Our latest update

December 2023

It's December – the month that always seem to race by as we approach the end of the year and all the festivities it brings. We hope you all have a lovely, happy, and safe festive season.

On the economic news front, there was some good news. Consumer prices eased by more than expected in October. The news that inflation may have been tamed means interest rate rises may be behind us, for now. The positive data also led to a jump in the Australian dollar, taking it to a new four-month high.

Retail spending slowed in October after a short-lived boost in August and September. But, in a further sign of good times ahead, business investment in the September quarter increased by 0.6% to almost $40 billion.

In mixed outcomes for sharemarket investors, there were some devastating lows this year, and a flat performance as November ended, but the ASX200 is up 4 points since the beginning of the year. The unemployment rate has increased slightly to 3.7% with an extra 27,900 people out of work in October.

Overseas, China's plan to bolster support for infrastructure drove iron ore prices 36% higher than the low in May. Although prices slipped $4 in November from a one-year high of $138 per tonne. While oil prices have steadied with cuts to production on the table to reduce stocks. Brent crude ended the month at around $83.

Market movements and review video – December 2023

Stay up to date with what's happened in markets and the Australian economy over the past month.

Consumer prices eased by more than expected in October. The news that inflation may have been tamed means interest rate rises may be behind us, for now.

Even the Organization for Economic Cooperation and Development (OECD) is optimistic about our economic recovery, predicting rate cuts from late 2024.

The ASX200 regained most of its October losses through November. Hopes the US may be ceasing its interest rate hikes impacted investor sentiment, as did the better than expected inflation figures locally.

Click the video below to view our update.

Please get in touch if you'd like assistance with your personal financial situation.

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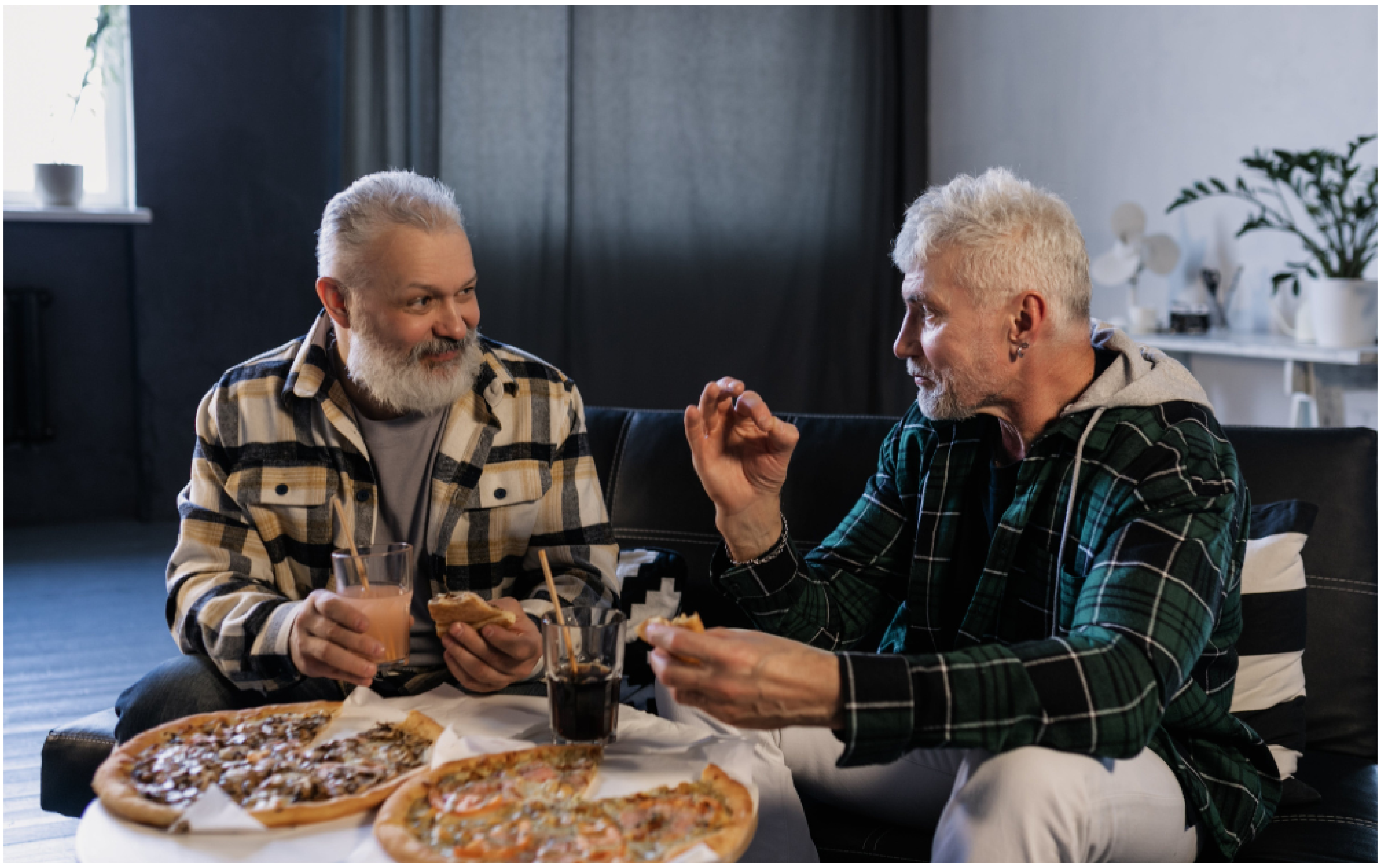

