

Merry Christmas



We would like to wish our valued clients and families a very Merry Christmas and a Prosperous 2021– enjoyed in good health, much laughter and return to a more normal life.

We thank you also for being clients of Robertson de Rooy & Associates.

This festive season Our Office will be closed from:

*5pm on Friday 18 December 2020
and will reopen at 9am on
Monday, 11 January 2021.*

Client Briefing and office protocols

Given the Covid-19 restrictions, our planned end of year client briefing has unfortunately had to be cancelled. We hope to recommence our briefings next June.

We are pleased that we are still able to meet with clients face to face in our office while respecting social distancing rules.

We do however respectfully request that you do not visit us if you are unwell or have had close contact with anyone who may have Covid-19. In those instances we will be more than happy to assist you over the phone, or reschedule your appointment.

Screens have been installed for the protection of staff. When attending our office please follow the government prescribed social distancing rules. These are on display in our office. Please use the hand sanitizer provided, and refrain from leaning over the counter. Where you are unable to register attendance at our office via the CovidSafe app on your phone, we will record your details manually.

Market Update

2020 has indeed been a year few could have imagined. Wide spread damage from fires and drought dominated last spring and summer, and just when things could not seemingly get worse, the globe was shutdown by the pandemic that has reshaped our lives and caused a reset in how we go about our daily lives.

The pandemic induced share market crash saw markets bottom out on 23 March– with falls over the preceding few weeks the deepest and quickest in history. By contrast the market declines in the GFC took 18 months to reach their low point by early March 2009– before a sustained, slow recovery emerged.

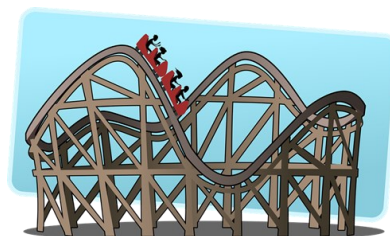
The subsequent rebound in markets after 23 March also saw the quickest rebound in history.

Whilst markets have remained volatile– with periods of extreme capital fluctuations, market indices including the ASX 200 have recovered significantly– although not yet back to previous highs. The US Dow Jones (Top 30 stocks) only last week briefly breached 30,000 points– an all time high, and the Australian share market improved 10% in November.

Markets propelled forward following the Democratic Party's win in the US Presidential Election– with many saying a degree of calm has returned to the world. The announcement of successful COVID-19 vaccine trials and the imminent approval for production and distribution by Pfizer, Moderna and AstraZeneca–Oxford, with the Australian Government having placed an order for 33.8M doses from the latter, 30M of which will be produced locally by Melbourne based CSL.

There however remains a number of challenges facing investors including:

- The continued aggressive spread of the virus in many countries.
- The speed at which the vaccine can be rolled out.
- A very low interest rate environment– both in Australia and around the world, which continues to weigh heavily on conservative investors.
- Australia's well reported relationship challenge with China which is damaging trade– forcing exporters to look at alternative markets to reduce their reliance on China.



On a positive note, Australia has generally dealt with the pandemic very well and remains the envy of the world– with both Federal and State Governments financially supporting the economy through many initiatives centered around job security and spending to keep the wheels turning.

The Federal Treasurer– Josh Frydenberg has announced that Australia is out of recession with the September quarter growth at 3.3% (the highest quarterly figure since 1978– albeit off a low base). This follows Australia fall into a technical recession with two consecutive quarters of negative growth – 0.30% in the March quarter and -7% for the June quarter.

Although Victoria will dramatically increase its contribution toward expected positive growth for the December quarter, there is still a long way to go with the recovery.

There remains concern surrounding the end of the JobKeeper program in March and there are calls for a further extension to next September next year. This will no doubt be reassessed and it is an encouraging sign that the unemployment figure is dropping dramatically as people return to work.

Planned tax cuts to begin July 2021 have been brought forward and legislated following the Federal Budget on 6 October, and it appears also that generally speaking people are reasonably positive about the future.

Overhanging this is the significant debt being incurred by Governments and it is fortunate that the interest payable on the incurred debt is low– certainly within the governments ability to service. It is reasonable to assume all measures to reduce public debt will be on the table when the health crisis is over. GST will likely be one of those measures.

With Australians unable to travel overseas, many have set their sights on spending to support the local economy– in both tourism, undertaking home renovations as well as an increase in general consumer spending on items such as appliances and updating cars etc.

