



## Parkside Newsletter October 2023

The warmer weather and spring rains are a welcome break from the colder months. And, while outside activities become more tempting, don't forget to find a moment or two to review your finances to make sure you're up-to-date and on-track.

Household wealth has increased for the third quarter in a row. It rose by 2.6% in the June quarter, pushed up by rising house prices and increases in superannuation balances. Meanwhile demand for credit was the lowest since 2005. But consumers are not spending and consumer confidence is down. Retail sales growth was the slowest since the pandemic lockdown.

While the number of job vacancies have fallen by about 18% since their peak in May this year, they are still around 72 per cent higher than just before the pandemic – that's an extra 160,000 positions that employers are looking to fill. Unemployment was unchanged at 3.7%.

The Australian dollar rebounded a little to finish the month where it began but it's ended the quarter about 3% thanks to surging oil prices, interest rate uncertainty and the US markets.

Brent crude has continued its relentless climb since June, ending the month just over 30% higher than three months ago. That's pushed petrol prices ever higher – about 17% over the same period – with the national average price for unleaded at \$2.11 a litre compared to \$1.80 in June. Oil prices are expected to continue to increase because of depleted US inventories and cuts to production in Saudi Arabia and Russia. Increasing petrol prices helped fuel a jump in inflation last month.

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# YOURS, MINE AND OURS

- estate and succession planning for modern families



Navigating complex family relationships and blended families can be challenging at times and particularly when a family member dies.

A good estate plan can help to make sure your wishes are carried out when you die. An estate plan, of which a will is the first and most important part, can ensure your estate is distributed in the way you want. It can also help if you become incapacitated, particularly when it includes an enduring power of attorney and a medical power of attorney that indicate who should be in charge of your affairs and any relevant instructions.

Professional advice is vital in estate planning to make sure that you have considered all the issues, including tax matters, and that your loved ones are protected. It is also important to clearly communicate your wishes, particularly when there are complex issues involved, so that your wishes are clearly understood.

Here are some of the issues to think about.

## Superannuation

A binding death benefit nomination should be at the top of your list when you are considering the distribution of your superannuation funds.

This makes certain that your super death benefit is paid to those you choose because without one, the trustee of your super fund will make their own decision.

The nomination is usually valid for three years before it lapses and must be renewed.

## Blended families

If you have been married more than once and/or have children with more than one partner, your will helps to effectively provide for those you choose.

You may wish, for example, to ensure that your children receive the proceeds of your estate rather than your spouse or ex-spouse. Alternatively, you may need to ensure your will protects your current spouse from the claims of previous spouses.

When it comes to the family home, the type of home ownership is important. If you have purchased as 'joint tenants', the entire asset will pass to the surviving spouse. On the other hand, if you have purchased as 'tenants in common', each spouse can distribute their share of the house to others.

You may also wish to include a 'life interest' in the home so that your current spouse can continue to live in the home until their death before it ultimately passes to your other beneficiaries.

## Trusts

Any existing family trusts should be reviewed with a blended family in mind. Check that the trust deed provides clear instructions for succession, if you want to ensure your children from past relationships are catered for.

Your will can also establish new trusts, known as testamentary trusts, to provide for any dependents with disability,

when you are worried that a child may waste or misuse your assets, or to allow for young children.

A testamentary trust can also help to protect your adult child's interests if they were to divorce a partner or are facing bankruptcy. Any inheritance they receive from you would become part of their property and can be considered in a divorce settlement or called on by creditors.

## Handing on a business

If you are in business with partners, or would like to hand on the family business to one child but not others, a life insurance policy may be a useful strategy – sometimes known as estate equalisation – to even the distributions from your estate.

In the case of a business partnership, you would name your partner or partners as beneficiaries of the life insurance policy, to effectively 'buy you out' of the business. Where it's a family business due to be handed on to one child, your life insurance would go to your other children to match the value of the business.

Note that it is crucial to continually review the value of the business and the value of the life insurance to ensure they remain current.

Estate planning can be tricky and emotional, particularly when your circumstances are a little more complex. *So, get in touch with us to ensure your estate plan meets your wishes and takes account of all the issues.*



# When enough is never enough



How much is enough? It's a good question. Our relationship with our finances can be a tricky one. Everyone has a different idea of how much it takes to be comfortable or even well off.

Given it is something that has such a strong influence on how we live our lives it's unsurprising that money, or the pursuit of it, can develop into somewhat of an addiction.

The million-dollar question is how do you know if you are developing an unhealthy relationship with money and what can you do if you, or someone you know, is heading down that path?

## The love of the dollar

When John D. Rockefeller, who has been widely considered the wealthiest American in modern history, was asked how much money is enough, he famously stated: "Just a little bit more."

It's a common approach to money – that it's not possible to have too much of a good thing. However, we can become addicted to the act of growing our net wealth to the detriment of our daily lives. If you're only interested in seeing your account balance go up, you might miss opportunities to put your money to work in other ways and enjoying what life has to offer.

If you can relate to the words of Rockefeller, it might be time to do some self-examination and see whether your relationship with your finances could be healthier.

## Common feelings about acquiring money

### Competitive

"Keeping up with the Joneses" is embedded in our culture. As a society, we're constantly comparing ourselves to those who earn more or are wealthier than ourselves. The danger is there will always be someone better off than you (unless you are Rockefeller!). Gratitude can serve as an antidote to competition, so try shifting your focus to what you have rather than what others possess.

