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The Rich Life Vol 75

It's November, and all eyes will be looking towards the "race that stops a nation" and the Reserve Bank who meet on the same day. As the days get longer as we head towards summer the countdown for the approaching holiday season begins.

Investors are keeping a close eye on oil price movements over fears of an escalation of conflict in the Middle East. The World Bank has warned that, if the conflict widens to other countries, oil prices could rise by up to 75% in 2024. In the meantime, Brent crude fell slightly in October.

The Aussie dollar ended October close to its lowest levels in a year and far below its peak of almost 69 cents in July.

Inflation rose again in the September quarter, but growth was still lower than last year. CPI increased by 1.2% during the quarter and 5.4% annually.

Unemployment fell slightly in September to 3.6% although that was largely caused by a number of people leaving the labour market to retire or for other reasons.

A strong rise in retail trading in September, the largest since January, might be a good omen for Christmas sales although spending for the year has been historically low.

China's economic stimulus and improved outlook saw the biggest jump in iron ore prices in a single month to around $122.

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RETURNING TO WORK *after retirement*

Employers are desperate for workers and cost of living pressures are making it tough to live on a pension. That's a perfect mix of conditions to send some retirees back to work. But it's smart to get good advice before you take the leap.

With unemployment rates at historic lows and employers facing a shortage of skilled workers, an increasing number of retirees are choosing to re-enter the workforce. According to recent data from the Australian Bureau of Statistics (ABS), approximately 45,000 more individuals aged over 65 are actively working compared with a year ago.[i]

Some retirees may have been forced to return to work to financially support themselves. National Seniors research found 16 per cent of age pensioners re-entered the workforce after initially retiring, while another 20 per cent said they would consider returning to work.[ii]

Declining superannuation returns combined with rising inflation and cost of living pressures may be some of the reasons why retirees could soon be returning to work.

Things to consider

Returning to work after retirement raises several important financial and logistical considerations for retirees including the effect on the Aged Pension and superannuation.

If you receive an Aged Pension and are planning to return to work, you will need to let Centrelink know you are receiving additional income within 14 days. The extra income may mean that your pension is reduced if it exceeds Centrelink's income threshold. It's essential for retirees to be aware of these thresholds and how their earnings may affect their pension to plan their finances effectively.

Eligible age pensioners should also consider the Work Bonus incentive. This incentive encourages age pensioners to return to work with no or less impact on their age pension. Under the Work Bonus, the first $300 of fortnightly income from work is not assessed as income under the pension income test. Any unused amount of the Work Bonus will accumulate in a Work Bonus income bank, up to a maximum amount. The amount accumulated in the income bank can be used to offset future income from work that would otherwise be assessable under the pension income test.

Effect on superannuation

Returning to work after retirement can have implications for your superannuation, particularly if you're receiving a pension from your super fund. You can continue taking your pension from super, but you will still have to meet the minimum pension requirements.

So, even though you may not need that pension income, you have to withdraw at least the minimum, which depends on your age and your super balance. This minimum pension rate is set by the government. Failing to meet these requirements can have tax implications and may affect your pension's tax-free status.

You can convert your super pension phase back into the accumulation phase if you wish to stop taking the minimum pension. However, be aware of the tax differences. In the accumulation phase, any income and gains are taxed at 15 per cent whereas they are tax-free in the pension phase.

Don't forget that if you retain your pension account, then you will have to open a new super accumulation account to receive employer contributions because you cannot make contributions into a super pension account.

Other investments

If you have personal investments outside super and have been receiving a pension, your lower income may mean that you are not paying tax on any gains from them. But extra income from a job may mean you move up a tax bracket and any investment income and capital gains will then be assessed at the higher rate.

Returning to work after retirement can have far-reaching implications on your finances, particularly with regard to your Aged Pension and superannuation. It's vital to carefully seek appropriate advice to ensure a smooth transition back into the workforce, allowing you to make informed decisions that align with your financial goals and overall well-being.

If you would like to discuss your options, give us a call.

i https://www.abc.net.au/news/2023-07-21/retirees-in-demand-as-employers-face-tight-labour-market/102626676

ii https://nationalseniors.com.au/news/finance/a-working-retirement-retirees-who-return-to-work#:~:text=National%20Seniors%20research%20found%2016,next%20year%20if%20you%20do

AGED CARE challenges IN THE HOME

Aging at home with government-subsidised funding is made possible through the Home Care Packages program.

However, a crackdown on what the funds can be used for and a shortage of support workers, can make it challenging to understand the funding available.

