INSIDE

JULY 2021

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

- Super Contribution caps are going up from 1 July 2021
- 6 steps to help you feel more positive about your finances
- How to spot a scam

Super contribution caps are going up from 1 July 2021

The amount of money you can contribute into your super each year is about to increase.

The caps on concessional and non-concessional super contributions will increase from 1 July this year, meaning you may be able to put more money into super. Below will explain how the new caps differ to the old ones and what these changes could mean for you.

What are the new concessional and non-concessional contribution caps?

If you're making contributions to your super, there are limits on the amount of concessional and non-concessional contributions you can make each year. Below you can compare the current contribution caps with the contribution caps that will apply from 1 July 2021.

Contribution type	Your age	Current cap	Cap from 1 July 2021
Concessional	All	$25,000 a year Plus, unused cap amounts accrued since 1 July 2018 if you're eligible*	$27,500 a year Plus, unused cap amounts accrued since 1 July 2018 if you're eligible*
Non-concessional	Under 65 Age determined as at 1 July of the financial year the contribution is made	$100,000 a year Alternatively, up to three years of annual caps ($300,000) under bring-forward rules if you're eligible**	$110,000 a year Alternatively, up to three years of annual caps ($330,000) under bring-forward rules if you're eligible**
Non-concessional	65 or over Age determined as at 1 July of the financial year the contribution is made	$100,000 a year**	$110,000 a year**

*This broadly applies to people whose total super balance was less than $500,000 on 30 June of the previous financial year.

What's the difference between concessional and non-concessional contributions?

Concessional contributions include:

Compulsory Contributions – these are the before-tax contributions your employer is required to make into your super fund under the Superannuation Guarantee scheme, if you're eligible.

Salary sacrifice contributions – these are additional contributions you can get your employer to make into your super fund out of your before-tax income if you choose to.

Tax-deductible contributions – these are voluntary contributions you can make using after tax dollars (such as when you transfer funds from your bank account into your supper), which you can claim a tax deduction for. These can be made by both self-employed people and employees.

Non-concessional contributions include:

- **Personal after-tax contributions -** these are contributions you put into your super fund using after-tax dollars, which you don't claim a tax deduction for. Some reasons why you might choose to make non-concessional contributions, include if you've reached your concessional contributions cap, if you've received an inheritance, or if you're after a government co-contribution into your super fund.

Why are concessional and non-concessional contribution caps changing? The reason super contribution caps will increase from 1 July 2021 is because changes to these caps are dependent on Average Weekly Ordinary Time Earnings, as surveyed by the Australian Bureau of Statistics.

This is a measurement of people's average earnings across Australia, which recently went up.

Will there be any changes to the total super balance cap? Currently, if you have a total super balance of $1.6 million or more, as at 30 June of the previous financial year, you can't make additional non-concessional contributions to your super, or you may be penalised. While non-concessional contributions can't be made once you reach this limit, concessional contributions can be.

Meanwhile, from 1 July 2021, this cap will increase from $1.6 million to 1.7 million.

How does the total super balance cap affect bring-forward rules? Your total super balance may also impact your ability to contribute up to three years of non-concessional contributions under the bring-forward rules.

Currently, your total super balance must be below $1.4 million, as at 30 June of the previous financial year, for you to be able to contribute up to three years of annual caps ($300,000) under the bring-forward rules. From 1 July 2021, that figure will change, and your total super balance will need to be below $1.48 million as at 30 June of the previous financial year, to contribute up to three years of annual caps ($330,000) under bring forward rules.

What other things should I know about super contributions?

- If you exceed super contribution caps, additional tax and penalties may apply.
- If you're 67 or over when a super contribution is made, you'll need to have met the work test or be eligible to use the recent retiree work test exemption.
- If you're 65 or over, you can make an after-tax downsizer contribution or your super of up to $300,000 using the proceeds from the sale of your home (if it's your main residence), regardless of your work status, super balance, or contributions history.
- The government sets general rules around when you can access your super, which typically won't be until you reach your preservation age and meet a condition of release, such as retirement.

Spouse contributions- Eligibility criteria for claiming the tax offset on spouse contributions will increase from $1.6 million to $1.7 million on 1 July 2021.

Where can I go for assistance? Superannuation rules can be quite complex, so for more information regarding what caps and limits apply to you. Speak with your financial adviser about what might be right for you. Source: AMP Insights.

6 Steps to help you feel more positive about your finances

Managing your money doesn't have to be stressful. By breaking down your goals and establishing good habits you can work towards financial wellbeing.

With one in four Australians reporting more financial stress after COVID, it's no surprise many of us are concerned about the future. Between mounting bills, unexpected expenses and lack of understanding around our needs in retirement, getting our savings on track and seeing the big picture can seem overwhelming.

