CAPITALEYES®

BUSINESS ADVICE FINANCIAL VISION

ABN 31 058 697 019

QUARTERLY INSIGHT

InterPrac Financial Planning Newsletter Edition 1 2025

Autumn Update

As we transition into March and the start of Autumn, we hope you enjoy the clear days and cooler nights the change of season brings. A new season can also be a time when we embrace change, and like leaves on a tree – let go of things that aren't so important and focus on the things that matter to us.

The year is going so fast – we already have the end of the financial year in our sights, so now is the time to think about giving your retirement planning a boost with an injection of funds to your super before 30 June.

If you are starting to think about cutting back your hours of work to embrace the freedom of retirement, we look at a super strategy that could allow you to work less and continue to supercharge your retirement savings.

In economic and market news, the extraordinary political events across the globe recently have produced some erratic responses from financial markets. Discover how certain political events can affect share markets in our second article.

Scams are ever evolving to take us for a ride and even the savviest of us can fall victim. The best way to avoid a scam is to be alert – and informed.

Finally, as Artificial Intelligence (AI) technology is becoming more prevalent, we provide some insights into how it can enhance your life, not only in the workplace but in our everyday lives as well.

Enjoy the read and please don't hesitate to call us if you need a hand with any aspect of your financial lives.

Turbocharge your super before 30 June

More than half of us set a new financial goal at the beginning of 2025, according to ASIC's Moneysmart website. While most financial goals include saving money and paying down debts, the months leading up to 30 June provide an opportunity to review your super balance to look at ways to boost your retirement savings.

What you need to consider first

If you have more than one super account, consolidating them to one account may be an option for you. Consolidating your super could save you from paying multiple fees, however, if you have insurance insider super, you may be at risk of losing it, so contact us before you make any changes.[i]

How to boost your retirement savings

Making additional contributions on top of the super guarantee paid by your employer could make a big difference to your retirement balance thanks to the magic of compounding interest.

There are a few ways to boost your super before 30 June:

Concessional contributions (before tax)

These contributions can be made from either your pre-tax salary via a salary-sacrifice arrangement through your employer or using after-tax money and depositing funds directly into your super account.

Apart from the increase to your super balance, you may pay less tax (depending on your current marginal rate).[ii]

Check to see what your current year to date contributions are so any additional contributions you may make don't exceed the concessional (before-tax) contributions cap, which is $30,000 from 1 July 2024.[iii]

Non-concessional contributions (after tax)

This type of contribution is also known as a personal contribution. It is important not to exceed the cap on contributions, which is set at $120,000 from 1 July 2024.[iv]

If you exceed the concessional contributions cap (before tax) of $30,000 per annum, any additional contributions made are taxed at your marginal tax rate less a 15 per cent tax offset to account for the contributions tax already paid by your super fund.

Exceeding the non-concessional contributions cap will see a tax of 47 per cent levied on the excess contributions.

Carry forward (catch-up) concessional contributions

If you've had a break from work or haven't reached the maximum contributions cap for the past five years, this type of super contribution could help boost your balance – especially if you've received a lump sum of money like a work bonus.

These contributions are unused concessional contributions from the previous five financial years and only available to those whose super accounts are less than $500,000.

There are strict rules around this type of contribution, and they are complex so it's important to get advice before making a catch-up contribution.

Downsizer contributions

If you are over 55 years, have owned your home for 10 years and are looking to sell, you may be able to make a non-concessional super contribution of as much as $300,000 per person – $600,000 if you are a couple. You must make the contribution to your super within 90 days of receiving the proceeds of the sale of your home.

Spouse contributions

There are two ways you can make spouse super contributions, you could:

- split contributions you have already made to your own super, by rolling them over to your spouse's super – known as a contributions-splitting super benefit, or
- contribute directly to your spouse's super, treated as their non-concessional contribution, which may entitle you to a tax offset of $540 per year if they earn less than $40,000 per annum

Again, there are a few restrictions and eligibility requirements for this type of contribution.

Get in touch for more information about your options and for help with a super strategy that could help you achieve a rewarding retirement.

i https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/keeping-track-of-your-super/transferring-or-consolidating-your-super

ii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/how-to-save-more-in-your-super/salary-sacrificing-super

iii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/concessional-contributions-cap

iv https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/non-concessional-contributions-cap

How to financially ease into retirement

Deciding when to retire is a big decision and even more difficult if you are concerned about your retirement income.

