



## Parkside Newsletter May 2022

Welcome to our May newsletter, and while the weather is cooling the economic and political landscape is heating up. All eyes are on interest rates as the federal election campaign shifts into top gear ahead of the May 21 polling day.

The economic event that overshadowed all others in April was the release of the March quarter Consumer Price Index (CPI), which showed inflation up 2.1% in the quarter and 5.1% on an annual basis. This was the biggest lift in prices since 2001 and well above the Reserve Bank's target of 2-3%. The biggest increases were for fuel, housing construction, and food as the war in Ukraine pushes up global oil prices and the cost of transporting food and other goods. Most economists now agree that the Reserve will lift official interest rates on Tuesday from their current historic low of 0.1% (recently raised to 0.35%). The question now is by how much. Any rate rise will be passed through to variable mortgage rates, putting more pressure on household budgets during an election campaign where cost of living is a major theme.

On a positive note, unemployment fell below 4% in March, its lowest since 1974 as the economy continues to recover from COVID-related disruptions. As a result, businesses are more confident, with the NAB business confidence index lifting to a five-month high of 15.8 points in March, well above its long-term average of 5.4 points. Consumers are less confident, with the Westpac-Melbourne Institute consumer sentiment rating down 0.9% in April to a 19-month low of 95.8 points.

The Aussie dollar fell from US75c to around US71c over the month, adding to cost pressures on imported goods. Oil prices eased slightly, with Brent crude down 6% in April but up 48% on the year.

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# **AVOID THE RUSH**

## ***Get ready for June 30***

**It seems like June 30 rolls around quicker every year, so why wait until the last minute to get your finances in order?**

With all the disruption and special support measures of the past two years, it's possible your finances have changed. So it's a good idea to ensure you're on track for the upcoming end-of-financial-year (EOFY).

Starting early is essential to make the most of opportunities on offer when it comes to your super and tax affairs.

### **New limits for super contributions**

Annual contribution limits for super rose this financial year, so maximising your super contributions to boost your retirement savings is even more attractive.

From 1 July 2021, most people's annual concessional contributions cap increased to \$27,500 (up from \$25,000). This allows you to contribute a bit extra into your super on a before-tax basis, potentially reducing your taxable income.

If you have any unused concessional contribution amounts from previous financial years and your super balance is less than \$500,000, you may be able to "carry forward" these amounts to further top up.

Another strategy is to make a personal contribution for which you claim a tax deduction. These contributions count towards your \$27,500 cap and were previously available only to the self-employed. To qualify, you must notify your super fund in writing of your intention to claim and receive acknowledgement.

### **Non-concessional super strategies**

If you have some spare cash, it may also be worth taking advantage of the higher non-concessional (after-tax) contributions cap. From 1 July 2021, the general non

concessional cap increased to \$110,000 annually (up from \$100,000).

These contributions can help if you've reached your concessional contributions cap, received an inheritance, or have additional personal savings you would like to put into super. If you are aged 67 or older, however, you need to meet the requirements of the work test or work test exemption.

For those under age 67 (previously age 65) at any time during 2021-22, you may be able to use a bring-forward arrangement to make a contribution of up to \$330,000 (three years x \$110,000).

To take advantage of the bring-forward rule, your total super balance (TSB) must be under the relevant limit on 30 June of the previous year. Depending on your TSB, your personal contribution limit may be less than \$330,000, so it's a good idea to talk to us first.

### **More super things to think about**

If you plan to make tax-effective super contributions through a salary sacrifice arrangement, now is a good time to discuss this with your employer, as the ATO requires documentation prior to commencement.

Another option if you're aged 65 and over and plan to sell your home is a downsizer contribution. You can contribute up to \$300,000 (\$600,000 for a couple) from the proceeds without meeting the work test.

And don't forget contributing into your low-income spouse's super account could score you a tax offset of up to \$540.

### **Get your SMSF shipshape**

If you have your own self-managed super fund (SMSF), it's important to check it's in good shape for EOFY and your annual audit.

Administrative tasks such as updating minutes, lodging any transfer balance account reports (TBARs), checking the COVID relief measures (residency, rental, loan repayment and in-house assets), and undertaking the annual market valuation of fund assets should all be started now.

It's also sensible to review your fund's investment strategy and whether the fund's assets remain appropriate.

### **Know your tax deductions**

It's also worth thinking beyond super for tax savings.

If you've been working from home due to COVID-19, you can use the shortcut method to claim 80 cents per hour worked for your running expenses. But make sure you can substantiate your claim.

You also need supporting documents to claim work-related expenses such as car, travel, clothing and self-education. Check whether you qualify for other common expense deductions such as tools, equipment, union fees, the cost of managing your tax affairs, charity donations and income protection premiums.

### **Review your investment portfolio**

After a year of strong investment market performance, now is also a good time to review your investments outside super. Benchmark your portfolio's performance and check whether any assets need to be sold or purchased to rebalance in line with your strategy.

You might also consider realising any investment losses, as these can be offset against capital gains you made during the year.

*If you would like to discuss EOFY strategies and super contributions, call our office.*



# Thriving on social connection



The phrase ‘no man is an island’ is from a poem written by John Donne and expresses the idea that humans need to be part of a community to thrive. That’s certainly true, by nature we are social creatures and connection is a core human need. So why do so many of us feel alone and what can we do to feel more connected?

The last few years have highlighted the importance of social connection on our mental health and physical well-being, as our movements were restricted to varying degrees. The need to connect socially is as basic as our need for food, water, and shelter, with studies showing that it reduces the incidence of heart disease and stroke.<sup>i</sup>

## You’re not alone in feeling alone

While we all need social connection, so many of us are feeling that it’s lacking in our lives. Feeling isolated is pretty common and happens to us all at one time or another, although loneliness appears to be particularly prevalent at the moment. A 2018 survey revealed that one in four of us are lonely and this increased to around half of us during the pandemic.<sup>ii,iii</sup>

So, what measures can we take to feel more connected?

