First Home Super Saver Scheme (FHSS)

From 1 July 2022, if you're a first home buyer you can release up to $50,000 (up from $30,000) from your voluntary super contributions to help you buy your first home. Under the scheme, voluntary concessional and non concessional contributions made on or after 1 July 2017 may be released from super to help you purchase your first home.

Currently, you can release up to $15,000 of voluntary contributions from any one financial year, up to a total of $30,000 in contributions across all financial years, plus earnings on those voluntary contributions.

Under the new rules, from 1 July 2022, you will be able to release up to $15,000 of voluntary contributions from any one financial year, up to a total of $50,000 contributions across all financial years, plus earnings.

However, the annual limit of voluntary contributions eligible for the scheme remains at $15,000 per financial year. This means it would take at least four years of maximum contributions to have the maximum $50,000 available for release.

To be eligible to participate in the FHSS scheme an individual must:

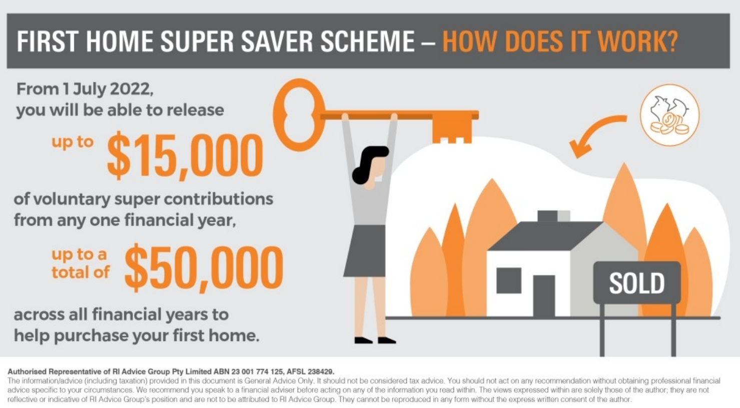
- Be 18 years or over
- Have never owned property in Australia
- Not previously requested a release of super under the FHSS scheme

The FHSS scheme can only be used to buy a residential home in Australia however it cannot be used to buy a mobile home. If vacant land is purchased, a contract to build a home on it must be signed within 12 months although a 12-month automatic extension will be granted. You must also intend to live in the home, the scheme can't be used to buy a residential investment property.

There are certain details around the withdrawal amount, associated earnings, tax on withdrawal and the release of funds. To discuss your options, speak to your *financial adviser.*

Given the substantial rise in property prices we've seen all around Australia over the past year, this change will help first home buyers save a larger deposit using this strategy – albeit over a longer time period

(Source: RI Article Hub)



5 Ways to Stay Warm (at Heart) This Winter

As the weather gets cooler—or in the most recent case, wet! - we tend to spend more time indoors. For some of us, this can lead to the winter blues, especially if we are used to keeping our minds and bodies more active. Whilst we can rug up to keep the physical cold at bay, sometimes we need a little something extra to keep our minds and our hearts warm. Here are 5 activities to keep you entertained this winter and keep the blues away:

1. **Write to a Penpal:** With extra time at home, winter is the perfect time to find a pen pal. There are numerous websites you can join to find a pen pal from all across the world, eg, Pen Pal World, and Pen Pals Now. You can correspond via email or snail mail. Get scribing!
2. **Learn a new skill:** There are so many new skills you can learn to keep yourself busy. Why not learn to crochet or knit, shuffle cards or even learn a magic trick or two? Borrow a 'Dummies Guide' book from the library or find a free tutorial video online about a new skill. The choices are endless.
3. **Start a virtual challenge:** Now this doesn't necessarily mean by playing video games (although it can!). It could be a fitness challenge, a movie challenge, or even a virtual scavenger hunt. Get your friends and family involved and challenge each other
4. **Volunteer:** Whilst not necessarily an at home activity, why not find a way to volunteer in the community? This can be in the arts, for a charity, in aged care, or even in schools. Not only does it make us feel warm and fuzzy, it is a great way to meet people.
5. **Try Geocaching:** A type of Global Treasure hunt where people look for 'geocaches' or hidden stashes of objects. This an outdoor recreational activity using a GPS or mobile device. Geocaching can be done alone or with friends and is a bucket load of fun to see who can find the biggest cache! Go to www.geocaching.com for more information.