Of course, for many the focus is not outward but inward. The competition can be an internal struggle to meet and exceed continually shifting self-imposed financial objectives. If this is moving beyond a healthy drive for success, it might be time to celebrate your successes and focus more on enjoying your wealth.

### You are what you possess

Compulsive saving can be a need to find self-worth, defining yourself by what you possess and accruing the trappings of wealth to feel whole. Recognising your self-worth goes beyond possessions and how much money you have in the bank is a key step in breaking the hold money may have over you.

### Fear of loss

Being afraid of losses can keep you from making smart decisions with your money that could improve your financial situation. For example, you might be so fixated on accruing wealth and so afraid of losing money that you never invest. Having an appreciation of the relationship between risk and reward can help you make healthier decisions.

## Scarcity mindset

An extreme focus on your financials can be driven by a fear of not having enough. The underlying cause of anxiety around money might be traced back to a time when you struggled. The key is to review your financial situation and let go the past to manage your finances in a way that is appropriate to your present circumstances.

## Breaking money habits

That sounds easy but it can be difficult in practice. Whatever the driver of your approach to money, if you've been operating in a certain way for a long time, habits can be hard to break.

If you've been saving furiously for a home deposit it can be hard to step out of the frugal behaviour, take a breather and feel okay about spending money again. Alternatively, if you've spent a lifetime building your wealth to have a wonderful retirement it can be difficult to flick the switch from saving to spending – especially if you suddenly have no wages coming in.

Recognise that old habits can be hard to break but that it is possible to change.

One thing that can help is having a financial plan, so you know how you are tracking to meet your financial goals. That's where talking to a third party who is not so emotionally involved can be of benefit.

*We are here to assist if you need assistance with any aspect of your financial life.*

# How to spot and stop financial abuse



Until recently, financial abuse was often kept secret, especially where it occurred within the family. Thankfully that's changing with public awareness campaigns and help becoming more readily available.

The emotional and economic damage caused by financial abuse can be far reaching and devastating. A recent Australian report calculates that in 2020 alone, financial abuse victims lost \$5.7 billion while the cost to the broader economy was \$5.2 billion.<sup>i</sup>

Nearly one in 30 women and one in 50 men suffer financial abuse each year, according to the Deloitte Access Economics report *The Cost of Financial Abuse in Australia, 2022*. These figures are almost certainly an underestimate, the report adds.

There are no typical victims of financial abuse: those affected are of all ages and means. Sadly, the abuser is often a friend, carer, partner or family member.

## What is financial abuse?

Financial abuse is when someone uses your money without your permission, prevents you from getting access to money or takes charge of your financial decisions.

These days, financial abuse is considered a form of domestic and family violence, taking away your independence and leaving you feeling vulnerable and anxious. Victims may also suffer physical violence and emotional abuse.

The most common type of financial abuse is withholding income or controlling how it is spent, according to the Deloitte report. But there are other forms of abuse that can be equally harmful such as making a partner liable for a joint debt, preventing someone from working, refusing to contribute to household expenses and refusing to

contribute to the costs of raising a child. Many victims also suffer flow-on effects of the abuse such as financial hardship and stress, leading to mental health issues. Some may also lose their home.

In some cases of family violence, one partner takes control of the couple's finances, preventing the victim from leaving the relationship. In others, where the victim does manage to leave, the abuser may continue their abuse using tactics such as expensive legal action or disrupting the victim's work or business.

## Recognising the signs

Victims of financial abuse may not be aware of the abuse for some time, allowing perpetrators to empty bank accounts, deplete investments and incur large debts in the victim's name.

The federal government agency, Services Australia says the warning signs include:

- taking or using your money without your permission
- not being allowed to work
- having to account for how you spend your money
- withholding financial information from you
- spending any government payments you receive without your consent.<sup>ii</sup>

Incurring debts in your name is another form of financial abuse. Your partner may spend more than you agree on your credit card, pressure you into co-signing a loan with them, or take out a loan in your name, according to Australian Family Lawyers.<sup>iii</sup> They may also limit your educational opportunities

by, for example, preventing you from enrolling in studies that could advance your career.

Older people and those living with disability can be particularly vulnerable to financial abuse if they rely on others for help and advice. Financial abusers may take money from their bank accounts or wallets, ask an older person to change their Will, take jewellery or other valuable items from their home, or take control of their decisions using a Power of Attorney when they are still capable of making their own decisions.

## Where to go for help

If you or someone you know is suffering financial abuse, a number of free and confidential resources are available. The MoneySmart website provides information about free legal advice at community legal centres or legal aid centres, and a number of suggestions if you need urgent help with money.

You can also find free and confidential counselling for family violence, abuse and sexual assault at: 1800RESPECT (24 hours a day, seven days a week) 1800 737 732

For crisis support, contact Lifeline (24 hours a day, seven days a week) 13 11 14

*We understand that it can be difficult reaching out for support if you feel you or someone you love is being taken advantage of financially, especially if a family member is involved. Please call us if you would like a confidential discussion about safeguarding your finances*

<sup>i</sup> <https://www.commbank.com.au/content/dam/caas/newsroom/docs/Cost%20of%20financial%20abuse%20in%20Australia.pdf>

<sup>ii</sup> <https://www.servicesaustralia.gov.au/what-family-and-domestic-violence?context=60033#a8>

<sup>iii</sup> <https://www.australianfamilylawyers.com.au/information-centre/signs-of-financial-abuse>