



CENTAUR  
FINANCIAL SERVICES



## The Rich Life Vol 77

There is a lot to look forward to in 2024 and we would like to wish you good health, happiness and prosperity for the year ahead.

There were some welcome positives to be found in 2023.

The year ended on a good note for property investors in Perth, Adelaide and Brisbane where house prices rose more than 1% every month on average. Across the country, CoreLogic's national Home Value Index rose 8.1% in 2023, up from the 4.9% drop in 2022. However, house prices in Melbourne, Sydney, Canberra, Hobart and Darwin either fell slightly or remained the same.

Superannuation funds also bounced back after losses in 2022. The median balanced option is expected to return 9.6% in 2023.

The economy grew by 2.1%, the eighth quarter in a row of economic growth, although the rate of growth has slowed a little. Unemployment rose slightly in November to 3.9%. In addition to strong employment growth over the past year, the number of unemployed people has also increased by around 81,000 people, and the unemployment rate has risen by 0.4 percentage points. Iron ore prices rose more than 21% during the year on the back of continued demand from China. Oil prices steadied by year's end but the escalating conflict in the Middle East and the war in Ukraine are causing concerns. The Australian dollar remained under pressure all year and may struggle in 2024 as the US dollar strengthens and our high inflation numbers continue.



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# 2023

## YEAR IN REVIEW: defying predictions

**Australia's economy stubbornly defied predictions during 2023, dashing any hopes that we might begin to return to some kind of normal.**

Some had expected an end to the Reserve Bank's continued cash rate rises during the year. Instead, inflation has been a stubborn foe and we saw five rate rises. On a positive note, superannuation funds bounced back after losses in 2022 with SuperRatings reporting the median balanced option can expect returns of 9.6% in 2023.<sup>i</sup>

### The big picture

Global economic forecasts for 2023 were also beset by a number of wild cards during the year. While many economists were predicting recession in the United States and Europe and a rebound in China, the year ended differently with no recession in the US, Europe struggling but doing better than expected and China still battling some headwinds.

October brought concerns of a wider Middle East conflict, the International Monetary Fund saying that an escalation of the conflict could be far-reaching, affecting tourism, trade, and investment.<sup>ii</sup>

### Inflation and interest rates

In Australia, economic growth slowed a little on 2022's result but still delivered a better return than forecast. The economy grew by 2.1% although a larger-than-expected increase in the population is putting extra pressure on housing and prices, keeping inflation higher.<sup>iii</sup> It was the eighth quarter in a row of economic growth.

The rising cost of living is proving harder to tame than hoped or expected despite continuing cash rate rises.

Consumer prices rose 1.2% during the quarter and 5.4% over the year. On a CPI basis, rents rose 7.6% in the past twelve months, which was the largest annual increase since 2009.<sup>iv</sup>

The Reserve Bank continued its battle to get inflation under control, raising the cash rate five times to finish the year at 4.35%.

### Sharemarkets

Global sharemarkets ended 2023 on a more positive note. In the US, welcome news from the Federal Reserve of an end to rate hikes saw stocks and bonds soar in the final weeks of the year. During the year, the Dow Jones index increased by 13.7% and the Nasdaq by 43.4%. There was mixed news in Asian markets with a jump of 28.2% on the Nikkei 225 but China's Shanghai Composite fell 3.7%.<sup>v</sup>

Australia's sharemarket may not have experienced the heady double-digit returns of some global markets but it ended the year with a gain of almost 8%, marking its best performance since 2021.<sup>vi</sup>

### Commodities

Despite big falls from the peaks of 2022, commodity prices remain high across the board.

Iron ore, Australia's biggest export, rose more than 21% as the Chinese government continues to create strong demand by stimulating property and infrastructure development.