Inbound tourism is valued at \$45B to the Australian economy, whilst Aussies spend an estimated \$65B in overseas travel. Tourism dollars directed locally will go a long way to seeing Australia better ride out some of the economic impact the pandemic has caused. Ironically the current situation has seen low accommodation vacancies with many areas booked out until March– which is translating to increased costs and this can have an inflationary effect as the tourism sector recovers.

Only this week we have seen state border restrictions removed which is terrific as families can once again spend time together after a long separation in very stressful times. Mental health issues have become a major side- effect of the pandemic and this will need particular attention. Loneliness (particular for the elderly) due to isolation is also an issue so it is very important to regularly stay in contact with family and also your neighbors to ensure their continued wellbeing.

Many aspects of our daily living have changed and may never return to the “old” ways. Cash may be a thing of the past within the next few years as we tap our cards and phones for most purchases to reduce contact.

Online shopping has also benefitted in a major way and many business’ are exploring how to better use technology to be more efficient. Online meetings using Zoom, Facetime and the like are unlikely to be dispensed with when life returns to “normal”, and this may impact areas including corporate travel and accommodation. Many have worked remotely and may continue to do so in the future– requiring less office space.

In terms of investment performance, all these factors will need to be taken in to account in assessing the potential impact and influences by investment professionals– as the landscape has certainly accelerated the pace of change and future trends.

Having endured a very difficult year it is hoped 2021 will be a much better. Life will as always remain unpredictable.

The Federal Budget

6 October 2020

The following provides a brief summary of the Federal Budget– which has now passed into legislation.

Economic Support Payments

The Government will pay a further two \$250 economic support payments- to be made from 1 December 2020 and 1 March 2021 to eligible recipients– as follows:

You'll get the payment if you get one of the following:

- Age Pension
- Carer Allowance
- Carer Payment
- Commonwealth Seniors Health Card
- Disability Support Pension
- Double Orphan Pension
- Family Tax Benefit
- Pensioner Concession Card



You need to get an eligible payment or have an eligible card on:

- 27 November 2020 to get the December 2020 payment
- 26 February 2021 to get the March 2021 payment.

Taxation

Bringing forward the personal income tax cuts from 1 July 2022

The Government will bring forward the legislated increase in the 19% and 32.5% income tax thresholds from 1 July 2022 to 1 July 2020.

Legislated personal income tax thresholds from 1 July 2020 to 30 June 2022 (Stage 2)			Former personal income tax thresholds from 1 July 2020 to 30 June 2022 (Stage 1)		
Taxable income	Rate	Tax payable	Taxable income	Rate	Tax payable
\$0 – \$18,200	0%	Nil	\$0 – \$18,200	0%	Nil
\$18,201 – \$45,000	19%	Nil + 19% of excess over \$18,200	\$18,201 – \$37,000	19%	Nil + 19% of excess over \$18,200
\$45,001 – \$120,000	32.5%	\$5,092 + 32.5% of excess over \$45,000	\$37,001 – \$90,000	32.5%	\$3,572 + 32.5% of excess over \$37,000
\$120,001 – \$180,000	37%	\$29,467 + 37% of excess over \$120,000	\$90,001 – \$180,000	37%	\$20,797 + 37% of excess over \$90,000
\$180,000 +	45%	\$51,667 + 45% of excess over \$180,000	\$180,000 +	45%	\$54,097 + 45% of excess over \$180,000

The already legislated reduction of the 32.5% marginal tax rate to 30% and removal of 37% personal income tax bracket from 1 July 2024 remains unchanged.

Aged care

Additional home care packages and aged care funding

The Government will provide an additional 23,000 home care packages over four years from 2020-21 across all package levels. The Government will also provide additional funding from 2020-21 to improve transparency and regulatory standards in aged care, including: • continuing to reform residential aged care funding under the new Australian National Aged Care Classification system; • maintaining the capacity of the Aged Care Quality and Safety Commission in its ongoing regulation and compliance of the aged care sector; and • supporting the Department of Health and the Aged Care Quality and Safety Commission to respond to requests from the Royal Commission into Aged Care Quality and Safety.

Estate Planning

Is quite often overlooked as a very important aspect of one's financial planning. Although surprisingly many do not have a valid will, even more give little thought to appointing Powers of Attorney, Enduring Guardianship and Advance Care Directives. The following provides some background information and should by no means be a substitute for the professional advice and services of a solicitor to complete your arrangements.

We would be happy to refer you to solicitors who, we believe, will provide you with a competent service at a fair price.

What is Estate Planning?

Estate planning involves the use, conversion and disposition of property and wealth. This involves two elements:

- Minimising the gift or estate taxes when a person's property is passed to another either during life or death.
- Providing for your spouse, family and beneficiaries.