Catch up on super to boost retirement savings

Catch up on your super

If you've had an irregular or interrupted income in the past, you might've missed out on opportunities to contribute to super. If you don't fully utilise your concessional cap, and you're eligible, you may be able to make 'catch up' on concessional contributions.

What is a 'catch-up' concessional contribution?

It used to be a case of 'use it or lose it'. If you couldn't contribute the maximum annual concessional (before-tax) contribution amount to your superannuation, the opportunity was lost.

This meant many people, women in particular, had a lower super balance for their retirement. This was typically a result of their working life being interrupted by things like studying, starting a family or taking care of parents. This could also be the outcome from working in casual or part-time jobs.

Can I make concessional contributions?

An annual cap of $27,500 applies to concessional contributions. This is the most you can contribute in one year.

Concessional contributions include:

- mandatory employer contributions (such as Super Guarantee)
- salary sacrifice contributions (paid from your salary before it's taxed), and
- personal contributions that you claim a personal tax deduction for.

If your concessional contributions in a year are less than the annual cap, the 'unused' amount can be carried forward for the next five financial years. After five years, that unused amount will expire.

For example, if you only have total concessional contributions of $10,000 out of the available $27,500 in the 2022/23 financial year, the unused amount of $17,500 can be carried forward for the next five years. If you're eligible, this could enable you to make a greater concessional contribution in a future year.

If you're aged between 67 and 75 you'll need to meet a work test to make concessional contributions – you need to have done at least 40 hours of paid work in any consecutive 30-day period that financial year.

Can I make catch-up contributions?

So you have an unused amount that you have carried forward from an earlier year, and you want to make a 'top-up' carry-forward contribution. What now?

You will need to look at your 'total super balance' (TSB). Your TSB prior to 30 June must be less than $500,000 for you to be eligible to make the catch-up contribution using your carried forward amount.

Your total super balance at a particular time is broadly the total of the:

- accumulation phase value of your super interests
- value of your super pension accounts
- rollovers in transit between super funds.

You can find your balance by contacting your fund or funds, and you'll also find the latest balances reported to the Australia Taxation Office through the MyGov online service.

How you can benefit

The rules were designed to give people with an irregular income or work pattern the same opportunities for a comfortable retirement as those with a regular income. But they could also help people who don't contribute the maximum amount annually, and find themselves in a position to invest more in a later year.

When you get back to earning a regular income or have the capacity to invest more, you may be able to make additional top-up contributions to help you 'catch up'. This could make a real difference when you're able to access your super as a lump sum or retirement income stream.

What to do next

From the start of the 2023/24 financial year, you can start by keeping track of your contributions in any year, particularly if you don't make use of the full concessional contribution limit.

You can also keep track of any 'catch-up contributions' you make in a given year. Having these records will make it easier to see how you can best catch up in the future.

Contact us today if you'd like to discuss how you can contribute more to your super.