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Jeff's Jottings

It's astounding that whilst some shires in Queensland are still classed as 'fully drought-declared', what a year it has been so far with the rainfall. Unsurprisingly, Queensland is on track for it's wettest year on record, so please stay aware and be vigilant.

Australia has voted for political change and brings a new Labour Government to the forefront. As always with a new government, changes are proposed during the election campaign. We will keep you informed of any key announcements and opportunities that may exist.

In early May the Reserve Bank Of Australia (RBA) announced an increase in the nation's official cash rate—the first time in 11 years. Whilst some may feel the pinch due to the rise in loan repayments, the RBA's announcement may curb the predicted strong surge in inflation, however only time will tell.

With the End of Financial Year (EOFY) fast approaching, this edition of our quarterly newsletter has some great information on ways to save at tax time, as well as opportunities to grow your super.

Recently we sent you information on this years' Federal Budget proposals. Page 2 and 3 of the newsletter has more information on this, however if you have any queries please feel free to call the office on 07 5593 0000.

Stay warm this winter.

Jeff English

CEO and Senior Financial Adviser

Market Update

WHAT HAPPENED IN AUSTRALIAN AND GLOBAL MARKETS IN FEBRUARY?

The defining event of the March quarter was Russia invading Ukraine on 24 February. This sent global equity markets into a dive and set off a chain reaction in markets and economies around the world. By the end of March, after more than four weeks of fierce fighting, the war in Ukraine seems to have reached a temporary stalemate. The western democracies, particularly those in Europe, surprised Russia with the severity and speed of their economic responses. This included preventing most Russian financial institutions from using the global payment system SWIFT, limiting trade with Russia, and imposing sanctions that are making it difficult for Russia to access its massive foreign exchange reserve (around USD 630 billion) and its sovereign wealth fund (another USD 175 billion).

Russia's main contribution to the global economy is its status as a major commodity exporter, especially oil and natural gas. The Euro area imports around 30% of its natural gas and 20% of its petroleum from Russia. Therefore, it's no surprise that commodity prices (especially energy prices) have risen sharply in Europe and around the world. Oil prices went as high as USD 133.2 per barrel immediately after the invasion.

Developed economies around the world were already experiencing significant inflation before the Ukraine invasion, but the surge in commodity prices has made it even more pronounced. This is most noticeable in the US, which had three months in a row of significantly higher than expected monthly inflation results during the March quarter. To try and control this inflation, the Federal Reserve has started raising the official interest rate in the US. It's anticipated that it could raise rates as many as six times during 2022.

AUSTRALIAN SHARES

The Australian equity market has a large amount of resource stocks, so the surge in commodity prices means that our market performed reasonably well in the March quarter compared to other equity markets around the world. The All Resources Index, which is made up of various Australian resource stocks, returned a massive 16.4% in the March quarter.

By contrast, the Industrials sector – which covers stocks such as construction, professional services and transport – fell 2.8% over the March quarter. Overall, the All Ordinaries Index returned 0.1% for the quarter. Given the significant events that happened around the world in February and March, this was a solid result.

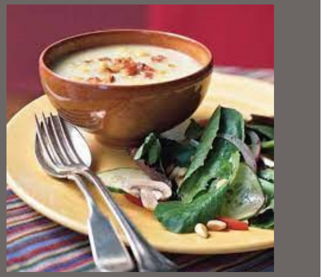
GLOBAL SHARES

After a very volatile start to 2022, most global equity markets experienced negative returns. The MSCI World Index (unhedged) fell 8.2% in the March quarter. The Australian Dollar depreciated over the quarter and MSCI World (hedged to AUD) returned a loss of only 4.8% over the March quarter.

In the US, the S&P 500 Index fell 5.0% for the quarter, while the technology-dominated NASDAQ Index fell 9.1% as higher bond yields caused investors to re-assess the long-term prospect of growth shares.

In Europe, the Euro STOXX Index plunged 9.2% over the quarter due to investor concerns about the economic impact of reducing Russian energy exports. Chinese equity markets had a particularly volatile quarter, with the Hang Seng Index falling by close to 22% at one point in mid-March before staging a strong recovery later in the month after the Chinese government promised to support economic growth and financial markets. The Index finished the quarter with a negative 6.0% return.

