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NEXT ISSUE ON SALE JUNE 1

EDITOR'S DESK

Doing your tax is also a good investment

In this issue, we show you how to invest for your future and in the future.

From starting your own share portfolio using exchange traded funds (page 70) to getting a slice of the future through quantum computing stocks (page 76) and plant-based investing (page 78), we look at the latest investment trends.

Technology, which is generally considered the most cutting-edge of all the industry categories on the ASX, is no longer the only source of fast-growth, fast-innovation businesses. But there's still plenty happening there. Investment expert Scott Phillips sifts through a basketful of goodies to find the best prospect (page 80).

But there is nothing better than investing in the present. There are ways to boost your cashflow and income to mute the effects of inflation and other burdens on your wallet. In our cover story (page 34), Nicola Field guides us through the tax changes that took effect in March this year and gives nifty tips on how to prep your tax-related documents and receipts.

All up, there may be doom-and-gloom news on the economy or the so-called mortgage cliff, but 2023 is far from being a write-off. We hope you find this issue timely and relevant to your personal finance goals. Write to us if there are any saving and investment ideas you'd like us to explore in future issues.

Michelle

Michelle Baltazar,
Editor-in-chief

Feedback

Letter of the month

It's tough trying to survive on the pension

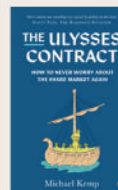
After a storm comes sunshine – that infamous adage keeps us afloat but for this ageing girl it's left me confused, wondering if one shouldn't just live for today and to heck with tomorrow.

My retirement fund, interest from fixed deposits and dividends would help keep my head above water, right? Oh, and in the meantime, throw in a marriage split. Interest rates fell to below 1%, the bum dropped out of my retirement fund, no (or very little) dividends and now half the proceeds from a house sale, which might give me near $400,000 if luck is on my side.

Change the habits of a lifetime and live for today, continue to live frugally and remain positive or ask one of your consultants to gaze into a crystal ball? I remain an avid *Money* reader and look forward to a future edition that may shed light on the joys and challenges of living on a pension.

Paul Clitheroe's response to Lyn (Ask Paul, February) has vanquished any thoughts I may have had of co-buying a house with my children. There are loop-holes I wouldn't have thought of. Honesty and integrity are what *Money* stands for – thanks, Paul, for being straight up.

Ann



Correction
Unfortunately, our April Book of the Month, **The Ulysses Contract**, was accompanied by the wrong cover image. The correct cover is shown here.

Need some advice as the cost-of-living crisis continues to bite?

Listen to Friends With Money #90
Financial help when you need it

Our compostable wrapping is a bonus

Thank you for the compostable wrapping on my magazine. It's one step closer to considering the green bottom line in everything we do. We all need to consider the environmental cost of our decisions, including financial decisions.

Kerryn

Downsizer contribution needs to be protected

Older Australians have been encouraged to downsize the family home, to make room for those who need larger dwellings.

The Morrison government legislated that up to $300,000 ($600,000 for a couple) from downsizing could be put into superannuation with a drawdown pension. As a result, many people who never had super now have $300,000 in their fund. Lots of common sense here by the previous government.

Now concern is being expressed about money being "hoarded in super". But if downsizing the family home had not taken place, that money would not be in super at all. At present, on the passing of the older ones, the family home is sold and proceeds go to the beneficiaries.

A notable opposition leader referred to money in superannuation as "Australia's national treasure", which it is not. It belongs to those who presently own it – until governments figure out a way to get at it.

In any future legislation, money from the sale of the family home should be exempt from measures supposedly designed to prevent the "hoarding of money in super".

Phillip

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REG'S TOON

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"Where have you cut back your spending over the past few months?"

REG LYNCH
Resident cartoonist
I had an epiphany about a year ago and stopped partaking of the booze. This was difficult as I'd become extremely good at it over the previous 45 years. The eventual result was a lot more motivation, concentration, optimism, discernment, clarity, peace and productivity. And definitely a lot more money in my bank account than there used to be. Cheers!

TOBY HAGON
Contributing writer
We refinanced our house a couple of years ago, something that saved us thousands. More recently, we've chosen a cheaper gas and electricity plan. This time around the need to cut back seems different, though, so it's refocused my inner saver. I'm more discerning with supermarket purchases and have cut back on alcohol ($15 bottles of wine look more appealing than ever!).

ELIOT HASTIE
Senior writer
I haven't really cut back on a lot because I already spend fairly within my means. There's more conscious choice buying, beers over cocktails, discounted food items over brand names and the like. One thing I won't cut back on is my morning coffee. What it provides for my mental health is worth the cash.

ANN LOVEDAY
Art director
If cutting back on spending is handled like dieting, I'm likely to fail. The best way for me to prune my spending is by using cash. It hurts more to part with the dosh and the spend volume seems bigger. I've put non-essential shopping on the back burner and I'm channelling my thrifty parents with more home cooking and spend-free outings.

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You can say it without flowers, too

There are simple, practical, inexpensive ways to show someone you care

We've all been there: you hear about someone having a new baby, being in hospital or losing a loved one, and you go online and buy flowers, balloons, chocolates or even a hamper. There is nothing wrong with flowers. I love flowers. Local florists need our support, and their work is an art form.

It's just that flowers are expensive and in recent years have become even more so due to increased costs of fertilisers and (especially for imported flowers) freight.

Too much of a good thing

When I've had hospital stays, I've often been surrounded by flowers. But as lovely as they are, they can be problematic. There is rarely enough shelving space to accommodate them and they can get in the way of your care. And some hospitals and wards (especially intensive care units) prohibit flowers, plants and balloons.

Some patients could be allergic to pollens or items in the soil, and flowers are probably not great for newborn babies.

And then there's the process of being discharged. I remember juggling a new baby, a baby seat, suitcases – and flowers.

Emotionally disconnected

Showing support is about demonstrating we care for someone. Rather than send stuff, we can show we care by celebrating or supporting in practical ways.

It's about having empathy. You can do this by writing them a card or letter, calling or messaging them (via a friend if they are especially unwell) or visiting them in person. The key thing is to be ready to listen without judgement or competition and to make it about them rather than you.

When faced with a loss or bad health diagnosis, family and friends often don't know what to say or do – so they do nothing. They might send flowers, but they are emotionally disconnected from the person.

Often people going through difficult times want to get on with their lives. They want to talk about everyday things – to be included just like before. They may want to talk about what they are going through, or they may not. But they will likely appreciate you reaching out.

Cooking up a storm

A practical way to support a new mum or someone with health issues or trauma is through home-cooked meals. But how can you avoid several people turning up with baked lasagne on the same day? MealTrain is a US-based online platform that helps coordinate a roster of people to support someone in need, or you can organise your own roster.

Give useful things

I spent a long week on bed rest in the hospital before my eldest son was born. I was bored. I remember with gratitude my friend Trish coming to visit me. She turned up with a fruit bowl and some light reading material. Gold!

If visiting a friend in hospital, taking along a few magazines and healthy food (or good coffee) could say more than flowers.

When I came home after birthing my premmie baby, I was greeted by an esky full of food. It was a massive help during my busy schedule of hospital and specialist visits. The local division of my Australian Breastfeeding Association also offered meals. And many cultures cook for new mums as part of tradition.

What a lovely way to support a new mum and send a message of love. Best of all, it doesn't cost a fortune.

And there are other ways to lend support, such as by childminding or helping hang out laundry.

Serina Bird is host of The Joyful Frugalista *podcast, and author of* The Joyful Frugalista *and* The Joyful Startup Guide.

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NEWS & VIEWS

THE BUZZ

$3bn and counting: more needs to be done to beat scammers

We've all read the frightening stories about some poor soul who transferred their life savings to a bogus bank account – or a fake lover in another country. Many of us would have even received the "Hi mum" text messages that were circulating earlier this year, supposedly from a child who'd lost or broken their phone and urgently needed funds.

But the news that Australians lost more than $3.1 billion in scams in 2022 – an 80% increase from 2021 – may come as quite a shock. The Australian Competition and Consumer Commission (ACCC) released the findings of its Targeting Scams report last month, revealing $1.5 billion was lost to fake investment scams, including initial public offering scams and imposter bond scams.

A further $229.2 million was lost to remote access scams, where a scammer gains control of a person's computer or phone, while charity scams, online shopping scams and classified scams (where scammers might ask for upfront payment for a puppy, for instance – yes, a puppy!) were also popular.

The truth is, older Australians are more vulnerable to such fraud, with people aged 65 and over falling victim more frequently and losing more money. Those from non-English speaking backgrounds and people with a disability are also more at risk.

So, what can be done? Individuals, of course, can take steps to avoid being scammed. The ACCC recommends checking invoices and bills before paying, by independently calling the business on the publicly listed number; never providing information, passwords, or codes over the phone or via text to anyone; and immediately reporting any suspicious activity to your bank.

But the onus shouldn't be on consumers. Indeed, the alarming figures have prompted fresh calls by the consumer watchdog for the big banks to do more to protect their customers from such losses, which could be higher, as the ACCC estimates at least 30% of victims don't report scamming.

Thus far, Commonwealth Bank has implemented new scam detection, prevention and education initiatives to help keep customers safe, launching NameCheck technology in late March. Westpac's Verify is also being rolled out and will alert customers if there is a potential account name mismatch for payments to a new BSB and account number.

Last year, the government announced seed funding for the ACCC to scope and plan a new National Anti-Scam Centre. Let's see what other protections come from that.

Hannah Tattersall

ON MY MIND

Small business is at a tipping point

Young people are missing in action in the small business sector. CPA Australia's Asia-Pacific Small Business Survey shows small business owners in Australia are more likely to be over 60 than under 30.

Australia faces a tipping point. As older business owners and managers retire, who will take their place? Who will run our hairdressers, cafes and local shops? How we answer these questions will have dramatic effects on our living standards.

Without the diversity young people bring, we will fall behind. Without their technology skills and appetite to take risks and innovate, we will suffer long-lasting economic effects. We need next-gen business owners, start-up founders and entrepreneurs.

CPA Australia members have told us that the uncertain global economy, higher interest rates, rising costs and expensive housing all play a part. It's tough for young people to find the cash and the confidence they need to start a small business.

That's why we're calling for a public inquiry into this issue. We need to know exactly what barriers young Australians face. We need to craft new solutions to this problem. We need to find "generation MIA" before it's too late.

Gavan Ord, CPA Australia's senior manager business and investment policy

CALENDAR OF EVENTS

Tuesday, May 2
Reserve Bank interest rate decision

Tuesday, May 9
Westpac consumer confidence
NAB business confidence

Thursday, May 18
Unemployment rate

Friday, May 26
Retail sales

Wednesday, May 31
Monthly CP

NEWS BITES

An Industry Super Australia (ISA) report shows Australia's 275,000 gig workers – delivery drivers, disability carers, education workers – are missing out on $400 million a year in super contributions. ISA CEO Bernie Dean says: "Paying gig workers super isn't just the right thing to do, it makes economic sense ... they'll be more self-sufficient in retirement and less reliant on the age pension, which we all pay for through taxes."

The government's move to boost homelessness funding by $67.5 million over the next year has been well received by Homelessness Australia. CEO Kate Colvin applauded the Commonwealth: "Surging rents and record low vacancy rates mean homelessness services are under immense pressure."

The SMSF Association is urging the government to deliver stability, consistency and certainty for superannuation. Association CEO Peter Burgess says continual changes to the superannuation system add complexity to what is an already complex system, at the same time eroding trust and confidence. "Superannuation would benefit from simplification and the removal of red tape instead of persistent changes."

Tenants need a fairer deal

Amid ever-rising rents, bogus bond claims are another sore spot for renters. With the stress of moving out and finding a new place, most renters don't have the stomach for navigating a bond dispute, which means landlords can get away with making claims with little legal justification, such as to make improvements or to cover fair wear and tear.

It's no surprise that frustrated tenants want a change, suggesting ideas like requiring landlords to provide proof that they have actually used bond funds to make repairs. What can make this better?

Well, the new NSW Labor government has committed to a scheme of transferable bonds, allowing tenants to use their old bond to fund their new bond, instead of needing to stump up thousands of dollars in one go. Some governments also offer interest-free bond loans to help tenants cover the cost.

Ultimately, though, this issue requires cultural change: landlords should no longer feel entitled to make bogus claims and tenants should refuse to accept further exploitation and be supported to get their money back fairly. And a much higher vacancy rate wouldn't hurt.

Joel Dignam, executive director, Better Renting

30%

of Australians (6 million) have leaned on a family member or friend for financial support in the past 12 months. Groceries (16%) were the top expense Australians needed funds for, followed by rent (9%), and petrol (7%), according to new research by Finder.

NEWS & VIEWS

BOOK OF THE MONTH

STOP WORRYING ABOUT MONEY: START PLANNING NOW TO SECURE YOUR FINANCIAL FUTURE
by Jacqui Clarke
(Wiley, $29.95)

With the cost of living at a record high, you're probably experiencing more than your fair share of financial worries. Author and personal wealth and money management expert (including 20 years as a partner at Deloitte) Jacqui Clarke has plenty of practical advice to help you navigate common and challenging financial obstacles. Among other things, you'll learn how to avoid typical money traps and get better at using your money. Think of this guide as your no-nonsense financial wake-up call.

DEBRA DUNCAN

Five readers can win a copy.

In 25 words or less, tell us what money tip you wish you'd known about years ago. Enter online at moneymag.com.au/win or send entries to Money, Level 7, 55 Clarence Street, Sydney, NSW, 2000. Entries open May 1, 2023 and close May 31, 2023.

PODCAST OF THE MONTH

FRIENDS WITH MONEY #93
INFLATION BUSTERS
Guest: Financial adviser Helen Baker
Hosted by: Tom Watson

While inflation may be easing, the price of goods and services is still heading upwards and showing no signs of slowing down.

What could your household be doing to push back and make things a little easier?

Plenty, according to author and financial adviser Helen Baker, our podcast guest.

Money's senior journalist Tom Watson asks her the important questions we need answers to right now, such as: Why is life still getting more expensive? Do we need to adjust our financial mindset? How can we push back against price rises and save?

DEBRA DUNCAN

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TAX TIP

Use spare cash to boost your super

We're getting close to the end of the financial year and if you've got spare cash and are looking to generate tax deductions, you could add it to your super.

Provided the total amount of your contributions (including those made on your behalf by your employer) does not exceed $27,500, this can be a great option to boost your retirement savings and claim a tax deduction for the personal contribution.

The payment must be made by June 30 and you need to advise your super fund that you've made the payment by the time you lodge your return. Your fund or accountant can give you guidance on how to complete the form. There's a standard form on the ATO website at ato.gov.au/forms/notice-of-intent-to-claim-or-vary-a-deduction-for-personal-super-contributions.

A 15% tax is deducted from any contribution that has been claimed as a tax deduction.

If you're between 67 and 74 years, you'll need to pass the work test to make a tax-deductible contribution: you have to work 40 hours or more in a consecutive 30-day period in the financial year to make contributions.

It's also possible to make contributions from investment income (including dividends or rental income) and capital gains.

If you're a 45% taxpayer, that means that if you contribute $10,000, you'll generate a tax deduction of $4500 in your personal tax return. The $10,000 contribution will then be taxed at 15% in your super fund. That's an overall tax saving of $3000.

MARK CHAPMAN, DIRECTOR OF TAX COMMUNICATIONS AT H&R BLOCK. MCHAPMAN@HRBLOCK.COM.AU

SNAPSHOT What DIY super funds are buying and selling

Self-directed SMSF top 10 traded securities by value, 2022 (buy/sell %)

Security	Buy/sell %
ANZ Bank	66.9%
Macquarie	64.8%
BHP	63.8%
Rio Tinto	60.2%
Pilbara Minerals	59.9%
Fortescue Metals	55.8%
CBA	54.2%
Whitehaven Coal	52.9%
NAB	48.0%
Westpac	36.2%

Source: AUSIEX

SMSF portfolio diversification: how much they allocate to shares

ASX : FEMX

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MY MONEY

▶MORE MONEY STORIES ON P44-61

COST OF LIVING

More Aussies resort to their credit cards

Disposable income is drying up and forcing many households to resort to credit cards to manage their finances.

Monthly purchases on credit cards reached a record $33.5 billion in January, according to data from the Reserve Bank of Australia.

This represents a 17% increase over the year and an extra $4.9 billion on credit cards in 12 months.

Finder's *Cost of Living* report has found that cost-of-living pressures are a likely contributor, with 52% of Australians experiencing financial stress.

The report reveals that one in four Aussies can't manage their finances without a credit card, a figure that has been rising over the past two years. In May 2021, only one in five felt this way.

The problem is only likely to get worse, according to Finder's credit card expert, Amy Bradney-George.

"As prices continue to rise, consumers are depending on credit cards more, including to pay for essentials like food and utilities. With outstanding balances creeping up, households might quickly find themselves unable to pay back the debt they've accumulated," she says.

The report surveyed more than 1310 workers across February and March 2023 and found that 49% would only be able to live off their savings for up to a month, while 16% could only survive for a week.

A worrying number of families are living payday to payday, says Bradney-George, with Reserve Bank data showing the average credit card debt to be $3056. "The squeeze on finances is alarming for households across the country, especially those who have limited savings or other funds to draw on."

Bradney-George urges all Australians to pay off their credit cards in full each month and to shop around for a better deal.

"If you're already carrying debt, you could save hundreds in interest charges by transferring the balance to a 0% credit card. Just remember that the new card is a helping hand and not an invite to spend more."

Wages set to rise – but by how much?

The federal government is advocating a pay increase for minimum wage workers that is at least in line with inflation, but is facing push-back from some industry groups.

The Fair Work Commission (FWC) has commenced its annual wage review, ahead of determining the new wage rates. They will come into effect on July 1 and impact the take-home pay of 184,000 workers on the minimum wage, which will flow on to 2.67 million workers on award wages.

In its submission to the FWC, the Albanese government has argued that the commission should "ensure the real wages of Australia's low-paid workers do not go backwards".

But the government does not suggest that wages across the board should automatically increase in line with inflation, which indicates that those on higher wages will receive a lower amount. The government has not put a figure on an increase.

The annual inflation rate eased to 6.8% in February, the second month it has fallen after hitting a peak of 8.4% in December 2022. Currently, the minimum wage is $21.38 an hour, after a 5.8% increase on July 1 last year.

The ACTU has called for the hourly rate to be raised by $1.50 to $22.88, with the union saying it's for the survival of the public.

However, business is concerned it will have a negative impact, with the Australian Chamber of Commerce and Industry calling for a 3.5% increase. It fears an increase over 4% would add to inflationary pressures.

The FWC decision is due in June.

COMPILED BY ELIOT HASTIE

RENTING

It's tough out there for pet owners

Renting anywhere in Australia right now can be a challenge, but imagine doing it with a family pet in tow.

A study by Suburbtrends has revealed the hardest suburbs for renters with pets by analysing listings that specify "no pets".

Every suburb was rated with a Sad Puppy score, taking into account prices, vacancy rates and, of course, those dreaded words.

Suburbtrends founder Kent Lardner says the score measures the severity of the situation for renters.

"The most difficult suburbs for renters with pets are those that receive the worst Sad Puppy Score, indicating a rent increase of 5% or more, vacancy rates below 1.5% and over 30% of rental listings prohibiting pets."

So, where are the worst suburbs for renters? They can be found in South Australia, Western Australia and Tasmania, where the total percentage of rentals is higher.

"Many suburbs in South Australia have vacancy rates of less than 1%, rents increasing at 10% or more and more than 50% of advertised rentals prohibiting pets," says Lardner.

"Many South Australian renters with pets may envy those residing in Victoria, the only state where renters with pets are not severely affected."

Taking out the number one position is Oaklands Park in Adelaide, with the silver going to Beresford, a coastal suburb of Geraldton in Western Australia. Rounding out the top three is Nuriootpa in South Australia.

The worse place in NSW is Batemans Bay, in Queensland it's Palm Cove and in Tasmania it's Wynyard.

Victoria was not included in the study, because renters there are allowed to keep pets with the written permission of the landlord.

Top 10 places for sad puppies
Oaklands Park, SA
Beresford, WA
Nuriootpa, SA
Batemans Bay, NSW
Glenelg, SA
Newton, SA
New Port, SA
Lithgow, NSW
Lambton, NSW
Semaphore Park, SA

Source: Suburbtrends

▶MORE PROPERTY STORIES ON P62-67

Price of luxury is $25,000 a night

The nation's most expensive Airbnb houses have been revealed in a report by the currency exchange S Money, which shows cashed-up travellers are willing to spend close to $25,000 a night for luxury.

Australia's most expensive property, in Sydney's South Coogee, is Crypto Castle, which is owned by Finder founder and bitcoin tycoon Fred Schebesta. It rents out for $24,861 a night and is described as a winding sculpture of concrete and stone.

Coming in just below it is Makepeace, the private island owned by Virgin Australia founders Richard Branson and Brett Godfrey. Located in the Noosa River on the Sunshine Coast, it goes for $24,703 a night.

Of the top 10, four are in NSW, with three each in Victoria and Queensland.

Number 10 on the list is a King Studio Suite at the Sea Temple resort in Port Douglas in far north Queensland. The $9881-a-night room features a jacuzzi spa bath and is located on the resort's main swimming lagoon.

However, the price for Australian properties pales in comparison to their global peers. The world's priciest Airbnb is Musha Cay, a private island in the Bahamas that goes for $88,800 a night. The island features five super luxurious villas and is owned by the illusionist David Copperfield.

The most expensive Airbnb in the Asian region is in Indonesia: the Hidden Palace in Ubud will set you back $51,516 a night.

Australia's most expensive Airbnbs	
Crypto Castle, Sydney	$24,861
Makepeace Island, Noosa	$24,703
Rivermead Estate, Gold Coast	$13,586
Balmoral Golden Mile Luxe, Sydney	$12,000
Sutherland, Sydney	$11,907
Agave Waterfront, Wagstaffe	$11,898
Beaconsfield Villa, Melbourne	$11,812
Luxury four-bedder, Melbourne	$11,864
Campbell Point House, Geelong	$10,622
King Studio Suite, Port Douglas	$9881

Source: S Money

INVESTING

▶MORE INVESTING STORIES ON P68-77

INFLATION

Student debt set to jump

Millions of Aussies with outstanding student loans appear almost certain to see a sizeable jump in their debt from June 1.

While a HECS-HELP loan is often seen as one of the cheapest forms of debt because it doesn't attract interest, it is indexed each year to reflect changes in the cost of living. And because inflation has been running so hot, it's possible that the indexation rate applied from June could be 6% or higher.

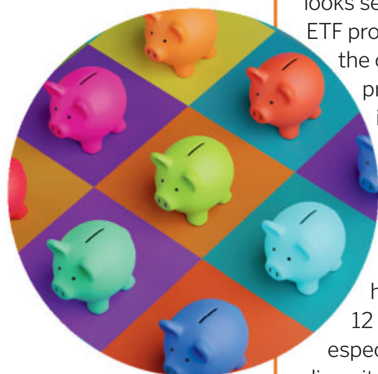
"With the current inflation factor sitting at 3.9% – the highest in a decade – and with this likely to increase in a month's time, we need to start thinking about the trade-off between paying the minimum HECS and making voluntary repayments," says Glen Hare, financial adviser and co-founder of Fox & Hare Wealth.

So, could those in a position to make voluntary payments towards their student debt be better served doing that rather than investing the money?

"If the inflation factor ends up being 6%, for example, we need to ask ourselves: am I better off earning 4.5% interest in a high-interest savings account or reducing the debt that I'm now paying 6% on? Investing in the stockmarket over the long term can generate strong returns, although with a higher inflation factor applied to HELP, we should be considering whether the risk is worth the chance of a return greater than 6%."

Anyone looking to make a voluntary repayment should get in early, though, says Hare, to ensure that it can be processed by the ATO before June 1.

Sustainable ETFs gain in popularity



Australia's love affair with exchange traded funds (ETFs) looks set to blossom further, with ETF provider Global X predicting the country's exchange traded product (ETP) market, which is largely dominated by ETFs, will reach $200 billion by 2025.

Global X believes investors will continue to flock to the sector, which has grown 7% in the past 12 months to $136 billion, especially as the number and diversity of options expands.

"By 2025, we anticipate there will be more than 350 listed ETPs on the Australian market, which will be worth more than $200 billion," says Kanish Chugh, the head of distribution for Global X.

"There are still gaps in the market for providers to list innovative investment solutions and ETFs are the most convenient and cost-effective vehicles for Australian investors to build their portfolios."

Among the trends it's witnessed over the past 12 months, Global X has noted increased interest in sustainable-themed ETFs, such as those offering exposure to battery technology and lithium – a trend which the provider says may continue to grow as investors increasingly seek to align their investment choices with their values.

ASX-listed ETFs by market cap

Issuer and product	Market cap
Vanguard Australian Shares Index	$11.8 billion
Magellan Global Fund (Open Class) (Managed Fund)	$7.5 billion
Vanguard MSCI Index International Shares	$5 billion
iShares S&P 500	$4.8 billion
State Street SPDR S&P/ASX 200	$4.6 billion

Source: BetaShares (December 2022)

COMPILED BY TOM WATSON

SHARES

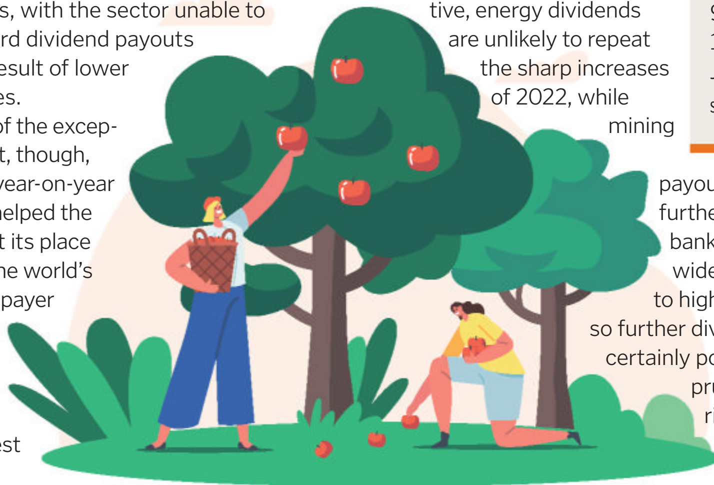
IN THE MONEY

BHP leads in dividend bonanza

Australian companies paid out a record $97.7 billion in dividends to investors during 2022, the latest Global Dividend Index from Janus Henderson has revealed.

While underlying growth in Aussie dividends was up 9.8% over the year, it lagged the strong global underlying growth rate of 13.9%. According to the report, growth was held back by a weaker performance among Australian miners, with the sector unable to replicate its record dividend payouts from 2021 as a result of lower commodity prices.

BHP was one of the exceptions on this front, though, notching an 8% year-on-year increase, which helped the company cement its place on the index as the world's biggest dividend payer for a second straight year. Meanwhile, Rio Tinto came in as the seventh largest dividend payer.



Looking forward into 2023, Janus Henderson client portfolio manager, Jane Shoemake, forecasts that global dividends could record further growth, even with the prospect of an economic slowdown.

"We do expect dividend growth to slow from the exceptionally high levels enjoyed in 2022, but we believe dividends are still likely to edge higher in 2023," she says.

"From a sector perspective, energy dividends are unlikely to repeat the sharp increases of 2022, while mining payouts are likely to fall further. Among financials, banks may benefit from wider margins, thanks to higher interest rates, so further dividend growth is certainly possible, subject to prudent planning for rising levels of bad loans as economic growth slows."

