WELCOME TO OUR AUTUMN EDITION OF FFP NEWS

Welcome to Future Financial Planning News Autumn edition.

We hope you have all settled well into the new year and we look forward to continuing to assist you with your financial goals throughout 2020.

Inside this edition we take a look at growing your super in the new year, three factors affecting retirement income and the new laws protecting your retirement savings.

We wish to also advise that our office will be closed on the following public holidays:
Friday, 10th April 2020 - Good Friday public holiday;
Monday, 13th April 2020 - Easter Monday public holiday; and
Monday, 8th June - Queen's Birthday public holiday.

With Easter not too far away, we hope you all enjoy a safe and happy Easter break.

Kind regards,
Rhys, Michelle and Michelle

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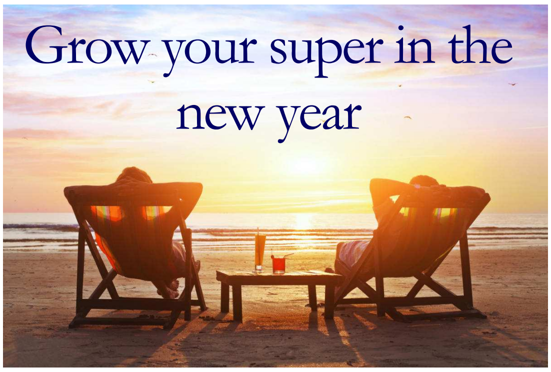
Future Financial Planning
41 Queen Street, Warragul VIC 3820
Ph: 03 5622 3005
Fax: 03 5623 3541
Email: info@futurefinancial.net.au
Web: www.futurefinancial.net.au



Making an extra voluntary contribution now might improve your lifestyle once you retire.

A new year's as good a time as any to make plans. How about a gift to your future self by maximising your retirement contributions?

It's not as far-fetched or self-absorbed as it might seem.

If you think of this as investing in your future self or your loved ones, it could make good sense. We're used to spending on education and training, which are also investments in tomorrow. And which really matters more, upgrading to a flashier car today, or buying a jetpack* a few years down the line?

There's no time like tomorrow

There are a number of ways you can contribute more to your super, to take advantage of time and the magic of compound interest.

These include salary sacrificing, and a range of tax-deductible, spouse and downsizer contributions, as well as government co-contributions.

Things to keep in mind

What you do right now affects how well you can live in the future. So, before you decide to gift your future self, think carefully about the right course for you.

If you're thinking about making extra contributions towards your retirement, make sure you're across the super contribution rules.

For instance, if you go over the super contribution limits additional tax and penalties may apply.

Remember that the value of your investment in super can go up and down. Before making extra contributions, make sure you understand and are comfortable with any potential risks.

The Government sets general rules about when you can access your super, which means you typically won't be able to access your super until you retire. If you're over 65 and making contributions, you generally need to satisfy work test requirements and be under age 75.

Extra contributions may also affect any rainy day savings you set aside for emergencies, so do your homework before you commit to your future self. Call us today to discuss what may be right for you.
*jetpacks not guaranteed

By AMP Life Limited, originally published on 25 November 2019 on amp.com.au/insights

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3 factors affecting retirement income

By AMP Life Limited, originally published on 15 November 2019 on amp.com.au/insights

High life expectancy and low interest rates may make it harder for some retirees to live long and prosper. We look at three key elements affecting income in retirement.

In Australia, people are living longer and interest rates are lower than ever. While the first is good news, the second carries risks if you're looking for an adequate income to see you through retirement.

Here we look at three elements from an AMP Capital Investors report[1] that affect a post-work reasonable income - interest rates, inflation and longevity.

1. Interest rates - high valuations, low returns

Historically low interest rates have driven valuations of defensive assets such as cash and fixed interest to unprecedented highs. Generally, a defensive asset is seen as lower-risk, lower reward investment.

High valuations mean low yields (or percentage income returns in the form of dividends and interest) for defensive assets. AMP Capital Investors reports record-low yields across many fixed income assets and some types of property. Term deposit rates are also at fresh lows, following the Reserve Bank of Australia's reduction in interest rates.