If you are approved for a Home Care Package you will be assessed at one of four levels. These levels acknowledge the different types of care needed.

Current annual funding for packages is $10,271.10 for level one (someone with basic care needs); $18,063.85 for level two (low care); $39,310.50 for level three (intermediate care); and $59,593.55 for level four (high care).[i]

It can take up to six months for a Home Care Package to be assigned following the initial assessment. Once assigned, a provider must be chosen to design a package of aged care services that is best and most appropriate for you – within the home care package guidelines.

Providers charge care and package management fees, which were recently capped at a combined 35 per cent of the package funds.

Income tests apply

The packages are income tested, with part pensioners paying no more than $6,543.66 a year and self-funded retirees paying no more than $13,087.39 a year in fees. Full pensioners do not pay an income tested fee.

Older Australians can apply for a package directly, or through their GP, via the government's My Age Care aged care gateway.

Due to high demand for Home Care Packages, you may be offered a lower level package while you wait for the one you are approved for. You may also be given access to the entry level government support known as the Commonwealth Home Support Program – where individual referral codes are allocated to you to access interim support such as cleaning, transport or personal care at highly subsidised rates.

A revised manual released earlier this year by the Department of Health clarifying what a Home Care Package can be used for is presenting additional challenges for some package recipients looking to maximise what they can get.[ii]

Generally, a requested support or service must meet an individual's "ageing related functional decline care needs". The main categories of care and services you can get from a Home Care Package are services to keep you:

- well and independent (nursing, personal care, food),
- safe in your home (home maintenance, goods and equipment) and
- connected to your community (transport and social support).

Exclusions and inclusions

One area that is becoming more difficult for those with Home Care Packages is gardening – which is one of the most popular subsidised service requests.

Once a regular prune and possibly some new planting was an approved service, but now only minor or light gardening services can be provided and only where the person was previously able to carry out the activity themselves but can no longer do so safely. For example: maintaining paths through a property or lawn mowing.

Other exclusions causing angst amongst recipients are recliner chairs (unless they support a care recipient's mobility, dexterity and functional care needs and goals); heating and cooling costs including installation and repairs; whitegoods and electrical appliances (except items designed specifically to assist with frailty, such as a tipping kettle).

With an aging population it is no secret that there is a shortage of support workers. While there are government programs to try and fix this, a back-up plan is needed for when support workers call in sick or are unavailable and no replacement can be found.

Most people's preference is to remain living independently at home for as long as possible. If you would like to discuss your options to make this happen, give us a call.

i https://www.myagedcare.gov.au/help-at-home/home-care-packages

ii https://www.health.gov.au/sites/default/files/2023-04/home-care-packages-program-inclusions-and-exclusions-faqs-for-providers-version-1.pdf

Tax and the super after-life

Many people assume there is no tax payable on super benefits received after someone passes away, but that's not always the case.

Whether or not tax is paid on a super death benefit depends on the beneficiary's relationship with the deceased.

Although some beneficiaries receive their money tax-free, others can find themselves paying significant amounts of tax on the funds they receive.

Dependant for tax purposes

The key point in understanding who will be required to pay tax on a super death benefit is whether or not the beneficiary is considered a death benefit dependant for tax purposes.

Although you are permitted to nominate a wide range of people as dependants under super law, the definition for tax purposes is different and narrower.

A death benefit dependant for tax purposes is limited to the deceased's spouse, de facto, or former spouse or de facto; their child under age 18; any person with whom they had an interdependency relationship; and any other person financially dependent on them just before their death.

A common trap in this area is nominating financially independent adult children as death benefit beneficiaries, as this is permitted under super law. Under tax law, however, they are not defined as dependants for tax purposes and so are required to pay tax on the taxable component of any death benefit they receive.

Tax on lump sum death benefits

When it comes to paying a death benefit, your dependants for tax purposes are free to choose whether they want to receive your super death benefit as a lump sum or as an income stream.

If a beneficiary decides to take their benefit as a lump sum, the benefit will be free of any tax, provided they are considered a death benefit dependant under tax law.

If they are not considered a death benefit dependant for tax purposes, they must take the benefit as a lump sum. These lump sums are taxed at a maximum rate of 15 per cent plus the Medicare levy on the taxed element (which is super that has already had tax paid on it within the fund).

In addition, any untaxed elements of the taxable component in the lump sum will be taxed at a maximum rate of 30 per cent plus the Medicare levy.

If the benefit is paid to the estate, it is paid as a pre-tax lump sum and the estate is responsible for paying any necessary tax depending on the dependant status of the end-beneficiaries.