The average age of Australia's 4.2 million retirees is 56.9 years but many people leave it a little later to finish work with most intending to retire at just over 65 years.[i]

If you're not quite ready to retire, a 'transition to retirement' (TTR) strategy might work for you. It allows you to ease into retirement by:

- supplementing your income if you reduce your work hours, or
- boosting your super and save on tax while you keep working full time

The strategy allows you to access your super without having to fully retire and it is available to anyone 60 years or over who is still working.

Working less for similar income

The strategy involves moving part of your super balance into a special super fund account that provides an income stream. From this account you can withdraw funds of up to 10 per cent of your balance each year.

As you will still be earning an income and making concessional (before-tax) contributions to your super, this approach allows you to maintain income during the transition to full retirement while still increasing your super balance, as long as the contributions continue.

Note that, generally speaking, you can't take your super benefits as a lump sum cash payment while you're still working, you must take super benefits as regular payments. Although, there are some exceptions for special circumstances.

Take the example of Alisha.[ii] Alisha has just turned 60 and currently earns $50,000 a year before tax. She decides to ease into retirement by reducing her work to three days a week.

This means her income will drop to $30,000. Alisha transfers $155,000 of her super to a transition to retirement pension and withdraws $9,000 each year, tax-free. This replaces some of her lost pay.

Income received from your super fund under a TTR strategy is tax-free but note that it may affect any government benefits received by your or your partner.

Also, check on any life insurance cover you have under with your super fund in case a TTR strategy reduces or stops it.

Give your super a boost

For those planning to continue working full-time beyond age 60, a TTR strategy can be used to increase your income or to give your super a boost.

To make it work, you could consider increasing salary sacrifice contributions into your super then using a TTR income stream out of your super fund to replace the cash you're missing from salary sacrificing.

In another example, Kyle is 60 and earns $100,000 a year. He intends to keep working full-time for at least another five years. Kyle transfers $200,000 from his super to an account-based pension so he can start a TTR strategy then salary sacrifices into his super.

This will reduce his income tax, but also his take-home pay. So, he tops up his income by withdrawing up to 10 per cent of his TTR pension balance each year.[iii]

A TTR strategy tends to work better for those with a larger super balance, a higher marginal income tax rate and those who have not reached the cap on concessional contributions.

Nonetheless, it can still be useful for those with lower super balances and on lower incomes, but the benefits may not be as great.

Some things to think about

TTR won't suit everyone. For example, be aware that you cannot withdraw more than 10 per cent of your super balance each year.

Also, if you start withdrawing your super early, you will have less money when you retire.

The rules for a TTR strategy can be complex, particularly if your employment situation changes or you have other complicated financial arrangements and investments. So, it's important to seek professional advice to make sure it works for you and that you are making the most of its benefits.

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

i https://www.abs.gov.au/statistics/labour/employment-and-unemployment/retirement-and-retirement-intentions-australia/latest-release#:~:text=Key%20statistics%201%20There%20were%204.2%20million%20retirees.,the%20main%20source%20of%20income%20for%20most%20retirees.

ii,iii https://moneysmart.gov.au/retirement-income/transition-to-retirement

How political events affect the markets

From the economy bending policies of Trump 2.0 to the growing strength of the far right in Europe, the new alliance between Russia and the United States, the wars in Ukraine and the Middle East, and the US President's vow to upturn world trade rules, the markets are certainly navigating tricky times.

In recent months we've seen volatility in some areas but cautious optimism in others in a reflection of the hand-in-glove relationship between politics and markets.

Of course, economic policies, laws and regulations – think tax increases or decreases, new business regulations or even referendums – have a big effect on how investors allocate their portfolios and that impacts market performance.

In 2016, when the United Kingdom voted to leave the European Union, the UK pound plunged and more than US$2 trillion was wiped off global equity markets.[i]

In the following four years until Brexit was finally achieved in 2020, the FTSE 100 performed poorly compared to other markets as domestic and international investors looked elsewhere to avoid risk.

While it has risen since a massive drop during the coronavirus pandemic, the exodus of companies from the London Stock Exchange continues with almost 90 departures in 2024.[ii]

Interest rate movements and any hint of political instability can also bring about a sell off or a rally in prices, with companies holding off on capital investment and causing economic growth to slow.[iii]

Global oil prices rose 30 per cent in 2022 when Russia invaded Ukraine causing European stock markets to plunge 4 per cent in a single day.[iv] Since then, oil prices have fluctuated and are now back to pre-war levels and gold has reached new heights as investors globally look for a safe haven from high geopolitical risks.