Source: NAB
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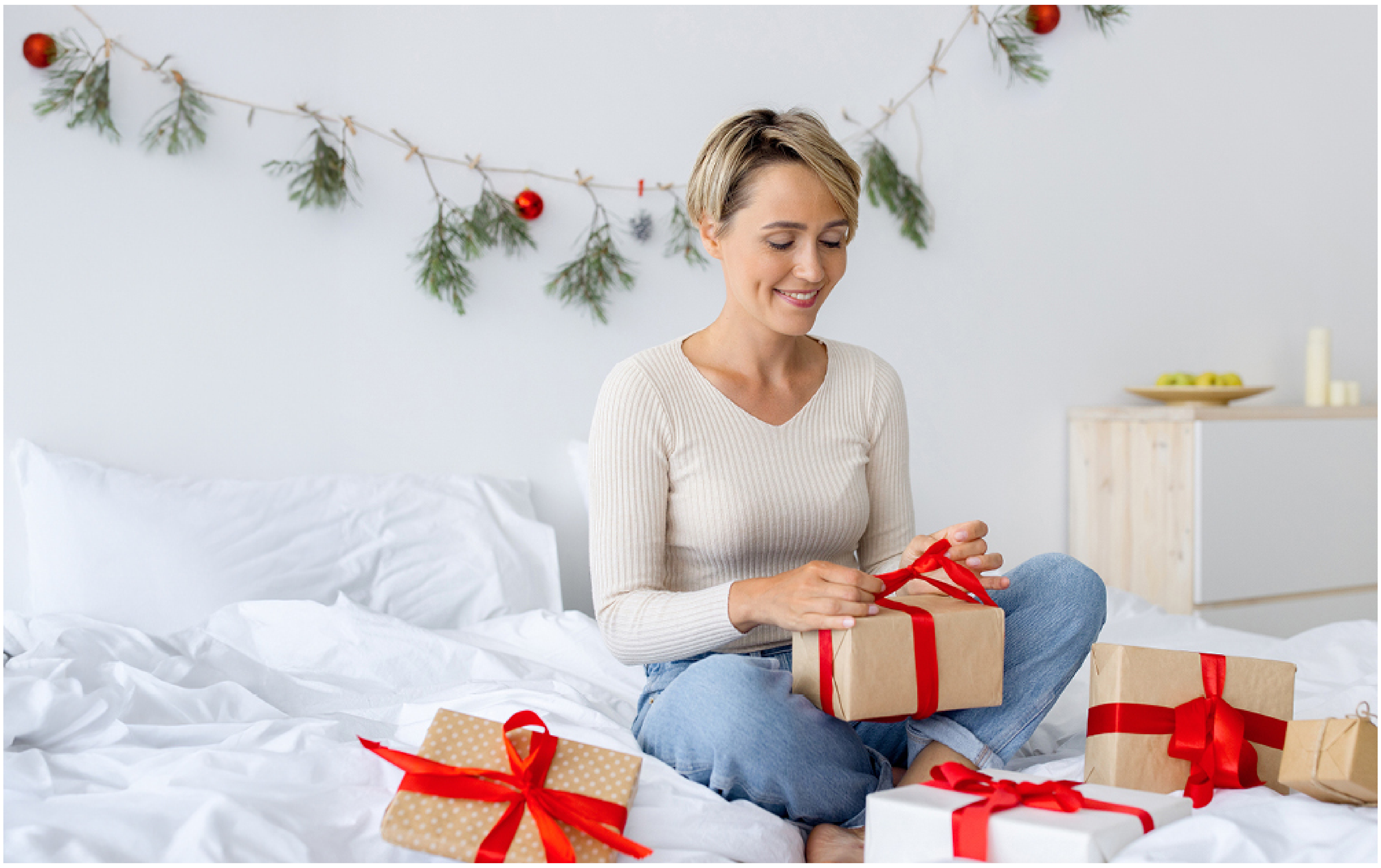


Financial wellbeing is a gift worth giving yourself

The festive season is a time of joy and celebration but, for some, it can also lead to a financial hangover in the New Year.

Overspending on gifts, parties, and decorations can quickly add-up, leaving us with unwanted debt in the New Year.

In 2022, Australians spent more than $66.7 billion during the pre-Christmas sales in preparation for the festive season. The rising cost of goods and services mean that even though many are trying to curb their spending, it is expected that we will spend a little extra this year.

5 ways to rein in Christmas spending

1. **Create a Christmas budget -** A budget is an effective way of controlling spending. It may not sound like fun, but it helps you to understand what you would like to spend and how much debt you are prepared to live with. List all of the costs you can think of (gifts, decorations, food, travel and entertainment), then set limits for each category and stick to them diligently. Consider using budgeting apps or spreadsheets to track your expenses and ensure you stay on track.

