HANMOORE
FINANCIAL SOLUTIONS

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Welcome to the latest edition of our newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss

* Top tips on how to save money
* When can I access my super
* Understanding fixed, variable and split rate home loans

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.
In the meantime we hope you enjoy the read.

All the best,

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Top tips on how to save money

You may be keen to put more money aside to achieve your goals. But it can be hard to know where to start making savings.

If you can get in the habit of tracking your spending, you'll be on your way to creating a budget and savings plan that may help you reach your goals faster and with more confidence.

Read our money saving tips below to get started.

What are you saving for?

The first step to saving money is to figure out your goal.

It could be a short-term aspiration like buying a car, booking a holiday or installing a new kitchen. Or it could be one of life's big milestones, like buying a property, having a baby, funding your kids' education or enjoying a comfortable retirement. Once you've decided what you're trying to achieve, work out how much you need to save to reach this goal, and by when. Once you have your goal, write it down, tell a friend, or both. Writing your goals down, sharing them and tracking them could help you to achieve them.

What are some common tips to save money?

The next step to consider is where your money will come from. One of the most common ways to save money is to create a surplus between how much you earn and how much you spend each month.

You may need to identify extra income sources to help you earn more money or reduce your spending to free up money for your savings goals. Tips to you get started:

Create and track your budget

Creating a budget is often seen as the best way to save money. By tracking your income and spending, you can identify where your money goes, and from this you can avoid some non-essentials or reduce expenses.

For example, if you buy your lunch every day, make your own lunch instead. Cut back on non-essentials like pay TV, gym memberships, entertainment and eating out or find more affordable options.

Every bit adds up. Don't deprive yourself of every bit of fun, but cutting back here and there could make a difference.

Review your bill providers

Unfortunately, bills are a part of life, but it's possible you may not be getting the best deals out there, especially if it's been a while since you last contacted your providers. Reach out to your gas, electricity, mobile phone and broadband providers, and see if they have better deals to help you save more money.

Or shop around for a new provider, there are plenty of product and service comparison sites online to help you make an informed decision that suits your budget.

Think green and cut wastage

Thinking green doesn't just help the environment—it can also be one of the best ways to save money. If you're throwing out food at the end of every week, you might be able to reduce your grocery spending and your food waste. Likewise, instead of replacing household goods, consider repairing, reusing or upcycling them for another purpose.

If you're a two-car household, think about whether you can do without the second car. You may spend more on public transport and taxis, but you could save money on petrol, tolls, parking, registration, insurance and maintenance.

Consolidate your debts

If you have a number of debts consolidating them into one may save you money and make budgeting and money management easier. Having multiple debts, such as credit card debt, personal loans and a home loan could mean you're paying more in interest rates and fees than you have to.

There are plenty of debt consolidation loans out there, so it may be beneficial to look on a comparison website for the best deal or speak to us.

What's the best way to save money?

The best way to save money may depend on whether your saving goals are long term or short term. For example, a separate savings account where your money is readily accessible might be useful for a short-term goal. On the other hand, a term deposit where your money is tied up for a set period of time in return for higher interest, could be a more suitable option for a longer-term goal.

When you're looking for a savings product, factor in the fees charged, interest rates, how accessible your money is, whether you can set up an automatic direct debit and whether there's a minimum amount you need to deposit each month. Some common ways to save more are:

Transaction or savings account

Most banks in Australia offer a variety of options for transaction and savings accounts. Standard savings accounts usually offer low fees and access to your money, but you may get a lower interest rate. High interest savings accounts typically have higher interest rates, but there may be penalties for withdrawing your money before a set period of time has passed, or if you don't meet ongoing minimum deposit requirements.

Offset account

An offset account can help you save money by minimising the interest you pay on your home loan. Offset accounts allow you to put extra money into your account to offset your home loan balance, so you only pay interest on the remaining portion of your loan.

Term deposit

Many banks also offer a term deposit option. Term deposits work by locking your money away for a certain timeframe (or 'term') in exchange for a guaranteed interest rate return during that time. A general rule of thumb is the longer the timeframe, the higher the interest rate.

Term deposits are generally low in fees, typically require a minimum initial deposit, and sometimes also a minimum ongoing deposit. If you withdraw money from your term deposit account before the timeframe is over, you could pay additional fees.

Investment bonds

Investment bonds can be a tax-effective way of saving for the long term (longer than 10 years). Australian investment bonds typically require either a minimum deposit or minimum ongoing deposits, and you can choose how your money is invested.

Other ways to save money

Consider investing your money to save over the longer term. Some ways to invest money in Australia include shares, property, exchange traded funds, and making additional super contributions. Your best option will depend on your lifestyle, the amount you aim to save and your risk tolerance.