Power of Attorney

As part of the planning process, you should look at executing a *Power of Attorney*. A Power of Attorney is a formal document by which one person appoints another to represent him and/or act in his stead. It may be specific (for example, a power granted to operate a nominated bank account or sell a named property); or it may be general, in which case the Attorney can act in the place of the person granting the Power of Attorney in all matters and things that an Attorney may lawfully do and perform.

Enduring Power of Attorney

An Enduring Power of Attorney is much the same as an ordinary Power of Attorney with one distinct difference – it is not automatically revoked by the subsequent legal incapacity of the person granting the Power of Attorney.

An ordinary Power of Attorney is revoked and should not be acted upon when the person granting the Power of Attorney becomes mentally incapable of looking after his or her own affairs.

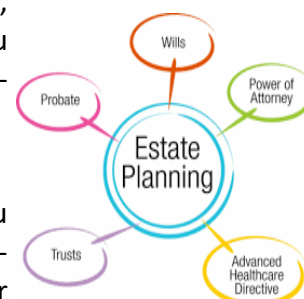
The new legislation now allows a person to appoint another person or persons as their Attorney and to elect that such a Power of Attorney will remain in full force and effect, even though the person who granted the Power of Attorney may subsequently become mentally incapacitated. This is what we now refer to as an *Enduring Power of Attorney*.

Reasons for Appointing an Enduring Power of Attorney

The most striking situations which would arise would be where a person suffers injuries in an accident leaving that person with a mental incapacity, or where a person suffers a stroke and can no longer either physically or mentally attend to the management of their own affairs. The other obvious situation occurs when the elderly lose their mental and/or physical capacity – at this stage, they need someone to attend to their affairs and to act fully and effectively in a legal manner on their behalf.

Please note that once you have lost your mental capacity to act in legal matters, it is too late then to appoint a person as your Enduring Power of Attorney. You should appoint someone who is mature, responsible and whom you trust completely, without reservation.

You may revoke an Enduring Power of Attorney at any time in the future if you wish, provided that at the time, you have the necessary legal capacity, i.e. provided that your mental health is such that you can act in a legal manner on your own behalf.



Centrelink Assets Test Thresholds

The following table details the current Centrelink Assets Test thresholds and reflects the Indexation which occurred on 1 July 2020:

If you are	Assets Test Threshold for Full Pension	Assets Test Threshold for Part Pension
Single, homeowner	\$268,000	\$583,000
Single, non-homeowner	\$482,500	\$797,500
Couple, homeowner	\$401,500	\$876,500
Couple, non-homeowner	\$616,000	\$1,091,000
Payment Rates	Fortnightly	
Full Pension - Single	\$944.30	
Full Pension - Member of couple	\$711.80	
Rent Assistance - Single	\$139.60	
Rent Assistance - Couple	\$131.60	
Carer Allowance	\$131.90	
DVA War Widows Pension	\$960.40	
DVA Income Support Supplement (ceiling rate)	\$284.20	

Thresholds are higher for those separated by illness

Entitlements are calculated using both the Income and Asset Tests - with the rate payable being the LOWER of the two.

Ways to reduce assessable assets to increase entitlements include:

- Valuing assessable assets such as your car/s, caravan, boat and home contents to their garage sale value rather than what you think they are worth (or the insured level of cover).
- Gifting up to \$10,000 per annum (to a maximum of \$30,000 over a five year period).
- Spending on home improvements (as the principal place of residence is assets test exempt)- however take care not to over capitalise.
- Purchase of lifetime annuities which provide Asset and Income Test discounting.
- Purchase of a Funeral Bond– current maximum allowable amount is \$13,250 each.
- Travel!!

Care should be taken not simply to spend to gain a higher pension

Please discuss with your financial planner before making any moves

Updating Centrelink

We continue to have difficulties updating client's financial position with Human Services (Centrelink). Due to COVID-19 many Centrelink offices will not see clients. The present work around solution is to have you sign a letter addressed directly to Human Services in Canberra– where upon receipt, they will update your details.

Those with a myGov account can update their details online.

DISCLAIMER

This document is of a general nature only. It is not designed for the purpose of providing financial or investment advice. Professional advice tailored to your individual investment objectives, financial situation and particular needs should be sought for this purpose. The information in this document has been derived from sources believed to be reliable and accurate. Subject to law, neither Paragem Pty Ltd ABN16 108 571 875, nor its directors, employees or representatives, give any representation or warranty as to the reliability, accuracy or completeness of the information or projections included in these articles, nor accept any responsibility for any person acting, or refraining from acting, on the basis of the information contained in the document.