Winter is For: Potato, Leek & Corn Chowder



A simple, no fuss winter warmer, this chowder will make your taste buds sing.

Ingredients:

- *2 Tablespoons butter*
- *1 Tablespoon olive oil*
- *1 1/2 cups coarsely chopped leek (about 1 large)*
- *1/2 cup finely chopped celery*
- *1/2 cup finely chopped red capsicum*
- *2 cups milk*
- *3 Tablespoons plain flour*
- *3 cups chicken stock*
- *2 cups corn kernels, fresh or canned*
- *500g potatoes*
- *1 teaspoon salt*
- *1/4 teaspoon pepper*
- *1/4 cup finely chopped parsley*
- *3 Tablespoons chopped fresh chives*

Method:

1. *Heat the butter and oil in a large Dutch oven over medium heat. Add leek, celery and capsicum.*
2. *Combine milk and flour in a small bowl, stirring with a whisk. Slowly add milk mixture to pan, stirring constantly.*
3. *Stir in the chicken stock, corn, potato, salt and pepper. Bring to a boil.*
4. *Reduce heat and simmer for 20 minutes until potato is tender. Stir in parsley and chives. Blend to desired consistency. Top with bacon (optional).*

(Source: myrecipes.com)

FIXED INTEREST

Global sovereign bond yields rose significantly over the March quarter. The US 10-year bond yield rose from 1.51% at the end of December 2021 to 2.33% at the end March 2022, which is a level it hasn't reached since mid-2019. The Australian 10-year bond yield had an even greater rise over the same period – from 1.67% to 2.83%.

The main culprits behind the rise in the long-term bond yields in the US and Australia, as well as other developed markets around the world, are concerns about rising inflation and the sharp spike in commodity prices. Fixed interest markets have also factored in expected interest rate rises, particularly in the US, which caused the yields on shorter maturity bonds to rise as well.

WHERE TO FROM HERE?

We will most likely continue to see elevated levels of global financial market volatility over the coming months until the Russian invasion of Ukraine is resolved. However, we're not expecting to see any further price shocks for commodities. Prices are likely to remain high around the world for some time yet.

These higher commodity prices will make it even more difficult for the US Federal Reserve to balance inflation and economic growth. Currently, markets expect the Federal Reserve to continue increasing the official interest rate throughout 2022 until the target cash rate is 2.0%. We broadly agree with this view because so far there has been limited evidence of a slowdown in inflation in the US economy. The spike in energy prices will likely feed into both petrol prices and demands for wage increases as workers try to cope with the higher cost of living.

Equity markets picked up in the last two weeks of March, and we're sceptical about whether this recovery is durable. It's possible that the recovery was partly due to Russia not escalating its invasion efforts to the extent that was predicted, which means it could turn around just as easily if Russia changes tact. What's more, many equity markets around the world are above their long-term valuation medians (particularly the S&P 500 and NASDAQ, but also the ASX to a lesser extent) and this means they could face further corrections.

Usually, when equity market valuations are higher, bond yields are lower. At the moment, we're seeing both high equity market valuations and high bond yields. There's a strong possibility that bond yields will continue rising up to their 2019 peak, and perhaps even higher, to compensate for higher global inflation. If this happens, we can expect the valuation of equity markets to reduce – particularly in the US.

The outlook for Australian super members and investors will possibly be a bit brighter. While we will continue to experience market volatility as a reaction to major global events, Australia is a major commodity exporter. This means we will likely continue to benefit from both the higher prices and inflation-hedging properties of commodities. However, with significant geopolitical risks and inflationary pressures around the world still driving financial markets, the outlook for the rest of 2022 remains uncertain.

(Source: Colonial First State)

New Opportunities to Grow Your Super From 1 July 2022

From 1 July 2022, there will be some changes made to super to make it easier for people to grow their retirement savings. These changes will create opportunities for both older and younger Australians, as well as low-income earners, by removing some of the barriers that currently exist in the super system.

HERE'S WHAT'S CHANGING:

1. Employers will start paying super for low-income earners

SG contributions are the mandated contributions that your employer puts into your super on your behalf. For a lot of people, these are the only super contributions that go into their account.

Until now, employers haven't had to make these contributions if an employee earns less than $450 in a calendar month. From 1 July 2022, the $450 threshold will be removed. Employers will have to make SG contributions regardless of how much the employee earns (unless they are under 18 and working less than 30 hours per week).

