implications for investment strategies

For high-income earners, the key take-away from the government's new changes to the tax rules is you will now receive a lower amount of after-tax income than you may have been expecting from 1 July 2024.

This reduction makes it sensible to revisit any investment strategies you had planned to take advantage from your larger tax cut to ensure they still stack up.

For example, the smaller tax cut for some may impact the effectiveness of property investment.

Investment strategies such as negative gearing into property or shares, however, may become more attractive. Particularly for investors close to the new tax thresholds and looking for opportunities to avoid moving onto a higher tax rate.

Timing expenditure and contributions

Investors considering repairs or maintenance for an existing investment property should revisit when these activities are undertaken. Depending on your circumstances, this expenditure may be more suitable in the current financial year given the difference in tax rates starting 1 July 2024.

Selling an asset liable for CGT also needs to be reviewed to determine the most appropriate financial year for the best tax outcome.

Other investment strategies that may need to be revisited include those involving making contributions into your super account.

If you are considering bringing forward tax-deductible personal super contributions, making carry-forward concessional contributions, or salary sacrificing additional amounts before 30 June, you should seek advice to ensure the timing of your strategy still makes sense.

If you would like help with reviewing your investment strategies or superannuation contributions in light of the new rules, contact us today.

i https://treasury.gov.au/sites/default/files/2024-01/tax-cuts-government-fact-sheet.pdf

Planning the Best Use of Super

We spend decades watching our super balances grow but for those thinking about retirement in the next few years, it can be confusing to work out how best to use your super.

Here are some of the considerations for the popular options.

Easing into retirement

You can keep working and receive regular payments from your super when you have reached your super preservation age (55 to 60, depending on your date of birth) and are under 65.

Using a transition-to-retirement income stream allows you to reduce your working hours while maintaining your income. To take advantage of this option you must use a minimum 4 per cent and a maximum 10 per cent of your super account balance each financial year.

A transition-to-retirement strategy is not for everyone, and the rules are complex. It is important to get independent financial advice to make sure it works for you.

Pros

- Allows you to ease into retirement by working less but receiving the same income, using the transition-to-retirement income stream to top up your salary.
- If there is spare cash each week or month, you can make extra contributions to boost your super, perhaps by salary sacrifice if it suits you.
- There are tax benefits. If you are above 60, the transition-to-retirement pension payments are tax-free (although the earnings in the fund will continue to be taxed).

Cons

- For people between 55 to 59, the taxable portion of the transition-to-retirement pension payments is taxed at your marginal tax rate, however you will receive a 15 per cent tax offset.
- Withdrawing money from super reduces the amount you have later for when you retire.
- It may affect Centrelink entitlements

Taking a retirement pension

This is the most common type of retirement income stream. It provides a regular income once you retire and you can take as much as you like as long as you don't exceed the lifetime limit, known as the transfer balance cap.

Pros

- While there is a minimum amount you must withdraw each year, there is no maximum.
- There is flexibility – you can receive pension payments weekly, fortnightly, monthly or even annually.
- You can still choose to return to work and it won't affect income stream you have already commenced.

Cons

- The account-based pension may affect your Centrelink entitlements
- There is a risk that the amount in your super to draw on might not last as long as you do
- The amount you can use for your pension is limited by the transfer balance cap.

Withdrawing a lump sum

You can choose to take your super as a lump sum or a combination of pension and lump sum payments, once you have met the working and age rules.

Pros

- Gives you a chance to pay off any debts to help relieve any financial pressures.
- Allows you to make an investment outside super in a property, for example.
- Pay little or no tax if you are 60 and older.

Cons

- If you are using the lump sum to invest, you may pay more tax
- Reducing your super balance now, means less for later
- Receiving a lot of money at once may encourage you to spend more than is wise

Access to SMSF funds

There are a number of additional issues to consider for those with self-managed super funds (SMSFs). For example, you will need to carefully check your Trust Deed for any rules or restrictions for accessing your super and consider how your fund can meet pension requirements if it holds large assets that are not cash, such as a property. It essential to consult a financial planner to understand your circumstances.

The process of choosing the best approach for your retirement income can be daunting so let us walk you through the options and advise on the most appropriate strategies.

Secret of the 'Blue Zones': Lifestyle Habits for Longevity

Researchers have identified eating a little less, loving a lot more and building strong connections as common threads among the world's longest living people. We explore how you can their findings to improve your own health.

Babies born in Australia today are tipped to live until age 81.3 if they're male and 85.4 if they're female[1]. That's at least 10 years more than the United Nations' world average, but it's not enough for Australia to be considered a 'blue zone'.

Blue zones are regions where the locals enjoy life expectancies well above average – reaching age 100 or more. The concept was first developed by demographic researcher Michel Poulain and Sardinian doctor Giovanni Mario Pes in about 2000. In 2004[2], they joined with National Geographic Fellow Dan Buettner to identify five notable blue zones across the globe:

- Sardinia, Italy
- Okinawa, Japan
- Nicoya Peninsula, Costa Rica
- Icaria, Greece
- Loma Linda (in San Bernardino County), United States.

Each of these locations has such a high concentration of centenarians (people who live to 100) that the population as a whole can be regarded as having exceptional longevity.

Lessons from the blue zones

This longevity appears to be a product of the local lifestyle – what people are eating, how they spend their days, and even who they surround themselves with all play a part. Researchers identify diet, exercise and not smoking as important factors, but so are community connections and having a sense of purpose[3].