Before investing your savings, it might be useful to speak to us to help you make the right choice for your goals.

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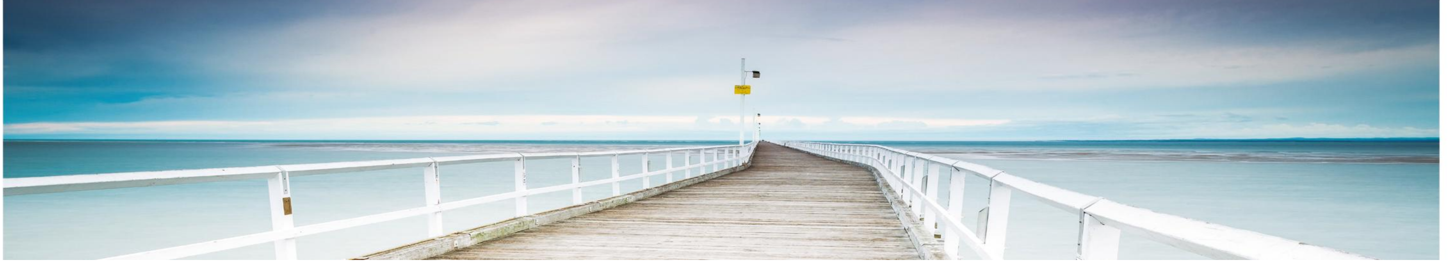

When can I access my super?

Generally, you can access your super when you reach your preservation age and retire, but there could be special circumstances under which you might access your super early.

Super is there to help you fund the years after you finish working, so normally to withdraw your super savings, you need to have reached a certain age and retired permanently. However, there are certain situations where you might be eligible to withdraw this money early.

Below is some useful information around when and how you may be able to access your super.

When you reach your preservation age and retire

Typically, you can access your super when you've reached your preservation age (which is dependent on your date of birth) and you retire.

Find your preservation age in the table below.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

When you're transitioning to retirement

If you've reached your preservation age but aren't ready to retire permanently, you might wish to access a portion of your super through a transition to retirement pension.

A transition to retirement pension enables you to access some of your super via regular payments, even if you're receiving an income from an employer or business.

Having access to this type of pension could provide you with greater financial flexibility, as you can periodically withdraw money from your super whether you continue to work full-time, part-time or casually.

While a transition to retirement pension may give you some financial flexibility, there will be important things to consider including that you'll generally only be able to access between 4% and 10% of your super each financial year.

When you reach age 60 and stop working (but aren't retiring)

If you're aged 60 to 64 and stop working (for any amount of time), you're considered retired for the purposes of accessing your super. This is the case even if you have no intention of retiring completely.

That means you can cash out the super you've accumulated to date, even if you begin working again under a different employment arrangement.

When you reach age 65 (even if you haven't left the workforce)

When you turn 65, you don't have to retire or satisfy any special conditions to get full access to your super. You're also not obligated to withdraw it and may continue making contributions, however there could be certain tax benefits in doing so, which will depend on your circumstances.

Instances where you may be able to withdraw super early

Super rules generally state that you can't withdraw your super until you reach a certain age and retire, unless you happen to be taking some of it out under the First Home Super Saver Scheme which aims to help eligible Australians save for a deposit on their first home.

There are however special circumstances where accessing super early is possible. These mainly relate to instances where you may be experiencing severe financial hardship or specific medical conditions, noting these may have separate eligibility criteria.

Compassionate grounds

You may be allowed to withdraw a certain amount of money from your super on compassionate grounds where you don't have capacity to meet certain expenses.

These may include:

- medical expenses
- funeral costs
- mortgage repayments that will prevent you from losing your home.

Severe financial hardship

If you're under your preservation age, have been receiving financial support payments from the government for 26 consecutive weeks and can't meet reasonable and immediate family living expenses, you can apply to withdraw between $1,000 and $10,000 from your super. This can only be done once in a 12-month period.

There are also no withdrawal restrictions under severe financial hardship if:

- you've reached your preservation age plus 39 weeks
- you've received government income support payments for 39 weeks since reaching your preservation age
- you weren't gainfully employed on a full-time or part-time basis at the time of application.

Incapacity

If you're permanently or temporarily unable to work due to a physical or mental medical condition, you may be able to access super as a lump sum or via regular payments over a period of time.

Terminal medical condition

If you've been appropriately diagnosed with a terminal illness that's likely to result in your death within a two-year period, you could apply for early access to your super. In this case, there is no limit on the amount you can withdraw.