## Think about what you need

Everyone has different social needs. If you’re used to spending a lot of time with colleagues, friends and loved ones, you might feel isolated or lonely with just a few interactions per week, while for someone who likes their own company that might be simply fine.

On that note, it’s important to be able to enjoy your own company and sometimes

periods of being your own can provide inner peace and time for introspection, making those moments of connection all the more precious.

Your social needs also change over time and under different circumstances. A life change like becoming a parent or retiring from the workforce can prompt a shift in your need to connect with others.

## Quality can be more important than quantity

It’s important to consider the significance of meaningful connections rather than just social interaction, for the sake of it. Often the intimacy of a deep and meaningful discussion with a close mate can be much more enjoyable than a dinner with people you barely know.

## Foster good social skills

Social connection is a two-way street so there are things you can do to improve the quality of your social interactions. You can forge deeper connections by talking about things that matter to you and to the other person, developing good listening skills and demonstrating real interest in what they have to say.

## Seek out new people and experiences

It can be hard to foster new social connections. One effective way is to join a group to be with people who

have similar interests. This growing need has led to apps being built for this purpose, with one of the most popular being *meetup*.<sup>iv</sup> Meetup has groups for everything, whether you are interested in bike riding, cinema, salsa dancing or dining. If you can’t find a group that’s of interest you can always create your own.

When looking to meet new people, try to open yourself up to try new experiences. Not everything you try your hand at will open doors to friendship, but you can always learn from the experience and hopefully have some fun along the way.

## Dust off old friendships

Friendships need nurturing and many of us have been guilty of neglecting old buddies – particularly of late. Have a think about the people in your life and the relationships that may have fallen by the wayside and reach out, even if it’s just to grab a coffee.

It can take a little time and effort, but it’s always possible to reach out and strengthen existing connections or forge new ones. The benefits of having those social connections in our lives are profound. Keep in mind that you’re not the only one out there in search of connection and your efforts are not just helping yourself but also benefitting those you are reaching out to.

i <https://www.heartfoundation.org.au/media-releases/Loneliness-link-to-heart-disease-in-older-Australians>

ii <https://psychweek.org.au/wp/wp-content/uploads/2018/11/Psychology-Week-2018-Australian-LonelinessReport.pdf>

iii <https://www.blackdoginstitute.org.au/news/what-is-loneliness-and-how-can-we-overcome-it-during-these-times/>

iv <https://www.meetup.com/en-AU/>



# Tree change or Sea change on the horizon?

Australians are leaving capital cities in droves in a phenomenon being referred to as 'The Great Relocation'. However, there's a lot to consider beyond the obvious appeal of waking up to the laughter of kookaburras or enjoying a long walk on the beach.

The terms 'sea change' or 'tree change' have been around for a while to describe those who decide to make a move from the city or suburbs to a more rural lifestyle.

The pandemic has been responsible for heightening this trend due to frustration with lockdowns and people spending more time at home and in their local area than usual, leading them to reassess their lifestyles and where they would prefer to live. Of course, greater work flexibility as measures were put in place to manage the pandemic, have also been a driving force in the exodus to the regions.

## Moving to the regions

There is a long-held belief that the sea change/tree change phenomenon is largely confined to baby boomers or those at or nearing retirement, which is incorrect - as early as the mid-2000s, nearly 80% of people changing from city to regional areas have been under the age of 50.<sup>i</sup>

Geographically Sydney and Melbourne recorded large net losses of people through 2020 and early 2021, regions within an hour of those major centres recorded the strongest growth.<sup>ii</sup>

However, statistics show that the population grew in all major regional cities, reversing a 20-year decline in regional Australia's share of national population growth.<sup>iii</sup>

## The attraction of lifestyle

The reasons for many Australians turning their backs on the big smoke are predominately lifestyle. Those making the break are attracted by the lure of a slower, less hectic life, proximity to the great outdoors, a sense of community made possible by life in a smaller town and last but by no means least, cheaper property prices than those in the big cities.

## Things to consider

If the idea of a move to the sea or a rural town is increasingly attractive, it's important to also consider the potential challenges you may face. For those leaving friends and family behind, there is often a sense of isolation in being far from those you care about, and it can take some time to make new friends and adjust to life in a new community.

It's also important to consider how the infrastructure in rural areas differs from where you are moving from. If you have children, will you have access to good schools close by? If you are looking to

retire, will you have access to the necessary medical facilities as you age? It may also be a good idea to consider local economic forces and job opportunities.

## Don't be hasty!

A knee-jerk decision brought on by a holiday stay in the area under idyllic summer conditions, can be fraught with danger. It's a good idea to rent in the area or visit regularly over a longer period of time to gauge whether it will be the right fit. If you get it wrong, it can be a stressful and expensive exercise.

According to analyst Mark McCrindle, a sea change or tree change doesn't work out for one in five people who attempt it, which reinforces the need to do your homework.<sup>iv</sup> "People make a decision because they think it's going to work for them financially or it's going to be less pressure, less commute time and a nicer lifestyle," McCrindle says. "But sometimes they find some of these regional areas are too small or too quiet."

The main thing is to not be swept away by emotion, think about what you value and what you are looking for, and weigh up the pros and cons so that if you make the move it will result in the positive change you are seeking.

i, ii, iv <https://www.corelogic.com.au/resources/tree-change-sea-change-what-you-need-know-generate-leads>

iii <https://www.abc.net.au/news/2021-11-18/migration-to-regional-australia-at-record-levels/100628278>