Low interest rates affect variables such as inflation and investment returns, which in turn affect how we save for retirement.

In the high insterest rate era of the late 1970s and 80s even relatively low-risk assets like term deposits and bonds offered double-digit returns. These days rates of return are all closer to one per cent.

Similarly, property yields in Australia are around two to four per cent depending on the type of property and geography. Better yields may be available via Australian equities, but many retirees are not in a position to take on a higher level of risk.

2. The inflation perspective

Inflation has a big impact on retirees who are less able to earn and save more after their working lives have finished. Falling returns mean providing for retirement is challenging, but although returns are low now compared to in the past, the impact is eased when you take inflation into account.

Inflation was running at around 15 per cent in the late 70s and 80s, which ate up much of the bond and term deposit returns.

Nevertheless, the combination of low interest rates and low inflation make it hard for retirees to find returns.

There are risks too, should the current global inflation rate of about three per cent shift higher than the defensive asset classes. As these assets are priced for the very low inflation of today, they would face major negative revisions.

3. The longevity conundrum

In Japan, adult diapers are forecast to outsell those for babies within a few years[2]. Many developed countries are having to adapt to the demands of an ageing population.

Australians are also living longer, increasing the risk that a retiree will outlive their savings. Back in 1980, a man starting a pension at age 65 had a life expectancy of 78 - 13 more years. Now, a male starting a pension at 65 has a life expectancy of 86 - an additional 21 years. While this is great news in many ways, financially it means higher income needs and the need to grow the assets over time to make up for rising costs of living.

This is a concern in an environment which sees retirees drawing down on their pool of retirement assets because they can no longer generate sufficient income returns. This means retirement account balances are being depleted relatively quicker than in the past, especially if retirees lack exposure to growth assets to generate some capital growth over their longer lives.

Supporting an ageing population to achieve their retirement goals in a market of lower investment returns is a major challenge. A stable policy framework for superannuation and a long-term approach will be important in giving retirees the best chance of achieving a comfortable retirement.

Planning ahead - When investing with a goal - such as retirement - in mind, it pays to think long term. If you'd like to talk about what might be right for you - call us today.

[1] Retirement today - the challenge of generating retirement returns (https://www.ampcapital.com/au/en/insights-hub/articles/2019/august/retirement-today-the-challenge-of-generating-retirement-returns). AMP Capital Investors, 19 August 2019.
[2] Adult diapers to outsell baby nappies by end of decade in Japan (https://www.telegraph.co.uk/news/worldnews/asia/japan/10180069/Adult-diapers-to-outsell-baby-nappies-by-end-of-decade-in-Japan.html), UK Daily Telegraph, 15 July 2013.

New laws to protect your retirement savings

By AMP Life Limited, originally published on 27 November 2019 on amp.com.au/insights

Around 40% of working Australians claim they don't have life insurance[1]. Yet, with 13.5 million insurance policies inside super[2], it's likely many people may have life insurance without knowing it[3].

The bigger picture

There's a good chance, at some point in your career, you joined your employer's default super plan - this is the plan your employer pays super into if you don't nominate your own. Why? Perhaps it was the easiest option for you when completing all your paperwork, or maybe it was the better deal.

Many employer default super plans also include insurance - something people may not realise they're paying for. What's more, many are disengaged with their super, or are unaware of the ins and outs of the fund they're in. This means they may have multiple accounts - so may also be paying multiple sets of fees for super and insurances that mightn't be right for them.

So, what's insurance inside super?

It's insurance you pay for via your super account. There are different types of insurance offered in this way, including life insurance (or death cover), total and permanent disablement (TPD) cover, and temporary salary continuance (TSC) (also known as income protection).

Insurance is important, but it's equally important to make sure the type and level of insurance you're paying for suits your needs and circumstances.

About the super laws

The federal government has introduced super laws to help prevent super balances from being eroded by fees and insurance costs for cover that people may not want or need. Particularly, for:

- young members
- low account balances
- super accounts that haven't had a contribution for a long time.

