Hanmoore Newsletter

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

* Is it better to buy an investment property or home first?
* How much super should I have at my age?
* How to deal with financial stress?

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,
The team at Hanmoore

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Is it better to buy an investment property or home first?

There's a lot to consider when buying an investment property or home, especially for the first time.

Have you been saving for a long time and feel ready to get into the property market? Maybe you're considering buying a home to live in or investing in a property you can rent out to somebody else.

Either way, it's worth knowing some more about both options to ensure you're making a well-informed decision, noting that regardless of what you choose to do, property prices can go through major swings that can occur with little warning.

Buying your first property to live in

- **First home owner grants.** Depending on which state or territory you live in, a first home owners grant could help you to finance your first home purchase. This doesn't apply to investment properties, and in some states you'll lose your right to this grant if you buy an investment property first.
- **Security and stability.** You can stay in your home as long as you like, as long as you're making your home loan repayments.
- **Exempt from capital gains tax (CGT).** Any home that is classified as your main residence, whether it's your first place or not, is free from CGT when you go to sell it.
- **Expenses stack up and aren't tax deductible.** There will be initial costs, such as stamp duty and legal fees, as well as ongoing costs, such as water rates, building insurance and repairs. When buying an investment property, you'll also be hit with these costs, but depending on your situation some of the costs attached to your investment property may be tax deductible.
- **You may have to make some sacrifices.** Where you really want to live may not be where you can actually afford to buy. So, whether it means choosing a place that's smaller, further out from the city, or looking for a job closer to your new home, you may have to make some trade-offs.

Buying your first property as an investment

- **You may get a cheaper place.** An investment property doesn't need to tick all the boxes of your 'dream home', which means you could potentially buy something at a cheaper price.
- **It's not an emotional decision.** Your purchase should be based on investment potential, including forecast rental return and capital growth. So, instead of walking into a place and having to love the look of it, you can walk in with your investor's hat on.
- **Earn rental income.** If you're renting out your investment property, you'll be getting money from someone else to contribute to your mortgage, which means you could pay off your loan sooner. Bear in mind however that the rent you receive may not completely cover your home loan repayments and additional costs.
- **Tax advantages and disadvantages.** Many of the costs associated with an investment property are often tax deductible. For instance, the interest and fees you pay on your loan, advertising for tenants, as well as cleaning, gardening, maintenance and pest control. Also, if your property is negatively geared—which simply means the interest, and other costs you incur are more than the income your investment property produces—the loss can reduce the amount of tax you pay on your earnings at tax time. On the flip side, if you sell your investment property down the track and make a profit, capital gains tax may be payable.
- **Management and obligations.** If you're time poor or located a long distance from your investment property, another thing you'll need to think about is appointing a property manager to take care of certain duties. On top of that, there are various responsibilities that apply to landlords before, during and when ending a tenancy and these can differ depending on which state in Australia the investment property is located.

We're here to help

Whatever you decide to do, we can work with you to make sure your strategy suits your lifestyle, circumstances and financial goals.

How much super should I have at my age?

We look at the average super balances for different age groups in Australia so you can see how your super savings compare.

A healthy super balance can be a key ingredient in being able to live the life we want in retirement. But for many people, retirement is a long way off, and it can be hard to know if your super is on track. If you've been asking yourself – how much super should I have at my age? – read on to find out.

How does your super compare?

The table below shows the average super balances for Australian men and women of different ages (excluding those with no super) so you can compare your balance to others your age.

Age	Average balance – men	Average balance – women
20-24	$5,924	$5,022
25-29	$23,712	$19,107
30-34	$43,583	$33,748
35-39	$64,590	$48,874
40-44	$99,959	$61,922
45-49	$145,076	$87,543
50-54	$172,126	$99,520
55-59	$237,022	$123,642
60-64	$270,710	$157,049

Source: Association of Superannuation Funds of Australia, Superannuation account balances by age and gender 2015-16, October 2017, pg. 9.

Does your super stack up?

If your balance looks low, there could be a number of reasons why your super is lagging your peers, such as taking time out of the workforce to study, travel, raise children, care for older relatives, or being out of work, working part-time, or earning a lower wage than others your age.

As the figures show, these issues particularly affect women, as they have lower super balances than men across all age groups.

Will your super be enough to retire on?

Even if your balance is above others of your age, will it be enough for a comfortable retirement?

The Association of Superannuation Funds of Australia (ASFA) says that "many people will still retire with inadequate superannuation savings to fund the lifestyle they want in retirement" and that "most people retiring in the next few years will rely partially or substantially on the Age Pension for some or all of their retirement as they have inadequate super savings".[i]

The ASFA retirement standard estimates singles will need retirement savings of $545,000 for a comfortable retirement, while couples will need combined retirement savings of $640,000.[ii]

What to do if your super needs a boost

- Firstly, search for lost super. Money belonging to you might be sitting in an account you've forgotten about.
- Secondly, if you have super with multiple funds, think about consolidating it into one account and you could save on fees and charges that could be eating into your balance. However, you'll need to check for exit or termination fees, and ensure that your insurance cover isn't affected.
- And thirdly, you could consider changing how your super is invested, for example, by switching it into a more growth-focused investment option. But bear in mind that returns are not guaranteed, and that higher risk accompanies the opportunity for high returns. To change your investment option, contact your super fund.

