

Our latest update



November 2022

Welcome to our newsletter. While the race that stops a nation is always a highlight of early November, on the economic front the Labor government's first Budget, handed down in late October, has been a talking point.

Treasurer Jim Chalmers' first Budget was delivered against a backdrop of continuing turmoil on the global economic front. The UK reversed its promised tax cuts that spelled the end of Liz Truss' brief tenure as Prime Minister. She was replaced by the more economically credible Rishi Sunak. In the US, media reports suggested the US Federal Reserve will scale back its aggressive interest rate hikes in December. Both events were welcomed by financial markets, but the same challenges remain. Escalating war in Ukraine, energy supply shortages, rising inflation and interest rate hikes to fight it, still point to a likely recession in the US and elsewhere. Oil prices continue to rise as OPEC restricts supply, with Brent Crude up about 13% this month, but recession fears are moderating the price pressures.

In Australia, economic signals are mixed. Reserve Bank assistant governor, Luci Ellis said in a speech that Australia's "neutral" cash rate should be at least 2.5%. The rate is already at 2.6% after a 25-basis point rise this month, but further increases are expected. Unemployment rose slightly to 3.5% in September, perhaps indicating labour shortages are easing. The ANZ-Roy Morgan consumer confidence index slipped below its 2022 average of 90.3 on recession fears and the falling Aussie dollar. The dollar fell another 2c to around US63.2c in October. Businesses are more optimistic, with the NAB business conditions index up 3 points to a 15-month high of 25 points in September.

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Federal Budget

from a tax perspective

October
2022-23

Quiet on the tax front, for now

For once, tax measures took a back seat in a Federal Budget, with the second version for this year being billed as a “solid and sensible Budget suited to the times”.

The October 2022 Budget resisted the recent trend to continually tinker with our tax system, but it seems likely this steady-as-she-goes approach won't last long, with the new Treasurer, Jim Chalmers, repeatedly referring to the need for tax reform in the days prior to delivering his first Budget.

Tax was not entirely forgotten, however, with the ATO to extend many of its tax compliance programs, a new focus on multinational corporate tax and higher fines for tax breaches.

ATO compliance focus

The ATO was a big winner in the Budget, receiving extra funding to help it achieve higher levels of tax compliance.

The tax regulator will receive \$80.3 million to extend its current Personal Income Tax Compliance Program for two years from 1 July 2023. This program will focus on overclaiming tax deductions and incorrect reporting of income.

The ATO also received additional funding for its Shadow Economy Program and Tax Avoidance Taskforce, with additional compliance activities in these areas expected to raise \$3.7 billion over four years.

Tax penalty increases

Fines for breaches of the tax and financial laws will rise from 1 January 2023.

The current fine of \$222 per penalty unit will rise to \$275 per penalty unit, with fines to be indexed in line

with the CPI again from 1 July 2023. This increase is expected to raise an additional \$31.6 million over four years.

Multinational tax measures

The Budget included measures designed to close tax loopholes and ensure multinationals pay their fair share of tax in Australia. The multinational tax integrity package is expected to raise around \$1 billion over 4 years.

The government also intends to focus on working with other countries to reform the international corporate tax system to “better address the challenges arising from digitalisation and globalisation”.

Electric vehicle buyers

More small businesses may be tempted to go electric with their vehicles, with the \$345 million Electric Car Discount to exempt eligible electric vehicles from fringe benefits tax (FBT) and the 5 per cent import tariff.

On an electric car valued at about \$50,000, the new FBT exemption will save an employer up to \$9,000 a year. For individuals using a salary sacrifice arrangement, the saving could be up to \$4,700 a year. As an additional sweetener, customs duties of up to \$2,500 are also being removed if the vehicle was previously subject to an import tariff.

Supporting small business well-being

Small businesses have not been forgotten entirely, with the Budget

providing \$15.1 million in additional funding to extend the small business mental health and financial counselling programs, NewAccess for Small Business Owners and the Small Business Debt Helpline.

Almost \$63 million in new grants will also be available to small and medium-sized businesses so they can improve their energy efficiency and reduce their energy usage by investing in energy efficient upgrades.

Lower eligibility age for downsizer contributions

The super system was given a break from its endless reforms, with only a minor tweak to the existing rules.

The Budget included a measure to allow more people to make downsizer contributions into their super accounts by reducing the minimum eligibility age from the current 60 to 55 years of age. Older Australians will also be encouraged to downsize by exempting their home sale proceeds from pension asset testing from the current 12 months to 24 months.

End of tax offsets and low-income payments

A noticeable absence from the Budget was new tax offsets and payments to lower-income earners.

