INSIDE

MARCH 2021

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

- **The unequal impact of COVID- 19 across Australia's states**
- **Strategies to rebuild super after early access**
- **How to identify (and beat) your spending triggers.**

The unequal impact of COVID-19 across Australia's states

Key points

States/territories with lower cases of COVID-19 have had stronger economic performance compared to the hardest hit states of NSW and Vic. This is not surprising given the imposed and self-regulated household mobility restrictions.

Lower overseas migration over the next few years is a big negative for NSW and Vic state growth. Net migration had been a big driver of NSW and Vic population growth, providing a solid base of support for GDP and also fuelling housing demand.

Lower population growth will be the biggest factor weighing on NSW and Vic state performance and these two larger states are likely to underperform compared to the rest of Australia. WA and QLD will perform better.

Introduction

COVID-19 has changed some of the fundamental drivers of state economic growth. We expect to see the states that were previously lagging behind (like Qld and WA) to outperform relative to the largest states of NSW and Vic which had been performing well since the end of the mining boom.

State tracker

Our tracker of state and territory performance (see below) shows that the ACT and NT are currently ranked as the best performing state/territory (and probably the least impacted by COVID-19), followed by WA. A year ago, the ACT was still ranked as the best performer but this was followed by Vic, Tas and NSW. Qld and WA were underperforming but these two states are now doing much better than NSW and Vic. A lower number of COVID-19 cases has clearly helped state/territory economic performance. This table reflects some recent weakness in SA from a COVID-19 cluster but this is unlikely to persist as virus cases have declined.

	Retail Sales	Building Approvals	Real State Final Demand	Home prices	Employment	Unemployment %	Rank*
NSW	+10.5	+39.8	-3.3	+3.7	-1.2	6.5	=5 (4)
Victoria	-5.8	+1.0	-9.8	-0.9	-3.8	7.4	8(2)
Queensland	+11.7	-9.3	+0.7	+3.2	+0.9	7.7	4(7)
WA	+15.7	+96.3	-0.7	+0.8	+0.2	6.8	3(5)
SA	+9.8	-16.9	-0.8	+5.3	+0.5	7.0	7(6)
Tasmania	+10.7	+1.4	-3.2	+5.8	-0.1	8.2	=5 (3)
NT	+12.5	+96.0	-0.1	+5.9	-1.1	5.7	2(8)
ACT	+11.5	-11.3	+3.8	+7.0	+5.9	3.8	1(1)

Population growth – big negative for NSW and Vic

One of the biggest change impacts of COVID-19 on the states is the hit to population growth. Nationally, population growth will decline from 1.4% per annum before COVID-19 to a low of 0.3% in 2021 as overseas migration is expected to be negative until mid 2022. This may prove to be too pessimistic if a vaccine is widely utilised by a large share of the population sooner than expected. Population changes are a big driver of state outcomes. The biggest beneficiaries of Australia's high migration intake over the past decade have been NSW and Vic as migrants tend to settle in these two states/cities for job prospects. This fundamental base of population support was also a big driver of housing for NSW and Vic and was responsible for solid gains in home prices in these two states over the past ten years. Lower population growth will weigh on NSW and Vic state growth until overseas migration turns positive.

Interstate migration flows are also important for state performance and have been disrupted by COVID-19, although this is a shorter-lived impact as state borders are now opening up again.

Labour markets

Number of jobs that have recovered since COVID-19 related losses.

NSW's performance has also been solid as the state has recovered 81% of job losses. Vic is lagging for now, as the state had the longest lockdown, and the data doesn't reflect the full re-opening that has taken place. Participation rates across the states are back to pre-COVID levels, except for Vic. But employment rates are still higher than before COVID-19 across all states and territories because employment growth needs to be stronger to absorb all the re-entrants into the labour market.

Consumer spending

Retail spending has held up extremely strongly over 2020. Retail spending in all states and territories (except Vic) is much stronger compared to a year ago. This has occurred from a raft of government policies including stimulus cheques, free childcare, additional Jobseeker payments, mortgage deferrals, tax cuts and lower mortgage rates from RBA interest rate cuts. There is also some re-distribution of spending from travel and recreation to the retail sector.

Having the state borders re-opening will assist in lifting some part of retail spending, especially in cafes and restaurants expenditure. Source: AMP Capital

Strategies to rebuild super after early access

If you've accessed your super early due to COVID, there are a number of strategies that can help you get your super back on track when the time is right.

3 strategies to rebuild your super

There are three key strategies that could help you boost your retirement savings between now and retirement.

1. **Allocate some of your pre-tax salary to super**

Who this could work for?

This may be appropriate for those who have sufficient cashflow to divert some of their pre-tax salary to super (before it hits your wallet for spending). It doesn't need to be large amount to start and you can further increase the amount that you contribute in the future once things are back on track.

By making regular additional contributions to super, you're helping build up your account balance again. Don't be afraid to start small if it is all you can commit – even small incremental amounts add up over time.

Salary sacrifice contributions are made from your pre-tax salary which can be a great, disciplined way to save for retirement. Super is also a long-term investment, so the younger you are when you start saving for retirement, the more time you'll have to benefit.

2. **Make a spouse contribution and receive a tax-offset**

Who could this work for?

Members who are in a couple, where one spouse earns less than $40,000 a year and there is capacity to make a super contribution on behalf of a spouse.

If you make an after-tax contribution into your spouse's super account and they earn less than

$40,000 a year, you may be eligible for a tax offset of up to $540. To qualify for the full offset of $540 in a financial year, you need to contribute $3,000 or more into your spouse's super account and your spouse must earn $37,000 a year or less.

