MONEY MATTERS.

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Protecting Your Super – changes that apply from 1 July

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We hope you enjoy our latest edition of Money Matters.

Please contact our office if you would like to discuss anything in this edition.

Greg Roberts

Damien Roberts

Beware the granny flat trap

Granny flats can offer benefits, but there are also pitfalls for the unwary.

It happens more often than you might think. Grandma decides to sell her house and build a self-contained unit at the home of an adult child. It seems like a win-win: she can downsize and be close to family while retaining her independence; meanwhile the child sees value added to their property for the long-term.

But things can go pear-shaped fast. Just ask Rebecca Edwards, Principal Lawyer at elder abuse advice group Seniors Rights Victoria (**SRV**). They receive up to three calls a week about issues related to granny flats, and her advice to anyone thinking about entering such an arrangement is simple: Get it in writing.

“Even a bad written agreement is better than no written agreement,” she says.

That said, “many of the agreements we see are really inadequate. They just don’t cover all of the scenarios that people need to be thinking about.”

Problems can arise when one person wants to sell and the other doesn’t – say, if the adult child separates from their spouse; encounters unexpected debt; or when the relationship between the older person and the adult child breaks down, perhaps over differing expectations around household duties.

That’s why any written agreement should drill down to day-to-day practicalities. Edwards suggests key questions that need to be answered before setting up a granny flat include:

- What sort of care might the older person be expecting to receive?
- What might the adult child be expecting the older person to provide, maybe in terms of childcare?
- What if the older person loses their cognitive impairment and needs to go into care?
- Who is going to pay things like the insurance or the electricity?
- Is the older person going to be on the title?
- How is it going to impact the inheritance that might be available to other children?

Given the list of questions that need to be considered, it's important to seek financial and legal advice before taking the plunge. SRV has produced a number of resources to assist in such scenarios, including Assets For Care, a how-to guide for the lawyers of people thinking of taking the granny flat route.

While SRV tends only to enter the picture when things have turned sour, Edwards says granny flats can work.

"In no way are we anti-granny flat. There are lots of people who have good arrangements, and it can be beneficial to both parties."

With careful planning and the right advice, it really can be a win-win.

Protecting Your Super – changes that apply from 1 July

Protecting Your Super (**PYS**) legislation came into effect from 1 July 2019. As outlined in the last edition of Viewpoint, this legislation is designed to protect superannuation accounts from unnecessary erosion caused by insurance premiums and particular fees. The changes that now apply to super accounts are:

1. Super accounts with balances under $6,000 that are inactive – i.e. where we have not received any contributions, rollovers or other transactions from you in the last 16 months – will be closed. The funds will be sent to the Australian Taxation Office (**ATO**) at the end of October. This will allow the ATO to consolidate these funds with any funds that you may have in active accounts. We will contact you next month if your account is impacted. If you do not want your funds transferred you can make a contribution into your account so it is no longer inactive, or contact our Service Centre on **132 977** to arrange to keep your account. Note: this does not apply to pension accounts.
2. An annual fee cap of 3 per cent of the account balance on investment and administration fees applies to accounts with balances less than $6,000 and exit fees cannot be charged.
3. Super accounts with insurance that are inactive for 16 months will have their insurance cancelled. We have already contacted you if you were impacted by this.

Making a home for an older parent

If you are a homeowner and you are considering entering into a granny flat arrangement with a parent, there are a few additional things to keep in mind.

The first is to learn what regulations and restrictions apply in your area. Be it a self-contained section of a larger dwelling, a freestanding bungalow or a 'fonzie flat' above a garage, the rules vary from state to state and council to council.

Any written agreement should consider what will happen if your parent needs to move into care – for example, if the house needs to be sold so that your parent can access the aged care facility of their choice.

Importantly, if you have siblings, it is worth involving them in discussions to forestall future conflicts over financial or other practical implications.

The keys to a successful arrangement are good communication within the family, and seeking the right external advice.

If you have questions about the financial implications of building or moving into a granny flat, speak to your financial adviser.

Five things you need to know about life insurance

Life insurance offers important protection for millions of Australians, making it critical to understand the benefits and latest news.

Life insurance comes in many different forms such as life cover, total and permanent disability cover, critical illness or trauma cover, and income protection cover. Each can play an important role protecting you and your loved ones' lives.