World's biggest dividend payers – 2022

1. BHP Group Limited
2. Petroleo Brasileiro SA Petrobras
3. Microsoft Corporation
4. Exxon Mobil
5. Apple Inc
6. China Construction Bank
7. Rio Tinto
8. China Mobile Ltd
9. JPMorgan Chase
10. Johnson & Johnson

Source: Janus Henderson (March 2023)

▶MORE SHARES STORIES ON P78-89

BUY RPM GLOBAL (RUL)

The Intelligent Investor Gaurav Sodhi

RECOMMENDATION

BUY	HOLD	SELL
below $1.50	up to $3.00	above $3.00

HOLD at $1.47

Source: Intelligent Investor; price as at April 3, 2023, close of business

Since we first recommended this stock as a buy five years ago, revenue has barely grown and profits are meagre. Yet it is now more expensive and held in all three of our funds, as well as in my own portfolio.

RPM has traditionally sold software on a perpetual licence. That meant that a buyer made a large upfront payment and smaller annual payments. This stopped around 2017 when the business turned away from perpetual licences and towards selling annual subscriptions.

The transition from licence revenue to subscription revenue, however, involves an awkward period of falling revenues for the provider.

As subscriptions replace licences and maintenance fees, the immediate effect of selling more subscriptions is that revenue tanks.

This is clear in the numbers. In 2017, for example, RPM sold $33 million in licences and just $500,000 worth of subscriptions. Last year it sold less than $2 million in licences and collected $26 million in subscription revenue.

It has taken about five years for the gains in subscription income to overtake the loss of licence sales, but we think 2023 is the pivot point. Development costs will fall substantially from this year so profits will finally start to reflect growth. By running down licence sales and replacing them with subscriptions while investing heavily in the product, RPM is getting better.

GAURAV SODHI IS AN ANALYST AT INTELLIGENT INVESTOR

STORY ALAN DEANS

Dealmaker who takes it to the world

Fact file

Michelle Deaker

Founding partner of venture capital group OneVentures, which funds start-up companies. Aged in her 50s. Lives on Sydney's lower north shore.

As a child she wanted to be a medical doctor. Her entrepreneurial mother founded a school, and a great-uncle started the SPC foods group. Her first job was in her father's engineering firm doing plan printing. She enjoys swimming, bushwalking, running and reading crime novels, and she supports the performing arts. Her biggest regret is not being able to travel more for pleasure and to explore the world. Her first business venture was selling lemonade and flowers in her neighbourhood. She advises people not to be emotional when investing but rather to be data driven and disciplined.

Michelle Deaker describes herself as a serial entrepreneur. The investment firm OneVentures is among the several businesses she has founded. The first was a tertiary tutoring college, back in her early days at university. "I was always very entrepreneurial, and that taught me the first things about business and making sure you were profitable."

The second business was Networks Beyond 2000, an online computer retailer. Later, another idea sparked after her mother-in-law was given a gift voucher and Deaker's partner suggested that selling vouchers online could be a good idea. "I went home and bought all the domain names around gift vouchers, and we created what became one of Australia's first fintechs," she recalls. "I sold that to a UK-listed company and started investing my own money."

Not surprisingly, start-ups became her sole focus. She moved into angel investing, providing funds to entrepreneurs through shares or convertible debt. Insights also came from the work she was doing for a family office and a venture capital firm.

"I thought they were interesting, but it wasn't quite what I wanted. So, I set up OneVentures as its own venture capital firm and raised money for its first fund. We were very fortunate. The Innovation Investment Fund run by AusIndustry had a round open, and we applied. I brought on board two partners, Paul Kelly and Anne-Marie Birkill, and it's gone on from there. The first fund raised $40 million, and we now have $700 million in funds under management."

Deaker says they sift through 1000 deals each year, from which around 10 are chosen as investments. They receive referrals from investors, advisers and governments. They only look at those with strong potential – 30% to 100%

PHOTOGRAPHER MICHELE MOSSOP

year-on-year growth and the ability to transform their markets by tackling global problems. They check for compliance with sustainability goals, and how they differentiate themselves competitively.

Importantly, she aims to ensure there is a massive global market that the company can address. "Because of cloud computing, they can be global from day one by selling their products internationally," she explains.

"Typically, we find companies that have launched in Australia and shown that they have good products and have the potential to grow global market share."

The most successful start-ups tend to be run by people who aim to solve global problems and have large market opportunities. An example for OneVentures is Vaxxas, which is replacing needles used for vaccinations with patches that contain thousands of small projections to easily access the blood stream. "Needles are an 18th century technology," says Deaker. "But now you pop a patch on the skin, peel it off in 20 seconds and you're vaccinated."

Vaxxas has contracts with global pharmaceutical companies and is developing a manufacturing centre in Queensland. It works with governments on pandemic flu, Covid and blood testing.

"We believe it could be the next CSL," Deaker asserts, referring to Australia's largest biotech company.

Another success story is the human resources and payroll platform Employment Hero. "We invested when it had less than $1 million in annual recurring revenue." The company has become a unicorn since hitting $1.2 billion after its last capital raising. It is expanding into the UK and across South-East Asia.

"A lot of people have role models in corporate business. Most of my role models have been more entrepreneurial. And, in terms of lightbulb moments, gift vouchers online was one that took me from running a sort of standard tech company to one that became a high-growth company. It taught me about high-growth investing. We brought $6.5 million to that company and our investors got a good return. That took me onto the angel investing side. One of my mentors suggested I should look at venture capital, which is something that I would never have thought of myself."

"To be an entrepreneur, you have to overcome obstacles and take your life forward"

What attributes distinguish successful venture capitalists?

"Not everything goes in a straight line," says Deaker.

"You have to understand that a third of your investments aren't going to make it, a third will do okay and you'll get some outsized returns from the other third. If we have a company that's not doing so well, we generally know well in advance because we serve on their boards most of the time.

"There can be any number of roadblocks, and our job is to help them overcome those. We might become merger and acquisition advisers, and help construct an exit for the company that returns capital to investors. Sometimes we might acquire another business that helps to provide new revenue growth. There can be any number of approaches. Every now and then, we have to wind up a company that's not working."

The success of OneVentures has come in steps. Its first fund raised $40 million, for instance, and over time that has developed to have $700 million invested mostly in technology and healthcare.

PHOTOGRAPHER MICHELE MOSSOP

The focus is on two broad channels, one being fast growing and innovative, where returns of 25%-30% are the goal.

The second is a somewhat novel venture credit fund. Through this vehicle, secured loans are made to high-growth tech companies, which provide investors with quarterly returns. This is rare in Australia, but it is seen as an institutional product that is attractive to start-ups that are growing quickly.

The team examines about 1000 deals each year but finalises only about 10. One strength is their network of investors, which Deaker says include 220 high-net-worth people and family offices. They are now undertaking their sixth fund raising, seeking $150 million for a venture credit product.

Experience is critical to success. Deaker finds people who have deep knowledge in

Sense of satisfaction ... Deaker says OneVenture's investments "can have really positive impacts on the world".

the industry they are investing in and who also have bold visions. If they focus on hiring their own A teams, then they are more likely to establish a strong management group that can overcome obstacles.

But all businesses have their ups and downs. They need to closely track the key performance indicators and know how to manage cashflow. "Execution of strategy is 90% of the game. We look for people with deep knowledge and in the technology and field they are investing in. We love people with big visions," says Deaker.

She advises people to be unemotional when they are investing.

"A lot of problems come with having a herd mentality. People should also question their wealth managers to make sure they understand the products they are being put into."

Deaker says she has always been willing to take on risk and challenges. "I get great satisfaction out of building and developing new ideas. Our investments can have really positive impacts on the world."

Deaker has some big ideas for OneVentures, too. "We have been looking at South-East Asia. We also continually look at other types of products and services that we can add to the high-growth technology and healthcare market. We are always looking at new strategies. There is room to keep expanding, not only in our core pillars of growth, healthcare and credit, but also potentially into new geographies and products."

Given the scope of her work, how does Deaker maintain a healthy work-life balance?

"When I was young, I could work 24/7. But, as I have grown older, I've learned to delegate more to other people, to ensure that they are empowered to do their jobs. In the early days, I probably would have wanted to do everyone's job, as a young entrepreneur. I learned how to bring people on, see them develop their own roles. I have had to learn over the years that you really need to make time for your personal life in amongst work."

Deaker says she is a glass-half-full person. "I'm known for being a bit of a doer, so I'm not good at being idle. You probably need that, to be an entrepreneur, because you have to overcome obstacles and take your life forward. It was never something that particularly scared me."

Chris bought a home for her daughter and now wants her to become the legal owner

Generous gesture but you could be hit by CGT and stamp duty

Q In 2019, we purchased a home for our daughter, who is a single mum with one child. She pays all bills and the mortgage. My husband is 70 years young and I am 63. We are aware we cannot receive a pension or healthcare card as we are deemed to have too many assets. I'm now in a quandary as to which way we go in regard to "selling" the property to her. I want her to take over the mortgage and title of ownership. What would be the tax implications for us? Or do we just keep it as it is?

We have updated our wills to state our home is sold and pays out all money owed, and her brother is given the equivalent. It is mainly our retirement funding I'm now concerned about. Hopefully you can give me some advice as to which is the best way to go for all of us.

That was a very generous and practical step you both took to assist your daughter, Chris. Being single with a child is, as you well know, not easy, let alone paying for housing and childcare while working. With rent exploding all around Australia and rental properties in short supply, the step you took to buy a home for her also gives her a great deal of security.

The action you have taken here is something I strongly support. You are not old, and hopefully have many decades in front of you. Not a lot of point leaving assets to our kids when they are in their 60s – the reality is they can best use sensible help now.

I understand why you would have originally bought it in your name – that way it is secure from any relationship claims. It keeps the asset safely in the family. I assume that things are now stable for your daughter and hence you wish to transfer it, though I am far from sure this is your best option.

Selling it will not reduce your assets for potential future pension purposes in any real way as it will be assumed to be "deprivation" of assets. My understanding is that it will remain your asset for pension purposes for five years.

My suspicion is you may not qualify, anyway. If so, the tax issues are simpler. You would pay capital gains tax on any increase in value and, of course, your daughter would be up for stamp duty, which can be significant.

Here we need to pause. You mention concerns about your retirement funding. With your own home and a non-pension-exempt investment property you are supplying to your daughter, this is going to be quite complex. So, before you can make any decisions, it is critical you sit down with a professional adviser and go over your complete situation. An adviser will be able to give you an optimal strategy, but this will be highly dependent on understanding your entire situation.

NEED PAUL'S HELP?

Send your questions to: Ask Paul, Money magazine, Level 7, 55 Clarence Street, Sydney NSW 2000 or money@moneymag.com.au.

Sorry, but Paul can't personally answer your questions other than in the Q&A column. By submitting your question to Money, you consent to having your question and the response you receive from Paul published in the print and digital edition of *Money*.

Pia has $540k in savings, but is unsure where to invest it

Home ownership is an important goal

Q I'm a 34-year-old single mum with a 15-year-old who attends a private school. I earn $80,000-plus a year and receive child maintenance of $650 a fortnight and a government payment of $135 a fortnight, which will end once my teenager turns 18. I have no credit cards or loans.

I sold the family home in 2021 and placed my profit from the sale into a savings account. My belongings are in storage at a cost of $640 a month and I pay $320 a week in rent. I own two cars, have $540,000 in savings, $23,000 invested in shares and $22,000 in superannuation.

I'm struggling with deciding on where to invest my money and how to plan for my future. I'm wondering if I should buy a small property outright or purchase a more expensive home in a more sought-after area with a mortgage. I'm saving around $1000 a fortnight. Any advice would be so helpful.

Putting that aside, you are doing really well to save $1000 a fortnight – around $26,000 a year – and after you pay school fees, costs for two cars, rent and all the usual lifestyle costs, it is a really significant amount. Along with your savings, it gives you terrific options.

You are young – at age 34 you have many decades in front of you. So, providing your income comes from a secure job or another secure source, I would argue that owning a home is a great move for you.

Add your rent into your saving capacity, plus the $640 a month for furniture storage, and you have the capacity to fund a pretty good-sized mortgage. So, from what you have told me, if I was in your shoes, I'd be buying a good house in a good suburb that was likely to be my long-term home.

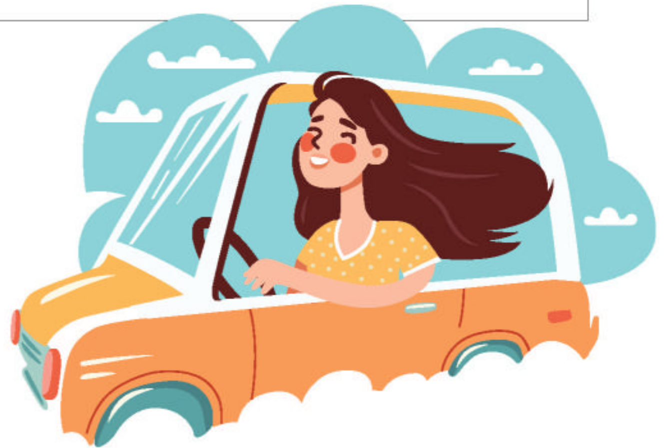
But I don't know a lot about you. Obvious questions that pop into my mind are what are your plans once your child finishes school? What might happen in terms of you having a new partner?

In fact, I have a list of questions I would want to ask you to think about before you bought a new home. The good news is you can earn more than 4% on your savings in a safe term deposit while you ensure your plans are reasonably settled.

So, while I think a good home would provide you somewhere to live with your child and be a good long-term asset for you, my advice would be to think about your medium to long-term plans.

My overriding view, though, is that buying a family home, providing you can comfortably afford the mortgage repayments, is the way to go. If you moved away after your child completed school, you could always rent it.

I have a strong bias towards home ownership. While this must fit with your plans, I feel it is an important goal for you.



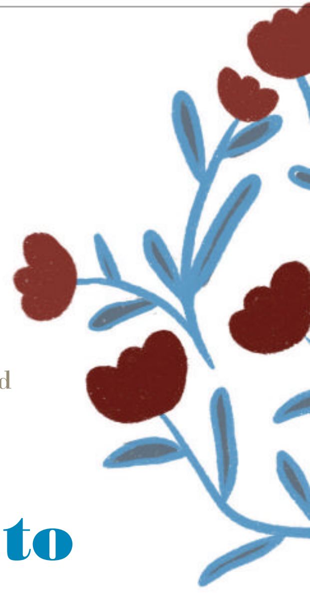
Lorral is considering a novated lease as part of her salary package

Cars are a necessary evil, so save your money

Q I'm 60 and the sole income earner. I work for a not-for-profit and have salary packaging. My husband has no income and received a small inheritance – enough for a new mid-range car with a little left over. We've been on one income all our lives, paid our mortgage and have no debt. Raising five kids, we always just managed. My salary package has offered a novated lease on a new car, but the deductions would not leave enough to pay bills. Am I better off leasing or buying outright? I have five more years before retirement.

Well, Lorral, if a novated lease would not leave you enough money to pay the bills, I am pretty sure that can't be a great idea! Cars fit into my "necessary evil" category. Most of us need one for work, kids and our lives but, goodness, they are cashflow eaters. Personally, I'd be buying a low-cost, cheap-to-maintain, reliable secondhand car and spending as little of my money on it as I could.

My suspicion is that working for a not-for profit, your salary will have you in the lower tax scales. You can check this online easily and see what benefit there is in a novated lease, but without knowing your exact package, I am pretty sure that a cheap secondhand car bought outright may be your best option.



Q & A

Sue and her siblings face a complicated legal issue

Brother died without a will, so how can we fulfil his wishes?

Q Our brother recently died suddenly without a will. Verbal discussions were that his assets would be shared with 10 nephews and nieces. Now, due to the lack of a will, four siblings are to share in the estate, which is worth about $500,000.

We wish to comply with his wishes, but if the estate is distributed to us and then we pass it on to my brother's nephews and nieces, we believe that gifting provisions apply, which would impact on age pension payments for two sisters. Is there a way for them (or all of us) to not receive an estate distribution and to pass it directly to nephews and nieces without impacting a pension?

Yow! This is not good news, Sue. My commiserations to you and your siblings.

I am sure things are still too raw for me to nag too much, but could I ask all readers to please ensure they have a current will? I know we think "it won't happen to us" but as you are telling us, it does, or to someone we love.

The silver lining here is that as a family there has been discussion about how his estate should be split and it is really nice that you are working together to uphold his wishes and distribute it to his nieces and nephews. Good on you all. Let me tell you, this is not common, sadly.

Here, though, I need to duck out of the conversation. I am not a solicitor. How your brother's assets will be treated as he dies "intestate" are just not in my field of expertise.

Sure, if it goes to all of you, your two pensioner sisters giving away anything above $10,000 a year will be deemed to be "deprivation". They could do $30,000 over five years and gradually pass it to their children.

But there is a simple solution here. I am sure you will have a solicitor dealing with this issue, so you and your siblings need to sit down with them and determine the best course of action.

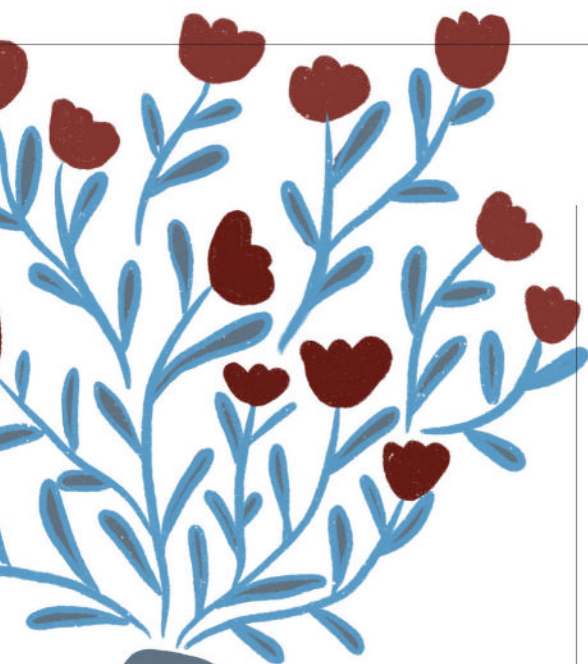
Dave wants to wind up his SMSF and switch into an industry fund

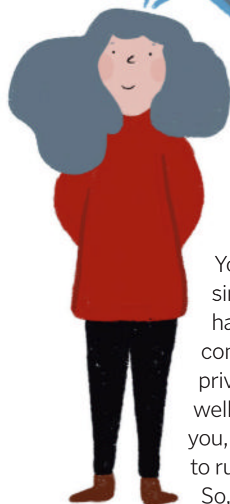
Little to gain in spreading super around

Q My wife and I have been running a self-managed super fund for the past 12 years or so and have been satisfied with its performance. But we are both now well into retirement and at the stage where we are just drawing down on the super and we no longer want to spend the effort of running the fund. Also, should one of us become incapable of running it, we would need to wind it up.

So, we are going to wind up the SMSF and roll the balances into an industry fund. My wife already has a balance in Aware Super from when she worked. Aware has performed well for her, so we are wondering if I should open an account with them. Should I choose a different industry fund to achieve some diversification in our super and spread any risk? Or is such thinking irrelevant in that large industry funds are at no, or at least equal, risk of failing?

As for diversification, can we each do this with our own member balances within the fund? I suppose the only variable might be performance but, as I say, we are really only drawing down the balances now and growth is less of a factor.





You and I are thinking along similar lines, Dave. Our SMSF has been great. We held some complex assets in it, such as private equity, and this has gone well for many decades. But, like you, our SMSF fund is expensive to run and reasonably complex. So, as our private equity winds down we are also looking at a move to a large, low-cost super fund.

I was chuckling with a very risk-averse mate of mine about this recently. He was pondering splitting his super across a number of managers. Personally, I could not see the point.

The monster funds, such as Aware, AustralianSuper, Hostplus and so on, basically all hold the same mix of assets. I am just not convinced you get any real diversification. Sure, you get a different manager, but if one of these monster funds fails, it won't be management, it will be a collapse in asset values … and they all own pretty much the same type of assets in the same percentages.

Apart from a bit of cost and extra complexity in managing your super, I guess there is no harm in splitting it across several big funds, but I'm not sure you are achieving anything. Personally, when we go down this path, we'll be putting it in one fund and keeping things simple.

Jessica is nervous about bond returns under the new manager

Alternative way to invest for the kids

Q We are a married couple, aged 35 and 42, who are about to have our third child. We have an emergency fund of $10,000 and smaller amounts of savings in various sub-accounts that all offset our home loan of $670,000. Our house is valued conservatively at $1.2 million. Our combined super is currently about $370,000.

We recently started investing and have a small portfolio worth $2000. While I'm on maternity leave, we are not sure if we should continue to invest with the tiny surplus we would have each fortnight or retain that in our emergency fund until I return to work, given the uncertainty of interest rates at the current time.

Having just got the investing bug, we are acutely aware that time out of the market is likely to impact our compound interest.

We also have an investment bond that we set up for our first child five years ago. It has subsequently become a nest egg for our second child and soon-to-be third, but now that AMP is part of the Resolution Life Group we are feeling nervous about the returns.

Should we take the tax hit and switch to a different bond provider that would give more confident returns and better customer service/portal that would show our investments, invest that lump sum into shares, or leave it where it is until the 10 years are up?

Well, Jessica, you are one of the few home-owners who don't need to worry about interest rates, as you are effectively debt free. What a great position this is to be in as your third child comes along.

One of the advantages of shares is that they are highly liquid. Obviously, you should have a rainy day fund, but in your situation I'd keep investing whenever you can.

An investment bond is a perfectly sensible investment for a child. As you know, it pays 30% tax and funds are available tax free after 10 years.

It is certainly a tax hit to pull your money out inside this period, so I'd be taking a hard look at the new manager and its investment strategy. If you are not confident about the returns, which means a lack of confidence in the manager's investment team, it is probably worth the tax hit. But if the investment strategy makes sense and fees are low, maybe you are better off putting up with a lower level of service for a while.

Personally, I still prefer to invest for kids and grandkids in a low-cost growth fund or ETF, with the lower-tax-paying parent or grandparent as trustee. Here I find a great deal of transparency, with no tax inside the fund, which I believe puts me in control.

SMART SPENDING

Destination Nagano, Japan

Highlights ... clockwise, from above, a passing view of Mount Fuji; snow monkeys; Daio Wasabi Farm; the Iwatake resort.

Five things to do

Regarded as one of Japan's most livable cities, Nagano, situated on the main island of Honshu and sometimes called "the roof of Japan", has a lot to offer beyond skiing and snowboarding at nearby Hakuba. A visit to its famous Zenkoji temple and a trip to Jōshin'etsu-kōgen national park to see the snow monkeys should be on your must-do list.

1. Stay: at the Iwatake snow resort in the Hakuba Valley. There are several resorts to choose from, but this one boasts Instagram-worthy snow sculptures and the best views on the mountain.

2. Hang out: with the locals at Hakuba village, which some consider to be the Japanese capital of skiing and snowboarding. It was the setting for a number of events during the 1998 winter Olympics.

3. Sample: ice-cream at the Daio Wasabi Farm. Brush up your knowledge of wasabi-based dishes and sample the wasabi-flavoured ice-cream.

4. Check out: Ishii Miso Brewery, in Matsumoto, a small miso factory founded in 1868 (at the end of the Edo era). A free tour is followed by free miso soup.

5. Rent: a car to see more of the country (the roads are excellent). The trip from Nagano to Tokyo on the Chūō Expressway offers stunning views of Mount Fuji, weather permitting. AARON GONG

DRIVING PASSION

Futureproof your home with an EV charger

So, you're building a new house and want to future-proof it by making provisions for an electric vehicle charging station. But is there a standard location in the garage to place the charger?

It's good thinking to prepare the house when the sparky is there and everything is easy to access.

Have a chat to the electrician about the best type of wiring. A 32A wire will get you about 7.4kW provided your local electricity provider allows you to draw that much from a single phase (most do). And 7.4kW will do a full charge of any EV overnight.

But if three-phase is available and won't cost much more, it could be worth considering, especially if your local electricity supplier limits the maximum current from each phase. Either way, a three-phase AC outlet can supply up to 22kW, which most new EVs won't accept – but it would be the ultimate in future-proofing.

As for where to put the charger, there's no typical or standard place for cables. MG, Nissan, Kia and Hyundai have models with the charging port in the grille on the nose of the car. Porsche, Audi and others put them behind the front wheels. Tesla bungs them in the back corner, as do other models from Kia and Hyundai. So it can be at any location around the car, depending on which model you buy.

Our recommendation would be to get a charger with at least six or seven metres of cable so it can reach any corner of whatever EV you go for.

CARSALES.COM

EXTRAVAGANCE

Pretty things

Each piece is a celebration of Australian opals and gems – treasures from the earth – that are a constant inspiration for the jeweller who has a love of history and costume. Opals steal the show but sapphires, emeralds, rubies, peridots, tsavorites and garnets also make an appearance.

Where from: sarahgardnerjewellery.com

WINE SPOTLIGHT

2022 Wickham's Road Gippsland Pinot Noir $19.95

This range is among Australia's finest budget-priced pinots. With this vintage, there's a worthy addition – a wine sourced from the cool Baxendale's Vineyard in Whitlands. My favourite is the Gippsland pinot: subtle, gently aromatic, dark berry flavours flowing through to a silky smooth finish with pleasing purity of flavour lingering. Remarkable value.

SPLURGE

2022 Tapanappa 'Tiers Vineyard' Chardonnay $110

While the quality of Australian chardonnay is improving exponentially, Brian Croser's 'Tiers' remains among the finest as it glides into its fifth decade. Consecutive, near perfect and slightly cooler vintages in the Piccadilly Valley in the Adelaide Hills have once again produced a delicate and pure white with grapefruit and nectarine flavours: satisfying in the mid-palate, yet with a tight, minerally edge. PETER FORRESTAL

SMART SPENDING

SMART TECH

Take living space to the next level

In this column, we spend a lot of time focusing on the features of things. What does a gadget do and how well does it do it? These are important questions.

But it's also worth considering the form of a product, not just its function. How does it look, how does it feel, how does it make you feel? How well does it fit on your desk, in your backpack and in your life, for that matter?

Not every product demands too much scrutiny in this regard; even the world's prettiest USB hard drive is still just a USB hard drive at the end of the day.

But sometimes the form of a thing is of paramount importance. That's particularly so for the gadgets we surround ourselves with in our living space, where their presence will be felt for years at a time.

The size, design and form of technology can transform our home environments, making them feel cleaner and clutter-free, more interesting and cultured or vivid and immersive. Get creative – there are plenty of ways to use tech to level up your living space.

PETER DOCKRILL

What is it? Govee DreamView T1 TV Backlight
How much? $150
Pros: For not a lot of money, you can transform movie night. Thanks to a camera that monitors your TV screen, the T1 shines colourful lights behind your TV, syncing with the colours onscreen to make content seem larger and more vibrant. It works with anything, including music videos and games.
Cons: Consider a more expensive setup like the Philips Hue system for a more premium back-lighting effect.
govee.com

What is it? Apple Mac mini
How much? From $999
Pros: Now in its new M2 chip incarnation, the Mac mini is the fastest and most powerful it's ever been. The mini's pint-sized proportions make it easy to fit onto any desk, but you can also completely conceal it, using mounts to hide the computer under your desk or stick it on the back of your monitor. Hello, clutter-free desktop minimalism.
Cons: Just don't lose it.
apple.com/au

What is it? Samsung's Frame (pictured)
How much? $799 (32in) to $5299 (85in)
Pros: When is a TV not a TV? When it's a piece of art. That's the clever conceit of The Frame, which displays famous artworks when not in use, transforming your living room into an art gallery. The effect is at its best when wall mounted. Newer models offer a non-reflective matte display to enhance the painting-like appearance.
Cons: Comes with 20 artworks; to unlock more you will need a subscription.
samsung.com/au

GIVE IT UP

Transcend Australia

What is it? Across the world we are seeing marginalised communities having to fight for their right to survive. Transcend is a group working towards a world where trans, gender-diverse and non-binary children are embraced and given an opportunity to thrive.
Where your money goes Donations go towards supporting Transcends' activism with as little as $30 helping to run peer support meetings for parents and carers. Transcend also creates a tonne of resources for all walks of life to support, affirm and celebrate the lives of trans, gender-diverse and non-binary children.