3. Make personal contributions and claim a tax deduction

Who could this work for?

Unlike salary sacrifice contributions, personal contributions can be made with your take home pay or savings. You can do this regularly or wait until the end of financial year which could provide greater flexibility and planning options if you have irregular income or expenses.

Get a Government top up to your super contributions

You may also be eligible to apply for the Government co-contribution super measure, where the Government may contribute up to a maximum of $500 to the super accounts of people who meet certain criteria.

To be eligible, you must be able to answer yest to **all** the following:

- You've made one or more eligible personal super contributions to your super during the financial year.
- You pass the income threshold test and the 10% eligible income test
- You're less than 71 years old at the end of financial year
- You didn't hold a temporary visa at any time during the financial year (unless you're a New Zealand citizen or it was a prescribed visa), and
- You've lodged your tax return for the relevant financial year.

It is also important to note that you're not entitled to a Government co-contribution for any personal contributions you've made that have been allowed as a tax deduction or a contribution made for you by a spouse.

To find out if these strategies are right for you and to understand more about the rules and eligibility conditions, highly recommend you speak with your financial adviser. Source: MLC Insights

How to identify (and beat) your spending triggers

Are you buying more to perk yourself up? You aren't alone. Since the start of COVID, there's been an increase in online shopping. But, if you want to get a handle on your add-to-cart habit, understanding why you spend money, can help bring your purchasing patterns in line with your financial goals.

Often, we talk about money in terms of dollars and cents, but the subject can sometimes run deeper than just numbers. Frivolous spending as a result of your emotional state is more common than you might think: one study found that more than 81% of Australians spend in order to seek comfort suggesting that our spending patterns are created by more than needs alone.

Having an uncontrollable urge to spend can have a negative impact on your finances – especially if it's putting a dent in your financial goals. One way to curb this spending habit is to understand your triggers and put some specific steps in place to regain control.

What is unconscious spending?

Unconscious spending is the act of spending money without careful thought, sometimes it may even be done on impulse. Whether it's the latest pair of designer shoes or a new set of golf clubs, it's the type of spending that seems to happen almost outside of your control – and often outside of your budget. But unconscious spending doesn't only happen with expensive big-ticket or one-off items.

Common triggers for unconscious spending habits

There are a range of emotional triggers that may tempt us into spending more than we intend to. Research has found that some people spend money when they're feeling sad and will pay more for an item if they're feeling this way.

Boredom can also be a significant trigger: a study into comfort spending found that 47% of Australians admit to purchasing because they're bored. The monotony of COVID-19, coupled with a need to delay many plans for travel and other experiences, could be a perfect storm for boredom-induced spending.

Pinpoint your spending patterns and triggers

Still unsure why you spend the way you do? These pointers may help you to identify your triggers……

Uncover your spending habits

Looking for a routine pattern in your spending can offer some valuable clues and help you control your spending. What things do you typically purchase on impulse? Does your unconscious spending usually represent big amounts or small amounts of money? Asking yourself these questions could uncover a few commonalities.

Look closely for emotional spending cues

Are there certain times of the day that you're more likely to spend? Does it often happen during times of boredom or is it more likely to happen when you are stressed or distracted? Do you tend to spend on cred as opposed to dipping into your savings or using cash?

If you get closer to understanding the feeling you get when purchasing, you can try to replicate that feeling elsewhere, without needing to spend.

Getting on top of unconscious spending

Pinpointing your personal spending triggers is the first step towards doing something about unconscious spending. These two approaches can help you get on top of the habit:

Setting specific and achievable **financial goals** is a great way to gain more mindfulness around your money. Without a clear end point to aim for, when it comes to spending, it's difficult to know how much is too much. By creating an endpoint – or goal for your money, you're more likely to focus your aim.

To stay on track, create and stick to **successful budget.** If you have a clear understanding of how much is coming in and going out, you'll have a greater sense of control over your spending decisions.

Put your money where you can see it

For some the ease of online transactions is exactly what allows them to overlook the fact that they're actually spending money.

If you tend to spend without thinking you might revert to cash or direct debit payments, to remind yourself money is real and tangible.

According to research….

81% of Australians spend in order to seek comfort

47% admit to purchasing because they're bored

$25.5 billion is the amount Australians spend annually to stave off boredom. Source: AMP Insights

Should you wish to discuss any aspect of the information contained in this document, please contact your Financial Planner

Phone: 1300 375 357

Email: admin@corefinancialservices.com.au

Perth: 45 Ventnor Avenue,
West Perth WA 6005

Melbourne: Level 23, Collins Street
Melbourne, VIC 3008

Sydney Level 24, Three International Towers
300 Barangaroo Avenue
Sydney NSW 2000

CORE FINANCIAL SERVICES

IMPORTANT INFORMATION

This document has been prepared by Core Financial Services Pty Ltd. (ABN 91 607 163 646, AFSL 480009). Information in this document is based on regulatory requirements and laws, which may be subject to change. While care has been taken in the preparation of this document, no liability is accepted by Core Financial Services, its related entities, agents and employees for any loss arising from reliance on this document. This document contains general advice. It does not take account of your individual objectives, financial situation or needs. You should consider talking to a financial adviser before making a financial decision. Taxation considerations are general and based on present taxation laws, rulings and their interpretation and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information. Should you wish to 'opt out' of receiving direct marketing material from your adviser, please notify your adviser by email, phone or by writing to us.