# WELCOME TO OUR SUMMER EDITION OF FFP NEWS

Welcome to Future Financial Planning News - Summer Edition.

This edition of FFP News brings us the opportunity to reflect on what has been an extremely difficult and unsettling year for most. With restrictions finally easing, we look forward to enjoying a close to normal Christmas with our families.

Whilst we would like to say thank you to all our valued clients for your ongoing business and support throughout a challenging 2020, we are hopeful that you are all able to enjoy a well earned Christmas and New Year break.

Inside this edition you can try your hand at our yummy Christmas recipe below and enjoy a little light reading over the break, about saving for retirement and protecting your retirement savings.

Our office will close on **Wednesday, 23rd December 2020** for the festive season and will re-open on **Tuesday, 5th January 2021** when our normal business hours of Monday to Friday - 9.00am - 5.00pm, will resume.

Our office will also be closed on **Tuesday, 26th January 2021** for the Australia Day public holiday.

We hope you all have a very merry Christmas and a safe and happy New Year, and we look forward to seeing you all in the new year.

Kind regards,

Rhys, Michelle and Michelle

Find us on facebook

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# Mini Berry Jelly Christmas Trifle

These indiviual make-ahead trifles are the easy answer to Christmas dessert with family/friends.

**INGREDIENTS:**
85g packet raspberry jelly
125g raspberries, plus extra to serve
100g white cooking chocolate, chopped
1 cup thickened cream
250g mascarpone
75g vanilla melting moments
50g Charlie's Cookies Mini Melting Moments Raspberry White Choc
White choc cream, to serve
Raffaellos, to serve
Chocolate star, to serve

**STEP 1:** Make jelly following packet directions. Pour into four 350ml glasses. Divide raspberries among glasses. Place in fridge for 2 hours to set.

**STEP 2:** Melt chocolate and 1/2 cup thickened cream in a saucepan over low heat. Cool to room temperature.

**STEP 3:** Whick chocolate mixture with mascarpone and remaining thickened cream until firm peaks form.
Crush melting moments and mini melting moments. Arrange in layers on top of jelly.
Top with white choc cream, Raffaellos, a chocolate star and extra raspberries.
Enjoy!

# 3 golden rules that make saving for retirement easier

By AMP Life Limited, originally published on 12th October 2020 on amp.com.au/insights

If you've thought about how much money you need to save so you can retire comfortably, it might feel a little daunting. Maybe so much so, you'd rather not think about it at all. But according to AMP Technical Strategy Manager John Perri, there are three simple rules anyone can follow that make saving for retirement a lot easier.

**1. Follow the sleep test**

All investments come with a level of financial risk. Understanding your risk appetite, says John, is essential when setting goals for your superannuation and retirement savings. "I look at it from the perspective of whether you can invest and sleep at night. If you're not sleeping then the level of risk you have is not for you."

Generally the higher the expected return, the greater the risk. And lower risk means lower expected returns. Risk appetite is often linked to age and how far away a person is from retirement because this influences their ability to recover from financial losses.

For example, someone close to retirement may be more risk-averse than a younger person, who can perhaps persue a higher risk strategy, knowing that the market is most likely to deliver in the long term. For younger investors, they typically have the luxury of time to recover from any short-term blips.

Super funds usually offer a range of investment options with varying risk, so you can choose the one that's right for you. These include:
▪ **Growth options** - aim for higher returns over the long term but come with higher risk
▪ **Balanced options** - aim for moderate returns and come with moderate risk
▪ **Conservative options** - aim to reduce the risk of market volatility, so may generate lower returns but are lower risk
▪ **Cash options** - aim to generate stable returns to safeguard the money you've accumulated and are usually the lowest-risk option offered by super runds.

If you're thinking about switching investment options, it's important to do your research so you can be confident it's the right decision. If you have a financial adviser, it's worthwhile seeking their opinion so you might avoid locking in losses that are difficult to recover from.

**2. Make the most of tax benefits in super**

The second rule that makes saving for retirement easier is understanding that Australia's superannuation system has been designed to create incentives, and that means there are tax advantages in saving through super rather than investing outside of it.

"Super is a structure that is purpose-built to acquire investments for retirement, and it's not necessarily an investment in itself," says John.

Earnings you make on the money invested inside super are taxed at 15% on income and 10% on capital gains. This is lower than the marginal tax rate paid by many Australians, which can go as high as 45%.

"Once you're retired, you can use those savings as an income stream in the form of regular pension payments. And the tax rate on investment earnings inside the income stream is nil," says Perri. Plus, "there's no tax on the income stream payments if you are over 60 years of age."

How super is taxed depends on your age, contributions and other factors, so it's important to understand the different tax implications that could apply to your nest egg.

**3. Use compound interest to your advantage**

The famous physicist Albert Einstein once described the ability to understand compound interest as the eighth wonder of the world. Building up a healthy super balance is aided by the principle of compound interest, which delivers its best rewards to people who invest early and stay in the market.

"The rate of return on a super balance is calculated on a potentially higher balance over time because your employer makes contributions, or you're making contributions yourself," says Perri.

"But your balance may also rise due to investment returns, so the following month you will receive returns on *those* returns."

"Given the long-term view with super, and starting early, the longer you have your super invested, the longer it has to grow and compound over time," he says. And if you make extra contributions, then the benefits of compound interest are exponential.

In times of uncertainty, it can pay to take control of your finances, so you feel peace of mind that you're prepared for the future. And you don't have to do it alone. Speak to your financial adviser.

# The laws to protecting your retirement savings

By AMP Life Limited, originally published on 1st October 2020 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. 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 people 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, which usually means 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. To explore how much insurance you might need, use our insurance calculator at: http://www.amp.com.au/insuranceneeds or call and speak with us.

## About the super laws

The federal government has introduced super laws to help prevent super balances from being reduced 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 is now a choice

In the past, insurance inside super was often provided automatically to anyone who signed up to their employer's super plan. But this changed on 1 April 2020 with the updates to super laws.

These days, if you

- have an account balance below $6,000,
- are under 25 years old, or
- haven't made a contribution or rollover into your account for 16 months,

you won't get insurance applied automatically until you reach these eligibility requirements. Unless you request insurance in the first 120 days of starting your job.

## Insurance cancellations

Super funds are also required to cancel the insurance inside your super account if it hasn't received a contribution or rollover for 16 months. We'll let you know if this might happen to you and give you ways to keep it.

If the insurance inside your super account is cancelled because of these laws, we must transfer the account to the Australian Tax Office (ATO) if the balance is below $6,000. 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 (http://www.amp.com.au/myamp).

**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 single 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 more insurance than you need.

Something to note on your TSC insurance, 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 you'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.

**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 having 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


Oliver's insights is a special commentary by Dr. Shane Oliver, Head of Investment Strategy and Chief Economist at AMP Capital. Dr Oliver is a regular media commentator on major economic and investment market issues.

You can keep up to date with Dr Oliver's latest insights at: www.ampcapital.com.au/news/olivers-insights.asp

# *Merry Christmas*

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