The good news is these things can be made part of almost anyone's day, providing an achievable path to a longer, healthier life.

Healthy diets

Diet has a crucial role in our health. While the people of Sardinia probably aren't preparing the same cuisine as their long-lived Okinawan peers, the types of food – and how they're eaten – have something in common.

Diets within the blue zones tend to include more plant-based meals. Lentils and beans (especially of the soy, broad bean and black bean varieties) feature heavily, with most centenarians in these regions reducing their meat intake to five times a month.

In addition, these long-lived folk don't overeat. While it may be hard to turn down a second helping of your favourite meal, one secret to a long life may lie in eating until you're only 80% full.

Working out naturally

Many people complain that they don't have time to fit exercise into their busy days. For some, the simplest way to keep in shape is by incorporating regular trips to the gym, or training for special events like a marathon to stay motivated. But that takes effort.

Blue zone residents, however, get most of their exercise from their usual daily routine, instead of in addition to it. This incidental exercise comes in many forms, from tending to a garden as part of their housework, to walking around town instead of running errands in a car.

It really comes down to sitting less and moving more.

Community is key

The people we surround ourselves with have an immense impact on how we feel, and researchers suggest it may also affect longevity. Blue zone inhabitants typically invest a lot of their time and energy into their friends and families.

In many cases, families in blue zones live near (or even with) elderly relatives so they can take care of them. Older relatives play with and look after younger generations, forming lasting bonds.

Blue zone locals also keep a tight-knit group of loyal friends, who will support them through life's ups and downs.

Mindset and outlook

A positive attitude is another attribute shared across the five regions identified as blue zones. People living in blue zones frequently told researchers they had found a purpose in their lives which helped them stay positive and motivated.

Although it may seem abstract, research suggests having a purpose in life can add as much as seven years to someone's life expectancy[4].

Blue zone natives also have different ways of handling stress. While stress is a natural and sometimes helpful biological response to challenges, unproductive or prolonged stress can have knock-on consequences for your health and wellbeing[5]. Stress can lead to chronic inflammation in the body, which has been associated with every major age-related disease[6].

Within blue zones, locals have developed healthy ways to manage stress. These vary from place to place, with Okinawans devoting time to remembering their ancestors and the Costa Ricans de-stressing by taking a nap[7].

Living it up

So, should we all move to Sardinia or Okinawa if we want to live longer? Obviously not. But the similar lifestyles enjoyed by the world's longest living people highlight the effect healthy habits have on life expectancy.

Incorporating even some of these behaviours into our daily lives can help us reap the health benefits enjoyed by those in the blue zones.

This could be as simple as eating fewer meat dishes each month, walking home one day each week or joining a local community group to build connections with other people.

Find out more about Blue Zones longevity: Blue Zones, bluezones.com.

1 Australian Bureau of Statistics, 'Australian life expectancy increases during COVID-19 pandemic', 8 November 2022, accessed 9 June 2023.

2 M Poulain, D Buettner, GM Pes, 'Founder's Statement', Blue Zones, N.D., accessed 9 June 2023.

3 D Buettner, 'Power 9', Blue Zones, N.D., accessed 9 June 2023.

4 D Buettner, 'Power 9', Blue Zones, N.D., accessed 9 June 2023.

5 Health Direct, 'Stress', N.D., accessed 13 July 2023.

6 D Buettner, 'Power 9', Blue Zones, N.D., accessed 9 June 2023.

7 D Buettner, 'Power 9', Blue Zones, N.D., accessed 9 June 2023.

How to Spot Scams and Protect Your Financial Security

Ever been at the receiving end of a scam call or text message? If you have, you're not alone. Luckily, there are a few tell-tale warning signs that you can look out for to avoid becoming a victim.

Scams can range from text messages and phone calls to phishing emails from fraudsters posing as a representative of an organisation you may know, in a bid to steal your information and use it for profit.

According to the Australian Bureau of Statistics, in 2021-22 an estimated 1.7 million people experienced card fraud.

Here are some tips to stay safe from financial scams:

Guard your personal information

Never click on a link or text message that asks you to verify your information – even if it's from a company you may know. If someone calls you and says they're from your bank or insurance company, contact your provider on the official contact line to confirm their identity. You may also consider multi-factor authentication for accounts that require a login, to provide an extra layer of protection.

Be careful who and how you pay

Avoid paying for products on a website that doesn't have an ABN, terms and conditions, or a privacy policy. Be sure to look out for the lock symbol to the left of a website's URL to confirm it is secure.

Check credentials

Always check a financial adviser or insurance provider has an Australian Financial Services (AFS) licence if you're using one. Be wary of an insurance broker or financial adviser who puts pressure on you to sign a policy or statement of advice agreement without providing the documents in writing.

Grammar matters

Look out for spelling errors in emails or unusual email addresses. Phishing emails are often poorly written, won't have a link to unsubscribe, and come from obscure email addresses.

Grief targeting

If a loved one has recently passed, be wary of a phone call from any insurance provider naming you as a beneficiary and claiming there is an outstanding amount you need to pay to access the benefit. Sadly, some scammers will search obituaries to find potential victims.

For financial products, one important way to stay safe is to only use trusted and registered providers. I can offer you accredited, professional advice on your life insurance options with reputed providers, so you can choose a policy that helps you stay financially protected, now and in future.

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