How to donate: Visit transcend.org.au to make a financial donation or to volunteer.

ELIOT HASTIE

WEBFIND

www.chartr.co

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YOUR QUESTION

Where should I invest to top up my wealth?

I am 32 and my question is about investment vehicles. At the moment, I have two residential investment properties, a house and an apartment, in Queensland and Melbourne respectively.

Both are negatively geared due to higher interest rates and worth around $450,000 and $550,000 respectively. I also own a few exchange traded funds (ETFs) worth a little over $100,000. I contribute to super and the balance is reasonable for my age.

My income is good with potential to grow further in the future.

My goal is to eventually buy a principal residence in Sydney, although with prices sitting around $1.5 million to $2 million it seems like a long way away.

I don't want to buy any more residential investment properties, as I am worried about maxing out my borrowing capacity.

I am interested in achieving a goal of steady cashflow streams to support raising future children and a comfortable retirement, and I'm not 100% clear on the best way to get there (plus, hopefully, making the principal residence a reality).

I like ETFs as they are diversified, have low fees and are low-stress. Do you have any suggestions to help me achieve my goals?

Should I sell the apartment to free up borrowing capacity (although the value hasn't risen much since purchasing in 2020) and/or maybe consider diversifying into higher cashflow properties, such as commercial properties, to save up for the home?

Jo

Diving deep ...
Jo wants to find out more about investing

Have a question?

If you have a question you'd like Paul to answer, email money@moneymag.com.au or write to Level 7, 55 Clarence Street, Sydney NSW 2000. Questions need to be 150 words or less and you must be willing to be photographed. Readers who appear on this page will receive a six-month subscription.

You're killing it financially but think about your life goals

Perhaps you could go travelling overseas while you're still young

My initial thought was how well you were doing financially, Jo. Your question did cause me to think about where a 32-year-old should be in terms of wealth creation. I started out by recalling my financial situation at 32 and on paper it was not a pretty sight.

Vicki and I had our first little bub at that age. We had started, with my partners, our business, Ipac Securities, and it had grown to a point where it could start to pay us a modest salary. Vicki, a school teacher, thankfully had maternity leave. We had a tiny home, on a busy road, with a big mortgage. On paper, we looked pretty crook, with very little wealth indeed. But now I think about it, we, like you, had well-defined plans and a focus on building long-term financial security.

This is interesting. Because you can clearly articulate your financial position and future goals, we have similar personalities. I think we are both ants: we plan, put resources aside through saving and plan for the future. I talk to plenty of people in their 20s and 30s who have quite different plans from us. I love that we can all make these choices. Some prefer to travel extensively, live overseas and build a range of personal experiences. Financial security is to be worried about in the distant future.

You know, I rather envy them. As you will be, and Vicki and I are today, our steady progress towards a goal of financial security has worked. No great surprise there – "getting rich slowly" is simply spending less than we earn and doing exactly as we did and you plan to do. Wait a few decades and it works!

With hindsight, even looking back on a wonderful and fulfilling life, I do regret not taking a year or two out and living overseas in my late 20s/early 30s. Sure, Vicki and I did some terrific overseas "pre-babies" travel, but in the main our personalities needed us to be in "wealth-creation" mode, as savers, not spenders.

The purpose of this ramble is to encourage you to think about what is most important to you, and go for it. We'll all end up with life regrets – hindsight is a great thing. But use your early years to good effect.

This is about you, not me, but I can tell you for sure that once kids arrive, life changes. Much to our amusement, our idea of getting to financial independence then living overseas in our 60s, has not worked either. Grandkids have come along, and after about a month overseas we are hanging out to come home to see them. Who would have thought?

My final word before we focus on your money is that pretty much 100% of people, like you, who are good with money from an early age, die too rich. Make sure you look at your money in a lifestyle context; maybe achieving your goals a few years later than planned is not a bad thing?

Great inflation hedge

Money is great in that it provides choice, such as a home in Sydney, but once we get past key needs and certain wants, I am not sure it brings much extra joy.

Anyway, you are killing it. Australia's population is growing and will keep growing. We are a highly desirable place to live. Property, of which you own two, is a simple asset class. Despite all the drama around interest rates, cost of living, a potential global recession and so on, people need a place to live.

Property is also one of the best inflation hedges. So, well-located properties in growth areas are likely to see rent increases and, as always, long-term growth in value.

These two properties are your hedge against inflation and will help you keep pace with the value of Sydney properties.

Next, you are clearly a regular saver, with your ETFs worth more than $100,000 and super growing with employer contributions. Then you have given me a critical piece of information: "My income is good with potential to grow in the future."

Bingo. You have geared assets. The gearing will enhance returns as values grow over time. Inflation will shred the true value of your loans while property will, over time, keep pace. Your super will grow, as will your ETFs.

So, what you need to do, depending upon your life goals, is keep saving. That is the key. I am not sure about selling an apartment, unless it has poor prospects, and paying the costs to sell and buy a commercial property is a clear winner. There I will have to leave you to your own research.

My suspicion is that owning a Sydney home will require the sale of one of your properties, plus savings, with your growing income supporting the mortgage. I'd encourage you to think about your Sydney home as an investment in the first place.

Rents are really solid in our big cities. I reckon the entry point for you is buying as an investment. Sure, you might move in for six months, then use the "six-year capital gains tax exemption" available on a principal residence if you move out after that time and rent it, but I do think your Sydney entry point is an investment property while letting rent and tax deductions do the heavy lifting for you.

Have a good think about your life plans, but saving while you are thinking builds options.

I wish you all the best with your plans. *Money* magazine has been my business baby since we started it many moons ago and, hopefully, I'll be around for a long time answering questions like yours. I'd love to hear from you in your early 40s to hear how the decade panned out.

TAX TIME COUNTDOWN

How to pay yourself a bonus

INCLUDES

LAST-MINUTE BOOST: 5 WAYS TO GET THE MAX BACK ON YOUR TAX P36

A BIGGER REFUND: WHY GOOD RECORD-KEEPING PAYS OFF P37

REBATES: LOW INCOME EARNERS STILL BENEFIT P38

PREP YOUR RETURN: THE FOUR Rs TO GETTING IT RIGHT P42

STORY NICOLA FIELD

With the high cost of living, a juicy tax refund will be a welcome boost. So now is the perfect time to use our step-by-step guide to maximise your deductions and take advantage of other strategies to reduce your taxable income – legally, of course.

THE AUSTRALIAN TAX OFFICE (ATO) handed out refunds totalling more than $38 billion to 10.8 million Australians in 2022. It was a bumper year that saw the average refund top $3000 – extra cash that many of us will be sweating on this year. While the end of several pandemic tax breaks could slim down your 2023 refund, there's still time to get the max back on tax.

HOW YOUR REFUND IS CALCULATED

Let's strip away the mystery of tax refunds. The tax you pay each year is based on your "taxable" income. That's assessable income (such as wages, salary, government payments and investment returns) less allowable deductions. Not all income is assessable. A lottery win, for instance, is usually treated as a windfall gain.

On the flipside, you may be able to claim deductions relating to your job or investment portfolio that help to lower your taxable income.

Once your taxable income is sorted, the ATO calculates your tax, deducts any offsets and tacks on the 2% Medicare levy to reach your final tax bill. If it's less than the tax your employer deducted through the year, you're due a refund.

The bottom line is that maximising your tax refund is all about (legitimately) minimising assessable income and making the most of allowable deductions.

WHAT IS MY MARGINAL RATE?

The marginal rate is the highest tax rate you pay. Australia has a progressive income tax system, meaning higher rates apply as your income rises (see table, right).

Income below $18,201 is tax-free. From there, tax is charged at 19 cents for every dollar earned between $18,201 and $45,000. So, if your taxable income is $45,000, you'll pay tax of $5092. If your taxable income is $125,000, for instance, your marginal tax rate rises to 37%. You won't pay 37% tax on all your income – just the portion above $120,000.

You can use an online calculator to estimate your refund. You'll find one at moneysmart.gov.au.

DOES THE RATE CHANGE?

Your marginal tax rate is not set in stone. It's very much income dependent, and Mark Chapman, director of tax communications at H&R Block, says landing a new job with a higher salary can change your rate. It can also shift if you launch a side hustle.

"You may think your side hustle is just a hobby and, therefore, that you don't have to pay tax on the income, but the ATO will almost certainly disagree," says Chapman.

It can be easy also to assume a large inheritance will lead to a bigger tax bill, but this isn't necessarily the case. "There is no inheritance tax in Australia, which means inheriting an asset doesn't come with a big immediate tax bill," says Chapman.

INDIVIDUAL (RESIDENT) TAX RATES 2022-23*

Taxable income	Tax on this income
$0-$18,200	Nil
$18,201-$45,000	19 cents for each $1 over $18,2000
$45,001-$120,000	$5092 plus 32.5 cents for each $1 over $45,000
$120,001-$180,000	$29,467 plus 37 cents for each $1 over $120,000
$180,001 and over	$51,667 plus 45 cents for each $1 over $180,000

Source: ATO *The above rates do not include the Medicare levy of 2%

That's not to say an inheritance is altogether tax-free. If you inherit an asset, such as property or shares, you'll pay capital gains tax (CGT) if you later sell the asset. However, Chapman says there are CGT concessions and exemptions that can potentially reduce or even eliminate the tax take.

Your relationship status shouldn't influence your personal tax bill. "Each individual is taxed only on their own income – we don't tax couples."

LAST-MINUTE BOOST

With June 30 fast approaching, there's still time to rack up additional deductions. Elinor Kasapidis, tax policy expert at CPA Australia, says everyone should be making all the claims they are entitled to. She adds that it's possible to miss out on thousands of dollars if you're not keeping the right records or don't know what to claim. "Those who don't have the time, skills or knowledge to do it themselves should speak to a tax agent," she advises.

Here are five possible last-minute deductions to supersize your refund.

1 KNOW WHAT'S ALLOWED IN YOUR INDUSTRY

There is a whole A-Z of possible work-related deductions. For instance, you may be able to claim $1 per wash for laundering uniforms, high-vis gear or job-specific clothing. On the downside, there is plenty of scope to get these claims wrong.

As a guide, you can't usually claim fitness costs, such as gym memberships, even if you need to pass medical examinations and fitness tests to maintain your employment. The best bet is to head to the ATO website (ato.gov.au) for guides that provide a full list of deductions available for workers in different industries.

2 STOCK UP ON ITEMS FOR WORK

"Individuals can claim an immediate deduction for items they need for work that cost $300 or less," says Kasapidis. "Those who need to buy an item for work, such as a new chair for their home office, could do so before the end of the financial year for an immediate deduction."

3 GROW YOUR SUPER

You may be able to claim a deduction for a concessional (before-tax) super contribution. This year, up to $27,500 worth of contributions can be claimed as a tax deduction, though this includes your employer's compulsory 10.5% contributions (and your own salary sacrificed contributions if you've made any). So, if your employer has contributed $6300 to your super during the financial year, for instance, you could chip in an extra $21,200 as a deductible contribution.

Mark McShane, director of Chrysalis Lifestyle Planning, says making a tax-deductible contribution to your super is a way to boost retirement income for tomorrow while saving on tax today. It may also be possible to take advantage of unused carry-forward concessional contributions extending back five years to the 2018-19 financial year. These contributions are limited to the difference between the concessional super contributions made to your account in previous years and the annual limit that applies to each year.

Unused carry-forward contributions can only be made if the balance of your super was less than $500,000 at the start, not the end, of the current financial year. "We generally recommend using details of your super on your MyGov portal to check the balance at July 1, 2022, as this is the information the ATO will work from," says McShane.

Your employer's super contributions for 2022-23 may not be paid into your super account until early July – the start of the new financial year. To play it safe, McShane suggests avoiding making a deductible contribution that takes you right up to the $27,500 limit. "In addition, salaries can change throughout the year. So, it's worth leaving some wiggle room rather than inadvertently exceeding this year's $27,500 threshold."

If you do plan to make a tax-deductible contribution to super, the money must be in your account by June 30. Most funds ask that you contribute by at least June 23 to be sure it's recorded by your fund by June 30. You will need to let the fund know in writing that you plan to claim the contribution as a tax deduction before including it in your 2022-23 tax return. Your fund's website will have the form you need to do this.

4 DONATE TO CHARITY

Australians who plan to give a donation worth $2 or more to an eligible charity should keep records, such as receipts, to claim a deduction. "If you've made small donations, such as dropping a gold coin into a charity bucket, you can claim up to $10 without a receipt," says Kasapidis.

5 PROTECT YOUR INCOME

Income protection insurance pays a percentage of your normal income (usually 70%-75%) if you can't work because of illness or injury. You may have income cover through your super fund, though it's not always a default option.

> You can miss out on thousands of dollars if you don't keep the right records or know what to claim

Taking out income insurance independent of super could boost your deductions, as the premiums can normally be claimed on tax. As a guide to the cost, a 40-year-old male on a salary of $90,000 in a white-collar job can pay $920 in annual premiums through insurer AAMI.

Mark McShane says it may be possible to get a 6%-7% discount by paying premiums annually rather than monthly.

WHY YOU COULD MISS OUT ON A BIGGER REFUND

Todd Want, director of tax services at William Buck, says record keeping – or a lack of it – is often the biggest thing holding taxpayers back from claiming a greater amount of tax deductions and, therefore, obtaining a bigger tax refund.

He adds that under Australia's self-assessment regime, the burden of proof is on the taxpayer

to substantiate their position, so good record-keeping is crucial.

Some forward planning can help, too.

"Taxpayers should endeavour to understand at the start of the year what types of expenses they may be able to claim a deduction for based on the type of work or activities they undertake to earn their income," he says.

"Understanding this early in the year so that you can plan for it, and maintain appropriate records, is crucial. Always remember that just because your mate claims a deduction for something, it doesn't automatically mean you'll be entitled to a deduction for the same type of expense."

Chapman says lack of knowledge can shrink your refund. "Lots of people lodge their own tax return through myTax and aren't aware they can claim certain deductions against their income, which could reduce their tax bill or increase their refund."

"Unless you have the simplest tax return (salary/wages and no deductions), I would always recommend using a tax agent."

AVOID A REFUND HOLD-UP

Many of us are hankering for a juicy tax refund, but being an early bird with your tax return could be a cause of delay.

By way of background, the ATO uses data matching to check certain aspects of your tax return including:

- salary and wage information received from employers
- interest and dividend data from financial institutions and public companies
- pensions and allowances from government departments.

Todd Want says it can take several weeks after June 30 for all this pre-filled information to be received and uploaded by the ATO, and it can pay to hold off a couple of weeks before sending through your tax return. "Lodging your return in early July, before the ATO has received the pre-fill information, could lead to delays in receiving your refund if there is a discrepancy in the information provided."

There are other possible causes of delay.

"If you are claiming a large one-off deduction, have a big refund coming your way, or the return appears unusual to the ATO, they may ask questions before releasing the refund," warns Want.

WHERE TO TREAD CAREFULLY

Last year, more than 100,000 taxpayers had their claims reviewed by the ATO. It's a hassle you just don't need. While it always pays to take care with your tax return, according to Kasapidis, poor record-keeping and unexplained wealth ring alarm bells for the tax office. It also has certain issues in its sights.

"For individuals, the ATO is taking a close look at work-related deductions, rental property income and capital gains this year. It's also focused on undeclared income," says Kasapidis. "For small businesses, the ATO is focused on trusts, personal use of business assets, personal services income and offshore income and investments."

Want says the ATO may raise questions if you are claiming a lot more for work-based deductions than others in your industry. That said, he adds that large claims for any deductions, irrespective of your industry, are more likely to attract attention.

Large capital gains (or losses) or dealings in cryptocurrency can also see the ATO shine a spotlight in your direction.

Want notes that if you're likely to have large deductions or contentious items in your return, it's a good idea to speak to a tax adviser at an early stage. "In some instances, seeking a private ruling from the ATO on how they will treat a particular tax issue you are planning to include in your return may be a prudent way to obtain certainty before you lodge, rather than sweating on the possibility of being reviewed or audited at some point down the track."

The bottom line, according to Kasapidis, is to "make sure you have your paperwork in order, and if the ATO comes knocking, speak to your tax agent".

CHANGES TO OFFSETS

Sadly, last financial year saw the curtains close on the low and middle income tax offset (LMITO), which was worth up to $1500 for workers earning between $37,000 and $126,000. The death of this rebate may contribute to some workers pocketing a smaller refund in 2023.

On the plus side, the low income tax offset (LITO) is still very much alive. If you earn less than $37,500 it's worth the maximum $700; between $37,501 and $45,000, you will get $700 minus 5 cents for every $1 above $37,500; and between $45,001 and $66,667, you will get $325 minus 1.5 cents for every $1 above $45,000.

But don't worry, you don't have to do anything to claim the LITO. The ATO automatically calculates it when you lodge your return. Bear in mind that offsets only reduce the amount of tax you pay. Once your tax is knocked down to zero, you won't receive any remaining offset as a refund.

TEMPORARY FULL EXPENSING / INSTANT ASSET WRITE-OFF

The instant asset write-off – the darling of the business community – is due to end this financial year. "This scheme was introduced at the height of the pandemic," explains Kasapidis.

"It allows businesses to write off the entire cost of eligible assets for an immediate tax deduction."

Businesses may want to consider making eligible purchases before the end of the financial year. Kasapidis notes that to claim the full cost this year, eligible assets need to be either used or installed ready to be used by the business by June 30, 2023.

WORK FROM HOME CHANGES

The work from home (WFH) rules changed on March 1 this year.

"During the pandemic, Australians who worked from home could use a shortcut method allowing them to claim 80 cents for each hour they worked from home. They didn't have to keep an ongoing diary or evidence of running expenses," explains Kasapidis.

"Taxpayers now need to keep additional records if they want to use the revised fixed-rate method to claim their work from home expenses."

Under the fixed-rate option, you can claim 67 cents per hour worked from home, up from 52 cents per hour last year. "Items that are difficult and tedious for everyday Aussies to calculate actual work use, like phone, internet and electricity expenses, are included in the revised rate," explains ATO assistant commissioner Tim Loh.

"Assets and equipment that typically give taxpayers a bigger deduction, such as technological items and office furniture, are not included in the revised rate and need to be claimed separately."

You don't need a separate work area to claim the 67 cents per hour but you do need to record hours worked from home. "It's crucial to keep an ongoing diary for each day of the year worked from home and to keep hold of bills and receipts," says Kasapidis.

Loh says that for taxpayers who haven't kept records so far, transitional arrangements are in place for 2022-23. "From July 1, 2022 to February 28, 2023, we'll accept a record which represents the total number of hours worked from home, for

example, a four-week diary. From March 1, 2023 onwards, taxpayers will need to record the total number of hours they work from home."

You do need to be eligible to claim working from home expenses. "This means working from home to fulfil your employment duties, not just carrying out minimal tasks, such as occasionally checking emails or taking calls. Also, you must incur additional expenses as a result of working from home," says Loh.

Alternatively, you may want to use the actual cost method. This includes keeping detailed records (typically receipts) for all the WFH expenses being claimed. You'll also need a record of the number of hours worked from home during the year (either the actual hours or a diary with a representative four-week period to show the usual pattern of working at home). In addition, you'll need to show how you've calculated the work-related and private portion of your expenses.

Super becomes a key deduction for a small business

Meredith Wilks* runs a media consultancy in regional NSW. She operates as a sole trader and, as such, the business has few significant running costs, such as staff or trading stock. Wilks says she is increasingly turning to concessional super contributions as her main tax deduction.

"In the past few years, I've taken advantage of temporary full expensing to upgrade my office equipment, buy a new computer and several printers," she says. "I also purchased a new car last financial year to take advantage of the instant asset write-off. These have been valuable deductions, but there's only so much new equipment the business needs."

This year, Wilks is turning to super to bump up her deductions. "I'm in my 50s, so super has suddenly become really attractive to me, and I love that I can get a tax deduction for investing in my own retirement savings."

The catch is that making a concessional super contribution means depleting cash reserves.

"I have noticed a slight slowdown in business in the past two months," says Wilks. "So, it's a juggling act to know how much I should commit to super before June 30. My concern is that I may need this money to tide the business over through a soft patch in the next financial year."

*Surname changed to protect privacy

WHAT ABOUT COVID TESTS?

For many of us, Covid tests are a thing of the past. However, H&R Block's Mark Chapman says a deduction may still be available for the cost if it relates to your work – for example, you might need to be able to prove that you are Covid-free to your employer in certain jobs. "Money spent personally on items of Covid protection can be claimed against your tax if they are work-related – think hand sanitiser, face masks, gloves and antibacterial spray." You will need receipts to back up your claim.

SHOEBOX VERSUS SOFTWARE

Chapman says many taxpayers are defeated by a simple lack of records.

"Too often, taxpayers simply throw the invoice away or 'put it somewhere safe' where they can never again find it!" This is where an app can help.

The ATO app is free to download and use, and it's suitable for individuals or sole traders. It has a number of useful features including the myDeductions tool that stores and organises your tax records. The app also lets you check pre-fill information the ATO receives from third parties, so you can work out when you can lodge your return. From there the app lets you track your return's progress through the ATO system.

An alternative is the free Etax app from online tax agent Etax (not part of the ATO). The app lets you save a photo of your tax receipts any time, with the option to add the amount and some notes and save it for tax time.

The free Squirrel Street receipt tracker app organises and stores receipts and invoices, and can be appealing to small businesses as it can be integrated with bookkeeping services such as MYOB and Xero.

If you do use an app, the ATO advises backing up your data regularly in case your device is broken, lost or stolen.

TAX AGENT OR DIY?

If you're doing your own tax return, you have until October 31 to lodge it. If you're likely to owe money on tax, it can be worth using a tax professional. You could delay lodging your return until May 2024 if you are listed on the books of a registered tax agent by October 31.

If your tax affairs are simple, it costs nothing to do your own return. Log onto myTax through the myGov portal, and you'll find plenty of details such as that interest earned on savings accounts has been pre-filled, which makes the process easier.

ATO app reduces the paperwork

After several years at university, 25-year-old graduate Kate is relishing her full-time income.

However, she is also mindful of her $48,000 HECS-HELP debt. By claiming all the deductions she is entitled to, Kate can lower her taxable income, on which HECS-HELP repayments are based.

To make the task easier, Kate has been using the ATO app. "It's pretty useful, especially to avoid having a pile of receipts to have to sort through when it comes to tax time. Or worse, having to go through the bottom of all my bags to find receipts," she says.

"It's simple and easy to use. You just note your expense, what category it sits within and what percentage you can claim as a tax deduction. You can also upload a photo of the receipt. At tax time I can link the app up with my ATO tax account and it pre-fills my deductions."

Four Rs to get your tax return right

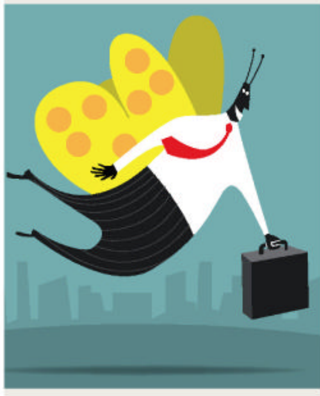
CPA Australia's tax policy expert, Elinor Kasapidis, sets out four critical rules to follow this tax time.

1 Record everything
Get your record keeping right this tax time. Keep a detailed diary throughout the year noting down when you worked from home, and hold on to documents relating to your home expenses, such as electricity and other utility bills.

2 Retain receipts
If you incur a cost you plan to claim, you need to keep the receipt.

3 Remain realistic
Don't get carried away when submitting your tax return. If you're claiming work from home expenses, for example, the ATO is unlikely to accept a deduction for a packet of Tim Tams eaten during your coffee break at home.

4 Reach out
Seek advice when submitting your return and get help from a tax agent if you're unsure.



The downside of a DIY approach is that you could miss out on valuable work-based or investment deductions. "There's a reason 70% of Australians use a tax professional to prepare their tax return – tax is complicated," says Mark Chapman. "Get your tax return wrong and the comeback is on you, either with a lower refund or ATO penalties."

He adds that most people find it far less stressful to simply pass on all their information to a tax accountant, and leave it to them to complete their return, safe in the knowledge that it will be accurate and complete.

"An experienced tax professional will usually be good at sniffing out those obscure tax deductions you didn't know you could claim, so they can often pay for themselves several times over," says Chapman.

The cost can be claimed on tax in the following financial year. However, there's another good reason to consider professional tax help. Last financial year, over half the complaints received by the Taxation Ombudsman came from people who'd done their own tax returns. At least if you get professional support, you can be confident that what's in your return is correct.

If you're relying on someone else for help, they must be registered with the Tax Practitioners Board (TPB).

Only registered tax agents can lodge a tax return on your behalf. And the Tax Office warns that only registered tax agents can charge a fee to prepare and lodge your tax return. To check if your tax adviser is registered, head to tpb.gov.au.

Free help may also be available, such as the ATO's Tax Help program.

It's run by trained volunteers and is available to taxpayers earning $60,000 or less who have simple affairs. You will need a myGov account linked to the ATO to use the service.

Tips for prepping your portfolio

Investors can minimise their tax bill through a variety of strategies. However, Mark McShane, from Chrysalis Lifestyle Planning, says it's important to consider whether your income in the following financial year is likely to be higher or lower to maximise any tax savings.

He also cautions against looking at tax savings in isolation. "Consider the bigger picture of the planning pie. A strategy that provides a big deduction in one year may be questionable in terms of how it impacts your long-term goals." This being the case, he recommends discussing any investment-based tax strategies with both your financial planner and accountant.

If you own listed assets, such as shares and exchange traded funds, there may still be time for a portfolio review.

"Given the annus horribilis we saw across sharemarkets in 2022, now could be a time to restructure a portfolio," says McShane. "It's not a strategy you may want to use every year, but following a period of volatility it's an opportunity to review gains and losses to see if you can make some desired portfolio changes tax-effectively. This allows the capital losses on any poor performers to be offset against realised capital gains."

'Wash sales' cause trouble

Chapman cautions against selling shares at a loss and buying them back in the new tax year. "The ATO takes a hard line against so-called 'wash sales'. This refers to the sale of an asset before the year end and the purchase of a substantially identical asset immediately after the year end."

The ATO regards the purchase and the sale as effectively the same asset. It has ruled that anti-avoidance provisions may be applied to cancel any tax benefits with penalties possibly applied. This all highlights the need to speak to a professional when it comes to making key portfolio changes with a view to managing tax.

If you're thinking about joining a dividend reinvestment plan to reduce tax, think again. Dividends still need to be declared in your current year's tax return even if you didn't receive them as a cash payment. "Dividend reinvestment is more of a compounding strategy rather than a way to trim tax," says McShane.

Investors may be able to bump up a tax refund by prepaying expenses related to investments, such as interest on a margin loan or investment property loan.

How capital gains tax is calculated

Despite the name, capital gains tax (CGT) is not a separate type of tax. Instead, any capital gains you make on the sale of an asset, such as an investment, are added to your assessable income.

A CGT discount of 50% is available for individual investors who have held onto the asset for at least 12 months. Even so, capital gains can bump up your marginal tax rate in a given year.

The real sting is that capital losses can only be used to reduce any capital gains. You can't claim capital losses to reduce your taxable wage or salary income.

Crypto investors take care

Research by Roy Morgan in 2022 found more than one million Australians own cryptocurrencies. Self-managed super funds collectively hold $1496 million in cryptocurrencies, so it's still a popular investment. And despite being digital, crypto is very much on the tax office's radar.

