



## December Newsletter 2019

Wishing you a very Merry Christmas and safe, happy New Year! From all of us at CFG, may your holiday season be filled with joy and good cheer and 2020 bring you health, happiness and success.

## A message from Kym



produced and covers 12 specific areas. In tandem with this change, all advisors will also have increased education and compliance requirements. Client engagement and review conditions are also changing, which will result in significant increases to our administrative workload, in order to comply. These new conditions will necessitate more “paperwork” to be provided to you during our interactions but we will make every effort to make the whole process as seamless as possible for you.

We have included a variety of articles with this newsletter and trust that you and your family will get some insight and useful information from these.

Please accept our very best wishes to you and yours for a safe, happy and enjoyable festive season and we look forward to catching up with you in 2020.

**Kym Cotter DFP**  
Director  
Authorised Representative - No. 235659



### Welcome to our Christmas 2019 Client Newsletter.

Firstly, we would like to welcome Yinny Pham to the CFG team commencing in November in her role as Client Service Assistant and will be working closely with Michelle and Karyn, to ensure that your service expectations are met. Yinny has been working in the financial services industry since 2006 and, with her extensive experience, is looking forward to meeting and providing you with professional ongoing administrative support.

Looking back over the last 12 months highlights some interesting perspectives.

Share markets around the world, although experiencing a significant level of “Trump” volatility, have produced solid returns for those actively invested. In a climate characterized by low growth, inflation and interest rates it has reinforced the fact that having investable proceeds exposed to a well-diversified portfolio of investments with exposure to all the major asset classes and being invested in line with the individuals preferred risk profile will, over the long term, significantly outperform bank type returns and inflation.

Another significant development within the financial services industry has been the introduction of a new regulatory body, the Financial Advisor Standards and Ethics Authority (FASEA), and with it increased obligations and administrative requirements for advisers and licensee participants. A new Code of Ethics has been

# Give yourself more flexibility in the lead-up to retirement



**Nowadays, we're living for years longer than ever before. 60 is no longer old age! So it makes sense that you want the flexibility to approach retirement in a way that suits you. A transition to retirement strategy enables you to access part of your super while you are still working and has a number of benefits.**

## **Boost your super and supplement your income**

There are two main benefits of a transition to retirement strategy:

**Maximising your super** – You can continue to work while drawing an income from an account-based pension. By doing this you can salary sacrifice as much of your pre-tax salary to super as possible while receiving an income from your pension.

This allows you to increase your retirement savings without reducing your income. This can also be extremely tax-effective because pension payments are generally taxed at a lower rate than your salary.

**Supplementing your income** – If you want to move into part-time work before you retire but don't want your income to drop you can use your pension to supplement your salary.

## **Ease yourself into retirement**

You can choose different transition to retirement strategies depending on what is most important to you. If you believe you have enough retirement savings you could still benefit from a transition to retirement strategy. For example,

if you wanted to renovate your home before retirement you could keep working full-time and use the extra income from your transition to retirement pension to pay for the work. That way you get your home improvements done before retirement without taking on any debt.

## **Are you eligible?**

You can take advantage of a transition to retirement strategy if you meet the following conditions:

- You are aged between 55 and 65 years of age

- You are still working

- You transfer some, or all, of your super account to a transition to retirement pension

## **Important considerations for high income earners**

If you earn a high income it's important to consider the concessional contributions cap before deciding to salary sacrifice as part of a transition to retirement strategy. If you exceed the concessional contributions cap, which is currently \$25,000 for the 2012-2013 financial year, you may be taxed an extra 31.5% tax on any contributions above the cap.

## **Set it up right from the start**

Transition to retirement strategies can provide significant tax savings and benefits, but they can be complicated. For this reason we strongly recommend that you talk to us in the lead up to retirement so that the strategy you put in place is right for your personal situation.

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Australia

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# Being sensible with Buy Now Pay Later this silly season



## Move over debit and credit cards; consumers are flocking to Buy Now Pay Later (BNPL) services.

Afterpay, Zip Pay and several similar payment solutions allow shoppers to take home their goodies now while paying them off via a few weekly, fortnightly or monthly payments. There's no interest payable as such, although fees are charged for late payments.

A survey by Mozo reveals that 30% of Australian adults have one or more BNPL accounts and we're not afraid to use them. Afterpay, our most popular BNPL service, achieved sales of \$4.3 billion across Australia and New Zealand in the 2019 financial year, nearly double its sales of the previous year. With the nation set to splurge around \$25 billion on Christmas, it's a safe bet that plenty of that spend will be by BNPL. But with 60% of those surveyed by Mozo admitting that BNPL lead them to buy things that they wouldn't have otherwise, it begs the question: how to use this payment option sensibly during the silly season?

### 1. Set your limits.

Make sure you have a budget for your Christmas spend, and use it to help resist the temptation of impulse purchases.

### 2. Track your spending.

Don't just track your BNPL spending. Make sure you review credit and debit card purchases, too. Are you staying within budget across all your spending methods?

### 3. Avoid fees.

Around one third of BNPL users have missed at least one payment. While late fees may seem modest, they can add up.

### 4. Don't repay BNPL loans with a credit card.

If you don't pay off your entire credit card bill within the interest-free period, adding your BNPL repayments to the card may see you paying a high rate of interest on your purchases. Better to use a debit card or direct debit from your bank account, and making sure there's enough money in the account to meet payments.