2. SG contribution rate will rise to 10.5% for all employees

The SG contribution rate is currently 10% p.a. of your wages or salary. This rate will increase to 10.5% from 1 July 2022, and it's scheduled to increase progressively to 12% by July 2025.

3. People aged 65-74 will no longer have to meet the work test to make voluntary contributions to super

People aged 65-74 currently have to satisfy the work test (or qualify for an exemption) to be able to make voluntary contributions to super. From 1 July 2022, you won't have to meet the work test for the super fund to accept any type of contributions you make to your super, or any contributions your employer makes to your super, while you are under age 75.

From age 75 the only type of contribution that can be accepted into your super account are downsizer contributions or compulsory employer superannuation contributions.

Personal deductible contributions

From 1 July 2022, if you are aged 67 - 74at the time you make a personal super contribution, you only have to meet the work test, or work test exemption, if you wish to claim a tax deduction for those contributions.

A work test is not required to claim a tax deduction for personal contributions made while you are under age 67.

This change gives older Australians more flexibility to be able to contribute to super and boost your retirement savings, regardless of your employment status, in the years leading up to your 75th birthday.

4. 'Bring-forward' rule age limit will increase to 75

The 'bring-forward' rule allows you to use up to three years' worth of your future non-concessional (after-tax) super contribution caps over a shorter period – either all at once or as several larger contributions – without having to pay extra tax.

The non-concessional contributions cap is currently $110,000 per year. So, if you use the bring-forward rule, you may be able to contribute up to $330,000 in a single year as long as you don't exceed the total cap over the three-year period. This strategy is mostly used by people nearing retirement, who want to contribute as much as possible to super before they stop working, or people who receive an inheritance or other type of windfall.

Currently, you need to be under age 67 at any time in a financial year to use the bring-forward rule. From 1 July 2022, the age limit will increase to 75.

5. Minimum age for downsizer contributions will reduce from 65 to 60

The downsizer contribution is a strategy aimed at helping older Australians put all or part of the proceeds of the sale of one qualifying home into super to boost your retirement savings. You can only make this type of contribution, and the maximum amount you can contribute is $300,000. However, by combining it with the bring-forward rule, you could potentially contribute $630,000 to super (or $1.26 million as a couple) in a single year.

Currently, you can only make a downsizer contribution if you're 65 or older at the time of the contribution. From 1 July 2022, the minimum age reduces to age 60. This will provide more flexibility to people in their early sixties who are planning to sell their family home and want to move some or all of the proceeds into super.

Although the work test has never applied to downsizer contributions, other eligibility rules apply and it' important to submit a downsizer contribution form to your fund at the time you make this type of contribution.

6. First home buyers can now save up to $50,000 using the First Home Super Saver Scheme

People saving up for their first home can use the First Home Super Scheme (FHSS) to grow their deposit amount. It takes advantage of the favourable tax treatment of super contributions and earnings to help you save a deposit faster than if you save outside of super. From 1 July 2022, the maximum amount of eligible contributions that may be released will increase to $50,000.

FIND OUT MORE

Would you like to know more about what these changes might mean for you and your super? Please contact your Financial Adviser on 07 4639 3733.

(Source: Colonial First State)

Federal Election 2022—What Could This Mean For You?

A number of changes were proposed by the Government during the election campaign, and support was also announced for a number of proposals made by the previous Government. So where do things stand, what's next, and how could these proposals impact you?

Proposals at a glance

End of Financial Year Tips

It can feel like the End of Financial Year (EOFY) rolls around way too quickly, however with the below tips, you may find yourself saving more than you realise.

Personal Contributions:

By making personal contributions to your super, you may be able to claim a tax deduction to reduce your tax liability.

Salary Sacrifice:

A salary sacrifice arrangement is also commonly referred to as salary packaging or total remuneration packaging. It is an arrangement between an employer and employee, where the employee agrees to forgo part of their future entitlement to salary or wages in return for your employer making super contributions to the same value.

Spouse/Split Contributions:

Contribute to your spouse's super to receive a tax offset and build retirement savings. This involves making a contribution to a spouse's super fund to build their retirement savings.

If you would like to speak to an adviser regarding your possible eligibility for one of the above tax savings tips, please contact our office.