It doesn't need to be. If you break things down into small, manageable actions, you can create a simple plan to take immediate positive steps towards a healthy financial future.

Assess your debts – Debt is a reality for many Australian households, whether it's a home loan, credit card, student loan, car finance or personal loan. It's not uncommon to lose track of how much you owe and how much interest you're paying as a result.

Understanding your debts can help you put a plan into action to pay them off sooner and in the optional order, potentially saving you a lot of money. There are steps you can work through to manage what you owe and work out your priorities – such as making a list of all debts and their sums and categorising each as 'good' or 'bad'.

Plan how to pay your bills – Some 14% of Australians report they have been unable to pay one or more bills on time in recent months, a reality that may be compounded through winter as extra heating sees utilities skyrocket.

One way to manage irregular bill amounts and unexpected rate spikes is to consider bill smoothing, a process where you establish automated payments of a set (and known) amount to cover utilities over the course of a year.

Establish an emergency fund – Putting aside extra money for the rainy day sounds simple, but it's one that many Australians neglect – in fact, one in four of us believe we wouldn't be able to raise $2,000 in a week if we needed to do so in an emergency.

If you are that one in four, it's a good idea to set up an emergency fund as a separate account – it acts as a buffer from debt, helping you prepare for life's curve balls. Keeping it away from your day-to-day savings account means you're not tempted to dip into it for known, budgeted expenses such as rent or mortgage, groceries or school fees.

Look at your super – The government's Early Release Scheme in 2020 saw 3.5 million Australian's take advantage of the ability to dip into their super early. For many, having access to these funds helped ease immediate financial stress. If you're not sure how to build this money back you're not alone – 30% of those who accessed their fund report a lack of awareness of how to recover their balances.

Work on a savings plan – Deciding to pay yourself first – say, 10% of your income – is one simple way to boost your savings and improve your financial future, making you contribute a set amount of money into a savings account before you manage other household expenses.

It's also a good idea to set up a separate savings account with a high interest rate. Then make sure that set amount of your salary, as well as any surplus in your day-to-day account, is automatically rolled over into your savings at the end of the month. Automating your accounts allows you to set and forget, so your nest egg will automatically grow every time money is deposited.

Think about any long-term financial goals - At what age to you want to be able to buy your first home? When do you want to retire? Do you know how much you need in your superannuation fund to retire comfortably? Many of us sweep these big questions under the carpet, but understanding them can help you prepare for your financial future.

You can speak to your financial adviser to help get get your savings goals on track and make sure you head towards retirement with peace of mind. Source: AMP Insights

How to spot a scam

With online scams on the rise during COVID-19, here are a few tips to protect yourself online.

What is an internet scam?

An internet scam is when someone uses the web to cheat an individual or organisation out of their money or personal information. Sometimes scams involve the perpetrator loading malicious software, known as 'malware' onto their victim's computer. Scammer's techniques are becoming more sophisticated every day, with the most successful scams often targeting vulnerable groups by posing as organisations of authority such as banks, insurance companies or superannuation companies.

What are insurance – related scams?

1. **Phishing** – This is when a scammer pretends to be from a trusted organisation in an attempt to access the victim's personal information, gain access to their computer or steal money. Phishing often takes the form of texts or emails and can even steal the branding from your own bank, insurer or super-fund, making them difficult to spot.

2. **Insurance agent fraud** – It's not uncommon for scammers to pretend to be insurance agents offering you new products, or claiming to be adjusting your cover in a bid to access your personal information. Remember that if it sounds too good to be true, it probably is.

3. **Insurance fraud –** Sometimes scammers make phone call or send emails claiming that you were in an accident and asking for your details to complete an insurance claim. As realistic as these can seem, be very careful as they may be trying to steal information or money.

How to protect yourself against internet scammers –

1. **Act with caution –** Do not open attachments or click on links in suspicious emails, and remember that banks and insurance companies will never ask for your personal information over text or or email. If you're not sure that an email is real, hover over any URL's before clicking on them. This will show you the address you're going to be directed to – a scam email will often show an unusual and unexplained URL. Remember that if you're not sure then it's better not to click.
2. **Keep your devices secure –** Create strong passwords for your phone, computer, social media and email accounts. These should be difficult to guess, and not the names of pets or family members.
3. **Report scams –** If you are the victim of an internet scam – or you think you have spotted one in action – you can report it to the Australian Competition and Consumer Commission.
4. **Check with your real provider –** If you receive suspicious communication claiming to be from one of your providers, give your provider a direct call to check if it was them.

In this day and age its important to be aware of the potential to get scammed. Keep an eye on your savings and retirement accounts to ensure they have not been targeted. Source: TAL

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