2. **Embrace the spirit of giving -** Instead of buying individual gifts for every family member or friend, organise a Kris Kringle or Secret Santa gift exchange. This not only reduces the financial burden for everyone, but it adds an element of surprise and excitement to the holiday festivities.

3. **Take advantage of sales and discounts -** Begin your Christmas shopping early to take advantage of sales and discounts. Stockpiling non-perishable food items and other essentials before prices rise closer to Christmas can deliver big savings.

4. **Online shopping -** You can often find better prices by shopping around online and various third-party websites offer cash back or rewards not available in store.

5. **DIY and personalised gifts -** Tap into your creativity by making your own gifts. Handmade gifts can be a welcome and thoughtful way of giving. Consider creating homemade cards, photo albums, or baking treats for loved ones.

Tackle any debt now

With many household budgets feeling the pinch due to rising housing, power, petrol and other costs, debts may already be increasing. But if you are feeling burdened with debt, don't decide to leave it until after Christmas. The time to tackle it is now before it gets out of hand.

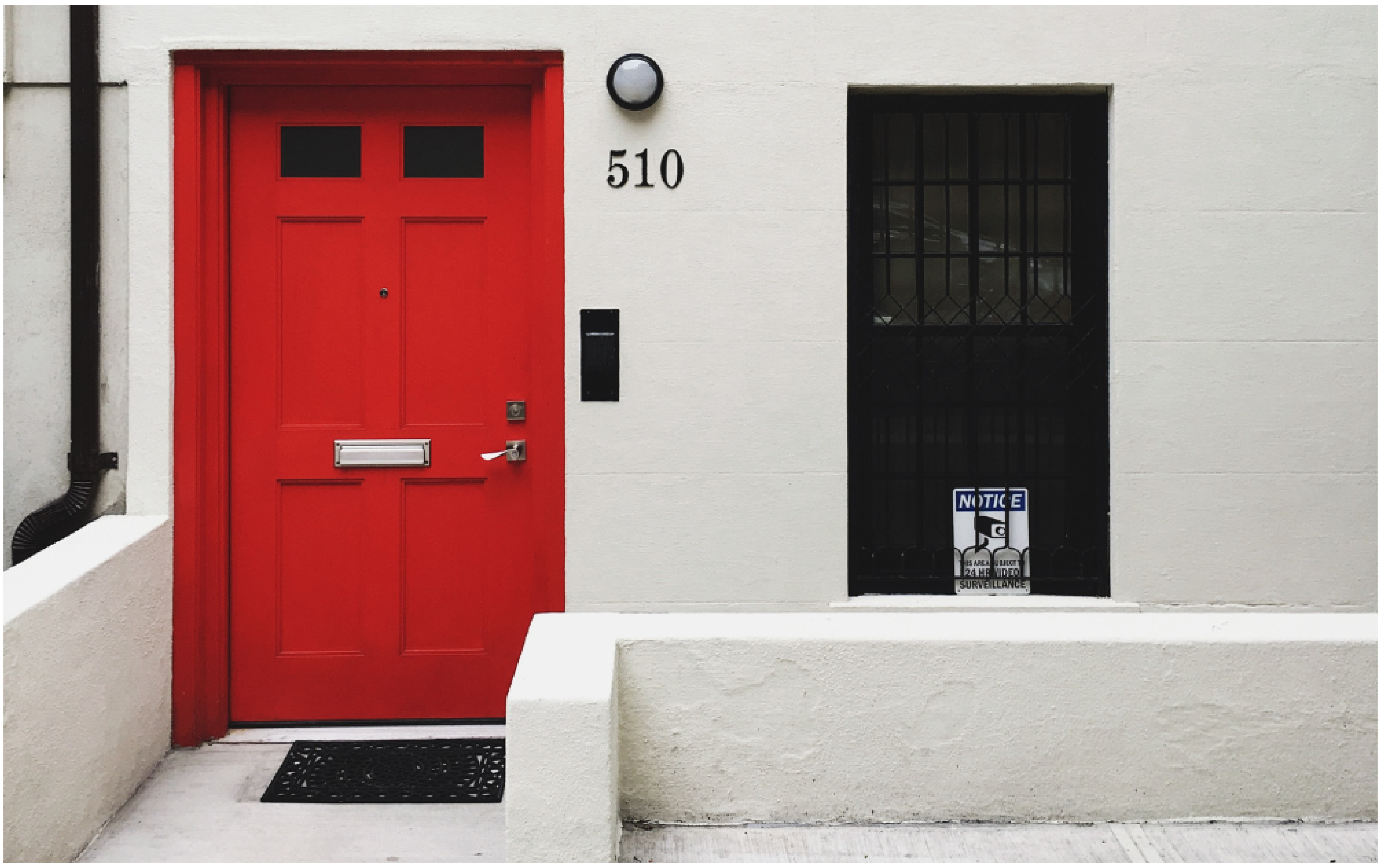
One option to consider, is to consolidate your high interest debts into a single more manageable loan. This approach can simplify repayments and potentially reduce interest rates, making it easier to eliminate debt over time. But it is important to do your calculations carefully to make sure it is worthwhile for you and then to be vigilant about watching spending.