Do elections have an effect?

Elections, which almost always cause market disruptions during the uncertainty of the campaign period and shortly after the vote is known, have featured strongly in the past six months or so.

A review of 75 years of US market data has found that, while there may be outbursts of volatility in the lead up to the vote, there's minimal impact on financial market performance in the medium to long term. The data shows that market returns are typically more dependent on economic and inflation trends rather than election results.[v]

Nonetheless, the noisy 2024 US Presidential campaign saw some ups and downs in markets during the Democrats' upheaval and the switch to Kamala Harris as candidate. Donald Trump's various policy announcements on taxes, immigration, government cost cutting and tariffs both buoyed and dismayed investors.

Analysis by Macquarie University researchers of the three days before and after election day found significant abnormal returns in US equities immediately after the vote.[vi]

But the surge was short-lived as investor sentiment fluctuated. Small cap equities with more domestic exposure experienced the highest returns while the energy sector also saw substantial gains, in anticipation of regulatory changes.

While currently the S&P500 and the Nasdaq have both gained overall since the election, there's been extreme share price volatility.

How Australia has fared

Meanwhile, any impact on markets ahead of Australia's upcoming federal election has so far been muted thanks to the volume of world events.

The on-again off-again US tariffs are causing more concern here for both policymakers and investors. Tariffs on our exports could mean higher prices and a drop in demand for our goods and services, leading to economic uncertainty.

In early February, the Australian share market took a dive immediately after President Trump's announcement of tariffs on Mexico, Canada and China, wiping off around $50 billion from the ASX 200. They recovered slightly only to fall again later as the Reserve Bank cut interest rates. In the US, some tech companies delayed or cancelled their listing plans because of the volatility and uncertainty caused by the announcements.[vii]

Amid a turbulent start to 2025, most economists agree the markets are unlikely to hit last year's 7.49 per cent achieved by the S&P ASX 200.

Reserve Bank of Australia governor Michele Bullock is similarly downbeat on the prospects for the year, saying uncertainty about the global outlook remains 'significant'.[viii]

Please get in touch if you're watching world events and wondering about the impact on your portfolio.

i https://finance.yahoo.com/news/post-brexit-global-equity-loss-203340844.html?guccounter=1

ii https://www.ft.com/content/aef053ce-c94d-4a72-8dce-bdbf56dd67e1

iii https://www.stlouisfed.org/publications/review/2023/12/01/policy-instability-and-the-risk-return-trade-off

iv https://www.analyticsinsight.net/finance/why-financial-markets-are-sensitive-to-political-uncertainty

v https://www.usbank.com/investing/financial-perspectives/market-news/how-presidential-elections-affect-the-stock-market.html

vi https://theconversation.com/2024-presidential-election-u-s-equities-surged-then-retreated-after-trumps-victory-243778

vii https://www.nytimes.com/2025/02/18/technology/tech-ipo-delays.html

viii https://www.rba.gov.au/media-releases/2025/mr-25-03.html

Being informed is the key to avoiding scams

While it seems we all like to think we are clever enough to outwit a scam, Australians collectively lost more than 480 million to scams last year.[i]

Every year scammers get more sophisticated in the methods they use to part us with our money – or our valuable personal information. It's important to recognise that even the savviest of us can fall victim to scams that are ever evolving to take us for a ride.

Let's look at the scams that are having the most impact – and how to avoid them.

Phishing scams continue to reach new heights

The most common type of scam, and one that continues to increase in prevalence is known as phishing. The reason these scams are so common, is that unlike romance scams targeting those looking for love, or financial scams targeting investors, phishing scams target everyone – and everyone who has an email account, or a mobile phone is vulnerable.

There were nearly 109,000 phishing-related scam reports last year, with losses amounting to $26.1 million (up 6 per cent year-on-year).[i]

These may come in the form of text messages or emails from a scammer pretending to be a legitimate business or government entity you know and trust.

They are designed to convince you to provide personal information to steal your identity or to be able to access bank accounts and/or superannuation accounts. Or they can simply be asking you to part with your money to pay an overdue invoice, a "fine," or tax debt.

There are also the scammers who pretend to be a person you know, in order to extract money from you. A classic that's been doing the rounds is the "Hi mum/ dad" text where the scammers pretend to be one of your kids who has lost their phone and urgently needs you to transfer them money.