There was no extension of the previous Low and Middle Income Tax Offset (LMITO), which means eligible taxpayers will no longer receive the offset when lodging their annual tax return. The Coalition's one-off \$420 cost-of-living offset was also not renewed.

How to spot and stop financial abuse



Until recently, financial abuse was often kept secret, especially where it occurred within the family. Thankfully that's changing with public awareness campaigns and help becoming more readily available.

The emotional and economic damage caused by financial abuse can be far reaching and devastating. A recent Australian report calculates that in 2020 alone, financial abuse victims lost \$5.7 billion while the cost to the broader economy was \$5.2 billion.ⁱ

Nearly one in 30 women and one in 50 men suffer financial abuse each year, according to the Deloitte Access Economics report *The Cost of Financial Abuse in Australia, 2022*. These figures are almost certainly an underestimate, the report adds.

There are no typical victims of financial abuse: those affected are of all ages and means. Sadly, the abuser is often a friend, carer, partner or family member.

What is financial abuse?

Financial abuse is when someone uses your money without your permission, prevents you from getting access to money or takes charge of your financial decisions.

These days, financial abuse is considered a form of domestic and family violence, taking away your independence and leaving you feeling vulnerable and anxious. Victims may also suffer physical violence and emotional abuse.

The most common type of financial abuse is withholding income or controlling how it is spent, according to the Deloitte report. But there are other forms of abuse that can be equally harmful such as making a partner liable for a joint debt, preventing someone from working, refusing to contribute to household expenses and refusing to

contribute to the costs of raising a child.

Many victims also suffer flow-on effects of the abuse such as financial hardship and stress, leading to mental health issues. Some may also lose their home.

In some cases of family violence, one partner takes control of the couple's finances, preventing the victim from leaving the relationship. In others, where the victim does manage to leave, the abuser may continue their abuse using tactics such as expensive legal action or disrupting the victim's work or business.

Recognising the signs

Victims of financial abuse may not be aware of the abuse for some time, allowing perpetrators to empty bank accounts, deplete investments and incur large debts in the victim's name.

The federal government agency, Services Australia says the warning signs include:

- taking or using your money without your permission
- not being allowed to work
- having to account for how you spend your money
- withholding financial information from you
- spending any government payments you receive without your consent.ⁱⁱ

Incurring debts in your name is another form of financial abuse. Your partner may spend more than you agree on your credit card, pressure you into co-signing a loan with them, or take out a loan in your name, according to Australian Family Lawyers.ⁱⁱⁱ They may also limit your educational opportunities

by, for example, preventing you from enrolling in studies that could advance your career.

Older people and those living with disability can be particularly vulnerable to financial abuse if they rely on others for help and advice. Financial abusers may take money from their bank accounts or wallets, ask an older person to change their Will, take jewellery or other valuable items from their home, or take control of their decisions using a Power of Attorney when they are still capable of making their own decisions.

Where to go for help

If you or someone you know is suffering financial abuse, a number of free and confidential resources are available.

The MoneySmart website provides information about free legal advice at community legal centres or legal aid centres, and a number of suggestions if you need urgent help with money.

You can also find free and confidential counselling for family violence, abuse and sexual assault at: 1800RESPECT (24 hours a day, seven days a week) 1800 737 732

For crisis support, contact Lifeline (24 hours a day, seven days a week) 13 11 14

We understand that it can be difficult reaching out for support if you feel you or someone you love is being taken advantage of financially, especially if a family member is involved. Please call us if you would like a confidential discussion about safeguarding your finances

ⁱ <https://www.commbank.com.au/content/dam/caas/newsroom/docs/Cost%20of%20financial%20abuse%20in%20Australia.pdf>

ⁱⁱ <https://www.servicesaustralia.gov.au/what-family-and-domestic-violence?context=60033#a8>

ⁱⁱⁱ <https://www.australianfamilylawyers.com.au/information-centre/signs-of-financial-abuse>

CATCHING THE kindness bug

Australians have seen more than their share of tough times over the past few years and there are many stories of how individuals and communities responded to natural disasters and the pandemic with empathy and valuable assistance.

Being kind and helping others does not have to be something that we only do in times of crisis however, every day can provide opportunities to look out for others and be more caring and compassionate in the way we conduct ourselves.

A kind nation

A recent study shows that we truly believe ourselves to be a kind nation and that we are living this out in our daily lives, with the average Australian performing 16 acts of kindness every week.ⁱ

The amazing thing about being kind is that it not only helps the recipient of your care and compassion - it also benefits you, the giver, in so many ways.