Capital gains tax (CGT) applies to each disposal of crypto. "This is calculated based on the difference between the amount you paid for the cryptocurrency and the amount you disposed of it for," says Chapman. "Any profit is subject to CGT, which can potentially be discounted by 50% if you hold your crypto asset for more than 12 months."

What constitutes a "disposal" can be a source of confusion. It's not just about converting your crypto back to Aussie dollars. Chapman says a disposal can be triggered by exchanging one cryptocurrency for another, and even using cryptocurrency to pay for goods or services or simply giving it away.

He notes that if you buy and sell cryptocurrency on a regular basis with a view to making a profit, you could be regarded as a trader. If this applies, the profits on disposal of the cryptocurrency will not be subject to CGT. Instead, Chapman says it will be assessable income as you'll be regarded as being in business as a buyer/seller of cryptocurrency.

It can be a fine line between being a crypto investor and a trader. Broadly, if you are turning over your cryptocurrency every few days chasing profits, make a large volume of transactions and are running a business-like structure (for example, with a registered business name and an Australian business number), you could be seen as a trader.

If you are holding the cryptocurrency with a view to long-term gain, you are likely to be viewed as an investor.

The ATO matches data from Australian designated service providers (DSPs) against its own records to identify people who may be tempted to fudge their crypto profits. "If what you disclose on your tax return doesn't match the data the ATO has received from DSPs, you can expect a 'please explain' letter at the very least," warns Chapman.

"This makes it much harder to hide behind the anonymity that was previously one of the hallmarks of cryptocurrency." *M*

Watch out for

Workers are missing out on billions of dollars of employer contributions, but there's a simple way to ensure they get their entitlements

STORY VITA PALESTRANT

Unpaid super has been a long-running issue. The system allows employers to make quarterly super contributions and, with exemptions, even less frequently. Employees are left guessing when it will be paid. Consumers and super funds want the law to be changed.

Compulsory super contributions, also called the super guarantee (SG), come out of wages. When an employer fails to pay them, the employee's retirement nest egg not only misses out on the SG but also on its earnings, leaving them with smaller balances at retirement.

The impact doesn't end there. If your super account has been inactive for more than 16 months, or its balance falls too low, your life and disability insurance cover will be cancelled.

"Some employers are not across what their responsibilities are and are not paying on time," says Xavier O'Halloran, director of Super Consumers Australia. "But there are also some bad actors out there, looking to avoid their responsibilities to their employees. Essentially, they are engaged in wage theft and it needs to stop.

"Currently, it can be three months between getting the SG, and even longer in some cases, because employers can get an exemption, so it can drag on for months and months before someone gets what they are legally entitled to under the current system. Waiting three to four months to get paid the super you've earned is way too long."

O'Halloran says quarterly payments are a hangover from the pre-digital age and there is no longer an excuse to drag things out. "Employers should be required to pay super alongside wages."

In a pre-budget submission to the federal government, the Association of Superannuation Funds of Australia (ASFA) has called for employers to pay the SG at the same time as wages from July 1 this year.

The most recent data available from the Australian tax office (ATO) indicates a massive $3.4 billion shortfall in SG payments in 2019-20.

Martin Fahy, CEO of ASFA, says the ATO's figure is three years out of date.

"The conventional wisdom is that it is probably quite a conservative estimate. Typically, non-SG payments, non-SG compliance, is focused on part-time workers or insecure employment.

"The reality is 78% of all contributions get paid either on a monthly or fortnightly basis. The vast majority of employers pay the SG alongside payroll, but there's a significant and embedded core of employers, mostly across industries like retail, hospitality and construction, who are not making the payments, are not compliant with SG payments.

the SG rip-off

"That amounts to 5% of total SG payments every year. In the aggregate, those numbers are staggering. What's more tragic is the impact it has at the individual level."

For example, a 35-year-old female office assistant on $65,000 a year who misses out on SG contributions for two years would be $24,000 worse off at retirement in today's dollars.

The situation has been exacerbated as a result of Covid-19, he says. "We have more and more businesses going into insolvency where the unpaid amounts cannot be recovered.

"Unpaid super rates very far down the list when it comes to insolvency. In the vast majority of cases, it doesn't get paid at all. While there are statutory protections for outstanding wages, there are no protections for SG contributions."

This comes as a surprise to many workers, who assume compulsory super contributions, which make up part of their remuneration, are protected in the same way as wages.

It's a fair chunk of salary. Currently, the SG is 10.5% of pay and will rise to 11% in July.

"That's why we are calling for a move away from paying SG on a quarterly basis and for more initiatives to improve compliance," says Fahy. "With modern technology it's much easier to align SG to payroll and to pay on a monthly or fortnightly basis.

"Standard payroll systems should easily accommodate such changes without incurring any significant costs. It would make it easier for employees to monitor the SG compliance of their employer and for the ATO to compare super payments with wage payments."

Power imbalance

ASFA has also called for greater transparency and analysis in relation to the composition of the SG gap to better identify where non-payments are occurring.

"Currently, we don't have a huge amount of data from the ATO," says Fahy. "That's one of the things we'd like to see more of, to get a better understanding of the SG non-payment gap as well as which sectors are particularly recalcitrant, and give the ATO more resources, if necessary, to hold employers to account."

Referring to the $450 minimum threshold workers were required to earn each month before being eligible for the SG from each employer and finally abolished last July, he says: "Every single dollar that people earn now attracts SG contributions for that, which makes it easier for people to understand how much SG they should be getting.

"We think aligning SG to payroll is the way to go. If we need a transition period, let's have it, but then let's move on to the 21st century on this. We need to get on top of this."

Currently, it's up to employees to monitor their super payments. This means knowing when the quarterly payment deadlines occur (see table). The ATO can only investigate an unpaid or underpaid super claim once the due date has passed and you have raised it with your employer.

But many employees are in the dark about how things work and uncomfortable about raising such issues with their employer.

Quarterly super payment due dates

Quarter	Period	Payment due date
1	July 1 - September 30	October 28
2	October 1 - December 31	January 28
3	January 1 - March 31	April 28
4	April 1 - June 30	July 28

Source: ato.gov.au

How the problem could be fixed

According to ASFA, the federal government needs to change the law so that the SG is paid at the same time as wages to address the gaping hole of unpaid contributions.

It states that while many employees receive their super contributions at the same time as wages are paid, many employers pay contributions quarterly.

"Some employers fail to pay the right amount of contributions or do not make contributions at all. Requiring super contributions to be made more regularly, together with enhanced ATO enforcement activity, will lead to greater SG compliance," ASFA's pre-budget submission to the government states.

Given the significance of the problem, ASFA recommends a multi-faceted approach.

"First, requiring employers to pay SG contributions at the same time as wages would make it easier for employees to monitor the SG compliance of their employer and for the ATO to compare super payments with wage payments."

Standard payroll systems should be able to accommodate such changes easily, according to ASFA, without incurring any significant increased transaction costs.

"It would also limit build-up of SG liabilities of employers. The policy change would reduce the terms of payment on SG liabilities from up to four months to potentially one week.

"Not only will it lead to better retirement outcomes, particularly for low- and middle-income earners, it will also strengthen the Australian economy through increased investments by super funds and an improved budget outcome."

ASFA has called on the government to adopt the following recommendations to ensure that employers comply with their obligations, namely that:

- Arrangements are put in place to require employers to make SG payments at the same time as wages from July 1, 2023. If considered appropriate, small businesses could be provided with up to an additional year to transition to the new arrangement.
- The ATO provides greater transparency and analysis in relation to the composition of the SG gap, including annual league table reporting by industry and employer size, and reviews its SG gap performance measures to ensure they provide a meaningful assessment of progress.
- The ATO be given discretion, with immediate effect, to require non-compliant employers to remit all future SG contributions on behalf of employees more frequently (for example, fortnightly) and that non-compliant employers be required to communicate to new employees that they had not met their SG obligations. This would be in addition to penalties that may apply
- The ATO be permitted to alert employees where it detects potential SG non-payment through its improved approach to data matching and contribution identification.
- That unpaid SG entitlements be included in the definition of unpaid "employment entitlements" for the purposes of the fair entitlements guarantee.

"This has always been a challenge," says Fahy. "The very people who are impacted are in insecure employment, in part-time or casual employment. Very often there is a significant asymmetry of power. Your employer should be your first port of call but you've also got recourse to the ATO. There's an online form you can fill in to follow up on unpaid super."

Fahy also recommends you contact your super fund. "If your employer is not making contributions, bring it to their attention. But, ultimately, you do have recourse to the ATO on a confidential basis."

O'Halloran agrees many employees would find it hard to approach their boss.

"If you're not in a strong position in the workplace, you might feel intimidated at the thought of accusing your boss of not paying you properly. You might worry what it means for your job and that you might get the sack if you kick up too much of a stink about not being paid super."

He also warns employees not to rely solely on their payslips. "If an employer is looking to do the wrong thing and not paying your super on time, they may be misleading you with their payslips as well.

"It's important employees check with the super fund and make sure the money is actually going where it should be going, because those payslips can be unreliable."

Much less in retirement

One of Australia's largest super funds, Cbus, has first-hand experience of unpaid super and the serious impact it can have on retirement savings. Most of its members work in construction.

The industry fund has put considerable resources and effort into helping its members tackle these issues.

"We're proud to say that during the 2022 financial year we recovered $106.6 million in unpaid super for our members," says Cbus Super CEO Justin Arter.

"It's a major issue affecting many workers in building and construction. Data shows employees in the construction industry have a one in three chance of being underpaid their SG entitlements and that the construction industry is the second highest source of complaints to the ATO about unpaid super.

"The majority of businesses do the right thing, but there's a minority that are failing their employees. They are creating a problem that continues to leave many of our members with much less to live on in retirement and puts the businesses doing the right thing at a disadvantage."

Arter says Australia's super shortfall represents a significant loss of entitlements for members and lost revenue for the government through forgone contributions tax and increased reliance on the age pension.

"We believe policy change in this area is critical to ensure members are paid their full entitlements and get the opportunity to benefit the most from their super.

"Paying super with wages is one measure to plug 'leaks in the bucket' as members accumulate their retirement savings. This is particularly important for workers in the early stages of their careers.

"Currently, payslips include an amount for SG payable for each pay cycle. However, in most cases that amount is

hypothetical, as wages and super are not synchronised and, therefore, the actual SG payment may not have been made.

"Payday super is a practical reform. The compliance burdens of decades ago aren't an impediment with today's payment processes. Contributions should be in members' accounts and put to work securing their retirement."

He believes Cbus Super has been breaking new ground and leading the way on these issues. "We've developed robust processes. Many employers have been proactive and make payments to Cbus monthly rather than quarterly.

"Our workplace coordinators use an app in the field to help members search for unpaid super. In the last financial year 15,217 searches were conducted.

"We are proactive because our efforts lead to a better chance of recovery. We'd like to see the ATO take a more proactive stance on investigating and recovering unpaid super." **M**

It's your money: keep an eye on it

Until last July, people earning less than $450 a month from a single employer weren't entitled to super. Many workers in the gig economy missed out. That has changed.

Whether you work full-time, part-time or as a casual, your employer is obliged to pay you the SG on every dollar you earn. You can check whether they are paying the correct amount using the ATO's tool on the link below.

"Pretty much everyone who is over 18 is entitled to super. Those under 18 are eligible providing they work over 30 hours a week," says Xavier O'Halloran at Super Consumers.

The SG rate is currently 10.5% and will rise to 11% in July. It will continue to rise until it reaches 12% in July 2025. "That's a fair chunk of your retirement savings that you could miss out on if your employer isn't doing the right thing," he says.

O'Halloran is concerned vulnerable workers who weren't eligible for the SG in the past may be unaware they are now entitled to it and be taken advantage of.

"At the moment, your employer has so long to pay the SG, it can be hard to track. We encourage people to check their super accounts regularly online, look at the transactions or call their fund for information.

"In the past, we've had people relying on their payslips, but if an employer is looking to do the wrong thing and not paying your super on time, they may be misleading you with their payslips as well.

"So, it's important employees keep on top of it and make sure the money is actually going where it should be going."

If the super contributions are underpaid or unpaid, your next step is to try to sort it out with your boss.

"We encourage people to contact their employer about it, but we understand that might not be an option that's available to them. What consumers can do is contact the ATO. There's an online form where people can report it."

The ATO has an obligation to follow it up, keep you informed and take enforcement action against the employer if there's a pattern of non-payment over a long period.

O' Halloran says non-payment of super can affect anyone. "Some businesses could be trading off the entitlements of their workers. If it goes under there's no money left to pay it.

"That's why we think it's a matter of urgency that the government address this real-time payment issue, so people don't miss out any longer."

For more information, go to ato.gov.au/Individuals/Super/Growing-your-super/Unpaid-super-from-your-employer.

Car market's wild ride

STORY TOBY HAGON

Secondhand prices went crazy during the pandemic, but the market shows signs of cooling

When Richard Walsh took delivery of a Toyota RAV4 hybrid early last year, he had visions of it being part of his garage for years to come. The car was to be predominantly driven by his wife, and the sensible size and fuel-sipping petrol-electric drivetrain made plenty of sense to the Sydney butcher.

Within months, Toyota announced an updated model with new features, including a larger 10.5in infotainment screen and 12.3in digital instrument cluster. "I'd been planning to hold onto the car for years, but I found the smaller screen a disadvantage ... I wanted the new tech," says Walsh.

Even though there had been price rises with the updated model, Walsh investigated the cost of trading up.

Solid demand for used hybrids meant he was able to sell the then nine-month-old car for a fraction more than what he paid for it.

He ordered a new one of the same model and colour. And while it's been delayed, he is lucky to have other modes of transport. "I've got a few older cars in the garage, so my wife is driving one of those until the new RAV4 arrives."

As it turns out, he timed the sale almost perfectly.

Unprecedented surge

Used car values have been at record highs since Covid changed the world, with many buyers selling near-new vehicles above the price of a new one.

But market volatility is subsiding and prices are finally coming off their highs.

When the pandemic hit in 2020, it caused mayhem with both supply and demand.

Some car makers slashed production while others were forced to temporarily shut plants. And booming global demand for semiconductors – of which there can be hundreds in a modern car – led to a worldwide shortage that impacted most brands.

Stratopheric: Toyota LandCruiser

At the same time, consumers were ordering more cars, some because they wanted to avoid public transport faced with the uncertainty of a virus we initially knew little about.

It led to a surge in used car prices that was unprecedented. Many models – including hybrid Toyotas, off-road vehicles and high-performance models such as V8-powered Holden Commodores – were selling for more than what they cost new.

For those in the know, it was something of a gold rush on wheels, where people taking delivery of a new car could in many instances make a profit by selling it soon afterwards. At the very least, first-year depreciation was often minimal.

Prices start to ease

But the days of making money on a new car are coming to an end, at least across most of the market. Used car prices are on the wane.

Ross Booth, the general manager of the comparison site Redbook.com.au, says residual values are cooling across swathes of the market. "We are seeing more normalised conditions," says Booth. "So, supply coming back and ... flowing to new cars, which means used car prices are coming down."

He says there are still inflated residuals on some models – such as Toyota hybrids and some four-wheel drives – but as a general statement, new car supply has freed up. "The result is used car pricing is on a general downturn, starting about nine months ago."

There are also more used cars on the market, according to the leading online marketplace Carsales.com.au, which owns Redbook.

Before the pandemic, Carsales regularly had 200,000-plus listings on its website.

But that dropped back markedly to the point where a year ago there were just 140,000.

Late in 2022, listings started rebounding and now Carsales has more than 200,000 vehicles for sale again.

Booth says used vehicle prices were down around 10%-15% in many parts of the market, a view backed by Matthew Wiesner, the general manager of Sime Darby, which has dealerships from brands as diverse as Land Rover, Porsche, BMW and Volkswagen as well as its own dedicated used vehicle marketplace in SD Motors.

"Broadly speaking, we've seen prices come back there or thereabouts 10%-15% over the last four to six months," says Wiesner, who adds that "things have settled" in the used car market.

Redbook's Booth tempers the excitement about the prospect of cheaper vehicles, though, saying that often people refer to residuals in relation to new car prices.

With new cars more expensive than ever – some increasing by upwards of 20% in recent years – he says in some instances used car prices may actually be marginally up, even if their price compared with a new one is down.

"When new car prices increase, with used cars, the percentage [depreciation] may be the same but the dollar figure is higher," says Booth. "We have seen a bit of that."

Toyota RAV4

High-performance Holden Commodore

HOW THE PANDEMIC HIT LISTINGS

2023	
March 29	202,605
February 6	192,796
2022	
November 14	179,579
June 30	144,272
March 18	140,482
2021	
November 16	149,690
June 15	146,084
March 17	142,397
2020	
November 10	130,722
June 26	161,205
March 24	206,922
2019	
November 16	208,326
May 15	214,058

Source: Carsales.com.au

Either way, the gradual return to normal is causing fresh challenges. Wiesner says it has been "slightly challenging to buy the [used] cars that we need".

It appears more buyers are trying to sell their vehicles privately rather than trade them with a dealer, something Booth says could be due to dropping values.

"When prices start to come down – especially with a sharper depreciation curve like they've seen in the US and UK – there becomes uncertainty in stock," he says. "So, dealers are less willing to pay more money for a trade, therefore from a private sales perspective, customers make more money."

More budget conscious

The people who have benefited most from higher used values are those who sold spare vehicles over the past year or two.

But Booth doesn't believe there will be an exodus of spare vehicles. "People will want that used car in the family, rather than going back to pre-Covid levels of transport," he says.

Wiesner points to recent public transport outages in Sydney as a deterrent to getting rid of the extra vehicle. "Not everybody wants to cram themselves onto a train in rush hour. A lot of people have probably gotten used to having that private transport."

But he says the higher cost of living is biting, impacting the sorts of used vehicles people are buying. "People ... are buying on affordability, they're not necessarily buying on price," he says, referring to the weekly cost of ownership as an important factor when buyers peruse showrooms.

"Because of interest rate increases and mortgage increases and other cost of living increases, that $200 a week [budget] might become $150 a week – but they still need a car."

He says lower thresholds have many people looking at more affordable models, something that has the sub-$40,000 market running hot. Conversely, the $50,000-$100,000 market has cooled more, something Wiesner says "represents a good opportunity" for buyers.

Those opportunities are likely to increase, although shifts in the market depend on factors well beyond the control of those observing the industry.

However, the feeling is the industry is heading back to its normal status: new vehicles depreciate most in their first year of ownership and continue to lose money the longer you own them.

"We see the market returning to a normally depreciating market," says Booth. "We do see the market normalising over the next 12 months to two years."

Wiesner agrees that things are heading back to normality, adding that the shipping and supply chain issues plaguing the industry again in 2023 will need to be sorted for that trend to continue. "Once those things settle down and consistent supply comes back in from a new car point of view, that will definitely have a relationship for where the used car market settles."

So, while you may not necessarily pick up a used car bargain in the months to come – especially if you're shopping in the value end of the market – it should at least be cheaper than it was a year or two ago. And there should be less volatility and a continuing downward trend that will make buying a used vehicle more affordable. ***M***

When used is better than new

Despite the downward trend in used car values, there are pockets of resistance. Toyota LandCruisers are at the front of that queue, both in their luxurious 300-Series guise and the more rugged 70-Series.

"There are still long waiting lists for some vehicles," says Ross Booth, the general manager of Redbook.com.au, who also points to hybrids such as the Toyota RAV4 and some four-wheel drives.

With some consumers desperate to jump a long queue, it means savvy sellers can pocket a profit.

Some dealers are in on the act, too, selling what are effectively new vehicles – with fewer than 100 kilometres on the odometer – as used cars for tens of thousands more than their recommended new vehicle price.

Of dozens of basically new LandCruisers on the market, most are being sold by dealers, some of them Toyota dealers.

Toyota has asked its dealers to stop the practice, but many continue, reinforcing the fact that the head office is powerless to do anything under Australian competition laws that encourage a free market.

While there are long wait lists for a new one, the stratospheric prices of near-new LandCruisers are likely to continue.

In search of greener pastures

The high cost of living is prompting many Aussie retirees to move offshore, but the simple life can become complicated without careful planning

STORY TOM WATSON

In 2012, newly retired schoolteacher Laurie Lumley and his wife Jill packed up their life on the South Coast of NSW and moved to the Philippines. From the ocean-facing balcony in their new home 50 kilometres outside Cebu City, Lumley reflects on how different life would be had they stayed in Australia.

"In Australia, we could see the water, but we were probably about two kilometres back from the beach," he says. "It's also so cheap here compared to Australia, where costs have basically gone through the roof. This is my dream come true, but there's no way we could afford this in Australia."

The Lumleys are part of a cohort of Australians, estimated to be in the tens of thousands, who have opted to spend their retirement overseas. With travel returning to pre-Covid norms and life here becoming more expensive, more Australians could be eyeing off a move abroad to get the lifestyle they want at a cheaper price.

"Jill has a lot of family here: she's got three sisters and her mother here, plus countless cousins, nieces and nephews," says Lumley of their decision to stay. "When we moved in 2012, I had originally intended to go back to Australia for six months of the year to spend the summer there, but I just fell in love with this place. On days like today, we'll sometimes go down and have a dip in the morning and the dogs will go for a swim with us, and then we'll just get on with the day."

While retiring overseas can certainly sound blissful, it isn't as simple as packing up and booking a one-way ticket. There's a lot to think about logistically, including the finances.

Here are three areas worth thinking about before taking the plunge.

1 Super and pension

Whether they're planning to live in Australia or abroad, one of the first questions anyone approaching retirement will need to contemplate is how they're going to pay for it.

"The main financial consideration is the ability for someone to leave Australia and maintain their lifestyle overseas and how they're going to do that," says Natallia Smith, director and principal financial adviser at TruWealth Advice. "You are obviously able to take money out of your super, tax free, when you hit 60, which is great. And you can relocate to another country and take that money with you, or you can keep it in Australia and continue to receive that income overseas as well," she says.

For many retirees, their retirement funding will also be bolstered by the age pension – and this is where it can become more complicated for retirees living abroad.

"If you do decide to go and live overseas permanently, you will continue to receive a pension, but it will be at a reduced payment," she says. "It really does depend on many different factors, though, because there are some complexities around social security payments."

Maximum annual age pension rates

	Australia	Outside Australia
Single	$27,664	$25,038.20
Couple (each)	$20,852	$18,922.80
Couple (both eligible)	$41,704	$37,845.60
Couple (apart due to ill health)	$27,664	$25,038.20

Source: Services Australia

According to Services Australia, the maximum annual pension rate available to a single person living outside Australia is currently $25,038.20, while for someone in Australia it's $27,664. Meanwhile, for an eligible couple, the maximum rate is $37,845.60 if they're living abroad compared with $41,704 in Australia.

On top of that, overseas retirees may also receive a reduced rate depending on how long they were an Australian resident and if they're receiving social security from the country they've retired to.

2 Overseas banking

Retirees will also need to think about any new financial needs. They'll need to ensure they can easily access their super or pension payments abroad and facilitate their new day-to-day expenses. For Lumley, the solution has been to keep an active bank account in Australia along with new accounts in the Philippines.

"My superannuation just goes straight into my Australian bank account and I

Home away from home ... Portugal is rated as the top spot for retirement.

transfer it through a remittance company over here," he says. "I can request a transfer from my account in Australia and that'll be in my bank here by the afternoon. It's that simple."

While Lumley has his own banking set-up operating smoothly, a recent study by HSBC found that many people moving overseas weren't so confident.

"Our survey showed that just under half of those who plan to relocate have no idea how they'll manage their finances between countries when they move," says Jessica Power, HSBC's head of wealth and personal banking for Australia.

"Not having a bank account or a credit card, for example, meant that people really struggled to set up essential services, something simple like a mobile phone, or to set up their utility bills as well.

"It's important that people do their research and understand the costs involved in setting up their new life to ensure they've got enough savings in place," says Power. "Also, what is really important, and many banks do this, is setting up a bank account before you leave."

3 Access to health cover

The affordability and availability of healthcare will be a major consideration for retirees considering a move abroad. Ultimately, this will come down to country of choice, because the cost and quality of healthcare varies greatly around the world.

Australians who have resident or citizen rights in the new country might be able to rely on any public healthcare available while others may have to pay for access. Health insurance through an international insurer may also be an option – though an expensive one.

For Lumley, the cost of hospital and medical care is one of the few downsides to retirement in the Philippines – and that's even with access to the national health insurance program PhilHealth.

"If something bad happened to me, I would have to get back to Australia if I could because it's pretty expensive over here," he says.

In Smith's experience, concerns about healthcare are one of the major contributing factors that end up pushing people who have started their retirement overseas to return to Australia.

"When people reach 75 and their 80s, in particular, that's when proximity to healthcare and other kinds of services become really important," she says.

"And if they don't have a very good social security system or medical system in the country they're in, and they don't have the support of relatives, it can become really difficult."

Top 10 places to retire

	Housing	Cost of living	Health-care	Overall average
Portugal	74	85	92	87.43
Mexico	70	92	82	84.14
Panama	77	78	84	84
Ecuador	80	88	81	83.57
Costa Rica	60	68	91	79.28
Spain	56	79	88	78.14
Greece	70	84	82	76.86
France	64	56	84	75.43
Italy	62	88	80	73.57
Thailand	62	96	76	73.57

Source: International Living 2023 Global Retirement Index. Rating out of 100. Categories used in overall average include housing, visas/benefits, cost of living, development/governance, climate and healthcare.

At the end of the day, this is one of the reasons why Smith encourages retirees to try before they buy, and to seek the advice of experts to get a true idea of what they will and won't be entitled to.

"I think what's really important is going to live in your country of choice as a tourist, or on a semi-permanent basis, first, because there are so many considerations to make," she says.

"Then finding out about social security is obviously important and whether you'll be able to receive any support from the country, and any considerations you'll need to make from a tax point of view.

"I would go and see a local professional for advice on those questions and whether or not you'll be able to bring in any assets to the country and how that may work.

"If you do have a bit of complexity when it comes to your financial position, it's quite important to get that advice from a professional in that country, not just in Australia." *M*

How to win the credit game

Take full advantage of cards while avoiding expensive traps and pitfalls

Credit cards are back with a vengeance. Monthly purchases reached a record high of $33.5 billion in January, according to the latest report from the comparison site Finder. There are more than 13 million credit cards in circulation, with one in four Aussies admitting they can't manage their finances without one.

While misuse and mismanagement of a credit card can lead to a downward spiral of indebtedness, there are some things you can do to avoid the fees and stay in the black. Banking rules introduced in 2019 are designed to curb over-borrowing, with tighter rules on credit limits, balance transfers and charges.

Despite these, many users can be caught out by living well beyond their means: only 8% of respondents in a Finder credit card survey said that their application had been rejected.

If you are thinking of getting a new card, here are some factors to consider to help pick the right one.

Have you calculated the fees?

Once upon a time, credit cards charged a flat annual fee that you had to pay regardless of how often you used them. With stiff competition from buy now, pay later (BNPL) schemes, the big four banks have launched a new type of card that rides off the BNPL model.

The NAB StraightUp Card, for example, offers lower credit limits of $1000 to $3000 with a fixed monthly fee ranging from $10 to $30. Other banks have similar products, such as the CommBank Neo card or the Westpac Flex card, but the principle is the same: if you don't use the card that month, then you don't have to pay the fee.

This sounds really cool until you do the maths and realise it can cost you more than if you just pay the annual flat fee.

For example, if you use this kind of card every month and your credit limit is $1000 and the fee is $12, then you'll pay $120 for the year, while other credit cards only charge an annual fee of $89 and sometimes as low as $59. Some banks also waive this fee in the first year.

If your main concern is not the annual fee but staying on top of interest payments, then this type of card might suit your needs. You might prefer a higher-admin fee in exchange for not worrying about interest payments.

Be wary of cash advances

The worst thing you can do if you have a credit card is to use it for a cash advance, because that's when things can get hairy. For example, with the ANZ Low Rate card, the interest rate on purchases is 12.49%pa, but you have an interest-free period of up to 55 days before it kicks in.