Yet many people remain unsure of why they need life insurance or whether it will be there when they really need it. Throw in ongoing regulatory changes and many Australians may not have the cover they assume or may even be holding back from taking out a policy at all.

The life insurance industry paid out $10 billion in claims last year according to industry group, the Financial Services Council. Here are five reasons why it's worth making sure you're covered in the event of disaster.

1. People making life insurance claims are younger than you think

Australians enjoy some of the longest lifespans in the world. Men and women aged 65 in 2014-2016 can expect to live to 84.6 years of age and 87.3 years of age respectively, according to the Australian Bureau of Statistics.

However, the average claim age for life insurance is only 66 years for men and 63 years for women, according to an analysis of ClearView data.

It shows the importance of insuring against the unexpected, whether a terminal illness or death due to accident or illness, so that you can maintain your standard of living, including paying for medical treatment, or look after loved ones if you're not there.

2. Insurance claims involving advisers are more likely to be accepted

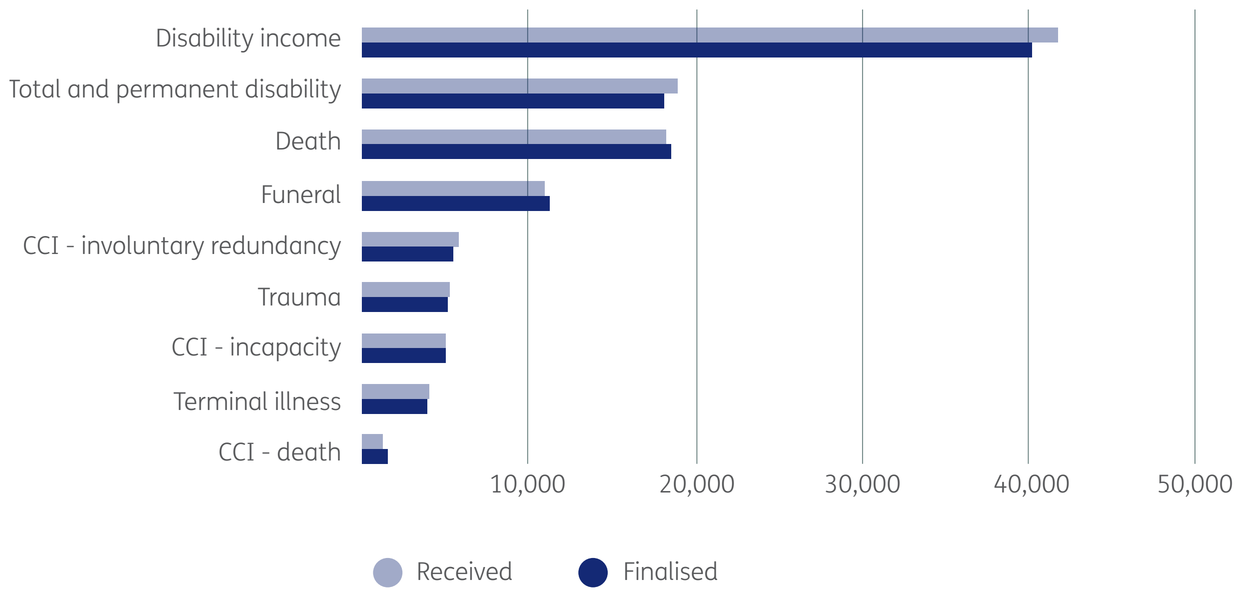
A comprehensive 2016 life insurance survey by the corporate regulator, Australian Securities and Investments Commission (**ASIC**), found insurance claims were declined in just 7 per cent of claims when a financial adviser was involved.

Life insurance claims through a superannuation fund (known as group insurance) were declined in 8 per cent of cases while direct life insurance (sold through the Internet or a call centre), were declined in 12 per cent of cases.

However, one insurer via direct sales declined 29 per cent of claims while one insurer via a super fund declined 23 per cent of claims, suggesting a skilled financial adviser can be invaluable to ensure protection is there when you or your family needs it most.

An adviser can ensure you have the right type of cover provided by a reputable insurer and then help you navigate the process if you need to make a claim.