Oil prices saw some spikes during the year but steadied by December. However, the World Bank notes that conflicts in the Middle East and Ukraine, could cause a major oil price shock, pushing global commodity markets into uncharted waters.<sup>vii</sup>

As the US dollar gathers strength and Australia's high inflation figures persist, the Australian dollar is under pressure. It ended the year where it began after recovering from a slide in the second half of the year.

### Property market

While rising interest rates usually dampen property prices, by year's end we saw a

remarkable turnaround for some cities in another result that upended forecasts.

CoreLogic's national Home Value Index rose 8.1% in 2023, up from the 4.9% drop in 2022 with a patchy performance across the country.<sup>viii</sup>

House prices rose at more than 1% every month on average in Perth, Adelaide, and Brisbane in the second half of the year. While Melbourne values dropped in November and December, Sydney and Canberra prices barely moved, and Hobart and Darwin prices fell slightly.

### Looking ahead

As floods and storms ravage the eastern states and bushfires break out in the west, another tumultuous Australian summer might be mirrored by a chaotic year for the economy both in Australia and overseas.

The RBA expects economic growth to remain subdued but resilient in 2024, and is confident that inflation will continue to fall slightly throughout the year.<sup>ix</sup>

Worldwide, China's spluttering economy and the outcome of the US presidential election may cause ripple effects across the globe, meanwhile markets will be nervously watching the ongoing conflicts overseas which have the potential to create broader economic challenges.

Whatever the year ahead brings, we are here for you.

<sup>i</sup> <https://www.afr.com/policy/tax-and-super/super-balances-grow-almost-10pc-thanks-to-tech-rally-20240103-p5euwb>

<sup>ii</sup> <https://www.imf.org/en/Blogs/Articles/2023/12/01/middle-east-conflict-risks-reshaping-the-regions-economies>

<sup>iii</sup> <https://www.abs.gov.au/media-centre/media-releases/australian-economy-grew-02-cent-september-quarter>

<sup>iv</sup> <https://www.abs.gov.au/articles/11-things-happened-australian-economy-during-september-quarter>

<sup>v</sup> <https://www.businesstoday.in/markets/story/global-market-performance-heres-how-global-equity-markets-major-currencies-performed-in-2023-411391-2023-12-31>

<sup>vi</sup> <https://www.abc.net.au/news/2023-12-29/asx-markets-business-live-news-dec29-2023/103271578>

<sup>vii</sup> [October 2023 Commodity Markets Outlook: Under the Shadow of Geopolitical Risks \[EN/AR/RU/ZH\] - World | ReliefWeb](https://www.corelogic.com.au/news-research/news/2023/australian-home-values-surge-in-2023)

<sup>viii</sup> <https://www.corelogic.com.au/news-research/news/2023/australian-home-values-surge-in-2023>

<sup>ix</sup> <https://www.rba.gov.au/speeches/2023/sp-ag-2023-11-13.html>



# How will you use *your super?*



We spend decades watching our super balances grow but for those thinking about retirement in the next few years, it can be confusing to work out how best to use your super.

Here are some of the considerations for the popular options.

## Easing into retirement

You can keep working and receive regular payments from your super when you have reached your super preservation age (55 to 60, depending on your date of birth) and are under 65.

Using a transition-to-retirement income stream allows you to reduce your working hours while maintaining your income. To take advantage of this option you must use a minimum 4 per cent and a maximum 10 per cent of your super account balance each financial year.

A transition-to-retirement strategy is not for everyone, and the rules are complex. It is important to get independent financial advice to make sure it works for you.

### PROS

- Allows you to ease into retirement by working less but receiving the same income, using the transition-to-retirement income stream to top up your salary.
- If there is spare cash each week or month, you can make extra contributions to boost your super, perhaps by salary sacrifice if it suits you.
- There are tax benefits. If you are above 60, the transition-to-retirement pension payments are tax-free (although the earnings in the fund will continue to be taxed).