With cash advances, you don't get an interest-free period and the interest rate is higher. Depending on the credit card provider, you could be slapped with a flat fee or a 3% fee on the cash advance, plus 21% to 24% annual interest calculated from the day you make the transaction.

For example, if you take out a $500 cash advance on a Monday and the bank charges you $15 for it, you can expect to pay the interest on $515 from the day of the transaction.

Watch out for the promos

Banks are regularly offering promotions to new customers and there may be one that suits your spending commitments for the year and allows you to save some dollars.

For example, some banks have cashback programs, which are typically capped, where they give you $80 to $250 for a certain amount spent each month on eligible purchases.

Check if your bank waives the annual fee if you meet certain terms and conditions. For example, Commonwealth Bank has a credit card where you don't have to pay the $89 annual fee if you have made a minimum of $10,000 purchases in the previous year.

There are also a variety of balance transfer promos, which can be a way for you to manage your debt over a longer period. Some banks offer balance transfers at no interest for 24 to 30 months.

Reward programs allow you to accumulate frequent flyer points or get discounts at major retailers. However, these cards tend to come with higher annual fees and interest rates. They are more suited to people who have a big list of expenses rather than those who just need a card for emergencies.

Whatever you do, read the fine print. Different banks have slight variations in their interest-free periods, fees and balance transfer terms and conditions.

Michelle Baltazar is editor-in-chief of Money. *She has worked on various finance titles including* BRW *(now closed) in Australia and* Shares *magazine in London.*

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^La Trobe Financial's 12 Month Term Account was judged the Best Credit Fund - Mortgages for 2023 by *Money* magazine.

Home sweet home for adult kids

Skyrocketing rents and high property prices prevent many young people from striking out on their own

"He's 18. He's finished school. I've done my job to get him there. It's up to him now," a friend of mine told me recently.

I understood where she was coming from, but my experience is that parents are still involved – particularly financially – in the next phase of their kid's life from 18 up to when they establish themselves in the workforce. Most likely she will have him living at home for several more years.

In fact, even after your kids have finished studying, they may still be living at home, according to census data. Around 50% of all 20- to 24-year-olds still live in the parental home, up from 33% in 1981. Men are more likely to stay at home than women.

Young adults are facing greater financial burdens and uncertainties. There is a shortage of affordable housing, rents are rising and financial issues, such as tertiary education debt, mean they are reluctant to move out of home.

Often parents provide valuable financial and emotional support to their adult children while they save money and work on their career. It can be a mutually beneficial arrangement for both parents and adult children.

Parents are typically generous when it comes to their own children and some provide food and pay utility bills. They lend them the family car, not to mention doing their laundry, their cooking and their share of the housework.

Parents feel the pressure

Older parents who had their kids in their late thirties or even their forties feel the pressure to keep working to help support their twenty-somethings. And unless they make it clear otherwise, their adult children expect the generosity to continue.

Adult kids may assume their parents are well off, but this isn't necessarily the case. Parents should not neglect their own retirement savings and plans.

After all, moving out of home is an important step towards financial independence and building a life and career away from parents. But only about 20% of young adults have moved out of home by the age of 21.

The rite of passage – the shared house – is out of reach for many young adults.

Unpredictable rents are making it hard for young people to plan. The rent that my daughter's shared house was paying jumped by 40% last November when interest rates reached 2.85%.

The landlord, a wealthy owner with multiple properties, blamed interest rate rises. There was no way for the tenants to know his debt level or even if he had a mortgage. Then he announced he would lift the rent again six months later by 10%. They are looking for a large, affordable house but finding it difficult.

Some cultural groups do encourage their adult kids to live in the family home. Lixia Qu, researcher at the Institute of Family Studies, says young adults with Asian, Middle Eastern, African or southern and eastern European ancestry are more likely to live with their parents compared with those with Australian, north-western European or New Zealand backgrounds.

Set the ground rules

Parents should establish the ground rules with adult kids, such as who does which chores.

How to devise an exit plan

You can help your kids to work towards moving out of home by:

- Insisting they save some money from their part-time work to instil the financial discipline.
- Asking them to pay some rent so they get used to the idea.
- Making sure your kids establish an emergency fund in case of any unforeseen events, such as losing their job.
- Building a collection of household items for when they move out. Let relatives and friends know if they are getting rid of furniture or whitegoods. Or check council clean-ups or free market websites.
- Encouraging them to find a viable house with affordable rent, sharing with people who can meet their financial commitments, such as bill deadlines. An unemployed housemate may not be ideal.
- Working out what percentage of your adult child's income should be spent on market rent. Ideally, around 20%-25% but there are cases of 40%-50%.
- Helping them secure a lease. It can be difficult for young casual workers. I know parents who have taken out a lease in their own name for their kids.
- Making sure your adult kids can cook basic meals to moderate their food bill, and to shop with a budget.

Work out the finances, too. What can your young adult contribute each week?

Then there is the conversation about respectful behaviour with relationships. Would parents feel comfortable with a partner in the house as well? It isn't only the parents who have to adapt to their adult kid's social life and partners; adult kids may have to learn to live with a parent's new partner, too.

Parents who want their kids to be self-supportive can help them draw up an exit plan (see How to devise an exit plan). Even if moving out is a few years down the track, when they can afford rent and a decent lifestyle, it's a good idea to encourage them to be independent and have their own life.

It is always worth dropping into the conversation the line "when you move out of home ..." so that they don't view living in the parental home as a permanent arrangement.

Adult kids with jobs may live at home to pay down their student debt and save for a home deposit. They need to be saving hard to reach a deposit, not taking regular overseas holidays and spending their disposable income.

Charging your working kids some rent is a worthwhile habit that teaches them financial discipline.

For example, a work colleague asked her son to pay about half a commercial rent. Unbeknown to him, she deposited it in a separate account and handed it over later when he and his wife were looking to buy a home.

Generosity has limits

Some parents who have money to spare and are eager to launch their kids contribute to their rent away from home. But you must think this generous strategy through. When will you stop doing it? I know parents who are helping adult kids and their partners well into their thirties.

On the other hand, I also know some young adults who have saved a 20% deposit by living at home for years. But it is more common for parents to come to the party with some money so that the kids get a deposit more quickly without having to pay costly lenders mortgage insurance. These days, even two incomes may not be enough to get onto the property ladder.

The bank of mum and dad (BOMAD) helps kids buy a home by either going guarantor on the deposit or lending or gifting them some money as an advance on an inheritance. But the BOMAD has taken a bit of a hit as parents worry about rising interest rates, the potential for negative equity in their home, volatile property markets and how all this impacts their own finances.

You want your kids to have some stability when they move out, either a steady job or a relationship. Also important are life skills, such as cooking and cleaning.

The empty nest period can be a great time for parents to live like a free, young person again. If you miss your kids once they move out, take heart that you will find they may come and go over the years, depending on what is happening in their finances or love lives.

Qu says that as young adults move towards 30, fewer remain at home, with only around 7% still in the family residence by the time they are 30 to 34.

Susan Hely has been a senior investment writer at The Sydney Morning Herald. She wrote the best-selling Women & Money.

Big question with a simple answer

If you're wondering how you can save more money, the golden rule will help make it happen

Holidays are amazing. I personally love the beach and find myself each Christmas drawn to the Sunshine Coast in Queensland. Early morning walks around the headland, swimming with my sons every morning, saunters along the sandy inlets with the water lapping over my feet – it's everything my mind, body and spirit need.

After a week or so in this state of bliss, most people find themselves magnetically drawn to the real estate agent's window, musing about a life where work and this feeling of peace and freedom can co-exist.

The inevitable return to work quickly relegates these thoughts to the mental filing cabinet drawer titled "delusional fantasies" as the everyday stresses and challenges consume our attention.

However, after a few years of repeating the holiday experience, the idea becomes harder to disregard, the thought noodle refuses to go away, nagging and prompting you to stop "working for the system" and be more in control of how you spend your remaining time on the planet.

There is one big problem though. Money. To enable this change, you need a level of financial independence, but how can you possibly save more than you already are?

In my experience, "How can I save more money?" is the most common question that motivates people to organise their personal finances. This has increased in recent years as people realise they need to do more than simply reach financial goals, such as paying off debt; they also need to build emergency funds for uncertain times or better fund their retirement once they realise they're going to live much longer than they first thought.

Simple but painful

It's a big question to which the answer is a golden rule that is painfully simple, and I mean both of those words – simple in concept, painful to execute – which is why a lot of us don't do what needs to be done.

Earn more, spend less, automate everything. Three elements that sound so elementary, but are somewhat aggravating when broken down into actions that will make a difference.

Our brain is hardwired to resist anything that is painful, so to put a good plan into action means we need to overcome our pleasure-seeking instincts, creating a mindset of wealth building rather than of consumption and instant gratification.

Of course, we're not talking about turning ourselves into Scrooges, where every dollar is obsessed over and relationships become secondary to wealth, but a little more care and attention wouldn't go astray for many of us. Remember, nothing changes if nothing changes.

Break it down into three steps

Make a list of the actions you can take for each step.

1 Earn more (without increasing your expenses). This seems obvious, but most people are so afraid of change they persist in jobs that underpay and undervalue them. When you do get a pay bump, resist the urge to procure more lavish things. If you're surviving just fine now, that doesn't need to change.

2 Spend less. In our consumption-led culture, there is a lot we spend money on that we can do without: cutting back on dining out, cancelling subscriptions you don't use, letting the grocery discounts guide what you cook, and buying generic products instead of brand-name items. If you struggle to cut back, ask why? Why does it make you feel good to have these things? Find other ways to fulfil these needs that don't hurt your wallet.

3 Automate your savings. The less you have to think about it, the more likely you are to do it. Set up automatic transfers to break up your wages into sub-accounts that are gazetted for expenses or savings. This reduces the administrative burden and performs a simple mind trick. Say you get paid $5000 a month and you split it into seven sub-accounts, each receiving around $700. On payday, you see a sale and a $600 suit is calling your name. Spending $600 from a sub-account with only $700 feels more painful than spending $600 out of $5000, so you're less likely to do it.

Phil Slade is a behavioural economist, psychologist, and co-founder of decision architecture firm Decida.

Build a recession-proof shield

With the economy expected to drop a notch or two, only the strong will survive

First, let's be clear that most economists are not expecting a full-blown recession in Australia. NAB's latest forecast is for the economy to grow by 0.7% in 2023 and 0.9% in 2024. The Reserve Bank says growth has slowed, but GDP is still up by 2.7% this year. Westpac is forecasting positive (though low) levels of growth for 2023.

Nonetheless, CommBank's latest Household Spending Index fell in February, indicating weaker consumer sentiment.

"We are seeing the growing impact of higher interest rates, with consumers taking stock and prioritising what they are spending their money on," says CommBank senior economist Belinda Allen.

The upshot is that we may avoid a recession, but with Australians watching every dollar, it pays to create an action plan for your business in case the economy falters. Here are five ideas for getting started.

Audit key costs

When business expenses rise, the obvious counterpunch is to pass the extra costs onto consumers. But it can be a short-term fix that risks losing loyal customers.

Instead of a slash-and-burn approach, aim to identify those expenses that are rising the most. Research by small business lender OnDeck shows 66% of small businesses are being impacted by rising electricity bills – and soaring power costs aren't likely to ease any time soon. The Australian Energy Regulator (AER) is forecasting power price hikes of up to 25.4% for small businesses over the next year.

AER chair Clare Savage is encouraging small businesses to shop around for the best electricity deal. Check how your provider compares at:

- Energy Made Easy– for NSW, Queensland, South Australia, Tasmania and the ACT.
- Victorian Energy Compare– for Victoria
- Power and Water – for the Northern Territory
- Economic Regulation Authority – for Western Australia.

Keep employees loyal ... for less

In today's tight labour market, retaining good staff is essential to keep your business functioning effectively. "With changing economic conditions, savvy employers are stepping up to address the rising cost of living to ensure employees are being supported. They know that not taking any measures is risky and can lead to the loss of great talent," says Andrew Brushfield, director at recruitment firm Robert Half.

Support doesn't just have to be financial. Perks such as flexible work options and allowing workers to sell annual leave days can encourage staff loyalty.

Consider offering BNPL

Consider giving your customers new ways to pay that can spread out the cost of purchases. Afterpay claims that retailers offering its buy now, pay later (BNPL) option see the average order value increase by up to 18%. Humm claims a 30% uptick in sales volume is possible.

BNPL doesn't usually come with start-up costs or monthly fees, but commissions do apply. Afterpay, for example, charges retailers 6% plus 30 cents per transaction. Review profit margins to be sure BNPL will make a worthwhile contribution to your bottom line. If it works, adopting BNPL could help your business capture new markets or extend your geographic footprint by selling online, without a major investment.

Keep a careful eye on stock levels

In a slower market, the last thing a business needs is outdated or hard-to-shift inventory. Simone Tilley, general manager Corporate Bank, ANZ Institutional, says figuring out the right level of stock to hold will be a key issue in 2023.

"There are trade-offs between holding inventory for a just-in-case model – mitigating against supply chain disruption, which comes at a cost – and a just-in-time model," she says. "Finding the right balance is the key, and what is right for one business will be different for another."

Trim back debt

US research, in 2017, found companies with high debt levels are especially vulnerable in a recession. It's a no-brainer that weaker cashflow can make it challenging to maintain debt repayments. Review the various types of funding your business uses and consider if refinancing could cut costs and improve cashflow.

Anthony O'Brien is a small business and personal finance writer with 20-plus years' experience in the communication industry.

STORY ELIOT HASTIE

Where have all the tradies gone?

Among other measures, women are being encouraged to take up vocational courses to ease a critical skills shortage

In just over six months, thousands of young Australians will be finishing year 12 and moving on to the next stage of their lives, which will begin with making a decision. Typically, they will choose between obtaining a university degree or undertaking vocational education training (VET).

Most will choose the former. Recent data from the Australian Bureau of Statistics shows 63% of people aged 15-74 have a post-school qualification, roughly split between bachelor's degrees and TAFE certificates. In the younger generations, bachelor's degrees are the clear winner.

What's losing out, however, is the trades sector. Australia faces a serious shortage of skilled tradies. According to the National Skills Commission (NSC), across all technician and trades worker occupations assessed for the 2021 skills priority list (SPL), 42% were found to be in shortage compared with 19% across all occupation groups. This is despite a projection for high future demand, with the NSC finding 30% of all occupations for technicians and trade workers have strong growth prospects.

According to Jobs and Skills Australia, these shortages have persisted for many years. "Prior to Covid-19, there was a long-term trend in the labour market where growth in skill level 1 occupations – that is, occupations usually requiring a bachelor's degree or higher educational attainment level – was much stronger than for other occupation types, including technicians and trades workers," a spokesperson says.

Over the past 20 years, in fact, employment in skill level 1 occupations has grown 86%, compared with just 32.7% for technician and trade workers.

The tighter labour market has meant the gap between both is widening. "The 2022 skills priority list found that 31% of all assessed occupations were in shortage (up from 19% in 2021), while 47% of technician and trades worker occupations were found to be in shortage (up from 42% in 2021)," the spokesperson says.

The figures may slowly be starting to turn, thanks to government support. Between 2018 and 2021, enrolment in VET courses was down from 2017 levels, unlike university enrolment, but this was before new announcements.

There is a serious tradie shortage in Australia. Across all technician and trades worker occupations, there is a **shortage of 42% compared with 19% across all occupation groups.** This is despite a projection for high future demand.

The federal government has committed to deliver 480,000 fee-free VET and vocational education places, commencing with 180,000 training places in 2023 to support those areas facing skills shortages.

Is it enough?

Denita Wawn, chief executive of Master Builders Australia, says vocational education and training is critical. "We have estimated that we will need half a million new people entering into the industry, of which at least 250,000 will need to be trade qualified," she says.

Government assistance is vitally important to bringing people into the industry, particularly for apprentices. "We saw that once government subsidies ended for apprentices, so too did commencements. We went from 14,000 commencements in June 2022 to 6500 by September," Wawn says.

Many organisations have the spaces open to take on apprentices, but they just aren't getting the numbers. "When we saw wage subsidies made available to encourage people into training, the employers made a decision that because they were subsidised and the cost of apprentices was covered, it meant that the losses they incurred were met by those subsidies," says Wawn. "Once those subsidies were removed, we saw the halving."

The government commitment is a good start, but Wawn says the industry needs to get better at promoting the benefits of undertaking a trade. "An apprentice wage is not that high, but nevertheless you are on a wage rather than incurring a debt.

"When you come out of, say, a carpentry apprenticeship, you can be earning around $80,000 a year, a plumber and electrician around $100,000 a year, and there's opportunity for going up into site management once you have those qualifications. So, combine a wage with no debt and a salary post-qualifications, then there are significant financial benefits."

HELP debt is set to rise

Student debt, or HELP debt, is indexed to inflation, which will likely mean student loans will increase by at least 6% on June 1.

Between 2016 and 2020, the average indexation rate was below 2%, but that began to change last year along with inflation, with HELP loans increasing by 3.9% last year.

These debts begin to be paid off, through tax, once annual income hits $48,361 at 1% of income. The repayments go up along with a worker's salary band, so someone with an income of $60,000 would pay 2.5%.

At the time of writing, the indexation to be applied on June 1 is unknown, but was due to be announced on April 26, when the ABS publishes the March CPI figures.

But how much does a HELP debt factor into a student's decision?

Andrew Norton, professor in practice of higher education policy at the Australian National University, says it's probably not a big factor.

"The barriers to get into university are fairly low," he says. "If you get an ATAR of above 70 you are almost certain to get an offer. Participation rates have tripled from what they were when university was free."

Norton says people do rough calculations of the costs and benefits of the options, but it can be hard to gauge it fairly. "If you do end up in a professional job, then the kind of debt you are looking at is a small price of earnings. Meanwhile, vocational fees are nearly always smaller but then there is the issue of getting a loan."

In most cases, vocational students are unable to get a loan for their fee, and while it may only be a couple of thousand dollars, it usually has to be paid upfront, whereas university students can borrow the full amount and typically now work throughout their degrees, too.

"The rise of integrated learning and internships means that most students do work while studying, so the lived experience is very similar," he says.

A lot of work is being done in career education, but to meet the tradie shortage there needs to be a focus on completion rates. "Focus on those who started it and for various reasons didn't complete it and push up those completion rates," says Norton.

Australia is a highly educated society, with recent data from the Australian Bureau of Statistics showing that **63% of people aged 15-74 have** a post-school qualification.

Wawn agrees, but that's also why Master Builders is focusing a lot of effort on bringing women into the sector.

"We need to find the right individuals for the industry and we are now being inundated by young women at trade expos," she says. "Previously, the industry only encouraged half the population to join and now we are targeting the whole population." ***M***

Apprenticeship or uni: how they decide

The financial rewards were certainly part of the attraction for Rohan Grant-Dawes, who undertook an electrician apprenticeship because he saw that it would help him reach his financial goals.

"I want to buy a house by the time I'm 30 and going into university would mean I'd incur a HECS debt and start down the ladder to eventually climb up it," the 21-year-old says.

"Whereas with a trade, once you're qualified you can easily be on $45 an hour and have no HECS debt, so you're already $80,000 ahead of others your age."

Grant-Dawes says there are plenty of fields for people to choose from, with various benefits, but there are sacrifices. "It's early mornings, it's physical and hard labour and a lot of the time working in environments that aren't necessarily great for your health."

He also believes there's a stigma around undertaking vocational training as people sometimes assume those in trades didn't get into university.

"Trades build and run everything that people use daily and yet people look down on it, until they need something," says Grant-Dawes. "The stigma does need to change because there is a massive shortage."

Meanwhile, university student Blake Gladwin says he is playing the long game by getting his Bachelor of Business degree. "I didn't choose university straight out of high school; instead I wanted to get my real estate license," he says.

"I liked property but decided I wanted to get into the corporate realm one day and the best way to do that would be through a business degree."

Gladwin says he wasn't pressured to do a degree and when it came to the financial aspect, it wasn't something he considered.

"I didn't necessarily think about a HECS debt because it's sort of inevitable – you will be paying for it either way. At least it's a good debt to have because you'll only start paying it once you're earning," he says.

Salaries for popular trades

TRADE	STARTING SALARY	AVG SALARY
Carpenter	$64,000	$75,000
Plumber	$66,000	$78,000
Tiler	$57,000	$64,000
Painter	$62,000	$72,000
Electrician	$74,000	$88,000

Source: Talent.com

Salaries for popular degrees

DEGREE	STARTING SALARY	AVG SALARY
Accountants	$78,000	$99,000
Engineers	$92,000	$112,000
Teachers	$66,000	$86,000
GP	$85,000	$146,000
Advertising managers	$70,000	$91,000

Source: Talent.com

Be alert but not alarmed

STORY JACK TALBOT

It looks like being an even tougher year for mortgage holders, as interest rate rises finally hit home. So, now is the time to build your defences to avoid having to sell.

For many home loan borrowers, 2023 is shaping up to be another year of twists and turns, but maybe with the difficulty level turned up another couple of notches.

So, is it time to panic? Australia has proven to have one of the most resilient economies and has one of the lower inflation rates relative to most developed countries. However, as with the previous year, 2023 is going to throw some curveballs, almost certainly catching some people unawares.

Headed for a hard landing

Before last year's rate rises, we hadn't seen tightening monetary policy in 13 years. This means a lot of the younger generation of borrowers haven't seen an increase and possibly don't fully understand the impact this can have on their cashflow.

This could be concerning, noting that the government allowed our youngest and most unestablished (and, therefore, presumably our most vulnerable) borrowers to purchase property to 95% LVR with no lenders mortgage insurance.

With the higher cost of energy, grocery bills and tightening monetary policy, interest rates are starting to bite – 40% of mortgage holders are experiencing "some form of financial difficulty", according to NAB's latest financial hardship report.

The Melbourne Institute's "Taking the Pulse of the Nation" survey recently asked Australians to indicate which of 14 possible strategies or steps they have taken, or are taking, to deal with the rising cost of living. About 56% said they had turned to cheaper food options and just over half said they were dining out less. Almost 38% of respondents revealed they are dipping into savings and 37% are cutting back on home energy use. Less than 10% have borrowed money, either from friends, relatives or financial institutions.

In reality, the spending data tells a different story, showing that while people think they are spending less, they are actually spending more than ever before. In February alone, Australians spent $33.7 billion on credit cards, the highest monthly value on record at the Reserve Bank.

Couple this with federal treasurer Jim Chalmers stating that his biggest concern is that 20% of all mortgages will revert from fixed to variable over 2023, and with rates as low as 2% moving to around 6%, and it appears borrowers aren't setting themselves up for a soft landing.

Obviously, spending to maintain an unaffordable lifestyle either through savings or unsecured credit is unsustainable, and on this basis inflation figures are tipped to fall, with interest rates predicted to start reducing by the end of the year.

Is a crash on the cards?

So, what does all this mean for borrowers? Home prices have slumped 8.4% in nine months, driven largely by rate hikes and the inability to access credit. While this is significant, the property market grew nearly 30% through the pandemic spending, so some level of attrition is not unusual after such a massive boom.

While properties continue to devalue, it might be time to adjust your investment strategy whereby you look to achieve yield rather than growth. National rents have increased 14.6% and are at the highest level they have ever been, driven by extremely low vacancy rates as a result of undersupply of dwellings relative to population growth.

A "crash" is highly unlikely due to a tight labour market. Instability is more likely when customers default on home loans due to lack of income and

CASE STUDY

How to ride through the rough spots

A young couple, Victor and Helen*, have a combined household income of $180,000. In late 2020 they took out a $600,000 loan to buy a two-bedroom inner-city unit under the First Home Loan Deposit Scheme on a three-year fixed rate of 2.3%. Their monthly repayment is $2300 over a 30-year loan.

They are expecting their first child in August, which would temporarily bring down their household income to $95,000, while their home loan repayments would then reset to a higher $3370 a month (up 47%).

Unfortunately, the value of their property has gone down since they have bought it and is now in negative equity (they owe more than it is worth).

They had set aside $30,000 in joint savings to prepare for their young family, but are now concerned it won't be enough to make it through the 12 months.

Here are five ways they could ride out their higher financial commitment in the next 12 months without resorting to selling their property:

1 Renegotiate all debts with current lenders. This includes credit cards and car loans. Some lenders will be prepared to lower their rates, while others will be prepared to give more favourable terms or even negotiate payment pauses. A pause does come at a cost. The loan period extends by the same number of months requested for a pause and extra interest will accumulate on the balance. Payment pauses shouldn't affect the credit score of the customers, but it's still wise to double-check to make sure.

2 Ensure they have an offset account when the fixed loan expires. This means they won't have to pay interest on the $30,000 they have saved, which will be significant.

3 Reduce household expenses and re-assess the essentials. This could mean going without creature comforts like Foxtel or Netflix. (Hint: a useful way to re-assess all your direct debits is to request new credit card numbers. When your old credit card number doesn't work, all the services trying to debit you will email you asking for a new credit card number, which you can assess if you truly need it.)

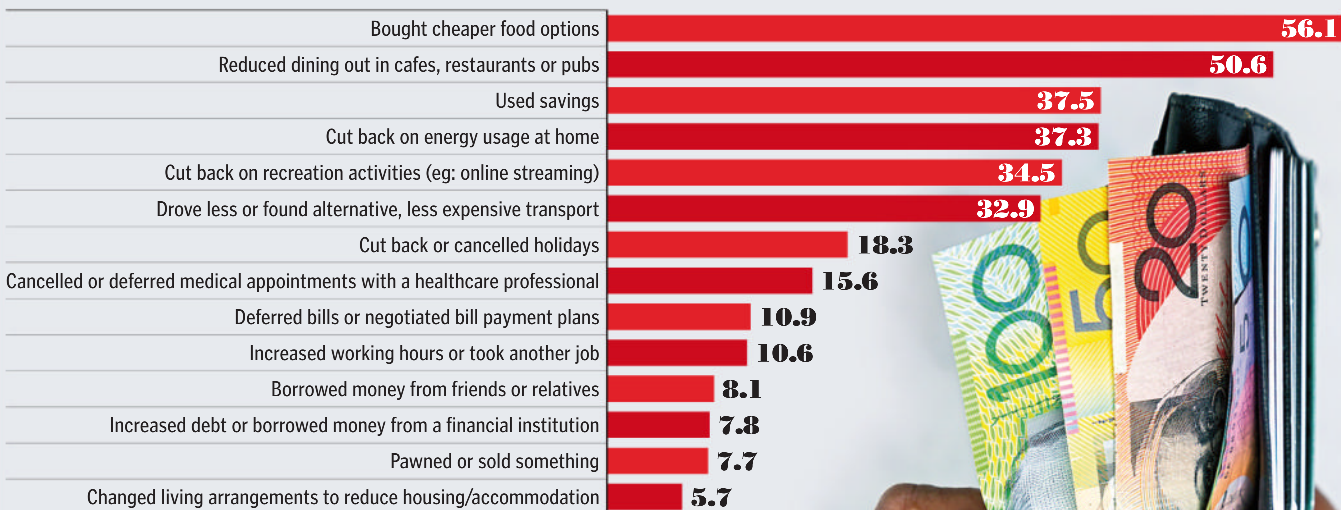
4 Deleverage existing debts and close unsecured debt. Credit cards can take a serious chunk in interest (some over 20%). Don't be swayed by frequent flyer programs – for most people, they aren't worth it.

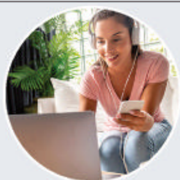
5 Sell unneeded assets. Consider, for example, two cars on finance. If the couple were to sell one of the cars, they stop a monthly repayment and will also likely receive some money from the proceeds of the sale of the car, resulting in a "double up". The couple could consider purchasing another car again when their income returns to normal levels.