Claims finalised kept pace with claims received



Source: Life Insurance Code of Practice annual industry data and compliance report 2017-2018

3. Most life insurance claims are processed quickly

More than 130,000 insurance claims were processed in 2017-18 by the major insurers that have subscribed to the new Life Insurance Code of Practice.

The industry reported that 89 per cent of income-related insurance claims were decided within two months while 92 per cent of non-income-related claims were decided within six months.

Having confidence that your insurance claim will be finalised in a timely manner is crucial for peace of mind.

4. New legislation may close your insurance if it's attached to super

Many superannuation funds automatically include life insurance. Unfortunately, many people are unaware they have this insurance or are unlikely to ever use it – the result is their retirement savings are slowly sapped premiums.

The Government's new Protecting Your Super package aims to stop this happening. From 1 July, 2019, super accounts with insurance that are inactive for at least 16 months will have their insurance cancelled.

Funds have been informing anyone affected so they have the choice to opt-in to continue their insurance. If you have any concerns, contact your financial adviser who can also ensure you have the most appropriate life insurance.

5. Life insurers want a regulatory overhaul so they can offer rehabilitation benefits

Employment provides people with the money they need to support their lifestyle. However, those who are incapacitated and unable to work lose more than an income: it can also dent their happiness and self-confidence.

Life insurers are lobbying for a change to legislation which would allow them to fund treatment for Australians at risk of long-term incapacity where they are not covered by private health insurance or stuck on public healthcare waiting lists.

Research commissioned by life insurance representative group, the Financial Services Council, suggests such reforms could provide benefits up to 10,118 people per year while 87 people could be prevented from becoming totally and permanently disabled.

Early intervention by life insurers could also cut return to work times from 18 to 13 weeks.

Do you have more questions about insurance? Speak to your financial adviser to ensure you have the most appropriate coverage.

The drive for gender diversity picks up pace

Gender inequality remains deeply entrenched in society but recent corporate changes are set to make a positive impact.

It has been more than 30 years since Australia outlawed gender discrimination, yet women are still paid less than men, retire with less superannuation, and hold fewer senior executive and board positions.

The reasons are complex, but the pace of change is slowly accelerating as organisations acknowledge that more needs to be done. That drive is being helped by a deeper understanding that workplace diversity also delivers substantial organisational benefits.

A global study by consultants McKinsey & Company found companies with the most gender diversity across their executive teams were 21 per cent more likely to post above-average profitability. By way of contrast, businesses with poor gender diversity were 29 per cent more likely to post lower-than-average profits. Numerous other studies have also linked the benefits of diversity with outperformance.

The reason more diverse workforces, executive teams and boards tend to make better decisions because they include a wider range of views and deeper knowledge. It avoids the risk of 'groupthink', where like-minded people gravitate towards decisions that are popular and easier to make.

Gender equality

The average full-time weekly wage for a woman is **15.3%** **less than a man's**.

$1
85c

In 2015-2016, average superannuation balances for women aged 60-64 were **just over half (58%) those of men**.

$270,710 average super payout for men

$157,050 average super payout for women

Women on the boards of ASX 200 listed companies has **grown** from

8.3% **2009**

29.7% **2018**

1 in 2 **mothers reported experiencing workplace discrimination** as a result of their pregnancy, parental leave or on return to work while...

1 in 5 mothers indicated they were made **redundant, restructured, dismissed**, or that their contract was not renewed.

1 in 2 women have experienced **sexual harrassment** during their lifetime.

1 in 3 women have experienced **physical or sexual violence** since the age of 15.

1 in 5 women have experienced **violence by a partner** since the age of 15.

Australia ranks **48th** in the world in terms of female political empowerment (the representation of women in politics). This is **down from 32nd** in 2006.

Australian women account for:
68% of primary carers
70% of primary unpaid carers for children
58% of primary unpaid carers for the elderly and people with disability or long-term health condition

Women spend almost **twice as many hours** each day performing unpaid care work compared to men.

64.4% **women**

36.1% **men**

Source: 2018 Face the Facts www.humanrights.gov.au/face-facts

Unconscious bias still at play

Yet, despite the clear benefits to society and organisations, gender inequity remains entrenched.