Another option is to take a cold, hard look at your expenses. Is there something that can be cut back, and that money diverted to repaying debt? Any reduction of your debt load will help, no matter how small. Some people like to implement the snowball method in tackling their debts: while continuing to make the minimum repayments on all your debts you pay a little extra on the smallest debt to pay it off faster. Getting rid of debts can help to inspire you to continue.

Taking control of Christmas spending and debt is crucial for starting the New Year on a positive financial note. So, start planning early, know what you can afford to spend and prioritise your financial wellbeing for a debt-free and stress-free holiday season.

If you are struggling with post-Christmas debt or need assistance to manage your finances, we are here to help. Contact our team of financial experts today to discuss strategies to regain control of your financial future. Make this Christmas season a time of joy and financial empowerment.

i Pre-Christmas spending forecast to tread water as uncertainty looms for discretionary retailers | Australian Retailers Association



Understand cash flow before you invest in property

Understanding cash flow

Understanding cash flow can be the difference between a solid long-term investment and a costly mistake, writes Michael Sloan. So do your research – and get good advice before you buy.

What is negative cash flow?

Oftentimes investment properties generate negative cash flow. That means, you must put money in each year to cover the difference between the total cost of the property (interest repayments, rates, insurance, maintenance, etc.) and the total income (rent and tax breaks). Investors are happy to do this because they expect a long-term profit. Over time the rental increases that go in hand with inflation should mean this 'top-up' is no longer needed.

Unfortunately, some investors don't know what the cash flow of their property is before they buy. They don't realise something's wrong until their cash flow dries up and they get the bad news from their financial advisor. So seek advice from your accountant before you buy, not after. Always do the numbers first.

Miscalculating cash flow

It's easy to miscalculate cash flow. Your estimated rental income might be over-optimistic, and you might also assume full occupancy (52 weeks a year). You might also underestimate maintenance costs or insurance.

Investors who get the cash flow of their property wrong can quickly run into problems. They either have to raise extra cash to prop up their property each month (potentially putting them under great financial stress), or sell. Selling property under pressure is never ideal and these investors can lose a lot. Sadly, this is a common mistake.

Work out your cash flow

To understand the cash flow on a potential investment property, get your accountant to do the numbers for you (if they can't, get a new accountant). The number one rule is: 'Don't buy a property without knowing what the cash flow is'.

Make sure your accountant has all the costs of holding the property, including rates, body corporate fees, insurance and property management fees. They can work out the interest, estimate depreciation and give you an idea of the cash flow for the property. Have the property inspected and if possible see if you can check body corporate records, if needed. This could help you find out about any big maintenance or structural repairs planned.

If buying that property will put strain on your finances, then find a property with better cash flow. Also, when doing your figures, factor in possible interest rate rises and potential vacancies.

When the company selling you a property provides a cash flow report, don't take it as gospel. The figures can always be manipulated, so get your accountant to work through them.

Your key to staying financially safe? Understand the cash flow before you buy.

A tip about tax

If you think you'll have a net rental loss (i.e. your deductions, including interest, depreciation and capital allowances exceed your rental income), you can improve your cash flow by applying to the Australian Tax Office (ATO) for a PAYG withholding variation. If the variation is approved, you may be able to reduce the tax taken out from each wage packet, rather than waiting till the end of the year to get a tax refund.

Speak to us for more information.

Source: NAB

Endure Wealth Pty Ltd
ABN 87 632 221 713
AFSL 516435
E info@endurewealth.com.au