### CONS

- For people between 55 to 59, the taxable portion of the transition-to-retirement pension payments is taxed at your marginal tax rate, however you will receive a 15 per cent tax offset.
- Withdrawing money from super reduces the amount you have later for when you retire.
- It may affect Centrelink entitlements

## Taking a retirement pension

This is the most common type of retirement income stream. It provides a regular income once you retire and you can take as much as you like as long as you don't exceed the lifetime limit, known as the transfer balance cap.

### PROS

- While there is a minimum amount you must withdraw each year, there is no maximum.
- There is flexibility – you can receive pension payments weekly, fortnightly, monthly or even annually.
- You can still choose to return to work and it won't affect income stream you have already commenced.

### CONS

- The account-based pension may affect your Centrelink entitlements
- There is a risk that the amount in your super to draw on might not last as long as you do
- The amount you can use for your pension is limited by the transfer balance cap.

## Withdrawing a lump sum

You can choose to take your super as a lump sum or a combination of pension and lump sum payments, once you have met the working and age rules.

### PROS

- Gives you a chance to pay off any debts to help relieve any financial pressures.
- Allows you to make an investment outside super in a property, for example.
- Pay little or no tax if you are 60 and older.

### CONS

- If you are using the lump sum to invest, you may pay more tax
- Reducing your super balance now, means less for later
- Receiving a lot of money at once may encourage you to spend more than is wise

## Access to SMSF funds

There are a number of additional issues to consider for those with self-managed super funds (SMSFs). For example, you will need to carefully check your Trust Deed for any rules or restrictions for accessing your super and consider how your fund can meet pension requirements if it holds large assets that are not cash, such as a property. It is essential to consult a financial planner to understand your circumstances.

The process of choosing the best approach for your retirement income can be daunting so let us walk you through the options and advise on the most appropriate strategies.

Out with the old  
in 2024...



“ You must create space in your life to let new things in. Sometimes the things you're holding onto are the very things that are holding you back. – Unknown

A New Year is a chance to start afresh and move into the year ahead with confidence and optimism that it's going to be a great one! Part of setting yourself up for a wonderful year can sometimes be letting go things in your life that are not so beneficial for you and may be holding you back from living the life you want.

Letting go of something that no longer serves you can be challenging at the time, but in doing so you are not just removing negative habits, thought patterns or physical things that you do not need any more, you are also opening your arms to new possibilities.

### Why do we hang on?

It can be easier said than done to let go, though. We are all creatures of habit and tend to gravitate towards the 'known'.

We tend not to like letting go of the familiar to venture into the unknown, but just because things are comfortable or familiar does not mean they are working for you.

As we move through life, we change and it's common to find that some of our beliefs, habits, or existing goals, may not work for us anymore. If that's sounding familiar it might be time to let go.

### Liberate yourself

It can be tricky to identify what needs to go, but it's important to trust your gut. Think about what you are hanging onto that is not serving you well any more – be that a goal that no longer

suits where you now see your life going, a job you once enjoyed but that is now not making you happy, or a way of thinking or behaving that does not help you move your life in the direction you want it to take.

Everyone is different, but with a bit of self-examination you can decide how to best lighten your load for the New Year.

### Breaking those bad habits

We all have habits and behaviours we know are not serving us well as we move through life. You might recognise that you are prone to procrastination and it's interfering with your ability to get things done. Making a conscious effort to address this and develop the discipline to work through a to-do list could be the best move you make to start the new year afresh.

Or you might decide now is the time to address your spending habits and get on top of your finances – ditching the unnecessary purchases and being more mindful in your spending.

### Lightening the load

If your emotional baggage is starting to feel like a literal weight on your shoulders, it is time to

actively address some of these emotions and lighten the load. Be it past failures, or even previous successes, unresolved anger, hurt and regret, this baggage can weigh us down.

Talking to a trusted friend or seeking professional help can help you identify what's going on and unpack some of that baggage.

### Cutting through the clutter

Of course, letting go might be more about your physical environment rather than your emotions and habits. It's easy to accumulate 'stuff' but often harder to let it go.