The benefits of a kind act

If you feel good after you've done something nice for someone else, you are not just basking in the psychological glow of a job well done and the thanks they gave you. Biologically, kindness releases chemicals like the "love hormone," oxytocin, which helps us form social bonds based on trust and give us a sense of belonging and community, and serotonin which promotes a feeling of calmness and combats depression.

There are a host of other physical benefits that can come from doing something nice for others. Doing a good deed for others has been proven to lower blood pressure, improve the health of your heart, reduce anxiety, and stress, and even boost immunity.ⁱⁱ

Kindness – the gift that keeps on giving

Kindness tends to be contagious (but in a good way!). If you are the recipient of kindness, it can spur you on to think of others and in turn do a good deed for someone else.

Research also shows that the happiness people get from giving to others creates a 'positive feedback loop.' The more you give, the more positive you feel, which leads to feeling more inclined to help others.ⁱⁱⁱ

Random, spontaneous acts of kindness

Being kind is all about the small things. You don't need to be daunted by the effort or possible expense of a grand gesture. If you keep it small, it's easy to include random acts of kindness as part of your daily routine. These could be as simple as offering a compliment to a co-worker or contacting a friend who is going through a tough time and just asking how they are doing and letting them know they are in your thoughts.

If it's not something that comes naturally to you, it can help to just consciously aim to do one nice thing for someone every day. If kindness is on your radar, you can work some spontaneous gestures into your day. Pay forward that coffee in the café you always go to, open the door for the person struggling with their groceries or hold the lift for the guy in a hurry.

Once you've mastered spontaneity, you can take it one step further and plan how you'd like to help others on an ongoing basis. Here are a few ideas to get you thinking:

- Join a website to give things away you don't use
- Share your skills by offering to mentor someone in your industry
- Help an elderly neighbour by offering to walk their dog or pick up some shopping when they need it
- Sponsor a local charity

Being kind to yourself

Finally, fostering kindness is not only about being kind to others. As kids we may have been told to 'treat others as you would treat yourself' but we are often not as kind to ourselves. Many people maintain a negative internal dialogue that we would not tolerate from someone else, and we can be extremely hard on ourselves if we fall short of our own expectations. A little positive self-talk and self-care can go a long way when it comes to looking after yourself and it's not selfish to do so.

Each act of kindness can change the way we see ourselves and others, as well as how others see us. so, when you are faced with the choice of how to react to a particular situation - take the opportunity to be kind.

i <https://mccrindle.com.au/article/blog/what-are-the-most-common-acts-of-kindness-in-australia/>

ii <https://www.quietrev.com/6-science-backed-ways-being-kind-is-good-for-your-health/>

iii <https://www.healthdirect.gov.au/acts-of-kindness-and-compassion>



GETTING THE BALANCE RIGHT IN **decision making**

We all approach decision making in our own way, making a multitude of decisions every day: 'Should I hit snooze again on the alarm?', 'Do I take the train to work, or do I drive,' 'What should we have for dinner?'

In fact, researchers estimate that the average adult makes 35,000 decisions every day.ⁱ While most of these are fairly insignificant, we also constantly make complex decisions that may support us in many areas of our lives - from navigating a change of career, handling a new project at work, or even managing the complexities of interpersonal relationships.

Having some knowledge of the decision-making process can help you to be more self-aware when faced with those larger, more complex decisions.

The biology of thought

The human brain is an intricate organ. It contains about 100 billion neurons and 100 trillion connections and controls our emotions, thoughts, and actions. Our brains appear wired to work in complex ways to enable us to make the best decisions possible with the information we're given. In very simple terms the process is a little like a court trial. Our brains register sensory information like sights and sounds and then act as a jury to weigh each piece of 'evidence' to make a judgement or decision.

Thinking fast and slow

Nobel laureate Daniel Kahneman in his hugely successful book *Thinking, Fast and Slow* - suggests that there are two distinct and different ways the brain forms thoughts.ⁱⁱ

'Fast thinking' is automatic, intuitive, and used for most common decisions. It is our brain conserving energy by making the bulk of its decisions on some degree of autopilot. This style of thinking uses cognitive shortcuts to let us respond quickly and instinctively to a wide range of fast and ever-changing inputs, like discerning emotions from facial expressions, ducking when something is thrown at us, reading words on a billboard, or driving a car on an empty road.

On the other hand, 'slow thinking' is more thorough and logical but also takes more time and is resource intensive. It kicks in when you focus on a task or problem, monitor and control your behaviour, formulate an argument or do anything that causes your brain to exert itself.

Different thinking for different situations

Of course, both styles of thinking have their place. It's important to be able to make fast decisions when required - in fact, fast thinking comes from the most primal part of our brain to help us make the kind of snap decisions integral to survival. However, there are times when you need to analyse and think through all the implications of a complex decision like whether to accept that new job offer interstate or buy that new car.