Insurance cancellations

The new laws generally require insurance inside super to be cancelled if:

- a member's super balance doesn't reach $6,000 between 1 November 2019 and 1 April 2020 and/or
- the account doesn't receive a contribution or rollover for 16 months,

unless the member tells their super fund that they'd like to keep their insurance.

Also

- from 1 April 2020, super funds must not provide insurance to new members aged under 25 or with an account balance below $6,000, unless the member requests it.

If the insurance inside a super account is cancelled because of these changes, the law requires the account to be transferred to the Australian Tax Office (ATO) if the balance is below $6,000 and no contributions or rollovers have been received for 16 months. Some exceptions apply.

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A checklist for what you can do

Your super savings are important, and so is insurance. Here are some steps you can take to understand your super and insurance better and make sure it's working for you.

1. Check what you've got - have a look at your current super and insurance. Check the balance and how much you're paying. If you have an AMP account, you can check the details in My AMP.

2. Find out if you have multiple super accounts - if you're not sure whether you have other super accounts, an online search is a good way to find out. If you do find more super, you may want to consider consolidating it into a sinlge account to make it easier to manage and possibly save on fees.

3. Before consolidating - check whether you have any insurance double ups - if you have more than one super account with the same type of insurance, you may be paying for insurance you don't need. This is particularly relevant for TSC, where you'll most likely only be able to claim up to 75% of your pre-disability income[4], regardless of whether you have TSC cover within multiple super accounts.

Before you cancel your insurance or consolidate your accounts, carefully consider the features, benefits and costs for each. You can also talk to an adviser to make sure your're making the right decision for you. Keep in mind that it can be difficult to reinstate insurance that's cancelled.

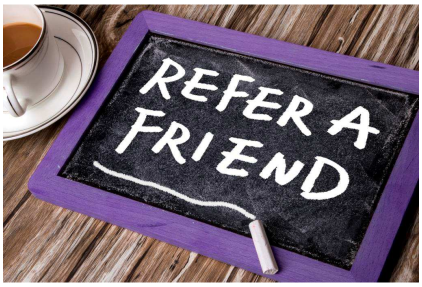
4. Work out how much you need and what fits your lifestyle - it's a good idea to speak to a financial adviser about this to make sure your personal circumstances are taken into account.

- Explore how much insurance you might need at: https://secure.amp.com.au/ddc/public/ui/insurance-needs
- Find out more about reviewing your insurance at: amp.com.au/insurance/insurance-basic/reviewing-insurance

5. If you've heard your insurance might be cancelled - respond to your super fund accordingly if you want to keep it. Make sure you're also across how the insurance cancellation will affect you and your loved ones before you decide.

6. Keep on top of it - life changes, which means our insurance needs change too. It's a good idea to review your insurance needs alongside other major life changes like getting a new job, moving to a new house, or havings kids. That way, your insurance can keep up with your life.

[1] Insurance through superannuation, research 2016. Rice Warner (https://www.ricewarner.com/insurance-through-superannuation/)
[2] Insurance through superannuation, research 2016. Rice Warner (https://www.ricewarner.com/insurance-through-superannuation/)
[3] Metlife Insurance Inside Super Report 2018, page 10 (https://www.metlife.com.au/content/dam/metlifecom/au/aboutus/thought_leadership/MetLife-Insurance-Inside-Super-2018-Report.pdf)
[4] If you receive income from another source, like WorkCover, this will be offset against the 75% pre-disability income



Do you know someone that needs our help?

Do you have any family, friends, colleagues who are time poor or concerned about the future security of their families and don't understand many of the financial aspects of their lives?

If you answered yes, and believe these family/friends could benefit from a no obligation meeting with our planner, Rhys Fairlie, we would greatly appreciate your referral.

Maybe they have more than one super account, are wondering about personal/income protection insurance or maybe they are nearing retirement age. Whatever their age or situation we are happy to discuss their financial plan or answer any questions they may have.

We would love the opportunity to work with them to put in place a plan that provides focus and clarity and that keeps them informed over time of the things they need to do to reach their financial goals.

We enjoy working with all our clients and invite you to tell your family and friends about us, and allow us to help them too.