Death benefit income streams and tax

Some tax dependants prefer to take their death benefit as an income stream (or pension).

Death benefit income streams are tax-free if either the deceased or the beneficiary are aged 60 or older at the time the income stream payments are made.

Otherwise, beneficiaries will generally pay some tax on the death benefit income stream until they reach age 60, after which age the payments are tax-free.

For beneficiaries under age 60, there is no tax on the tax-free component of the death benefit income stream, but the taxable component is included in their assessable income with a 15 per cent tax offset.

Death benefits and the transfer balance cap

The transfer balance cap (TBC) rules also come into play when it comes to super death benefits.

These rules limit the amount of super savings you can transfer into the retirement or pension phase.

Tax penalties apply if amounts in excess of the beneficiary's TBC are transferred into the retirement phase as an income stream.

The rules governing this area are very complex, so you should always seek professional advice before deciding on a death benefit nomination, as it can make a big difference in how much tax your beneficiaries will pay when they receive their death benefit payment.

If you would like more information about tax and super death benefits, call our office today.

Keeping your small business CYBER SECURE

Cybersecurity has been in the news a lot lately. Australia recently witnessed large-scale data breaches that affected some of the country's most prominent corporations. These highlighted that no business is impervious to cyber-attacks, which is why it's especially important for small business owners to protect their businesses against cyber threats.

The Australian Cyber Security Centre (ACSC) Small Business Survey revealed that a staggering 62 per cent of the small to medium business owners surveyed had been victims of cyber-crime.[i]

And these attacks come at a significant cost to businesses. Companies lost over $300 million last year due to cyber-attacks. Notably, the average cost per cybercrime reported to the ACSC rose to over $39,000 for small businesses.[ii]

Given that digital data breaches can have a massive impact on a business, what are the challenges faced by small business and what are the best ways to keep yours safe?

Antivirus and malware security is an obvious starting point but there is more to cybersecurity than signing up to a plan or downloading an app.

Identify what needs to be protected

It's important to understand what data your business holds, and in what locations. You might have data stored across numerous devices or services whether they are cloud-based or not, which increases the number of applications you need to keep secure. Multiple and numerous systems can also create more opportunities for a cybercriminal to attack so streamline where possible.

Identify what information needs to be protected, thinking about legal requirements and confidentiality and security of information as well as what assets are most important to your company, including financial data, customer information and intellectual property.

Password protection and access management

The next step is protecting that information, which at the company level means encryption and using secure passwords. Consider implementing multifactor authentication for an additional layer of security to let the right people in and keep the wrong people out. This involves adding a secondary factor to your password, for example a mobile phone number to receive an SMS with an access code.

Once you've reviewed your password protection it's time to think about how you keep track of them. Most businesses use a lot of applications, so password management tools are the best way to keep track of multiple, unique logins and passwords.

Back up data regularly

Backing up data doesn't just protect against cyber-attacks but also against human error and malicious actions as well as hardware failures and natural disasters. If you are using cloud-based applications, data back-up may seem easier as you are not having to manually back up things like hard drivers and servers. However, a note of caution – while the cloud is extremely secure, some providers still recommend doing regular backups with third party services.

It's also important to update software regularly to protect against the latest threats. You should regularly update your operating systems, web browsers, and other software to protect against malicious intent.

Staff training and education

Of course, maintaining a secure environment is also about educating your staff on how to avoid cyber-threats.

As well as having policies that describe how your business manages its infrastructure, it's important that staff are up to date on how to actively avoid threats. All it takes is one person to click on a link in a dodgy email and your business could be vulnerable. The Australian government provides a useful resource for small businesses at *www.cyber.gov.au/learn* which includes modules and quizzes to help businesses educate their personnel.

Incident response management planning

Finally, despite your best efforts, there is always a chance that your business may experience a cybersecurity incident. In such a scenario, it is important to respond quickly and effectively to minimise the damage and get back up and running as soon as possible. Make sure you have a defined process in place that describes who responds and what happens in the event of a breach so that you can react quickly.

Given the cost and time involved in recovering from a cyberattack it's worth putting a bit of thought into preventative measures.

The most common cyberattacks impacting small businesses are:

- Scam emails and phishing attacks designed to elicit passwords or confidential information.
- Business email compromise (BEC) emails impersonating a supplier requesting payment.
- Malicious software including ransomware, viruses, spyware and trojans.

i https://www.cybersecurityconnect.com.au/industry/8987-threats-in-cyber-security-a-small-business-guide

ii https://www.cyber.gov.au/smallbusiness