



Parkside Newsletter September 2023

September is upon us, and spring is in the air. It's time to shake off the winter cobwebs, get out into the garden or the great outdoors. Meanwhile, AFL and NRL fans will be hoping the sun shines on their team this finals season.

After endless gloomy forecasts, there was a glimmer of hope last month that the cost of living might be easing. Inflation fell in July to 4.9% from 5.4% in June, despite predictions by economists of a rise.

While housing prices are still rising, up by 7.3 per cent for the 12 months, and total dwelling approvals recorded a sharp decline in July, the next Reserve Bank Governor Michele Bullock believes prices in some areas will fall by five per cent or more by 2050 because of climate change.

Consumer confidence is continuing to slowly improve. The ANZ-Roy Morgan Consumer Confidence has now increased for a record 26 weeks in a row. Unemployment was up slightly by 0.2% to 3.7%, meaning an extra 36,000 people are now looking for jobs.

China looms large as a threat to Australia's economy. As our largest two-way trading partner, China's worsening economic conditions are concerning for Australian investors although stronger demand from steel producers led to a small increase in iron ore prices. The ASX200 ended the month down, gains in financial stocks were offset by losses in mining and energy shares because of their dependency on China. The Australian dollar rebounded slightly based on improved confidence in the US.

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How to boost your super with a lump sum

If you're lucky enough to have received a windfall, perhaps an inheritance or a retrenchment payout, your first decision will be what to do with it.

Assuming you have decided against a shopping splurge, finding the best place to invest a lump sum is all about the effect on your tax bill and how soon you will need access to the funds.

For those interested in investing their lump sum for a longer term, superannuation is one approach because of its tax benefits.

But be aware that, while super can be a tax-effective investment, there are limits on how much you can pay into your super without having to pay extra tax. These are known as contribution caps.

Different types of contributions

There are two types of super contributions you can make – concessional and non-concessional – and contribution caps apply to both.

Concessional contributions are paid into super with pre-tax money, such as the compulsory contributions made by your employer. They are taxed at a rate of 15 per cent.

Non-concessional or after-tax contributions are paid into super with income that has already been taxed. These contributions are not taxed.

So, the tax you pay depends on whether:

- the contribution was made before or after you paid tax on it
- you exceed the contribution caps
- you are a high income earner

(If your income and concessional contributions total more than \$250,000 in a financial year, you may have to pay an extra 15 per cent tax on some or all of your super contributions.)

Investing after-tax income

There are many different types of after-tax contributions that can be made to your super including contributions your spouse may make to your fund, contributions from your after-tax income, an inheritance, a redundancy payout or the proceeds of a property sale.

Based on current rules, the annual limit for non-concessional or after-tax contributions is \$110,000. You can also bring-forward two financial years' worth of non-concessional contributions and contribute \$330,000 at once but then you can't make any further non-concessional contributions for two financial years. Note that there are certain limitations on these types of contributions.

It is also useful to note that, under certain conditions, there are some types of contributions that do not count towards your cap. These include: personal injury payments, downsizer contributions from the proceeds of selling your home and the re-contribution of COVID-19 early release super amounts.

The Downsizer scheme allows the contribution of up to \$300,000 from the proceeds of the sale (or part sale) from your home. You will need to be above age 55 but there is no upper age limit, the home must be in Australia, have been owned by you or your spouse for at least 10 years, the disposal must be exempt or partially exempt from capital gains tax and you have not previously used a downsizer contribution.

Giving your super a boost

A review of your super balance and some quick calculations about your projected retirement income might inspire you to give your super a boost but not everyone has access to a lump sum to invest.

A strategy that uses smaller amounts could include any amount from your take-home pay. These contributions will count towards your non-concessional or after-tax cap.

Alternatively, you add to your super from your pre-tax income using, for example, salary sacrifice. These types of concessional or pre-tax contributions attract a different contribution cap: \$27,500 per year, which includes all contributions made by your employer.

If your super fund balance is less than \$500,000, your limit may be higher if you did not use the full amount of your cap in earlier years. You can check your cap at ATO online services in your myGov account.

The rules for super contributions can be complex so give us a call to discuss how best to maximise your benefits while avoiding any mistakes.

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.