Consider speaking to your mortgage broker or financial adviser to ensure you've got a plan of attack and to consider all options.

**names have been changed*

Strategies Australians are using or have used to deal with higher cost of living (% of respondents)





Source: Melbourne Institute: Applied Economic & Social Research

buyers don't meet sellers in a saturated market. Australian lenders and policy makers have historically shown they are very good at adapting to the bumps in the road to keep the economy safe.

The Australian Prudential Regulation Authority (APRA) has enacted numerous policies since the GFC to make the Australian banking system one of the most stable in the world, including a higher capital adequacy ratio relative to most other economies, increasing the lending buffer to 3% and introducing stricter debt-to-income ratios, just to name a few. These regulatory changes are doing a good job of keeping our financial system safe where other financial institutions around the world are feeling the pinch or are even being overcome completely.

Time for a check-up

So, it's time to take stock and prepare for what lies ahead. Use the opportunity to check your financial wellbeing. Here are some options:

- If you're still on a fixed loan, contact your broker and try to get an understanding of how much your repayment will be when you revert to a variable rate. This could shock you, so it's important to be prepared. On a $500,000 loan, this could be around $900 a month – and remember this is post tax money.
- If you've had a big year of spending or an extravagant Christmas, use this time to reset. Build a budget and understand what your cashflow looks like. Based on the data, Aussies aren't saving. With the cost-of-living pressures, this can't go on forever, which means at some point we will continue chewing into savings or accumulating short-term debt if we don't adapt our spending.
- Use the opportunity to correct your spending habits now before reverting to other means to fuel an unsustainable lifestyle.
- Banks have shown they are more than willing to work with stressed borrowers when things are getting tight and are pushing press releases into the market with tips on how to handle financial stress. The biggest point is to get in contact early. The banks can use tools to slow or even pause your mortgage repayments to help you get back on top if you're struggling from a cashflow perspective.
- Major banks are not in the business of selling properties; they want to work with a borrower to make ends meet and will only foreclose on a property as a last resort. This can usually be avoided by being proactive and getting in contact with the bank before you are having problems.
- If you bought at 95% LVR and think your property has devalued to a point where you are in negative equity, the worst thing you can do is sell. This can potentially leave you without an asset and with a chunk of unsecured debt.

Australian property has performed extremely well and has historically rebounded after significant global events. To date, the data is showing tight supply, which will likely drive property prices higher - it's just a matter of when. So, scrimp, save and do whatever you have to do to hold onto your property. **M**

Jack Talbot is director of Leverage Capital.

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Top up your spending power

Older Aussies who could do with some extra cash can take advantage of the wealth tied up in their home

Rising inflation hits many older people hard, because once you retire and start living off your savings, inflation eats away at your purchasing power.

And living costs for retiree households are often skewed towards the areas with the biggest price rises, such as food and power, given retirees generally spend a higher portion of their income on these goods than working households.

Retirees living on fixed incomes – either the pension, their super or a combination of the two – can't ask the boss for a pay rise, but they can utilise their family home to increase their spending power and improve their standard of living.

There are three main ways you can use your home to provide more money to give you a better lifestyle in your retirement:

1 Downsize

This involves selling your current home and buying another to live in. It can particularly suit couples or singles living in large houses who would prefer a smaller and more convenient home.

But, as with most strategies, there are pluses and minuses. Downsizing can increase your cashflow, lower your utility bills and reduce the time you spend on maintenance and upkeep.

On the downside, selling and buying is expensive: stamp duty, real estate agent fees and moving expenses can easily add up to $50,000 or more. On a $600,000 purchase, for example, stamp duty varies from a high of $31,070 in Victoria to a low of $12,850 in Queensland, with most other states and territories charging more than $22,000. The ACT is the only exception at $15,720.

Downsizing usually means you have less space and less flexibility to entertain and host guests. Moving into a new neighbourhood can also mean you need to find new health and other service providers and are further away from friends. Many people also have an emotional connection to a long-time family home.

If you are aged 55 or over and have lived in your home for a minimum of 10 years, you may be eligible to put some of the pro-

ceeds of downsizing into your super fund. The intention of the downsizer contribution rules is to allow older Aussies to sell their current home and use the proceeds to purchase a smaller one, then contribute the difference into their super account.

You can put up to $300,000 into your super from the proceeds of selling your home if you meet the conditions. If you are part of a couple, your partner can also contribute $300,000 to super, providing the home is sold for $600,000 or more.

There is no upper age limit on taking advantage of the downsizer contribution.

Selling the family home should have no adverse implications for age pensioners, as it is not included in the assets test and the proceeds from the sale are exempt for up to 12 months, giving you time to buy, build or renovate another home.

2 Share your space

If you are fortunate enough to have a home that divides in two, you could convert it to a dual-occupancy property and either sell or rent one unit. If that's not possible, you could rent out some space in your home, such as a bedroom with ensuite.

Before you do this, make sure you're going to be comfortable with sharing your home. Interview potential housemates and check their references.

If the thought of a long-term tenant doesn't appeal, you could consider providing short-term accommodation.

Airbnb says Australia has one of the highest proportions of "hosts" aged over 60 in the world, with one in five of the short-term rental platform's Australian hosts aged 60-plus. The average income across Airbnb's senior hosts nationally is about $8000 a year.

Keep in mind renting out part of your home will have tax implications, for both income and capital gains, and could also impact any pension entitlements.

You may need professional advice, or search for "financial information service" on the Services Australia website (servicesaustralia.gov.au), which has a large section on retirement.

You can also access this service through free financial webinars, over the phone, by video chat appointments or you can make in-person appointments.

3 Tap into the equity

Reverse mortgages and equity release schemes are loans that allow people aged 60 or older to borrow against their home and not repay the lender until they move out, sell it or die. Australia's major banks do not offer reverse mortgages, but several smaller banks and specialist retirement providers do.

Equity release schemes are growing in popularity. The largest provider issuing this type of loan, New Zealand-based Heartland, reported in February that its Australian reverse mortgage portfolio jumped 20% to $1.3 billion in the six months to December 2022.

In 2012, Australia tightened the regulation of reverse mortgages by introducing "no equity guarantee". This means a borrower's accumulated interest cannot exceed the value of the house, and they can live in the property until they die or move out.

No repayments are necessary until the property is sold, and the loan payments can usually be taken as a regular payment, lump sum or combination of both.

Reverse mortgages tend to come with higher interest rates than traditional home loans. For example, Heartland's standard reverse mortgage rate was 8.7%pa at the time of writing.

The federal government's Home Equity Access Scheme, available through Services Australia, is a lower-rate alternative. It enables eligible older Australians to access a loan, either a lump sum, regular payments or a combination of the two, using their home equity as security. The current interest rate is 3.95% and interest compounds each fortnight.

> **The average income across Airbnb's senior hosts nationally is about $8000 a year**

If you receive the age pension, your combined loan and pension payment each fortnight under the scheme can't be more than 1.5 times your maximum pension rate.

If you're a self-funded retiree, the scheme can pay you up to 150% of the maximum age pension per fortnight. You can check your eligibility to access this scheme at centrelink.gov.au and you can also use the calculator on this site to find out how much you can borrow.

There are risks involved in all these schemes and it may have a long-term impact on your and your family's finances. The Australian Securities and Investments Commission's Moneysmart website (moneysmart.gov.au) says consumers should get independent advice before taking out a reverse mortgage.

These products can affect a customer's eligibility for the pension, their ability to afford future expenses, including aged care, and what they leave to others when they die.

Pam Walkley, founding editor of Money *and former property editor with* The Australian Financial Review, *has hands-on experience of buying, building, renovating, subdividing and selling property.*

SPONSORED CONTENT

More control, less stress

TOTAL CONTROL? IT'S A SCORE YOUR SUPER CAN INCREASINGLY DELIVER ON AS A GROWING NUMBER OF SUPER FUNDS RESPOND TO AUSTRALIANS LOOKING TO HAVE A GREATER SAY IN HOW THEIR SUPER IS INVESTED.

It's been a little over 30 years since Australia saw the introduction of compulsory employer-paid super, and today we are, as a nation, punching above our weight for retirement savings.

Australia's $3.3 trillion superannuation pool[1] puts us seventh among OECD nations for retirement savings.[2]

It's great news for all Australians. But super is not about competing with other countries. It's about saving for the best possible lifestyle in retirement.

Superannuation is fundamentally designed to help each of us grow a retirement nest egg in a tax-friendly environment. And while our super can be locked away for a long time, it's still our money. Moreover, it could be your biggest investment.

Paul Watson, Group Executive – Member Experience at industry fund Hostplus, says, "Increasingly, for many Australians, super will be their largest asset."

If you're not convinced, it's worth noting that today's 21-year-old entering the workforce for the first time could amass more than $330,000 in super by age 67. [3]

Given these sorts of numbers, it's no surprise Watson says, "I have never witnessed such high levels of engagement with super as we're seeing today."

Get to know your super options

As our superannuation system matures, super funds are increasingly adapting to members' needs and preferences. One of the exciting aspects of super is that we each have a say in how our super is invested – and the level of choice has ramped up over time.

As Watson notes, super fund trustees can tread a fine line between offering too much choice, which can create uncertainty and confusion, and sticking to a limited menu of investment options.

"Our default system of super options (such as MySuper Balanced Option) plays an important role, but super funds are recognising that some fund members wish to invest their super in a way that's higher or lower on the risk scale."

Hostplus, for instance, gives members a choice of mixing and matching their super across single asset classes, as well as more diversified options including sustainable investment options that even allow members to choose options that align with their own values.

"We aim to strike a balance with a thoughtful collection of investment options that meet members' requirements," says Watson. He adds that Hostplus doesn't

charge switching fees if members move their money between investment options because "we don't want members to feel locked into a particular choice."

Choiceplus – like SMSF-lite

While plenty of Australians trust their superannuation fund to invest on their behalf, it is possible to take a more proactive approach.

Hostplus offers Choiceplus, which lets members choose exactly how up to 80% of their super is invested.

It's an option that Watson likens to a "lite" version of a self-managed super fund (SMSF).

Hostplus members who opt into Choiceplus can directly select where as much as 80% of their super balance is invested – from shares in the Aussie ASX 300 Index to select exchange traded funds (ETFs) covering developed, emerging and commodity markets, as well as listed investment companies and even term deposits.

Watson explains, "Choiceplus has proven very popular among people who don't want an SMSF but who are keen for at least part of their super to be invested in an asset they take a personal interest in, such as a particular share or thematic ETFs."

He adds that feedback from members using Choiceplus shows "they love having an additional element of control over where and how their super is invested, yet still with their super under the safe roof of Hostplus, and without the costs of an SMSF."

Choiceplus does come with an administration fee of $14 per month (deducted from a member's account).[4] But this typically pales in comparison to the costs (and responsibilities) of running an SMSF. Choiceplus is also available in a member's pension phase.

A way for SMSFs to tap into unlisted asset classes

While the majority of Australians are comfortable entrusting their fund to manage their super, SMSFs are on the rise.

The latest data from the Australian Tax Office[5] , shows the number of SMSFs passed the 600,000 mark for the first time in the December quarter of 2022. It means 1.1 million Australians now run their own super fund, with SMSFs collectively controlling more than $880.5 billion worth of investments.

Here, too, some of the big super funds regulated by the Australian Prudential Regulation Authority – those with an eye on the market – are offering innovative investment options that can appeal to SMSFs.

Hostplus Self-Managed Invest (SMI) is one such option. It allows SMSFs to invest in listed and unlisted investments including domestic and international property, infrastructure and private equity.

In practice, the option works like an unlisted managed fund, where SMSFs buy units in a pooled superannuation trust.

Watson explains that SMSFs are using Hostplus SMI in a variety of ways: "We see some SMSFs take a 'core and satellite' approach where Hostplus SMI plays the central role in their portfolio – our flagship Balanced Investment Option is very popular for this.

"Other SMSFs use our infrastructure or property options as satellite investments in their overall portfolio, giving unique exposure to high quality assets."

The common thread is that Hostplus SMI lets SMSFs benefit from Hostplus's size and scale – and as Watson points out, "SMSF trustees can be confident their investment is being managed with the members' best financial interests at the core of what we do."

If, at some stage, SMSF trustees decide running their own super fund is not for them, the option is available to simply roll over their super to Hostplus.

Knowing which investment option is right for you

Compulsory super has lifted the retirement savings of many Australians – and that's a good thing. On the flipside, it has made investors of us all, and it can be confusing to choose between your superannuation fund's investment options.

It's a choice that matters. The way your super is invested can have a substantial impact on long-term returns. But you also need to be confident that your retirement savings are invested in a way that meets your comfort level for risk, and even ticks the boxes for personal preferences such as eco-friendly investments.

Watson offers plenty of reassurance on this score. "Our national retirement income system is very strong," he says. "All Australians can have a lot of confidence that their industry super fund has their back.

"If you are happy to let your fund manage all of your superannuation, that's fine. You may not think about your super on a daily basis, but your super fund does – and it works hard to achieve the best outcomes for your super."

For fund members who want to gain a better understanding of the investment options available, Watson says there is a wealth of information. "We recommend members obtain advice from a licensed financial planner before investing in the Choiceplus investment option, to have peace of mind that their investment strategy matches their investment timeframe and risk tolerance."

"Additionally, almost all super funds offer information such as fact sheets and online learning modules on what is involved with the various investment options available."

Watson adds, "Simply contacting your fund and having a conversation about the different investment options, and how they work, can result in a valuable uplift in financial literacy that lets you make an informed decision for your super."

For more information on Choiceplus, visit hostplus.com.au.

[1] https://www.superannuation.asn.au/ArticleDocuments/402/Superannuation%20Statistics%20November%202022.pdf.aspx?Embed=Y
[2] https://www.oecd.org/daf/fin/private-pensions/Pension-Markets-in-Focus-2022-FINAL.pdf
[3] https://moneysmart.gov.au/how-super-works/superannuation-calculator assumes starting salary of $45,000, zero initial super balance and default fees/returns
[4] Please note other fees and costs apply.
[5] https://data.gov.au/data/dataset/self-managed-superannuation-funds/resource/c6ce4ae7-e403-4b2a-b4d2-fc87b130c30b

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Building blocks of a portfolio

It pays to address the fundamental questions before diving into an investment

STORY TOM WATSON

There will come a point in time for many Australians when they ask themselves: should I invest my money?

According to research by comparison site Finder in 2022, 9.8 million people have their money invested outside superannuation. Sixteen per cent hold direct shares in a company and 7.1% have invested in exchange traded funds (ETFs).

Building an investment portfolio isn't simple. Even a fundamental decision such as choosing which assets to buy first can be overwhelming, especially when there are so many choices.

With that in mind, here are five important questions to consider.

1 What are your goals?

One of the first things would-be investors should consider is their goals. That's not to say that having specific goals will be crucial to success, but they can help inform decisions around investment mix and strategy.

"Before you decide on the right investments, it's important to determine what it is you are investing for," says Tim Sparks, head of distribution and marketing at online stockbroker Bell Direct.

"Many people have more than one investment goal – for example, saving for a new car, saving for a house deposit and saving for retirement. It is important to know that you need different investment strategies for different goals."

Chris Brycki, founder and chief executive of online investment adviser Stockspot, agrees that goals, along with investing timeframes, are critical. "How long you're planning to invest has an enormous impact on what you should be invested into, as the right investment portfolio for someone investing for three years is very, very different from someone investing for 10 or 15 years," he says.

Public servant Sam Smith (not his real name) bought into ETFs four years ago. "I started investing because a few of my friends were doing it and I had some savings I was trying to figure out what to do with," he says. "I wasn't sure whether to put it into super, put it in the bank or invest it, but interest rates were really low so that's when I decided to take the plunge."

Since then, Smith's investing timeframe has shifted due to changing financial needs in his life. "I probably didn't think about it enough, but my initial plan was to be a long-term investor – so to buy shares and hold them for 30 years or so," he says. "But thinking about it now, if my partner and I are going to buy a bigger home, for example, I might consider selling them. So really, it's gone from being a long-term investment to maybe a five-year time horizon which is very different."

2 What is your threshold for risk?

With any investment comes the risk that you may lose money. A quick look at the share price of a company or the performance of any index over time will demonstrate the risk you're taking: there will always be ups and downs, though hopefully there will be a steady upward trajectory, too.

Without experience it can be difficult for newcomers to appreciate what their appetite and tolerance for risk may be. An investor just starting out may be better off dipping their toes in with a smaller investment amount, or by purchasing more conservative assets.

"What we notice with clients is that people that have gone through past financial meltdowns tend to have better staying power through future financial crises," says Brycki. "We would usually encourage people with less experience to invest a bit more conservatively to account for the behavioural chance that they'll feel more impacted by market falls.

"You can think that you'd be fine if markets fell, but emotionally you go through a bit of a roller-coaster when they actually do fall."

3 Which assets do you want to invest in?

There are more than 2000 companies and 200 ETFs and managed funds listed on the ASX alone. And that's just the tip of the iceberg when you consider the opportunities overseas.

So how do you choose assets?

"Buying individual shares can give you a clear idea of what you own, provide control over what you invest in and can help you to keep investment costs down," says Sparks.

"There are no yearly management fees involved in holding a portfolio of Australian shares that you have selected yourself.

"However, individual shares can have different levels of volatility or risk, which means some companies' share prices fluctuate more than others."

For example, an established company with a successful business and a history of stable cashflows, such as the Commonwealth Bank, is less risky than a mining exploration company that may not find what it is looking for, explains Sparks.

"The second option favoured by first-time investors, ETFs, are managed funds that are bought and sold on a stock exchange, and which typically invest in a basket of shares that track an index such as the ASX 200 which represents the 200 largest companies on the Australian Stock Exchange."

Says Smith of his decision to buy ETFs: "My dad worked in the finance industry for decades and basically told me that even the experts, most of the time, can't beat the market. So, if you're an amateur investor you've got no chance of beating it and therefore you should just buy the market.

"The rationale is that I'm not a professional investor, I don't have time to look at every single individual share that I might want to purchase and there are plenty of smarter people than me out there."

4 How do you plan to diversify?

Different asset classes perform well at different times in the market cycle, explains Sparks, so a diversified portfolio investing in a combination of growth and defensive assets can help to lower volatility in your portfolio returns over the long term. "Basically, it's a smoother ride," he says.

While building a diverse portfolio may be easier for someone with more money to play with, Brycki urges all investors to keep the idea of diversification in their minds – whether the plan is to invest $10,000, $50,000 or $2 million.

"Diversification is really critical for everyone, regardless of how much you have to invest. For someone that only has a couple of thousand dollars to invest, I would never recommend just buying a couple of shares, because it's a really risky strategy where you're beholden to how a particular company goes in its particular industry and country," he says. "Sure, there's a chance that it'll do well, but there's a bigger chance that it will do poorly.

"Statistically, diversification is the most important thing you can do to guarantee earning great returns from the sharemarket. It can seem kind of boring and people might feel impatient and want to earn returns quicker, but, unfortunately, the only way to make great long-term returns from the market over many decades, which has been proven time and time again, is to diversify."

5 How are you going to trade?

One of the final pieces of the puzzle will be choosing the platform to invest through. For investors looking to buy and sell assets and have more freedom in managing their portfolio themselves, online share trading platforms and stockbrokers such as Bell Direct could be a good fit.

Another option is to use the services of a robo adviser which, says Brycki, can take some of the manual work and research out of building a portfolio. "Typically, what a robo adviser will do is try and understand your personal situation and circumstances. Some of the questions we ask people centre around how much experience they have in investing, how long they are looking to invest for, whether they are looking to invest for income or growth and how comfortable they are when markets fall," he says.

"As an investor, the aim is to make the best return possible with as little risk as possible. A robo adviser can help structure a portfolio that can do that." ***M***

$50,000 model portfolio (balanced)

Asset class	% allocation	$ value	How to get exposure via the ASX
Growth assets (45%)			
Australian shares	17%	$8500	Direct shares, ETFs, mFunds, LICs
International shares	25%	$12,500	ETFs, mFunds, LICs
Property	3%	$1500	ETFs, A-REITs, mFunds
Defensive assets (55%)			
Australian bonds	23%	$11,500	Exchange traded bonds, ETFs, mFunds, LICS
International bonds	15%	$7500	ETFs, mFunds, LICS
Cash	12%	$6000	ETFs, mFunds
Gold	5%		Direct Equities, ETFs, mFunds
Totals	**100%**	**$50,000**	

Source: Bell Direct/Betashares. For illustration purposes only. mFund = an unlisted managed fund that can be bought via the ASX. LIC = listed investment company.

Early-stage ventures with a project to take to the world are turning to loyal supporters to raise the necessary funds

STORY ELIOT HASTIE

Start-ups feel the love

Investing in companies you know is one of the guiding principles of billionaire and investing legend Warren Buffet.

Buffet famously says "never invest in a business you cannot understand" and you should stick to companies you're familiar with because "risk comes from not knowing what you are doing".

It's the reason why hundreds of investors buy into popular brands such as Apple, Amazon and Australia's major banks. But in many cases, investors are just a number to a corporation already well on its business track.

But not every company takes the stockmarket route; more and more of them are turning to their loyal fans and community to power their growth. That is what equity crowdfunding is, and it's fast becoming one of the top ways for early-stage ventures to grow capital.

How does it work?

Equity crowdfunding is a type of investment strategy using securities, where a founder will issue the public shares in their company in exchange for an investment. Supporters believe it is democratising traditional investing by making investing in start-ups and early-stage businesses accessible to everyone.

It differs from other forms of crowdfunding: US-based Kickstarter, for example, is a crowdfunding platform enabling users to invest in a start-up in exchange for that start-up's product on first release. Donation platform GoFundMe asks investors to donate funds, usually for a cause, with no expectation of a return.

With equity crowdfunding, start-ups and small to medium enterprises have an opportunity to raise capital while the public gets to invest in something they are passionate about.

From beer to travel

Equity crowdfunding really gained pace in Australia in 2018 with the launch of the crowd source funding (CSF) industry and has continued to grow ever since, according to Matt Vitale, the founder of Australia's largest crowdfunding platform, Birchal.

Birchal has completed 200 successful offers across industries such as craft beer and wine, fashion and design, technology and travel.

"At first, the legislation behind crowdfunding was very limited and a lot of people were on the sidelines wondering if this was going to be a thing," says Vitale.

However, the numbers speak for themselves. The 2022 Crowd Sourced Funding Yearbook, based on data from Birchal as well as public information available online, reveals that over the past five years there have been 298 successful CSF offers with $219 million raised.

"There has been a huge awareness over the last five years, and we still have people that are surprised by what we can do," says Vitale. "So, I think we are just scratching the surface of how crowdfunding can solve the equity piece for SMEs."

Birchal recently crossed more than 200 raises worth more than $150 million on its platform from over 90,000 investments. The platform had 100% of market share during

the third quarter of the 2023 financial year, making it the only platform to have successfully closed deals this year.

Competitor Equitise, which operates in New Zealand and Australia, has seen similar growth. Managing director Jonny Wilkinson says the market has grown every year and will continue to do so. "We still hear every day from all types of investors, even experienced ones, who are asking about the opportunities in equity crowdfunding," he says, adding that the conversations are changing, with a lot more inbound calls rather than outward promotion.

"There is still a considerable amount of education happening, but we are now seeing more companies come to us and going, 'How do I tap into this method of capital?'."

Start-ups on a mission

From a business perspective, equity crowdfunding can be for everyone, but Vitale says that consumer-facing businesses tend to gain better traction from investors.

"Crowdfunding is really about building a community at the end of the day, and those that already have an audience tend to see great results," he says.

It's perhaps no surprise then that food and beverage was the most invested industry in 2022, with 33 campaigns raising a total of $28 million. This was followed by financial services, with 10 campaigns raising $8.7 million, and sustainability, which raised $7.9 million, according to the Yearbook.

"Companies that are pursuing a mission or something impactful that people can get around have really been able to leverage that to successful raises," says Vitale.

The biggest deal to date was completed by ZeroCo, which creates eco-friendly cleaning and body care products. The company raised $5 million in 2021 but it's taken that a step further with a range of initiatives to help clean the planet.

There is the added benefit as well that once people invest in the company they become committed to the cause or the product, says Wilkinson. "You get customers that are passionate about your business come on board then act as brand ambassadors, which helps you grow."

Another company tapping into equity crowdfunding is the technology company Forcite, which makes "smart" motorcycle helmets, incorporating a visual alerting system and integrated camera and audio features.

In 2022, Forcite raised $6 million in a series A round, of which $1.3 million came from equity crowdfunding through Equitise. This enabled the company to launch its first product.

Now it's back for a smaller round of $2.8 million, which chief executive Alfred Boyadgis says will help its push into the US market. "We signed a major distribution deal in the US and, based off their forecasting, we needed extra capital to be able to scale up that production," he says.

Boyadgis says crowdfunding made a lot of sense due to the strong community Forcite has fostered over the past few years around its smart helmets. "Our customer base of motorcycle riders is very close to our company, so it's like our community. It's a good way for them to be vested in the product," he says.

Boyadgis admits it can take some heavy lifting to go through a crowdfunding raise, mostly due to the documents needed and the other extras, such as facility open days. But it's worth it, he says. "If we didn't have a bunch of customer interest around it, we wouldn't have done it. Crowdfunding is good for those that have a community around their brands."

Opportunities for investors

Wilkinson believes equity crowdfunding poses an opportunity for investors to diversify their portfolios. "This is an asset allocation strategy," he says. "It's a way to tap into these alternatives."

Megan Own, chief executive of newly launched platform Microwd, says it's a chance to get in on the ground floor of innovative companies that are ready to change the world.

"If you're a new investor and you want to get into innovative companies at the early stage, you can do so for a low amount and experience what it's like to follow companies and support them," she says.

Microwd is a platform wholly dedicated to female founders and female-led companies, and Owen says it's seen growth among millennial investors. "Millennials are prepared to pay a little bit more to back a company that is doing environmental good, which is really key, and it's a space that plays well for women-led businesses," she says.

Certainly, for Jodie Mlikota, chief executive of Queensland-based catering platform Gathar, crowdfunding through Microwd has been a great decision.

"We have gone through four raises before with investors, but as we kept telling our story we realised it made sense to get our community invested," she says.

Mlikota says equity crowdfunding is not for short-term investors, but rather people who want to be part of the journey and benefit from that experience. "When you raise from your community, there's something great about bringing them on the journey," she says. "They are loyal because they own part of it."

Gathar takes the hard work out of entertaining by connecting people who love to cook with people who love to entertain and now operates in 31 Australian locations. "It is leveraging the community as they are really the ambassadors and they are motivated to stay loyal to us and it's brand loyalty building," says Mlikota.

$500 can get you in

Equity crowdfunding is easy to get involved with, regardless of whether you are a sophisticated or retail investor. This is a big change from the regular stockmarket, where buying into an initial public offering (IPO) is almost exclusively for institutional investors. Thanks to technology, it is becoming slightly easier for retail investors to invest in IPOs, but it still isn't a straightforward process.

At the other end of the spectrum are start-ups that require a huge amount of capital and typically require a large buy-in from potential investors. The beauty in equity crowdfunding is that the minimum amount is a lot smaller – typically around $500.

"It's a lot easier for investors to be able to make that commitment as opposed to the large sums that are typically involved in buying into a new business," says Vitale, adding these days it's a pretty straightforward process.

"People's thoughts and views have changed," he says. "For many, Birchal is their first time getting involved in the crowdfunding process, so we want to make that a pleasant process for them."