How to avoid getting caught

So, given how convincing these messages can be, how do you keep yourself safe? The best defence is awareness and knowing what to look for, so let's look at some common characteristics of scam emails and texts and some of the methods commonly employed by scammers so you can be alert – and stay safe.

- **Urgent call to take action or threats –** Scammers will often create a sense of urgency, telling you to take immediate action to claim a reward or avoid a fine or penalty. They are hoping you'll react without thinking too much about it or checking the legitimacy of the message or email.

  Tip: Be sceptical if a message is prompting urgent action and approach with caution.

- **Emails that look like they are coming from a trusted source –** Scammers are often quite good at mimicking a business's branding and at first glance can look pretty convincing.

  Tip: Some of the red flags to look for are spelling mistakes or a generic greeting (if the message is from a provider, they should have your name on file). Check the email source carefully. Scammers use subtle misspellings of the legitimate domain name. Like replacing "o" with a zero or replacing "m" with an "r" and a "n".

- **Suspicious links –** Scammers include links to online forms to capture your information that can look uncannily like the real thing and often send computer viruses and malware through malicious attachments. If you suspect that a message, or an email is a scam, don't open any links or attachments.

  Tip: Hover your mouse over, but don't click the link. Look at the address that pops up when you hover over the link and see if it matches the link that was typed in the message.

  To visit a provider's website rather than click on a link to a website manually type the official web address into your browser. You could also use a search engine to find the official website and log in that way.

With phishing attempts becoming ever harder to spot and avoid, it's more important than ever to stay vigilant and equip yourself with tools to make sure you don't take the bait. If you think you may have fallen prey to a scam, contact your bank and report the matter to Scamwatch.[ii]

i https://www.sbs.com.au/news/article/481m-in-losses-and-302k-complaints-the-scams-hitting-australians-hard/hg52ignc8

ii https://www.scamwatch.gov.au/report-a-scam

Harnessing your professional brand in a world of AI

Artificial Intelligence (AI) technology is becoming more prevalent in our society and although there are many early adopters of AI, there is still a very high percentage of people who have reservations about how this type of technology can or could enhance our lives, not only in the workplace but in our everyday lives as well.

What does AI mean for you and your career?

There are so many advantages and benefits when it comes to using artificial intelligence, it drives innovation and creates efficiencies in our everyday lives. Data suggests that incorporating AI into the workplace and making it work for you can have positive impacts. The study found that 59% who were able to harness and leverage AI in the workplace had increased job satisfaction.[i]