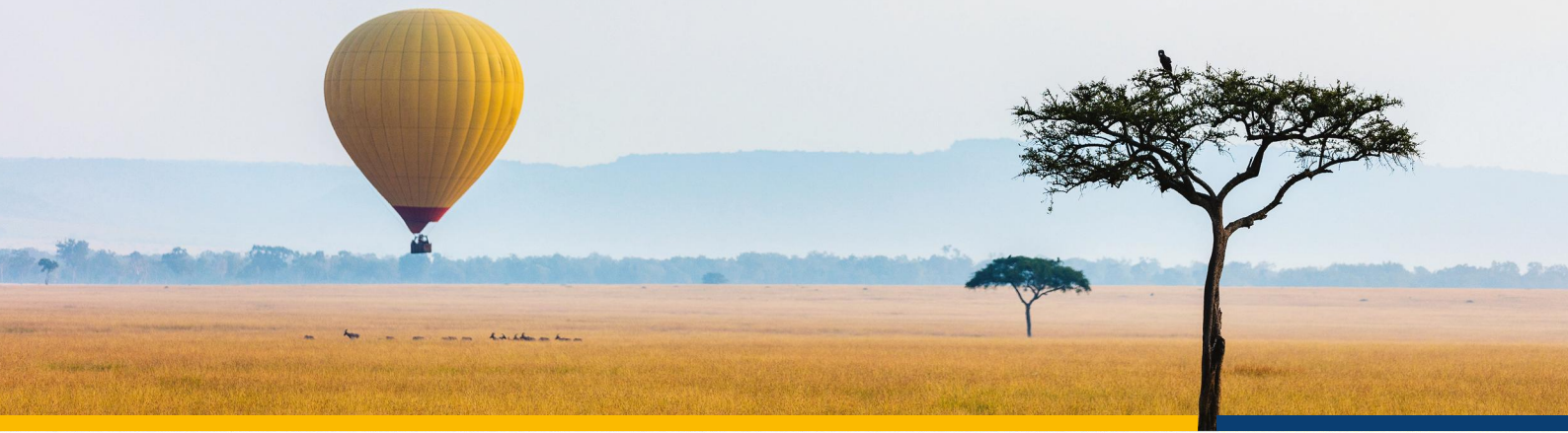
Think about the people you enjoy spending time with and foster those friendships right now. Not only will it make for an easier transition when you retire, it will also bring you joy and the benefits of those relationships right now. There is always room in your life for making new friends too!

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.

Destinations to fire up your passions



The world is an amazing place, with so much to see and do. In fact, sometimes it can feel as though there is so much to experience it can be quite a challenge selecting a destination, but if you follow your heart and explore your passions when planning a trip you can't go wrong.

Considering the plethora of amazing places and experiences our world has to offer, it's a shame that many people, overwhelmed by choice, stick to going back to places they have visited before. In fact, a poll conducted in the US confirmed that three out of four people always go back to the same places.ⁱ

If you are keen to avoid the 'same old, same old' but short on ideas, it can help to think not of where you want to go, but what you want to do. One travel trend that's not going away any time soon is the desire for genuine experiences. Just look at Airbnb – in addition to being an accommodation platform it now offers a massive range of around 41,000 'experiences' across 93 countries and more than 2000 cities.ⁱⁱ

So, what do you look for when there is a big wide world out there with so much to see and do? Think about what you and your travelling companions love.

If you have a 'need for speed'

The Tour de France is known as the greatest race on Earth. The endurance needed to ride over 100kms a day for three weeks across some of the world's most physically challenging terrain, is incredible. Every year spectators line the routes to be part of the atmosphere and it's even possible to hop on a bike and experience some of the stages for yourself.

If you prefer the roar of engines and the smell of burning rubber and high-octane fuel, maybe the Monaco Grand Prix is for you. With a course that is the most difficult on the F1 circuit winding through the streets of the city, it's certainly a race like no other.

Closer to home, another race like no other is the Alice Springs Camel Cup. The antics of the notoriously unpredictable dromedaries and their riders makes for a hilarious day out.

If you want to marvel at our natural world

The famous Bandhavgarh National Park in central India is a stunning wildlife destination where you have the best chance out of anywhere in the world to spot a wild Bengal Tiger.

And if you want to stay in Australia, head to Ningaloo Reef in WA where you can snorkel with the gentle giants of the shark world – whale sharks, which can measure up to a massive 10 metres.

If you're an adrenaline junkie

Get your pulse racing with white river rafting on the Colorado River, passing through the iconic Grand Canyon or fly down the fastest zip line in the world in Wales at an eye-watering 200 km/h.

Or for an amazing local experience, walk along the harbour bridge in Sydney on one of the world's longest bridge climbs and gaze out on an unparalleled view of the iconic harbour.

If you like to sample fine wine

For the wine buffs – not for nothing is Bordeaux France, considered by many to be the world's foremost region for wine. If you need to narrow the field a little further, the vineyards of Saint Emilion were the first to be listed as a UNESCO World Heritage Site.

And Australia is no slouch in the wine stakes either, with the Baross Valley in SA widely considered Australia's preeminent wine region, famous for its Shiraz. **Or the Hunter Valley, just 2hrs drive north of Sydney.**

If you were born to shop

In terms of sheer variety and abundance of styles and shops, New York City is the shopping Mecca that dreams are made of. Or fossick for exotic treasure in Istanbul's Grand Bazaar, the world's oldest and largest undercover market.

On a smaller scale, but closer to home, Salamanca Market in Tasmania is a vibrant streetscape of the state's finest artisan products.

With so many amazing experiences to be had, think about how you like to spend your time to come up with an itinerary that will tick all your boxes whether you want to race, explore, sip, or shop.

ⁱ <https://nypost.com/2022/09/20/americans-say-they-vacation-in-the-same-places-poll/>

ⁱⁱ <https://tourpreneur.com/few-airbnb-experiences-generate-significant-revenue-according-to-the-latest-arrival-research/>