Once you've got your super sorted with these quick wins, you can consider ways to boost your balance, including:

- Salary sacrificing: you can contribute extra cash into your super from your before-tax salary and it will only be taxed at 15%[iii], rather than at your usual marginal tax rate. However, make sure your total super contributions (including any your employer makes on your behalf) don't exceed $25,000 per year. Speak to your payroll department to set up a salary sacrifice.
- Personal tax-deductible contributions: if your employer doesn't offer salary sacrifice, you're unemployed, self-employed or don't want to salary sacrifice, you can make a personal tax-deductible contribution to your super, which is also taxed at 15%, and subject to the $25,000 per year limit.
- After-tax contributions (also known as non-concessional contributions): There's a $100,000 limit per financial year on the amount of after-tax contributions you can make. If you are under age 65, you can also 'bring forward' the next two years' worth of after-tax contributions, and make up to $300,000 contribution in a financial year.[iv]
- Spouse contributions: If your partner is out of work, a stay-at-home parent, working part-time or earning less than $40,000, adding to their super could benefit you both financially.
- Government contributions: If you're a low or middle-income earner, you may be eligible for contributions from the government or tax-offsets when you add after-tax money to your super.

Need more help?

Speak to us for more help to ensure you're on track for a comfortable retirement.

i Association of Superannuation Funds of Australia, Superannuation account balances by age and gender 2015-16, October 2017, pg. 7.

ii Association of Superannuation Funds of Australia, ASFA Retirement Standard, pg. 4.

iii Or 30% if you earn $250,000 a year or more.

iv Providing your total super balance at 30 June 2017 is less than $1.4 million.

How to deal with financial stress

– nearly 1 in 3 affected

Close to one in three Aussies is feeling the pinch financially, with money worries reportedly leading to sleep loss, conflicts in relationships, isolation, as well as a range of other things.[i]

These were the findings from the inaugural Financial Stress Index, compiled by global research firm CoreData on behalf of Aussie group, Financial Mindfulness, which indicated financial stress is not only being experienced by low-income households in 2017.[i]

Findings from the research

Statistics from the Financial Stress Index revealed the following about financially-stressed Aussies:[i]

- More than 66% felt money worries led to feelings of fear, anxiety and/or depression
- More than 60% felt their physical health was affected by financial stress
- About 75% said they argued about money with their partner or family
- More than 70% said they had problems sleeping due to money concerns
- Nearly nine out of 10 said they often avoided social functions due to financial stress.

What defines financial stress?

According to the Australian Bureau of Statistics, there are two financial stress indicators—these include financial-stress experiences and missing-out experiences.[ii]

Examples of financial-stress experiences:

- You're unable to pay various bills on time
- You spend more money than you receive
- You can't raise $2,000 in a week for something important
- You seek assistance from friends, family or welfare and community groups.

Examples of missing-out experiences:

- You're not able to afford a night out once a fortnight
- You can't afford a week-long holiday once a year
- You can't afford friends or family over for a meal once a month
- You aren't able to cover any recreational activities.

Actions that could help turn things around

Create a budget

Writing down what you earn, owe and spend could help you to create a workable budget, and at the same time let you quickly identify areas where you could be saving.

Save a bit of money regularly

Even a small amount of cash deposited on a frequent basis could go a long way towards your savings goals. In fact, 41% of Aussies say they save just a little at a time.[iii]

Pay cash and avoid credit card use

Credit cards are handy but they'll often cost you as they typically charge high interest rates on top of the amount you've already taken out.

Put some emergency cash aside

This will help next time you bust your phone or need a last minute trip to the dentist. Plus, an emergency fund means you won't have to rely on high interest borrowing options.

Talk money with your partner

One in two Aussie couples admit to arguing about money[iv], so if you haven't already, sit down and make sure you're on the same page, and that both parties' goals are being considered.

Call other providers

You more than likely have several product and service providers, and figures show you could save more than a grand annually on energy alone just by switching from the highest priced plan to the most competitive on the market.[v]

Consider the value of a back-up plan

Whether it's life insurance, income protection (which provides up to 75% of your income if you can't work due to illness or injury), or contents insurance to cover items that may be lost, damaged or stolen, there are a range of insurances that could help should the unexpected happen.

Care about your future income

The government's Age Pension alone is unlikely to be able to cover a comfortable or even modest lifestyle in retirement[vi], so putting a little extra into super could reduce the potential of further financial stress later on.

Where to go for assistance

If you or someone you know are feeling financially stressed, there is help and information available. We are always here to assist. Alternatively, visit the beyondblue website or phone Lifeline on 131 114.

i CoreData / Financial Mindfulness Financial Stress Index – 2017 full press release

ii ABS – Household Expenditure Survey, Australia: Summary of Results, 2015-16

iii ASIC's MoneySmart – How Australians Save Money table 1

iv Finder – Heated conversations: 1 in 2 Aussie couples argue about finances

v Mozo: Sick of high energy bills? Aussies willing to change providers could be saving over $1,000 a year

vi The ASFA Retirement Standard – June quarter 2017