INSIDE

DECEMBER 2021

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

- What is equity and how can I use it to invest?
- ATO extends COVID-19 relief measures for SMSFs
- Holiday season Scam's to avoid

What is equity and how can I use it to invest?

Whether you're looking to invest in property, renovate or pay off something big, borrowing against the equity in your home may be helpful, if you're across the risks.

The equity in your property can be a valuable resource, as it may allow you to borrow money to achieve your goals, whether they be investment or lifestyle orientated.

If it's something you've been thinking about, here are some pointers to understanding what equity is and how it can be used, with the most important being, if you borrow against your property and can't make the repayments, you could lose your home in the process.

What is equity and how is it calculated? Home equity refers to the current market value of your home (which won't necessarly be the price you purchased it for), minus the amount of money still owing on your home loan.

To give an example, say your home is valued at $800,000 and you still owe $300,000 on it, you'll have $500,000 of equity. Keep in mind that as the market value of your property can go up or down, so too can the equity you have in it, rise and fall. To find out how much equity your currently have, you can organise a property valuation through various banks, lenders and independent agents.

Also note, even if you have equity in your home, you wont always be able to borrow against it. Your lender will look at additional factors, such as age, income, debt levels, property location and whether you have any children. Because these factors could affect how much you can afford in repayments.

What do people use home equity for? The equity in your home can be used to secure finance for a variety of things, whether it's a home extension, renovations, investment property, shares, new car, or various other big-ticket items.

When you use home equity, you're effectively increasing the amount you owe to your lender and using your home as security for your borrowing. Investing your money wisely could help you to increase your income, while borrowing money to pay for holidays or things that depreciate in value will come with greater risk.

How can I grow my home equity?

1. **Add value to your property –** You can add to the value of your property by renovating, extending or even just making some small adjustments to improve your home's street appeal. The key here, however, is to avoid overcapitalising, which is when the cost of the work completed outweighs the value added to your home in the process.

2. **See if the property has appreciated in value –** If your property is in a high-growth area or you've owned it for a number of years, the property may appreciate in value over time without you doing anything. However, depending on changes in the property market, the reverse could also happen. With that in mind, it may be worth keeping up to date with market trends to see how your property is faring.
3. **Reduce your home loan –** Another way to increase the equity in your home is by reducing the size of your loan, which you can do in a number of ways.
   For instance, you could pay more than your minimum repayments (if you're in a position to) or refinance with a different lender if they give you a better deal that's going to cost you less.

What should I consider first? Before you use your home equity to take on an additional loan, or increase the one you have currently, there are questions worth asking:

- What do you want to use your home equity for and is it a good investment decision?
- How much will your repayments increase by and will you still be able to live comfortably?
- Will you need to extend the term of your loan?
- Have you accounted for a possible rise in interest rates?
- What happens if your property depreciates in value and your loan is worth more than your property.
- Do you have household budget in place to accommodate for additional or unexpected costs?

Where can I go for more information?

Accessing the equity in your home could be a smart move in helping you to achieve your goals. However, it's important to stick to a workable budget, add in a buffer for emergency situations and be committed to making your repayments on time. Remember, with any debt you take on there will be risks and using your home equity means you could lose your home if you don't meet your repayment plan. If you want some assistance, speak to your financial adviser. Source: AMP Insights

ATO extends COVID-19 relief measures for SMSFs

SMSF trustees that are financially impacted due to COVID-19 because of extended lockdowns in certain States and Territories will be granted extended relief to cover the 2021-22 financial year.

The relief was originally offered by the ATO to SMSF's for the 2019-20 and 2020-21 financial years where certain situations may have caused SMSF trustees to contravene the superannuation laws.

For example, a SMSF trustee may have provided or accepted certain types of relief, such as giving a tenant/s (including a related party tenant) a reduction in rent if they where financially impacted due to COVID-19. As charging a price that is less than market value will usually give rise to contraventions under the superannuation laws, the relief measures will avoid this outcome if the arrangement meets certain criteria (i.e., the relief is offered on commercial terms and the arrangement is documented, etc).

The relief measures available: In September, the ATO announced it would extend the several types of relief to SMSF trustees for 2021-22: see table overleaf.

Actions required for SMSF trustees: SMSF trustees must ensure they properly document the relief and can provide their approved SMSF auditor with evidence to support it for the purposes of the annual SMSF audit.

When documenting any changes, providing the reasons for change will help the SMSF auditor when they use their judgement to determine whether relief is offered on commercial terms due to the financial effects of COVID-19.

It is also good practice to document any changes by way of a minute or a renewed lease agreement or other documentation.