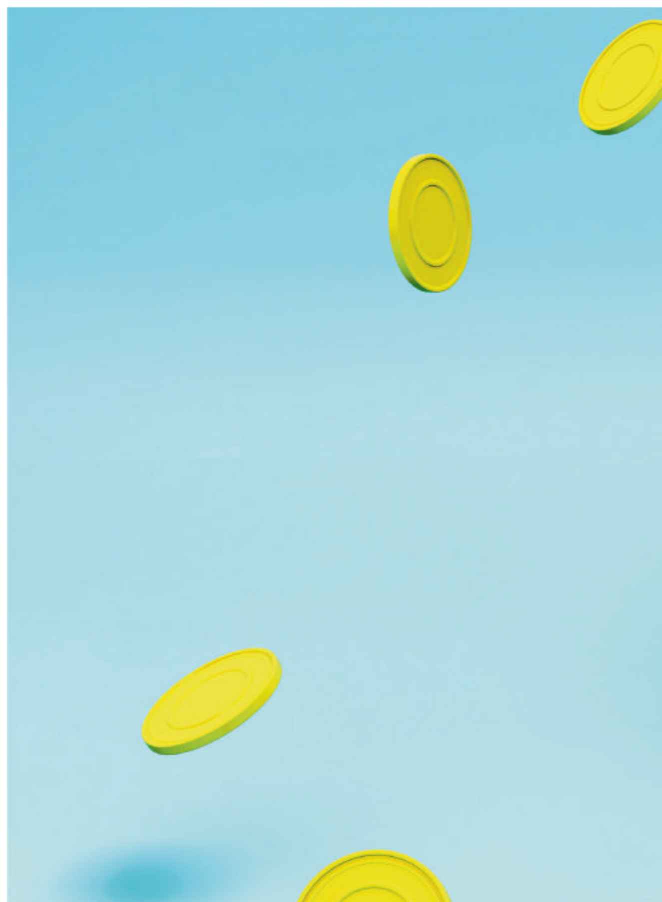
Companies that go through equity crowdfunding are still required to have all the relevant documents that show the financials, the business strategy and anything else an investor may require.

For Equitise, Wilkinson says the platform goes through a due diligence process before the companies can raise on the site. "They come to us, and we decide whether they are a suitable candidate for equity crowdfunding. If it has a low return potential, or is a one-man band, we may say that it's not right for us.

"We put up less than 10% of companies that come through us because we spend that time making sure the company is investible first," he says.

It's the same process Boyadgis went through with Forcite, and he says that it's not just as simple as throwing an offer on the page. "There's a lot of talking to people to see if they want to invest or not," he says. "It's not just something that you throw up online." ***M***

Fair go for low income earners



A modest change to a $500 tax offset would ensure everyone benefited equally

The super system's tax incentives encourage people to save for their retirement and are especially generous for those on high incomes. To even things up, the federal government introduced the low income superannuation tax offset (LISTO) for low income workers.

Currently, if you earn $37,000 or less a year, the LISTO will refund you up to $500 for the 15% tax you've paid on your concessional (pre-tax) super contributions.

These include your employer's compulsory contributions, called the super guarantee (SG), salary-sacrifice contributions you may make, or any contributions you make for which you claim a tax deduction.

The measure is designed to make the super system fairer and ensure you don't pay more tax on your contributions than on the amount of income tax paid on your take-home pay.

You don't need to apply for the rebate; it's automatically paid into your super account by the tax office, provided your fund has your tax file number.

Although many people are unfamiliar with the LISTO, it is well worth taking the time and effort to understand how it works, as you are bound to know someone who benefits from it, typically people starting out in their careers and women with kids working part-time.

So how did the government come up with a rebate of $500 when the low income tax offset was first introduced?

It's basically equivalent to 15% (contributions tax) of 9% (SG) of $37,000, which is $499.50. It was closely aligned with PAYG thresholds. However, tax rates and the SG have changed since then, and unless the LISTO reflects these changes it will penalise the very people it's meant to help.

This has prompted the Association of Superannuation Funds of Australia (ASFA) to call on the government to increase the maximum amount of the LISTO to $700 to match the changes.

"Until 2019-20 the $37,000 ceiling for LISTO corresponded with the top of the second lowest tax bracket. However, the top of the second lowest tax bracket was increased to $45,000 for 2020-21 and the following years," it says. The rate of the SG has also increased to 10.5%.

"The first tax bracket ($0-$18,200) incurs a zero-tax rate while the second bracket ($18,201-$45,000) incurs a 19% rate of tax.

"On equity grounds, it's reasonable to provide those earning between $37,000 and $45,000 with a tax concession in line with what they received prior to the change in the taxation rate structure. Otherwise, those falling within that income band receive a tax concession of only 6% of contributions, which is lower than for any other income group.

Women are hit especially hard

Many women become eligible for the LISTO tax break about the time they leave the workforce or reduce hours to raise children, usually when they are in their 20s and 30s.

This is also the stage in life when the super gender gap widens – the average super balance gap of women doubles from 15% less than men at 30 to 30% less once a woman reaches her 40s.

Women in Super supports raising the LISTO in line with the increase in the income threshold, as part of a range of measures to fix the gendered inequalities in super.

"Raising the offset in line with other tax changes would help ensure that low income workers, the majority of whom are women, aren't the only Australians paying more tax on their super than they are on their income," says Jo Kowalczyk, CEO of Women in Super.

"The super gender gap is devastating for women in retirement and this is one change that would make a substantial difference."

The ATO has a tool that can help you calculate your LISTO and other useful information. See ato.gov.au and search for LISTO calculator.

> "Tax brackets have moved and now low income workers are not getting the full benefit"

"ASFA, therefore, recommends that the ceiling for LISTO payments be increased to correspond with the top of the second lowest tax bracket and that the maximum value of the LISTO payment be increased correspondingly to $700 in line with that tax threshold, and with the increase in the SG since the LISTO was first introduced.

"ASFA's position is that any equity measures 'at the top end' should be accompanied by measures to address equity for individuals with lower incomes and lower super balances (including lifting the upper threshold for LISTO) to remove the tax disincentive for low-income earners, and measures to address the shortfall in women's retirement savings."

Commenting on the submission, Martin Fahy, ASFA's CEO, puts things simply:

"Tax brackets have moved and we've ended up with the anomaly where low income workers are not getting the full benefit of LISTO and, therefore, we are calling for that realignment.

"It's equitable that individuals on the lowest tax bands receive concessional tax treatment for super that is commensurate with the rate of assistance for higher income earners," he says.

"Ultimately, we want to make sure that low income workers are getting the full benefit of the concessional tax treatment of super."

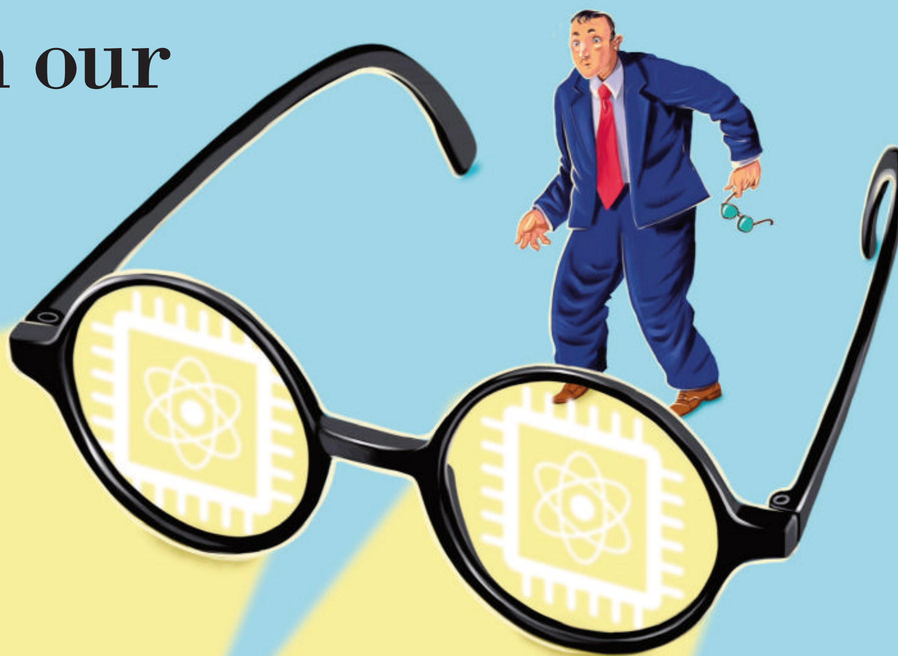
Fahy says that for a person aged 35 and retiring at age 67 who is on a wage of $44,000 a year, receiving a LISTO payment to their super account of $700 a year would lift their super balance at retirement in today's dollars from around $293,000 to $336,000.

ASFA estimates around one million people would benefit from the proposed changes based on tax office statistics. "There are a considerable number of part-time workers who have income in the $37,000 to $45,000 range," he says.

Vita Palestrant was editor of the Money section of The Sydney Morning Herald *and* The Age. *She has worked on major newspapers overseas.*

How data will transform our lives

Quantum computing is poised to provide the processing power to analyse a growing avalanche of information



The real world around us is rapidly being digitalised. Consider for a minute the notion that our environment is a living system with infinite characteristics from which we can measure and capture data. This data can then be processed into information to help us have a greater understanding of our environment so we can better manage our lives – for example, predict adverse weather, the impacts of climate change, pollution etc.

Similarly, industry and commerce are also dynamic and living systems in which people trade and machines produce, with systems and processes forever being developed and improved to transform raw inputs into finished goods and services.

The characteristics of these systems are also infinite and the more characteristics we measure through data capture, the more we can understand, predict, control and optimise industry and commerce to better serve us.

The scope of data-gathering is growing in all walks of life. Consumer sectors including games, finance, health and consumer goods and services are identifying new ways to acquire user data.

The emergent bioeconomy promises to shape the future of sectors such as medicine and healthcare delivery. It relies on massive harvesting of biodata – DNA, health statistics, disease symptoms and additional insights generated by our bodies. Analysts estimate the market for the health data collected through connected wearable fitness and medical devices, namely the internet of things (IoT) will be worth at least $US300 billion ($450 billion) by 2025.

These practices gather the building blocks of life and develop massive and ever-growing health data sets, which present an opportunity for doctors to gather reliable, long-term patient insights to develop more targeted treatment plans.

These large volumes of data sets will unlock immense and, at present, unimaginable possibilities for improving our health and quality of life, and extending average age. Imagine doctors being able to receive real-time reporting of the effects of different drugs on a patient and using this information to modify and optimise a treatment plan rather than waiting on imprecise verbal feedback from patients and time-consuming and costly follow-up diagnostics and blood tests.

The amount of data we are creating is rising exponentially. The world created two zettabytes of data (a big number – it has 21 zeros) in 2010 and by 2025 we will create 181 zettabytes. That is an unimaginable volume of data, which would have been okay if it just posed a storage challenge, but the emerging issue for companies like Google and Amazon, and countries like the US and China, is the immense amount of computing power required

to retrieve and allow consumers, companies and governments to convert this data into increasingly innovative and wide-ranging information for making decisions.

Improve information

Data itself is meaningless, but once you start mapping it using algorithms, you convert data into meaningful information, which is powerful for improving the accuracy of predictions and decision making. Algorithms are sets of computer-coded rules applied on stored data with an objective of solving real-world problems.

For example, my doctor can use my health data measured by my wearable fitness device to identify correlations between my physical activity levels and heart health or weight management. Based on the analysis, the doctor can generate personalised recommendations for improving my health. This may include exercise plans, nutrition recommendations or medication changes.

Computer algorithms to date have been generated by humans to analyse data. However, with the advent of AI, computers can generate their own algorithms, analyse the data and make recommendations to humans for actioning. If we allow it, the algorithms will act themselves. It is powerful and transformative technology so, yes, there is a lot of paranoia around how AI could potentially be destructive for humans.

I will leave that debate for another time, however, and focus on the positives. The fact is AI technology is going to become mainstream in all facets of our lives and we need to understand what that means and where we can participate in this trend as investors.

Computers hit a wall

With a huge volume of data and algorithms to process, the focus is shifting to whether or not computing power can keep up with the demand for processing all this information.

Current supercomputers that run our internet are built on the fundamentals of classic computing, which involves storing data in binary bits (1s and 0s) and then running sequential processing (one after the other) to generate information from the stored data. In the coming years, classical computers are going to hit a wall in how much they can handle the relentless avalanche of data.

3 FUNDS TO WATCH

Defiance Quantum ETF (NYSE: QTUM)

The investment seeks to track the total return performance, before fees and expenses, of the BlueStar Quantum Computing and Machine Learning Index. The index consists of a modified equal-weighted portfolio of the companies that derive at least 50% of their annual revenue or operating activity from the development of quantum computing and machine learning technology.

VanEck Semiconductor ETF (NASDAQ: SMH)

The fund tracks the overall performance of the 25 largest US-listed companies that produce semiconductors, which act as the brains in numerous devices that we rely on today, including smartphones, calculators and computers. As technology improves and expands, these chips will invariably be in demand to help power new devices.

Semiconductor ETF (ASX: SEMI)

The Global X Semiconductor ETF seeks to invest in companies that stand to benefit from the broader adoption of devices that require semiconductors. This includes the development and manufacturing of semiconductors.

Classical computers are made of microchips that use transistors to store and process information. (I wrote about microchips in February.) The size of transistors has been shrinking over the past decades, which has allowed for an exponential increase in computing power.

However, there is a physical limit to how small transistors can become before they are no longer functional due to quantum mechanical effects, which basically means transistors become so small (smaller than atoms) that they start to lose their physical nature and start to be defined in terms of wave(energy)-particle duality.

So, what will be the solution for continuing the expansion of computing power in line with demand for data and information processing?

How to solve the problem

There is growing interest in an alternative computing processing power that can provide a solution to the limitations of classical computing. Quantum computers use quantum bits (qubits) instead of classical bits and are not limited by the same physical constraints as classical computers.

In a quantum computer, a qubit can exist in multiple states simultaneously, which is called a superposition. This is like having a switch that can be in two different positions at once. This fundamentally changes the way computers process information, allowing them to perform calculations much faster.

Imagine a world where a computer can perform, in mere seconds, calculations that would take current systems millions of years to complete.

With this incredible processing power, quantum computing will enable breakthroughs in many fields and handle the gargantuan increases of data that will need to be processed. It is poised to revolutionise the world of computing as we know it.

There are a number of companies, including IBM, Google, Microsoft, Intel and Honeywell, racing to develop quantum computers. They will offer quantum computing to power cloud systems like Amazon Web Services and Google's platform, where myriad applications will flourish to extract information from large and disparate data sets.

ChatGPT is the latest example. It is still being powered by classical computing, but at some stage it will move to quantum computing processors and will become unimaginably predictable, wise and – dare I say – beneficial to us humans.

The investment returns for semiconductor stocks (as measured by the VanEck Semiconductor ETF) over the past one and five years have been streets ahead of the Nasdaq composite index, the S&P 500 index and the S&P/ASX 200 index. My sense is we will see similar returns for a quantum computing ETF in the next five years and beyond.

Max Riaz is an investment manager and director at Banyantree Investment Group, with responsibilities across equity and multi-asset strategies. See banyantreeinvestmentgroup.com.

When meat is off the menu

The alternative protein market is growing, but a major challenge is developing cheaper products that appeal to a wider range of consumers

STORY TOM WATSON

Walk into any supermarket these days and you'll most likely find a small section dedicated to alternative meat – or alternative protein – products.

"There have been phenomenal changes in a short amount of time," says Thomas King, the founder and chair of think tank Food Frontier.

Food Frontier data shows that since 2018, the number of Australian and New Zealand alternative protein companies has grown from four to more than 40 in 2023.

"There are now over 300 plant-based meat products in our supermarkets – up by a third since 2021 – with Australian and New Zealand brands making up two-thirds of the category," says King.

While not to everyone's taste, alternative protein has gained traction in recent years, with a growing number of Australians looking for substitutes for conventional meat options, whether for health or environmental reasons.

"The most recent research shows that in Australia, flexitarians are the primary consumers of plant-based meats – that is, people who largely eat plant-based meals and a smaller amount of animal protein," says King. "These Australians are drawn to plant-based proteins primarily for health reasons and secondly for sustainability."

Given the uptick in these products and interest at a consumer level, is there an opportunity for investors to get themselves a piece of the rapidly expanding plant-based protein market? And what do they need to consider before diving in?

More products on the way

Much of the alternative protein market in Australia, at least at present, is made up of products made from plants – options such as soy burger patties and pea protein sausages from brands including Beyond Meat and Impossible Foods (creators of the Impossible Burger).

As Tom King, chief investment officer at Nanuk Asset Management, explains, rather than being stock-standard vegetarian or vegan options, these products are designed to replicate the look, taste and feel of animal protein.

"I think when most people within our sphere talk about plant-based protein, they're talking about using plant protein from things like soy and pea that are converted into products that are alternatives to meat products," he says.

"That's what they're referring to – not the majority of protein that's eaten around the world that comes from plant-based sources. We all eat a lot of grains and cereals and vegetables that contain protein, but that's not what people refer to in the investment space."

One of the big questions for the sector is whether there'll be enough appetite among consumers for the new products, expected to roll out in supermarkets in the coming years.

"Research points to expected growth in the coming years," says Food Frontier's Thomas King, adding the industry is projected to be worth $3 billion by 2030.

Driving the growth, he says, is greater availability of products and the increasing range of options, coupled with people becoming more familiar with plant-based foods. "We'll see plant-based options become a norm rather than an alternative," he says. "We are also finding that governments around the world, and in Australia, are increasingly getting behind this industry to boost the diversity, security and sustainability of the food sector."

Opportunities and challenges

As with any new trend, the alternative protein sector is not without its

challenges. Take one of the better-known players in the space: Los Angeles-based producer Beyond Meat.

After riding high on the back of publicity generated by its meat-like burgers, Beyond Meat became the first company of its kind in the plant-based alternative meat sector to go public in May 2019. By July of that year, its share price had rocketed up to around $US234 a share, but since then it has fallen back to around $US16. According to analysts, this is a result of consumer confusion caused by the large number of plant-based offerings, poor experiences with products and high prices.

Certainly, according to Nanuk's Tom King, one of the hurdles that companies such as Beyond Meat now face is how to lower prices to attract a greater number of customers – beyond vegans and vegetarians or those drawn to their goods by the novelty factor or environmental concerns.

"Ultimately, what the industry needs to happen to prosper in a significant way is for the cost of these products to come down to parity with meat products that they're trying to replace," he says. "And if they can get to that point, they should develop a material market share within the 'meat' category.

"It's impossible to know exactly what that might be, but if prices stay where they are, they're only going to get a couple of percentage points of that overall market," he says.

Taste of the alternatives

- **Plant-based meats:** Products made from grains, legumes (for example, soy) and vegetables (peas) that offer a plant-based alternative to animal protein products. Sometimes they are designed to replicate the taste and feel of conventional meat.
- **Lab-grown meat:** Otherwise known as cultured meat, these are produced using real animal cells. Lab-grown meat is not currently approved for sale in Australia, but other countries have already given it the go-ahead. Singapore last year became the first country to approve the commercial sale of protein grown in a lab. During the COP27 summit in Egypt, the Singapore pavilion served delegates cultivated chicken nuggets produced by Good Meat, a subsidiary of US firm Eat Just.

"If they can get to cost parity, let's say they might get to 10% or 15% of that broader market. If they can find a way to produce attractive products that are very cheap compared to meat, then they could end up with significantly more market share down the track, but you're a long way from seeing that happen."

Investment options

Where might investors interested in the plant-based or alternative protein sector look for exposure? Well, in terms of ASX-listed companies, there aren't many pure-play options available.

One that may fit the bill is regenerative food producer Wide Open Agriculture (ASX: WOA), which owns brands Dirty Clean Food Oat Milk and Buntine Protein (which produces plant-based protein).

Then there's Pure Foods Tasmania (PFT), which owns plant-based dairy products producer Lauds; Forbidden Foods (FFF), which sells plant-based meats under its Sensory Mill brand; and even chicken giant Inghams (ING), which has a line of plant-based protein products.

There's greater opportunity for those willing to cast their net further afield though. Among the many options are Beyond Meat (NASDAQ: BYND), ingredient provider Ingredion (NYSE: INGR) and alternative dairy producer Oatly (NASDAQ: OTLY).

Apart from holding shares in individual companies, investors can also tap into exchange traded funds (ETFs), such as the Future of Food ETF (ASX: IEAT) from BetaShares.

"The objective of the fund is to invest in the future of food," says Liddell. "It's a portfolio of companies that are really at the forefront of food technology and food innovation. And there are some tailwinds to that investment thesis, one of which is climate change and the transition to net zero that we have to make, and the other is simply trends around population growth and the demand for food that will be necessary to feed that population."

Liddell says the fund can give investors exposure to companies in the food efficiency and production space, including French food production giant Danone (7.2%), Danish bioscience company Chr. Hansen A/S (6.6%) and US ingredient developer and producer Balchem (6.2%), which currently make up the fund's top three holdings. ***M***

SECTOR TECHNOLOGY

A basket brimming with goodies

Among a diverse bunch of businesses, quality needs to be a standout factor

Technology is a funny word. It is, perhaps more than most sectors, a very relative thing. Resources are always – and always have been – resources. We might value some more highly than others at different times in history, but the term itself is clear. Ditto consumer staples, real estate and infrastructure.

But what exactly is technology? We think we know, but at one point it would have included manufacturers of desktop calculators. Before that, photocopy machines. At an earlier stage, the motorcar was the height of technological innovation. And at the dawn of the industrial revolution, it was the Spinning Jenny that turbocharged the productivity of the textiles industry.

In a couple of decades, we might not recognise the sector of today. And many, perhaps most, companies we name-check in 2023 might become relics, in one way or another.

Not just that, either. The companies we lump together into the so-called technology basket are more diverse than in any other sector. Software companies are considered technology. But so are ecommerce retailers, switching equipment manufacturers and more.

In Australia, some of the largest components of the S&P/ASX All Technology Index include three classifieds businesses, a share registry and a payments company. Sure, they all use technology, but so do Woolworths, News Corp, AGL and CBA – and those four businesses might have larger technology R&D budgets than the entire cost bases of some companies considered to be tech. The cost – and success – of driverless trains in the Pilbara are extraordinary.

Budget isn't the only comparator, of course, but it does bring the arbitrary nature of technology into stark relief.

Foolish takeaway

In fact, other than "they all use computer technology to interact with customers", it might be the possession of impressive business models that typifies this group. Execution matters, of course – potential will only take you so far.

Which brings us back to some of the best-quality businesses in this sector. REA Group, Carsales and Seek dominate their sectors. Xero is almost a byword for cloud accounting. And Computershare is the biggest name in share registries by a wide margin.

Still, for recurring revenue, profitability, a track record of growth and a defensive customer list, it's hard to go past one of the lesser-known businesses in this sector, despite the word being in the company's name. For a second year running, TechnologyOne is our Best in Breed.

Best in Breed's tips so far

SECTOR	STOCK	ASX CODE
Discretionary retail	Premier Investments	PMV
Consumer staples	Woolworths	WOW
Commodities	South32	S32
Technology	Technology-One	TNS

Still, the technology sector exists. The index I mentioned above also exists. It is, for better or worse, a "thing".

So, how do we proceed? Choose from that arbitrary sector or choose our own adventure with a grouping of our own design? I'm tempted to do the latter. And, were this not part of a series that covers every other sector, I would. But it is – meaning this group of companies has its own place, so we'll choose from this cohort.

And yet, how do you compare companies otherwise considered retailers, media and financial services (among others)? The short answer is we can't. At least not directly, based on their operating similarities and differences. Instead, we'll look at this group as we do any investment and ask ourselves which of the businesses in this sector is the highest quality.

We're spoilt for choice. The classifieds' network effects are extraordinary. The recurring revenue of software companies is legendary. And the operating leverage of online retailers is almost unbeatable compared to bricks and mortar.

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Oprah diet will end in tears

It's risky – and rather grubby – to share your financial secrets with others

In "the good old days", there was no TV, no internet, no reality shows, no Netflix, no Stan, no Kayo, no *The Mandalorian* (the horror!), just sexism and billiards. In the good old days, after dinner, the men would retire to play snooker and talk business while the women remained at the table to gossip about less important matters. This was the way.

And how has this post-dinner tradition progressed? These days, after dinner, we turn on a reality show where the celebrity apprentices have to lose weight, cook, build a block of flats, play with Lego, be drug tested, be breathalysed and evade an international border patrol on the way to their own marriage to someone they've never seen, in the nude, in the jungle while all the time being criticised and pilloried by unidentified, intolerant sloths on social media.

Oh, for the "good old days" and their routine post-dinner collectives which, despite their sex-based memberships, served as an important but now absent forum to share private matters, something we don't habitually do anymore.

These days there is no forum for self-help and, can you believe it, some of the very few remaining, anachronistic institutions that still exist today to provide dinner and billiards exclusively to men overtly ban talking about business. Talking finance with friends is now, it seems, officially taboo. Vulgar even.

These days "How to make money" is no longer an acceptable dinner party topic; it's just a crappy book title you pick up at the airport. Personal financial issues are now private and advice on how to navigate your personal finances has become a bit like spin bowling or ruck work. No one ever lets on, unless you pay them, and when you do pay them, you're never quite sure whether you're getting the goods.

But it doesn't have to be like that.

Not that I watch American crap, which daily undermines my children's expensive education, but I once saw Oprah talking to a group of "desperate housewives" who had broken generations of suburban tradition and decided, quite out of character, to talk to each other about money. They entered a pact of trust and confidentiality and it began from there.

The process was simple enough. Tell everybody in the group (select membership, no riff-raff) how much you own, how much you owe, how much you spend and how much you earn. Nothing more sophisticated than presenting your family's balance sheet and profit and loss.

The biggest losers

Within minutes the frenzy started. How come you are earning more? How come you are worth more? How come you spend less? How come I'm the biggest loser? Those who survived the suburban roulette stage, working out who the biggest loser was, extracted tremendous value.

They analysed each other, compared each other and in so doing began to understand the consequence of all their financial habits. They learned how other people viewed debt. Why some things they considered financially acceptable were unacceptable.

They learned they could negotiate with big financial institutions. They learned they had choice. How to cut corners on spending. How to change habits and attitudes, plan, earn more, spend less, be assertive and, above all, how to take control. The collective empowered and supported each individual. They gained purpose and credibility, simply by pooling their experiences and ideas, expanding on the good bits and collectively eliminating the bad.

In blissful ignorance

It was a simple gaining of objectivity, something that is, by definition, impossible alone and it was a very powerful argument for sharing financial experience with those you can trust.

But I just can't see it happening in my household, or yours. Much as I'd love to share my domestic financial details with other Jim Beam-swilling, indiscrete barbie gossips like myself, I'm not sure I trust them. I'm not sure we really need to know who the biggest loser is. Relationships would have to change. Knock over the apple cart of financial truth and expect to live with bruises.

No, the Oprah Debt Diet is not for me. I am happy to live in ignorance and bash through on my own. It's more comfortable that way. I am happy to be one of the many Australians who have no idea what everyone else's bank balance is. I'm quite happy to keep it to myself. It's less awkward that way. Less grubby. Pity.