The role of unconscious bias is being exposed as a key culprit. This describes the unintentional and automatic mental associations based on gender, which derive from long-held cultural traditions, values, and experience.

Unconscious bias comes into play when hiring, evaluating performance, or promoting staff. Leaders are often unaware that they are prone to viewing those with a common background in a more positive light.

For example, an Australian survey of women in science, technology, engineering and mathematics found 70 per cent agreed that unconscious bias had negatively impacted their career advancement, and 60 per cent agreed it had negatively impacted their earnings.

Tackling this is an ongoing challenge. Rather than expecting people to not be unconsciously biased, we need to help them identify and tackle those unconscious biases as they arise.

It will take a multi-pronged approach to minimise gender bias – targets and quotas have been among the highest profile and are set to receive more attention thanks to a recent change across corporate Australia.

Large companies to publish their diversity policies

The largest 300 publicly-listed companies are now set to publish their public diversity policies, which also track their progress towards diversity targets, under the ASX Corporate Governance Council's updated Principles and Recommendations. While the principles are not binding, and apply on a 'comply or explain' basis, companies which overlook them can face investor scrutiny and potential reputational damage.

Their public diversity policies will also outline measurable objectives for achieving gender diversity across their board, senior executives, and broader workforce.

"Diversity is increasingly seen as an asset to listed entities and a contributor to better overall performance, particularly in a competitive labour market," according to the ASX Corporate Governance Council.

While progress has been made, there is a long way to go. Women accounted for 29.7 per cent of all ASX 200 board positions in 2018, just below the 30 per cent target introduced by the Australian Institute of Company Directors in 2015 (and also now endorsed by the ASX). However, women make up half the population – the 30 per cent target is simply a tipping point towards equality rather than the end.

There are other strategies that can also help tackle entrenched bias, both gender-related and otherwise.

For example, removing demographic information (such as gender, ethnicity, postcode) from resumes of job applicants, and structuring job interviews with clear guidelines to record and interpret responses, can help encourage more diverse recruitment outcomes.

Non-structured interviews open the door to conversations that allow candidates with similar backgrounds to build rapport, rather than measure their ability.

The UK Prime Minister's office attempted to tackle such bias in 2015 by launching a 'name-blind' recruitment initiative while Australia's Department of Prime Minister and Cabinet has launched a similar pilot.

More than a seat at the table

Practical strategies to open the doors of organisations, executive suites and boardrooms to a wider range of equally capable people are just the beginning. Enabling their contributions to be heard, recognised and rewarded is an essential next step in closing the gaps in career progression, pay and financial security and wellbeing.

The benefits of diversity to individuals, teams, organisations and the strength and competitiveness of our economy are clear. Looking back 30 years, we've come a long way. Will the next generation be able to say the same?

Do you want a financial plan focused on your individual needs and goals? Speak to your financial adviser for a tailored solutions.

Home is where the tech is

Welcome to your new smart home. It's kitted out in the latest technologies that could help to delay or prevent you ever needing to move into residential aged care.

If you're lucky enough to live until old age, the unavoidable reality is that you're more likely to experience physical frailty, disability or cognitive impairment. Such declines in health are frequently associated with an eventual move into residential aged care. But times are changing.

Advancements in smart home and health technologies mean you may be able to continue to live in your own home for longer, and delay or even prevent a move into residential aged care.

That's good news, with research consistently finding that the vast majority of older Australians would prefer to stay in their own homes for as long as possible.

Chair of Restorative Care at Flinders University's College of Nursing and Health Sciences, Professor Sue Gordon, works directly with community care provider, ACH Group, to apply smart technologies in seniors' homes.

She says the technology we require to help people continue living at home for longer is available now. It helps people manage chronic illnesses and disease and assists in performing day-to-day tasks around the house. "You can have a system in your house where it will open your blinds for you," says Gordon, describing voice-activated technologies. "It can put the radio on gently so it doesn't blare, but gradually comes on, and put your kettle on – but you still might have to make your own cup of tea."

An internet connection and mobile device (like a smartphone or tablet) can also facilitate a face-to-face conference with your technologically-minded doctor, so you don't need to leave the house to attend a physical appointment for routine medical issues.