Type of COVID-19 relief available	ATO Compliance approach
SMSF residency relief	If SMSF trustees are stranded overseas due to COVID-19 and this causes them to be out of Australia for more than two years, this may affect whether their fund meets some of the residency conditions to be an Australian superannuation fund for tax purposes and hence whether the fund is a complying superannuation fund and entitled to receive tax concessions. The ATO will not take any compliance action to determine whether the SMSF meets the relevant residency conditions.
Rental relief	Rental relief provided by a SMSF (or a related non-geared company or unit trust) to a tenant in the form of a reduction, waiver or deferral may give rise to a contravention of the superannuation laws. The ATO will not take any compliance action against an SMSF in these circumstances if: ▪ Relief is offered on commercial terms (having regard to State and Territory COVID-19 support measures) and ▪ The SMSF trustee has properly documented the arrangement.
Loan repayment relief	**Where the SMSF is the lender and provides relief** If a loan repayment relief is provided by a SMSF to a related or unrelated party due to the financial impacts of COVID-19, this may give rise to a contravention of the superannuation laws. The ATO will not take compliance action against a SMSF where the relief is offered on commercial terms and the changes to the loan agreement are properly documented.
	Where SMSF is the borrower and receives relief If an SMSF has a limited recourse borrowing arrangement (LRBA) in place with a related party and the lender offers loan repayment relief to the fund due to the financial impacts of COVID-19, this may give rise to a contravention of the superannuation laws. The ATO will accept the parties are dealing with each other at arm's length, provided: ▪ The relief is offered on commercial terms (having regard to the terms of relief offered by commercial lenders for real estate investment loans), and ▪ The SMSF trustee has properly documented the changes to the loan agreement.
In-house assets relief	If an SMSF exceeded the 5% in-house asset threshold at 30 June 2021 due to the financial impacts of COVID-19, the trustee is required to prepare a written plan to reduce the market value of the fund's in-house assets to below 5% by 30 June 2022. The ATO will not take any compliance action against an SMSF where the trustee is unable to execute the plan by 30 June 2022 because the market has not recovered in some areas, or it may be unnecessary to implement it as the market has recovered. Source: Butler Settineri

HOLIDAY SEASON SCAMS to avoid!

Outsmart fraudsters and protect your cash this Christmas

There's no denying that scammers are getting sneakier, which has led to the government website Scamwatch urging Aussies to be extra vigilant. Already this year, Australians have reported a record $211 million in losses to scams from January 1 to September 19. This is a 89 per cent increase compared to the same period last year, according to their data. That is set to increase over the holiday season when scammers capitalise on the fact we're shopping, giving to charity and looking to travel again. Here's what to look out for in the lead-up to Christmas.

MISSED DELIVERY: The Scam – According to Scamwatch, there have been 16,000 reports of scam text messages about missed deliveries since August this year. Messages can include tracking a delivery or telling you it's your last chance to arrange pick up or delivery of a parcel. The text messages ask you to tap on a link to download an app to work or organise a delivery time. However, the message is fake, there is no delivery and app is malicious software called Flubot.

WHAT SHOULD YOU DO: Scamwatch explains the text messages are easy to spot, as they contain a website link followed by five to nine random letters and numbers, If you receive one of these messages do not click or tap on the link. Delete the message immediately. If you accidentally download the malware, contact an IT professional service and your bank to secure your accounts.

FAKE CHARITIES: The Scam – Scammers know that Christmas is a time for giving. They are increasingly using bogus charities or impersonating real ones to take advantage of people's generosity and compassion, with losses reported to Scamwatch on the rise. They may approach people on the street or be door-knocking. They have also been known to set up fake websites that look similar to legitimate charities. They may phone you up to ask for donations too.

WHAT YOU SHOULD DO: Ensure your Christmas donation is going to a legitimate charity by phoning them directly or making a payment via their website. If you are giving to a door-knocker or street collector, ask to see their identification and consider asking them a few questions about where the donation will be going. You can check a charity is legitimate by looking up their credentials on the Australian Charities and Not-for-profit Commission website at **https://www.acnc.gov.au/charity**

HOLIDAY TO NOWHERE: The Scam – Now NSW and Victoria are out of lockdown, lots of people will be doing some last-minute travel planning. This is where scammers take advantage. Be aware of emails and websites advertising deals that seem too good to be true. According to Delia Rickard from the ACCC, your personal information is often just as valuable to a scammer as your money, so be careful about details you give.

WHAT YOU SHOULD DO: Watch out for fake accommodation vouchers, scam travel clubs and people asking you to pay upfront deposits for properties that are not available to rent. Do your research.

SHOPPING SITE DUPE: The Scam – An email arrives in your inbox or a text on your phone from someone pretending to be from Amazon or eBay, claiming a large purchase has been made on your credit card. This scam sees people posing as employees from well-known companies to verify large spends. According to Delia, when you inform them you haven't made the purchase and they pretend to help you process a refund, they actually gain remote access to your computer to steal your personal and banking details. Because they are claiming to be from a reputable merchant, it's likely the recipient has bought something from there in the past and may not think it's a scam.

WHAT YOU SHOULD DO: Don't clink on the link. Never give your personal information to anyone you don't know and trust. People who suspect they may be victim of identity theft should contact **IDCARE on 1800 595 160** or via **https://www.idcare.org –** this free government-funded service works with individuals whose personal info is being misused.
Source: New Idea Household CEO

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