It can be a wonderful start to a brand-new year to go through your things and get rid of anything that is not serving a purpose, letting go things that are not useful or don't give you joy.

Letting go is a process not a destination, once you've made your decisions about how you intend to move into the New Year, make the commitment to create space in your life, allowing you to grow, achieve your goals and move forward with your life in a positive way.





## 9 TIPS

# for improving your profits

There are many advantages to running a small business. You have the flexibility and independence to make your own decisions, you can turn your vision into a reality and then reap the rewards.

However, there are financial risks and it can be difficult to make a profit, particularly when times are tough and there is strong competition for customers' dwindling dollars.

In fact, many small business owners are currently taking home less than the average full-time adult wage, according to the Small Business Matters report by the Australian Small Business and Family Enterprise Ombudsman.<sup>i</sup>

If the way you have always run your business isn't creating the returns you want, it may be time to try doing things differently.

There are lots of areas to explore to improve profits. The good news is that many don't require extra expenditure, just a different way of doing things, or a new mindset about your core clients and products.

Here are nine ideas that could boost your profit margin and help improve the return you receive from all the hours you put into your business.

### 1. Go digital

Consider whether it's time to add some digital solutions to improve the efficiencies within your business. Many manual tasks related to payroll, regulatory requirements and business reporting are ripe for automation. Introducing new software or technologies can see a big reduction in the time required to complete these necessary – but largely unprofitable – tasks within your business.

### 2. Understand your cash flow

Preparing a cash flow budget and automating your invoicing and collection processes can improve your cashflow and profits.

### 3. Collect what you're owed

Taking steps to enhance your post-sale credit control may lose you a few customers, but these are usually the ones increasing your servicing costs by failing to pay on time.

### 4. Keep on top of essential reporting

Ensure all your business reports (such as BAS, Taxable Payments Annual Report, Single Touch Payroll and tax returns), are up-to-date and lodged online to save time and keep on top of your obligations. It's also important not to forget your Super Guarantee records and payments, or you risk paying the Super Guarantee Charge.

### 5. Improve your visibility

Consider whether an enhanced social media presence could spread your message further. Check if your website and Google ranking are properly optimised. If Google cannot find you, potential customers are unlikely to know you exist.

### 6. Keep your customers close and sell them more

Think about the potential for selling more to your existing customers. Upselling – or the old 'Would you like fries with that?' – can add to your bottom line without the costs associated with finding and selling to new customers.

Check your customer 'churn' rate to identify how long customers stay with you. Experts estimate it costs between five to 25 times more to acquire a new customer than to keep an existing one. Develop strategies to reduce your churn rate, as increasing retention rates by five per cent can increase profits by 25 to 95 per cent.<sup>ii</sup>

### 7. Review pricing and products

Analyse your offer to see if unprofitable products need to be eliminated. Review your pricing by working out how much margin you need to cover your expenses and develop a pricing strategy.

### 8. Be ruthless about expenses

Audit your business expenses and identify any that can be eliminated or reduced by switching to cheaper suppliers or options (such as leasing and refinancing). Try negotiating if you are paying for recurring monthly services. Smarter spending on fixed costs is an easy way to gain extra dollars in profit.

### 9. Set aside time to plan ahead

Evaluate what is working in your business and what isn't. Write a detailed business plan for the year ahead so you and your team know where you are headed and what is needed to get there. Consider outsourcing resource-intensive tasks (such as IT or marketing) to free up time so your employees can spend more time generating profits.

*Call us today for some help with improving your business's bottom line.*

<sup>i</sup> [https://www.asbfeo.gov.au/sites/default/files/2023-10/Small%20Business%20Matters\\_June%202023.pdf](https://www.asbfeo.gov.au/sites/default/files/2023-10/Small%20Business%20Matters_June%202023.pdf)

<sup>ii</sup> <https://hbr.org/2014/10/the-value-of-keeping-the-right-customers>