Super benefits less than $200

If you switch employers and the balance of your super account is below $200, you can apply to withdraw this amount. Likewise, if you have less than $200 of lost or unclaimed super, which may be being held by the Australian Taxation Office, you may be able to withdraw this money.

Leaving Australia

If you're a temporary resident in Australia and have worked and earned super on an eligible temporary visa, you could apply to withdraw your super once you leave the country, as long as your visa has expired. These applications are done as part of a Departing Australia Superannuation Payment, but the government requires you to meet specific criteria and provide documentation to withdraw super in this case.

How will accessing super affect you?

It's worth considering that how you withdraw your super will have different tax consequences and may also affect Centrelink payments (such as the Age Pension).

For more information, speak to us about what might be right for you.

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Understanding fixed, variable and split rate home loans

Should you fix your interest rate, opt for a variable one, or do both? We explain the benefits and considerations of all three options.

Of all the decisions that need to be made when choosing a home loan, finding the best interest rate is one of the most important. After all, a rate that's even 0.5% lower could save you thousands of dollars over the life of your loan.

On top of that, it's important to consider the type of interest rate that best suits your circumstances – fixed, variable, or split, which combines elements of both. Below we explain the pros and cons of each.

What is a fixed-rate home loan?

A fixed-rate home loan has a defined, unchanging interest rate during the fixed-rate term.

Interest rates can be locked in for a period of time, generally one to five years, and will depend on things such as the total amount borrowed and the loan term.

At the end of the fixed-rate term, you can then choose to fix your rate again, or move to a variable interest rate.

Advantages of a fixed-rate home loan

One major benefit is that the home loan interest rate won't fluctuate during the fixed-rate term.

This has two advantages – one, it may help you to budget more accurately (as your loan won't be susceptible to changes) and two, it could help you avoid potentially higher monthly repayments should interest rates rise unexpectedly during the fixed-rate term.

Other considerations with a fixed-rate home loan

There are things to take into account if you're thinking about a fixed-interest rate.

For instance, while you won't be subject to an interest rate rise, a reduction in interest rates also won't be applied to your loan.

A fixed-rate loan also doesn't typically give you the flexibility to make additional repayments above the required amount, should you wish to pay off your loan faster.

In saying that, there are some fixed-rate home loans that do allow this, but only to a specified amount. For example, you may be able to contribute up to $10,000 in extra repayments per year on some fixed-rate home loans.

Additionally, any changes to a fixed-rate loan, such as exiting it before the loan ends, could attract break costs, which may be substantial, so make sure you read the fine print.

What is a variable-rate home loan?

A home loan with a variable rate may see the interest rate you pay over the life of your loan change, as the interest rate could go up or down, depending on a number of circumstances.

When determining the current interest rate on a variable-rate loan, banks will consider a number of factors, including the RBA cash rate, the cost of various forms of funding available to the bank, such as retail deposits and wholesale funding, and other market conditions.

Advantages of variable-rate home loans

If your home loan provider drops its interest rates, you'll benefit from lower interest charges.

A variable-rate home loan also allows you to make additional repayments on your home loan at any time without penalty and if you do take advantage of interest rate reductions, you could put what you save into your loan, which may allow you to pay off your loan sooner.

Generally, you'll have access to any additional repayments you've made on top of your minimum repayments via a redraw facility as well, which most variable-rate home loans offer.

Many variable-rate home loans also offer access to one or more offset accounts, which you can link to your variable-rate home loan.

This could provide cost benefits, as money in an offset account will be subtracted from your home loan when interest is calculated. This reduces the interest payable, as well as the term of your loan.

Other considerations for variable-rate home loans

As interest rates are subject to change, increases in interest rates may also apply to your variable-rate home loan, meaning your minimum monthly repayments may go up.

As such, a variable home loan might be more difficult to budget for, as it can be hard to predict whether interest rates will go up or down over the life of your loan.

What is a split-rate home loan?

If you want to take advantage of the features offered on both variable-rate and fixed-rate home loans, you could consider splitting your rate, where a fixed interest rate applies to part of your loan and a variable rate to the other part.

What are the advantages of a split rate?

A split-rate loan allows you to have rate and repayment certainty on one portion of your borrowing, while potentially taking advantage of any interest rate reductions on the other portion.

You also get to decide how much of your loan you want to take as a fixed rate and how much you take as a variable rate. For example, you might fix 70% and have the remaining 30% as variable.

What are the considerations with a split rate?

There could be additional fees payable for managing both accounts, so be sure to check the terms and conditions with your lender.

If you need help with saving for a home loan deposit, contact us today.

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