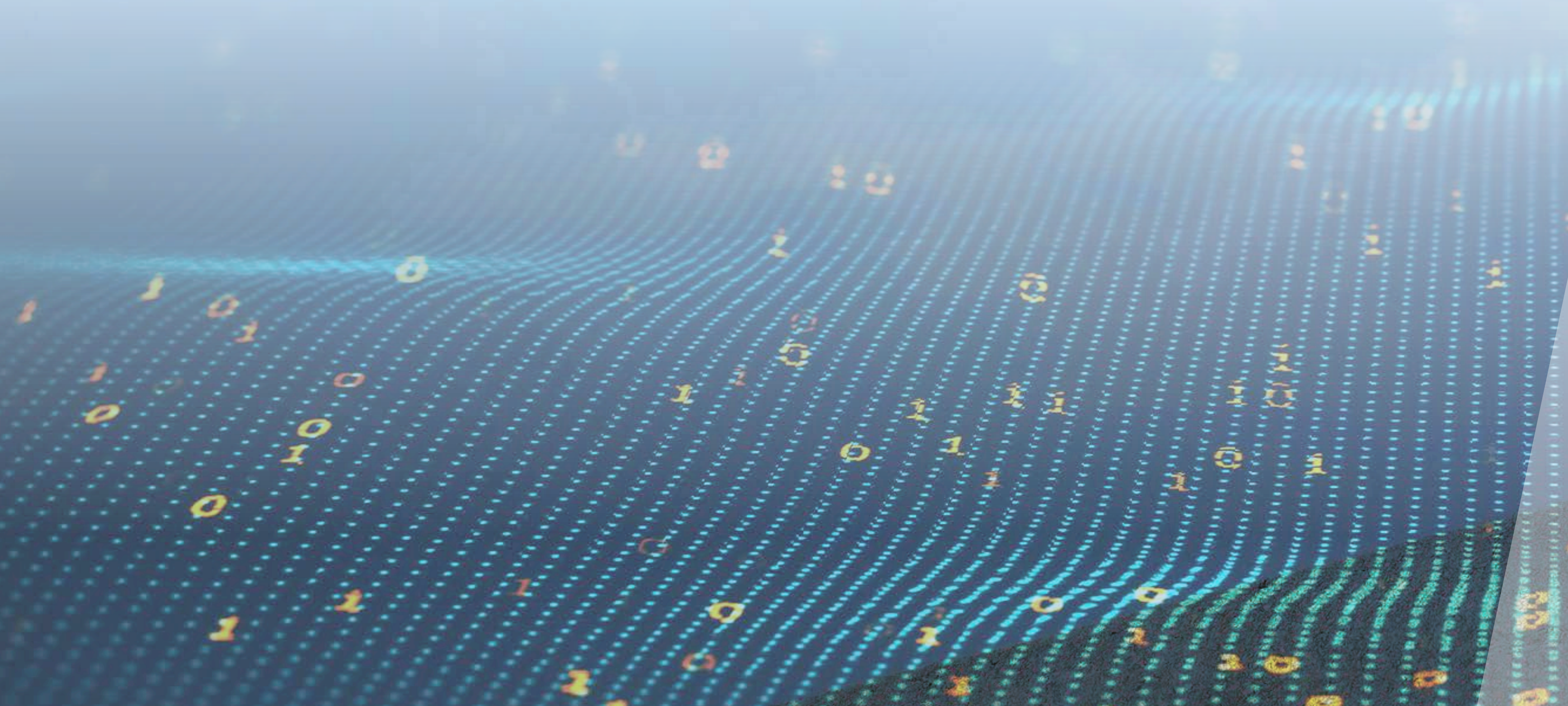
While AI has been used to improve productivity and create efficiencies for businesses for quite some time – think AI chatbot ChatGPT, there is still a strong perception that AI is going to take over every aspect of our jobs and we will all be at risk of being unemployed.

Take the virtual customer service assistant for example, they are so mainstream now (think online banking), that most of us forget what it was like talking directly to a human customer service assistant. However, what might be forgotten is while these chatbots assist with our routine and frequently asked questions, the customer service team is freed up to answer and assist with the more complex enquiries, providing the end client with better service.

When massive technological changes like this occur, it generally frees up people to be able to take on more complex roles. It's important to note, that we still have a long way to go before it gets to the point where technology will completely replace humans in the workplace.

AI has been around for decades

We've actually been using AI for longer than you think. Predictive text on your phone, Google search, and things like Alexi and Siri have been around for many years. So, we've been some form of using artificial intelligence for quite some time.



While AI is still 'relatively' in its infancy, now is the perfect time to discover what implications AI may have on your career, and how you can start incorporating it into your life and workplace to futureproof yourself both personally and professionally.

Find out if your employer offers any training courses that could help to develop your skills and while the training may not pertain directly to your role, you should consider whether it may improve your other roles in the future.

In the workplace, look for ways you can automate routine tasks to free up more time that allows you to focus on other activities that could be adding more value.

Developing your personal brand

Building and developing your personal brand in a way that differentiates you from others can set you apart from the crowd. Having a strong personal brand can help boost your chances of success if you're looking for new job opportunities.

Relationships and connectivity are still some of the most important areas in the workplace and will become increasingly more so as AI is not unable to emulate this aspect of our work lives, so focussing on developing your skills in areas like creativity, critical thinking, and emotional intelligence will assist in building your personal brand and future proofing your career.

LinkedIn is the perfect example of how social media can be used to help develop your personal brand on a professional level. This channel provides networking opportunities you wouldn't ordinarily have in the workplace, allowing you to connect and collaborate with others to learn and develop even further.

Another option is to invest in courses outside of work. If you think aspects of your job could eventually be replaced by AI, do your homework and find ways to upskill or reskill in other areas.

Harnessing AI opportunities

AI is a powerful tool and with the constant development and advancement of this technology, understanding its full potential in the workplace should be embraced more broadly. As we've seen with the small steps being taken to create driverless cars, artificial intelligence can only make our lives easier.

i https://tech.co/news/business-attitudes-ai-workplace

Your Financial Planner is an Authorised Representative / Corporate Authorised Representative of

InterPrac Financial Planning Pty Ltd

ABN 14 076 093 680

Australian Financial Services Licence Number 246638, Level 8, 525 Flinders Street Melbourne VIC 3000