"I've also got this watch that I'm wearing on my wrist and that will tell my doctor what my blood pressure is, so he doesn't actually need to physically take it. He'll pick that up from his computer. He'll also know my blood pressure is fine, so he'll send my script for blood pressure tablets to the pharmacist."

Inertia sensors, placed strategically around the home, can provide data to loved ones and care providers about when a person usually goes to the toilet, gets out of bed or goes to the fridge to eat. The data helps to establish typical patterns of activity and detect if anything alarming has occurred. "For example, sensors are available now to differentiate between when a person's lying on the floor rather than actually sitting in a chair." Gordon predicts that, in the near future, driverless cars could also take you to your appointments and social functions. "The driverless car can also deliver my medication scripts and pick up my tablets."

While technology has the ability to change the way you age and boost your independence at home, Gordon acknowledges it could intimidate. Despite that, she encourages seniors to give it a go. "Be prepared to think a little more laterally because if you really do want to stay at home, this is the way that things are going to have to go." In tandem with established support mechanisms including the government's home care programs and private in-home care arrangements, technology provides a new solution to help older Australians live better for longer.

Government backs digital

The Royal Commission into Aged Care Quality and Safety has backed calls for Australia to focus on providing community care to help the government, aged care sector and health providers cope with the pressures of an ageing population.

Providing more supportive environments and technologically-integrated care systems is crucial to allow seniors to continue living the life they want in their own home. "I don't think we can afford not to have technology better embedded in our health care," says Gordon.

The Federal Government recently invested $260,000 to trial a new high-tech movement monitoring system, which will help senior Australians live safely in their own homes for longer.

Communications company Ericom and several residential aged care services will install the system in the homes of 50 senior Australians from January to December 2019. The results will be evaluated by the University of Wollongong. "It enables remote monitoring and tracking of an aged care recipient's daily routine, to help prevent misadventure or possible deterioration in their wellbeing," Federal Minister for Senior Australians and Aged Care, Ken Wyatt, said late last year.

Do you have questions about maintaining the quality of your lifestyle into older age? Speak to your financial adviser today.

Markets continue to perform despite trade tensions and slowing economic growth

Concerns about escalating global trade tensions and weakness in the Australian economy have barely slowed investment markets, which posted another strong quarter.

Investment markets have continued to perform well despite the slowing Australian economy and President Trump re-igniting a potential global trade war.

President Trump surprised markets by announcing that $US200 billion of imports from China would be subject to 25 per cent tariffs, imports from Mexico would receive a 5 per cent tariff (although a deal was ultimately reached), and India would lose preferential access to US markets. It sent a bout of volatility through the US sharemarket although it quickly recovered by mid-June.

The US economy remains relatively strong although, with trade uncertainty and political tensions threatening growth, the US Federal Reserve paused its interest rate hiking program. The global economy also slowed marginally as the impact of trade hit the Chinese economy and natural disasters affected Japan.

The United Kingdom's Brexit drama remains unresolved with Theresa May resigning as Prime Minister after repeatedly failing to secure a deal.

The Reserve Bank of Australia cut interest rates by 25 basis points in June to a new historic low of 1.25 per cent in response to subdued inflation and to further boost employment. It is the first cut since August 2016 and it may not be the last, with the market betting on more rate cuts later this year.

That helped deliver capital gains to the Australian bond market but also lowered yields and will depress bank deposit rates, which will impact retirees and those saving to buy a first home.

House prices fell again in May bringing the total decline to 8.2 per cent since the market peaked in October 2017, according to researcher CoreLogic. However, May's 0.4 per cent decline was the smallest month-on-month decline since May 2018 and there appears to be some signs of a turnaround since the Liberal Party's surprise re-election in May.

Several key Labor Party policies aimed at improving social equity have now been scrapped such as winding back concessions applied to negative gearing, capital gains, and franking credit cash refunds.

The election result also helped propel the Australian sharemarket, which posted total returns of 4.9 per cent over the three months ended 31 May.

However, economic growth remains subdued with GDP growth of just 1.8 per cent over the 12 months to March 2019. That's the slowest annualised rate since the third quarter of 2009 when the global financial crisis was underway.

Household consumption remains weak but personal tax cuts (which are still to pass the Senate) should also stimulate the economy.

Your financial adviser can help you structure an investment portfolio that meets your goals.

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