Marcus Padley is the author of the daily stockmarket newsletter Marcus Today. *For a free trial of the newsletter, go to marcustoday.com.au.*

Useful numbers and websites

Australian Communications and Media Authority
1300 850 115
acma.gov.au

Australian Competition and Consumer Commission
1300 302 502
accc.gov.au

Australian Energy Regulator
aer.gov.au/consumers/making-a-complaint

Australian Financial Complaints Authority
1800 931 678
afca.org.au

Australian Securities and Investments Commission (ASIC)
1300 300 630
asic.gov.au

Australian Securities Exchange (ASX)
131 279
asx.com.au

Association of Superannuation Funds of Australia (ASFA)
1800 812 798 (outside Sydney)
9264 9300 (Sydney)
superannuation.asn.au

CPA Australia
1300 737 373 (within Australia)
+61 3 9606 9677 (outside Australia)
cpaaustralia.com.au

Do Not Call Register
To reduce telemarketing calls
1300 792 958
donotcall.gov.au/contact-us/contact-details

Fair trading/consumer affairs
ACT: 132 281
NSW: 133 220
NT: 1800 019 319
QLD: 137 468
SA: 131 882
TAS: 1300 654 499
VIC: 1300 558 181
WA: 1300 304 054

Financial Counselling Australia
National Debt Helpline:
1800 007 007
financialcounsellingaustralia.org.au/contact

Financial Planning Association
Listing of financial advisers
1300 337 301
fpa.com.au/about/contact-us

Human Services (formerly Centrelink)
Families: 136 150
Older Australians: 132 300
humanservices.gov.au

illion
For a copy of your credit report
132 333
illion.com.au

Legal Aid advice (free)
ACT: 1300 654 314
NT: 1800 019 343
NSW: 1300 888 529
QLD: 1300 651 188
SA: 1300 366 424
TAS: 1300 366 611
VIC: 1300 792 387
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Telecommunications Industry Ombudsman
1800 062 058
tio.com.au/complaints

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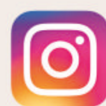

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Inside the pathology love triangle

The ACL-Healius merger may or may not go ahead, but either way the future looks bright for Sonic, the third party in this affair

STORY GRAHAM WITCOMB

They say falling in love is often a matter of "falling upwards" – desiring a partner with slightly better prospects than yourself. That's certainly true of the proposal by Australian Clinical Labs (ASX: ACL) to merge with Healius, a company almost twice its size.

ACL has proposed an off-market takeover, whereby Healius shareholders would receive 0.74 ACL shares for every Healius share. No cash would change hands. In effect, Healius shareholders would own 68% of the combined entity, with ACL shareholders owning the remainder.

The merger is a slam dunk from a strategic standpoint. Healius has a 32% share of Australia's pathology industry, while ACL holds 17%; the merged entity would have a 49% share by revenue and operate more than half the collection centres. That would top Sonic Healthcare's 42% market share and knock the current leader to second place in the pecking order.

Combined, ACL-Healius's size would give it an edge when bidding for large tenders, and ACL's management believes a merger would enable around $95 million of cost cuts and efficiency improvements.

That figure doesn't seem stretched – around $26 million of savings are expected to come from improved purchasing of consumables, or roughly 5% of the combined companies' consumable expenses, which is manageable.

What's more, around 70% of ACL's collection centre footprint is split between NSW and Victoria, the two states where Healius dominates. That lends itself to Healius's "hub and spoke" model of plugging in more collection centres to its central labs and cutting duplicate costs. Higher efficiency is a sure thing.

If the merger proceeds and the company achieves its $95 million of savings, it would add meaningfully to the value of the combined entity. Healius is expected to generate around $380 million of operating profits in 2023, with ACL earning around $190 million. The savings would add around 17% to combined operating profits and as much as 50% to net profit.

There's no doubt a merger would benefit both companies and threaten Sonic's dominance. Fortunately – for Sonic's shareholders, at least – the course of true love never runs smoothly.

ACL's management believes it has "good prospects of securing ACCC clearance", but we seriously doubt that. Together, Sonic and ACL-Healius would be the only game in town, controlling 90% of the pathology market.

While the Australian Competition and Consumer Commission "does not impose a market share threshold in determining whether a firm has a substantial degree of market power", it does look at a merger's potential effect on pricing and accessibility.

Remember that overlap in ACL and Healius's collection networks? You can put those efficiency fantasies on ice; it's exactly the sort of thing that irks the ACCC.

The regulator has a history of strict approvals when it comes to pathology acquisitions, frequently blocking mergers or requiring the divestment of assets before approval.

In 2012, Sonic wanted to buy Healthscope's Western Australia and Queensland assets; the ACCC permitted the former but denied the latter, saying it would lessen competition.

Then, in 2015, Primary Health Care (as

Healius was previously known) decided to buy Healthscope's Queensland pathology business without notifying the ACCC. Talk about poking the bear – the ACCC went to court and forced Primary to divest almost all of what it had bought, effectively reversing the takeover.

"The acquisition removed a significant third player in Queensland, leaving just two major full-service pathology providers in that state," the ACCC said. "We considered that this change in market structure would be likely to result in increased prices and reduced service levels for pathology services in Queensland."

Competitor comparison

Year to June*	ACL	HLS	ACL/HLS**	SHL
Revenue ($m)	711	1750	2461	8130
EBITDA ($m)	194	384	673	1820
EBITDA margin (%)	27	21	27	22
NPAT ($m)	44	77	187	730
Aust mkt share (%)	17	32	49	42

**Consensus estimates 2023. ** Includes $95m cost cuts*

Primary was forced to sell its 70 Queensland collection centres to Medlab Pathology. And here's the twist: ACL bought Medlab in 2021.

The irony of ACL's proposed merger with Healius is that Healius is a rebranded Primary, and ACL is mostly a collection of Healthscope's old pathology assets. It's the same two companies trying the same old merger again under different names.

This time around, however, the Queensland assets are the least of their problems. ACL's 72 collection centres in Queensland only account for around 5% of its overall network, so it can afford to divest them. The Victorian, Western Australian and NSW markets, on the other hand, would be far more concentrated after a merger and are also where the bulk of Healius's and ACL's value lies.

We doubt the merger will be approved and, if it is, it's highly likely that a chunk of the NSW and Victorian networks would need to be sold to a third party. Sonic couldn't be the buyer, but it may still benefit from a transaction by placing ACL's Victorian and NSW assets with an inevitably weaker competitor.

All up, we think the risk of an ACL-Healius merger is bearable for Sonic shareholders – so long as we can buy the stock at a reasonable price.

Sonic generated revenue of $3.7 billion in the six months to December and a net profit of $382 million. The decline in Covid-related revenue is now behind us and profits should stabilise. Consensus estimates are for $730 million in 2023 or $1.52 per share.

Organic growth is likely to come in around 3%-5% a year over the long term, but we expect earnings per share to grow slightly faster.

Sonic is near the end of a $500 million share buyback, having repurchased around $425 million worth of stock this year at an average price of $33.70. We think there's a good chance the buyback will be extended: Sonic has net debt of only $890 million, less than 50% of operating profits, compared with a long-term average of more than 200%.

The net debt-to-equity ratio (currently 11%) hasn't been this low in more than two decades. With $1 billion of free cashflow pouring in each year, there's plenty of room to increase dividends or announce a second buyback of $500 million to $1 billion, potentially adding a 3%-6% kicker to earnings per share.

Sonic trades on a price-earnings ratio of 22, a free cashflow yield of more than 6%, and a fully franked dividend yield of 3%. With organic growth of 3%-5% and room for buybacks or acquisitions to add something extra, total returns could reach 10% or more.

An ACL-Healius merger might add competitive pressure, but it doesn't change the facts: this merger is unlikely to proceed; Sonic would still be a competitive pathology provider even if it did; and Sonic's current valuation offers a meaningful margin of safety. BUY.

Graham Witcomb is an analyst at Intelligent Investor.

DATABANK

The tables on these pages contain data and information to help you compare managed funds, which are pooled funds managed professionally by investment experts.

Managed funds displayed in these tables are multi-sector or asset class specific. Multi-sector managed funds invest across a diversified mix of asset types spanning equities, property, bonds, cash, infrastructure, private equity and alternatives.

Managed funds are normally set up as unit trusts. You may be able to invest in them directly or through a platform.

Top 5 sector benchmarks

Sector	Benchmark	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Australian Equities	S&P ASX 200 Accum Index	12.2%	6.0%	8.5%	8.8%
International Equities	MSCI World ex AU Index	-7.4%	6.3%	10.1%	14.2%
Property	S&P ASX200 A-REIT Index	-5.0%	-0.9%	5.6%	8.5%
Australian Fixed Interest	Bloomberg Barclays Australia (5-7 Y) Index	-5.5%	-2.4%	1.4%	2.6%
International Fixed Interest	Bloomberg Barclays Global Aggregate Index	-8.9%	-3.1%	-0.3%	2.6%

Top 5 Australian funds by size

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
ISPT Core Fund			1994	$18,336m	6.1%	5.4%	6.7%	9.3%
Vanguard Australian Shares Index Fund	VAN0002AU	0.16%	1997	$18,051m	11.5%	6.0%	8.5%	8.6%
Vanguard Australian Shares Index ETF	VAS	0.10%	2009	$12,465m	11.6%	6.0%	8.5%	8.7%
DEXUS Property Fund		0.55%	1995	$11,804m	7.8%	6.0%	7.7%	9.9%
Vanguard Growth Index Fund	VAN0110AU	0.29%	2002	$8,598m	-3.0%	3.0%	5.7%	8.0%
SECTOR AVERAGE		**0.68%**		**$746m**	**-1.6%**	**3.0%**	**5.4%**	**7.4%**

Top 5 funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Lazard Select Australian Equity Fund	LAZ0005AU	1.15%	2002	$72m	32.5%	10.7%	7.7%	10.1%
Lazard Defensive Australian Equity Fund	LAZ0022AU	0.75%	2012	$20m	25.2%	12.5%	8.9%	9.8%
Merlon Concentrated Australian Share Fund	HOW2217AU	0.52%	2018	$5m	23.0%	9.1%		
Lazard Australian Equity Fund	LAZ0006AU	0.90%	2000	$164m	23.0%	7.5%	7.1%	8.6%
PM Capital Australian Companies Fund	PMC0101AU	1.09%	2000	$67m	20.2%	18.6%	13.3%	12.9%
SECTOR AVERAGE		**0.83%**		**$663m**	**-0.5%**	**4.8%**	**6.9%**	**9.3%**

Top 5 diversified funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Allan Gray Australia Balanced Fund	ETL4654AU	0.76%	2017	$151m	8.4%	6.7%	5.8%	
Orbis Global Balanced Fund	ETL3967AU	1.20%	2017	$7m	8.1%	8.3%	5.0%	
Allan Gray Australia Stable Fund	ETL0273AU	0.26%	2011	$334m	6.5%	4.4%	4.1%	5.6%
Perpetual Balanced Growth Fund	PER0063AU	1.04%	1997	$483m	3.8%	6.9%	6.7%	7.7%
AMP Capital Income Generator	IPA0174AU	0.72%	2010	$1,021m	3.8%	2.9%	4.6%	5.9%
SECTOR AVERAGE		**0.71%**		**$602m**	**-1.9%**	**2.6%**	**4.3%**	**6.3%**

Source: Rainmaker Information. Data sourced January 31, 2023. *Numbers stated here depict averages, other than the Rank column, which is the total number of funds in the category. For any queries on these tables, please contact info@rainmaker.com.au.

These products may be recommended to you by a financial adviser.

The performance results displayed are the annualised investment returns each managed fund has delivered after taking into account taxes paid by the unit trust and investment fees.

Research was prepared by Rainmaker Information and for more information see **www.rainmaker.com.au**

DATABANK

Top 5 Australian equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Lazard Select Australian Equity Fund	LAZ0005AU	1.15%	2002	$72m	32.5%	10.7%	7.7%	10.1%
SPDR S&P/ASX 200 Resource Fund	OZR	0.39%	2011	$133m	28.8%	15.6%	14.8%	8.1%
VanEck Australian Resources ETF	MVR	0.35%	2013	$339m	28.1%	13.1%	12.9%	
BetaShares Australian Resources Sector ETF	QRE	0.34%	2010	$157m	27.3%	16.1%	15.0%	8.2%
Lazard Defensive Australian Equity Fund	LAZ0022AU	0.75%	2012	$20m	25.2%	12.5%	8.9%	9.8%
SECTOR AVERAGE		**0.68%**		**$812m**	**8.5%**	**6.2%**	**7.9%**	**9.1%**

Top 5 international equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
PM Capital Global Companies Fund	PMC0100AU	1.09%	1998	$671m	13.1%	17.0%	13.4%	16.0%
VanEck Clean Energy ETF	CLNE	0.65%	2021	$131m	12.4%			
Janus Henderson Global Natural Resources Fund	ETL0331AU	1.10%	2012	$103m	11.4%	14.5%	8.5%	8.6%
Macquarie International Infrastructure Securities Fund (Hedged)	MAQ0432AU	1.00%	2005	$234m	10.4%	5.3%	7.6%	9.4%
Macquarie International Infrastructure Securities Fund	MAQ0825AU	1.00%	2014	$311m	8.7%	3.8%	9.3%	
SECTOR AVERAGE		**0.83%**		**$639m**	**-6.5%**	**5.2%**	**8.3%**	**12.3%**

Top 5 income-focused equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Merlon Australian Share Income Fund	HBC0011AU	0.95%	1985	$359m	18.4%	6.5%	5.2%	7.4%
Vanguard Australian Shares High Yield ETF	VHY	0.25%	2011	$2,787m	18.0%	9.4%	8.9%	8.3%
Vanguard Australian Shares High Yield Fund	VAN0104AU	0.35%	2000	$1,306m	18.0%	9.4%	8.8%	8.2%
Vertium Equity Income Fund	OPS1827AU	0.97%	2017	$96m	17.4%	7.9%	7.2%	
Plato Australian Shares Income Fund	WHT0039AU	0.90%	2011	$2,446m	17.3%	8.2%	10.9%	10.9%
SECTOR AVERAGE		**0.78%**		**$439m**	**11.0%**	**4.8%**	**5.9%**	**7.4%**

Top 5 ESG funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Martin Currie Sustainable Equity Fund	SSB0125AU	0.77%	1998	$89m	13.2%	5.4%	6.8%	8.7%
VanEck Clean Energy ETF	CLNE	0.65%	2021	$131m	12.4%			
Warakirri Ethical Australian Equities	WRA7701AU	0.77%	1993	$237m	11.3%	6.0%	7.2%	7.2%
GMO Climate Change Trust	GMO1979AU	0.76%	2021	$41m	9.4%			
Russell Australian Responsible Investment ETF	RARI	0.45%	2015	$263m	8.4%	3.0%	6.0%	
SECTOR AVERAGE		**0.80%**		**$227m**	**-4.3%**	**3.3%**	**6.2%**	**8.6%**

WHAT THEY MEAN

Performance after investment fees. Investment returns after investment fees annualised to describe each fund's returns per annum. But if your managed fund achieves a high return and charges you an extra "performance fee", Rainmaker has not taken this into account. Past performance is not an indicator of future performance.

Rank. Funds are ranked against all managed funds in each segment, not just those included in each table.

Indices and averages. Arithmetic average investment returns or average fees for all fund investment options within each category, that is, not fund size weighted.

DATABANK

The table contains information to help you compare super funds. It showcases publicly available MySuper investment options offered by some of Australia's biggest funds. Rainmaker categorises them into risk options based on percentage of growth assets in their portfolio. The high-growth risk option has more than 85% in growth assets (growth has between 75% and 85%), balanced has between 55% and 75%, and capital stable products have less than 55% growth assets.

The performance results are the annualised investment returns each option has delivered after all taxes and fees. Past performance is no indicator of future performance. The table only lists products that have achieved a Rainmaker Information AAA Quality Rating. For interactive performance tables, visit **moneymag.com.au/super/funds/compare**

Best Super Funds: Top 30 MySuper – January 31, 2023

Ranked by 3-year return

FUND & INVESTMENT OPTION NAME	Strategy	Growth assets	Risk category	1-year return	1-year rank	3-year return (pa)	3-year rank	5-year return (pa)	5-year rank
Maritime Super – MySuper	S	75%	Growth	0.8%	8	5.9%	1	7.1%	1
Hostplus – Balanced	S	81%	Growth	0.7%	13	5.8%	2	7.0%	4
Active Super Accumulation Scheme – High Growth	LC	95%	High Growth	1.2%	4	5.7%	3	7.0%	3
Telstra Super Corporate Plus – MySuper Growth	LC	89%	High Growth	1.0%	6	5.6%	4	6.8%	5
Mine Super – High Growth	LC	89%	High Growth	0.7%	12	5.5%	5	6.8%	6
Aware Super – High Growth	LC	84%	Growth	-1.5%	33	5.4%	6	7.0%	2
GuildSuper – MySuper Lifecycle Growing	LC	100%	High Growth	-0.8%	28	5.2%	7	6.7%	7
Vision Super Saver – Balanced Growth	S	70%	Balanced	-0.2%	21	5.0%	8	6.2%	13
HESTA – Balanced Growth	S	69%	Balanced	0.8%	9	5.0%	9	6.3%	12
Mercer CS – Mercer SmartPath 1979-1983	LC	89%	High Growth	0.8%	10	4.9%	10	6.7%	8
AustralianSuper – Balanced	S	66%	Balanced	-0.1%	20	4.9%	11	6.6%	10
CareSuper – Balanced	S	77%	Growth	1.8%	3	4.8%	12	5.8%	17
Cbus Industry Super – Growth (MySuper)	S	73%	Balanced	0.3%	16	4.6%	13	6.1%	15
AvSuper Corporate – Growth (MySuper)	S	81%	Growth	2.1%	2	4.4%	14	5.6%	22
TWUSUPER – Balanced (MySuper) Option	S	72%	Balanced	-0.3%	26	4.4%	15	5.2%	28
UniSuper – Balanced	S	68%	Balanced	1.1%	5	4.4%	16	6.6%	11
REI Super – Balanced (MySuper Option)	S	76%	Growth	-0.2%	22	4.3%	17	5.0%	30
Rest Super – Core Strategy	S	69%	Balanced	-0.8%	11	4.3%	18	5.1%	29
Virgin Money SED – LifeStage Tracker 1979-1983	LC	90%	High Growth	-0.8%	27	4.2%	19	6.6%	9
Spirit Super – Balanced (MySuper)	S	67%	Balanced	-0.9%	7	4.2%	20	5.8%	18
legalsuper – MySuper Balanced	S	74%	Balanced	0.2%	17	4.2%	21	5.6%	21
NGS Super – Diversified (MySuper)	S	72%	Balanced	0.1%	19	4.1%	22	5.5%	23
Equip MyFuture – Equip MySuper	S	60%	Balanced	-0.5%	14	4.1%	23	5.4%	25
BUSS(Q) MySuper – Balanced Growth	S	74%	Balanced	-0.2%	23	3.8%	24	5.3%	26
BT Super – 1980s BT Lifestage Fund	LC	88%	High Growth	-1.0%	30	3.7%	25	5.7%	19
Catholic Super – Balanced Growth	LC	70%	Balanced	0.4%	15	3.5%	26	4.9%	31
smartMonday PRIME – MySuper Age 40	LC	86%	High Growth	0.2%	18	3.5%	27	6.2%	14
Essential Super Employer – Lifestage 1980-84	LC	74%	Growth	-0.3%	25	3.5%	28	5.3%	27
Prime Super (Prime Division) – MySuper	S	65%	Balanced	-1.2%	32	3.4%	29	4.8%	32
FirstChoice Employer – FirstChoice Lifestage (1980-1984)	LC	96%	High Growth	-0.3%	24	3.4%	30	4.8%	33
Rainmaker MySuper/Default Option Index				**0.0%**		**4.2%**		**5.8%**	

Benchmark Indices – Workplace Super

INDEX NAME	Performance to January 31, 2023		
	1-year	3-years (pa)	5-years (pa)
Rainmaker MySuper/Default Option Index	0.0%	4.2%	5.8%
Rainmaker Growth Index	-0.2%	4.4%	6.2%
Rainmaker Balanced Index	-0.4%	3.4%	5.1%
Rainmaker Capital Stable Index	-1.1%	1.5%	3.2%
Rainmaker Australian Equities Index	9.6%	6.0%	8.0%
Rainmaker International Equities Index	-6.9%	4.6%	6.5%

Source: Rainmaker Information. www.rainmakerlive.com.au

WHAT THEY MEAN

Performance after fees: When calculating fees, Rainmaker assumes a member has $50,000 in their account.
Strategy: Some MySuper products invest your superannuation based on age and are known as lifecycle funds (marked LC). The table includes the LC option for 40-year-old members. Non lifecycle funds are known as single strategy (S).
Rank: Funds are ranked against all MySuper investment options available in Australia.
Indices and averages: To produce these indices, Rainmaker analyses the results of more than 3300 investment options.

We're lucky to have strong banks

The US crisis shows what can happen when regulation is weak and cash reserves are inadequate

The US banking crisis of 2023 is a salutary reminder of how important it is for every nation that wants to be taken seriously to have a robust and properly regulated banking sector. The US has just failed on both counts.

In March, the US financial market was rocked by the collapse of two banks and one that teetered on the edge before a last-minute rescue. While it's been the failure of Silicon Valley Bank (SVB) and its $272 billion in domestic assets that caught most of the international media attention, there was also the failure of the $155 billion Signature Bank and the voluntary winding up of the $16 billion Silvergate Bank.

First Republic Bank, with $298 billion in domestic assets, was only salvaged when a consortium of 10 major banks agreed to inject $40 billion into its cash vaults. Time will tell if their assistance worked, though the signs at this stage aren't encouraging.

According to US Federal Reserve Bank figures, SVB was the 19th biggest bank in the US ranked on domestic assets, Signature was the 29th biggest. But First Republic was bigger than both – it was the 13th biggest.

As remarkable as was the implosion of these banks and their $725 billion in domestic assets, what is more remarkable is the US banking system itself. By this we mean how small it is, how many players there are, how tiny so many of them are and how absurd is the system of bank regulation.

If you think Australian laws can be tricky to navigate with seven states and territories overlaid by national laws, spare a thought for the US's multilayered national laws and its 52 sets of state financial regulation and regulators. Sure, this reflects US political history but it doesn't make it any easier to fathom.

While at the headline level the US banking system's $33 trillion in domestic assets is impressive as it trounces the $5.5 trillion held by Australia's banks, adjusted for GDP the US system should be three times that size. Perhaps explaining this is how disproportionately large is Australia's $9.5 trillion residential property sector, noting the huge role residential housing plays in underpinning our banks.

This, conversely, introduces risks into US banks that Australian banks don't have because US banks have to lend a much higher share of their loans to businesses than do Australian banks.

An almost impossible task

On top of that, US home mortgages have delinquency rates that can be triple those in Australia, while a significant minority of US home mortgages are non-recourse, meaning if the borrower can't afford to repay the loan then the bank is only allowed to reclaim the home; it can't chase the borrower for any residual funds.

Then there's the massive number of banks – 4700. Australia has only 126. Properly regulating US banks must be damn near impossible. This is only made worse by the US having 12 Federal Reserve Banks, albeit it thankfully has only one Federal Reserve Board setting interest rates.

Worse still, there are separate national regulators for US credit unions and mortgage lenders. And we shouldn't forget to add in the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation into this mayhem.

Drawing all this together helps explain why the US's largest banks are so small and Australia's so big. In Australia, our biggest five banks control 77% of our banking market, but in the US the big five control only half that.

Viewed another way, in Australia the smallest 50% of banks control only 1% of banking system assets, but in the US the smallest 50% of banks control 13% of assets. Reflecting this, Australia's super heavyweight banks – CommBank, Westpac, NAB and ANZ – would all rank in the US top 11.

It's glaringly obvious that the US banking system needs a stern dose of Aussie market rationalisation, but it won't happen because it would be seen as an attack on the smaller states and would just become another raw dividing line in an already fractious Union.

Australians may well be angry with their Reserve Bank and cranky with its governor, Philip Lowe. They will most likely be none too pleased with their own bank, either. But compared with banking industry dysfunction in the US, Australians can count our lucky stars for how robust our banks are, and how well regulated and cashed-up they are, with among the highest reserves in the world.

Australia's federal treasurer, Jim Chalmers, has just received a report from the review into Australia's Reserve Bank, the first in 30 years. He is expected to announce the government's initial response just before the May 2023 budget.

Alex Dunnin is director of research at Rainmaker Information.

"It takes an unwavering dedication to training and a willingness to push past my limits"

Jack Robinson

Surfing since he was three years old, Jack Robinson, 25, won the male surfer of the year title at the 2023, 2021 and 2020 Australian Surfing Awards. In 2021, he qualified for the World Surf League's world championship tour, the highest level of competitive surfing. He's started this year just as strongly, after a win in the Pipeline and a third place at Sunset Beach, both in Hawaii, and a second place in Portugal.

At what age did you start taking surfing seriously?
At the age of six, my family and I moved to Margaret River in Western Australia, where I was able to surf bigger and better waves. I started joining every grom competition and got my first paid contract when I was 11 years old.

What's it like to be crowned male surfer of the year – three times?
It's a remarkable achievement and something I am so grateful for. It takes an unwavering dedication to training and a willingness to push past my limits to reach success in competitions, and being recognised for that is incredible.

Do you recall your earliest money lesson?
When I started receiving a salary as an 11-year-old, my mum made sure I saved up as much as possible, and as soon as I had saved enough, I purchased my very first investment property.

While some friends were spending on brand new iPods and expensive clothes, I knew I wanted to set myself up for the future.

What was the first thing you remember saving up for?
When I was little, for my first wetsuit.

Have you ever done anything else for work or had a different job?
I have been a full-time professional surfer since I was 11 years old and I wouldn't change a thing.

What would you say was a big financial turning point for you?
When I started to set aside a big chunk of my payments every month for investments.

What's the best money advice you've received?
To live below your means but still have fun. It's important to spend less money than what you earn and build financial stability for the future but ... it's also important to have fun and invest in experiences for yourself. It's about balance.

What's the best investment you've made?
Spending time surfing and believing in myself is the best investment. Financially, it was investing in my first property, and now investing in good companies, such as good drinks – Gage Roads Brew Co – of which I'm a part owner.

I believe our company has everything to take over!

What's the worst investment decision you've made?
The worst decision was not starting to invest even earlier.

What is your favourite thing to spend money on?
New experiences, surf trips, food. I love to travel and explore.

How would you spend your last $50?
I'd find a way to double that and do it again and again. I'd find a way to understand how I'd got to that stage and not repeat it.

What's the next challenge you've set yourself?
To win the world title this year!

Finish this sentence: Money is good for ...
having fun.

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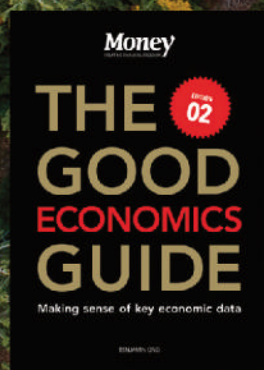

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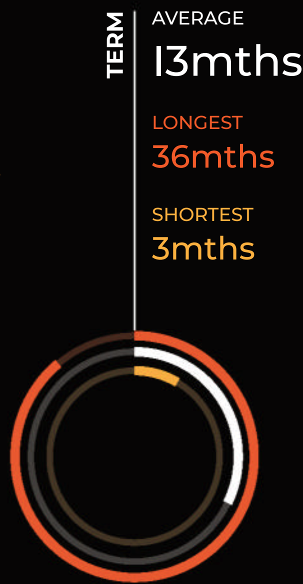

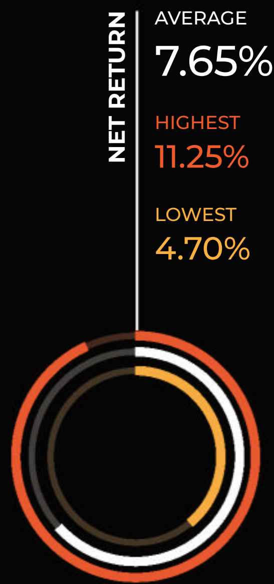

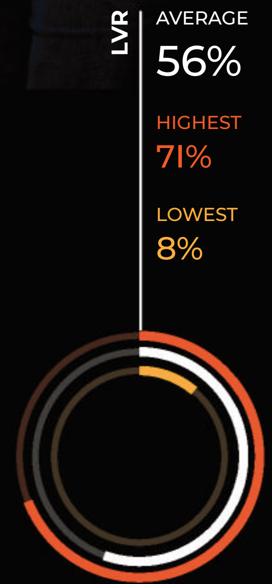

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