Amongst the multitude of small decisions we face every day, it can be hard to find the time and energy for the big ones. Steve Jobs famously explained that he wore the same outfit every day to have one less easy decision to make so that he could focus his energy on the more complex decisions he was dealing with.

Minimising mistakes

If you find you rely heavily on fast thinking in your life, making choices based on gut instinct with little research or consideration, it may be time to consciously slow it down.

While that may not mean wearing the same outfit day in, day out, you might be able to have a few things in your life on autopilot, like putting together a weekly meal plan so thinking about what's for dinner is one less decision to make in your busy day.

Slow thinking takes discipline and effort. It's important to approach critical decisions in a measured way and give yourself the time and head space to think things through, rather than being swayed by emotion or the cognitive biases associated with fast thinking.

Good decision-making, either financial or otherwise also benefits from having a sounding board to talk things through with, and of course we are here to assist with any important financial decisions you may be faced with.

ⁱ <https://iise.org/details.aspx?id=46559#:~:text=Amongst%20the%20biologically%20related%20factors,decision%20making%20is%20described%20next.>

ⁱⁱ https://en.wikipedia.org/wiki/Thinking,_Fast_and_Slow



GUIDE TO concession cards for seniors

The excitement of heading towards retirement and a new stage of life can be tinged with concern over how to manage finances. For many people, seniors' concession cards are a good way to help make ends meet.

While discounts on goods and services are always welcome, they're even more valued right now as living costs continue to climb.

Concession cards for seniors provide significant discounts on medicines, public transport, rates and power bills. Many private businesses – from cinemas to hairdressers – also offer reduced prices to concession card holders.

There are different types of concession cards offered by federal, state and territory governments. While some are for those receiving government benefits, others are available to almost anyone aged over 60.

The cards are free and should not be confused with commercial discount cards that require an upfront fee or ongoing subscription.

Seniors Card

The Seniors Card is offered by all state and territory governments when you turn 60 (64 years in Western Australia) and are no longer working full time. This card is offered to everyone, regardless of your assets or income.

The Card will allow you to claim discounts on things like public transport fares, council rates and power bills. Thousands of businesses across Australia also offer reduced prices to Seniors Card holders. In some states, a separate card is offered to access discounts provided by private businesses and another card is provided for public transport.

There are a varied eligibility requirements and a range of different services offered based on your state or territory, so it's best check with your relevant government department.

Federal Government concession cards

If you're receiving a government pension or allowance, you're a self-funded retiree or you're a veteran, you may be eligible for one of several cards issued by the Federal Government.

The Pensioner Concession Card is automatically issued to people receiving pensions or certain allowances.

The card provides discounts on most medicines, out-of-hospital medical expenses, hearing assessments, hearing aids and batteries, and some Australia Post services.

In most states and territories, card holders receive at least one free rail journey within their state or territory each year.

Commonwealth Seniors Health Card

If you've reached the qualifying age for an Age Pension (currently 66 years and 6 months) but you're not eligible to receive a pension, you may be entitled to the Commonwealth Seniors Health Card.

You can receive the card if you:

- Are Age Pension age or older
- Can meet residence rules
- Are not receiving a government pension or allowance
- Can meet identity requirements
- Can meet the income test
- Provide a Tax File Number or are exempt

While there is an income test, no assets test applies. You will receive similar benefits to the Pensioner Concession Card.

Low Income Health Card

For those on a low income but not yet at Age Pension age, the Low Income Health

Care Card can be a big help. If you meet the income test, you'll get cheaper health care and medicines and other discounts.

Your gross income, before tax, earned in the eight weeks before you submit your claim is assessed and must be below certain limits.

The types of income included in the test includes wages and any benefits you receive from an employer, self employment income, rental income, super contributions as well as pensions and government allowances.

Other types of income are also counted including:

- Deemed income from investments
- Income and deemed income from income stream products such as super pensions
- Foreign income
- Distributions from private trusts and companies
- Compensation payments
- Lump sums such as redundancy, leave or termination payments.

Veteran Card

The Department of Veterans' Affairs has a concession card for anyone who has served in the armed forces and their dependents. Like other government concession cards, the Veteran Card provides access to cheaper medicines and medical care as well as discounts from various businesses. The Veteran Card is a new offering, combining the former white, gold and orange cards. There is no change to entitlements or services with the new card.

As you can see, the potential savings from seniors concession cards can be significant so be sure to check your eligibility. If you would like help working out your income and other eligibility requirements, give us a call.