### 5. Avoid BNPL if you're saving for a home loan.

Lenders may look at your use of BNPL as a sign that you don't have significant savings and are living from payday to payday. The lower your debt, of all types, the easier it will be to get a mortgage.

### 6. Have a happy festive season

Used wisely, BNPL can help you jingle your bells and put the merry in your Christmas. Just make sure you know what you're signing up for and that you can meet all of the regular payments. Take care, and you'll be able to enjoy the start of the New Year without a financial hangover.

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# First Home Loan Deposit Scheme



**As you know the costs to get into a property can often be a stretch too far for young people to get into their first home.**

Well, there may be a way for you, your children or grandchildren with the new First Home Loan Deposit Scheme (FHLDS) - an early Christmas gift courtesy of the Australian Government and National Housing Finance and Investment Corporation. The FHLDS will support up to 10,000 first home loan guarantees each financial year commencing 1 January 2020 (first in best dressed!)

Eligible borrowers can use the guarantee in conjunction with other government programs like the First Home Super Saver Scheme, state and territory First Home Owner Grants (FHOG) and stamp duty concessions.

We now have a way to remove the last large cost being Lenders Mortgage Insurance (LMI) when borrowing for a 95% loan for a new home.

The below calculations, done on the back of an envelope, are for a 5% deposit, and it's clear this presents a significant opportunity for those eligible.

The numbers are based on buying brand new property, 5% deposit and entitle the borrower to First Home Owner Grant, Full Stamp Duty Exemption and the LMI waiver so reduced purchase costs.

The price reductions reflect the allowance of full stamp duty and FHOG eligibility.

	Purchase Price	Net Purchase Costs	Savings
NSW	\$600,000	\$22,000	\$50,000
VIC	\$600,000	\$23,000	\$61,000
QLD	\$475,000	\$11,000	\$38,000
WA	\$400,000	\$10,000	\$35,000
SA	\$400,000	\$25,000	\$27,000
TAS	\$400,000	\$25,000	\$22,000
ACT	\$500,000	\$35,000	\$18,000
NT	\$375,000	\$200	\$48,000

NAB have been the first appointed bank to support the scheme with another lender to be appointed shortly.

If you would like a Fact Sheet on the FHLDS, please contact our office.

*The above information provided by Infocus Property Advisory – Mortgages & Lending*

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# Fraud prevention



**Our clients are at the centre of everything we do. It is crucial to protect yourself and your family from scams. Scams can cost people a lot of money and cause a great deal of distress.**

Most scams need you to do something before they can work. You may be required to send money to someone based on a promise that turns out to be false. You may need to give your personal details to people who turn out to be scammers. Some scams rely on you agreeing to deals without getting advice first or buying a product without checking it out properly. By following the simple tips we have outlined, you can help protect yourself against scams.

## Identity theft

Identity theft is when thieves steal someone's personal and financial information (such as a drivers licence or passport) and use it illegally to open accounts in their name. They can get this information several ways, most commonly:

- Online, through breaking into computer databases or setting up fake emails and websites.
- Offline, by stealing mail, so be sure to lock your letterbox or divert mail to a PO Box address.

Sending an email that looks like it comes from your bank, financial institution or telecommunications provider is known as a phishing scam. These emails are all about tricking you into handing over your personal and banking details to scammers. Most work by including special links in the email to take you to a combination of genuine and fake websites.

## Superannuation scams

These scams offer to give you early access to your superannuation (early release), often through a self-managed super fund and/or for a fee. You cannot legally gain access to the 'preserved' part of your super until you reach your 'preservation' age (ranging from 55 to 60 years of age, depending on when you were born). There are certain exceptions, such as severe financial hardship or compassionate grounds, but anybody who otherwise offers you early access to your super may be acting illegally.

If you do access your super early for an illegal reason, you may be subject to legal action and heavy penalties (including tax). These types of offers may come from someone posing as a Financial Adviser. They promise you early access to your superannuation benefits quickly and easily.

The scammers make their money by deceiving your superannuation fund into paying out these benefits directly to the Financial Adviser in cash. They may ask you to agree to a story to secure the early release of your money. Once the scammer has your money, they may disappear

and leave you with nothing, or take very large fees before forwarding the remainder of the super benefit to you.

## Sending or transferring money

- Never send money to anyone you are not totally sure about;
- Do not send any money or pay any fee to claim a prize or lottery winnings;
- Money laundering is a criminal offence: do not agree to transfer money for someone else;
- Make sure that cheques have been cleared by your bank before transferring or wiring any refunds or overpayments back to the sender; and
- Do not pass on chain letters or take part in pyramid schemes: you could lose your money and possibly lose your friends.

## How to protect yourself

- Only give out your personal details and information where it is absolutely necessary and where you have initiated the contact and trust the other party;
- Treat your personal details as you would treat money: don't leave them lying around for others to take;
- NEVER give out your personal details to people you don't know and trust;
- Order a free copy of your credit report ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) or call 1300 300 630 for detailed information) every year to make sure no one is using your name to borrow money or run up debts. If you need to check your credit report immediately there may be a charge however if you wait a short while (usually 10 working days) the report should be free;

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