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SUBSCRIBE TO *MONEY* AND SAVE **37%** PAGE 90

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EDITOR'S DESK

Finders keepers

Freebies are the unsung heroes of frugal living. In a world where every dollar counts, embracing the power of "free money" can be a game changer for our wallets. Check out this month's cover story (page 34) on how to find that money you didn't know you had. How many of the 12 items have you ticked off already?

If your mortgage repayments are fast eroding your emergency funds, you're not alone. Many homeowners are trying to navigate their way out of the so-called mortgage cliff. The solution will differ based on your personal circumstances, but it pays to exhaust all options before waving a white flag. Read Serina Bird's tips on how to repay your home loan faster even with rising inflation (page 62).

Let's not forget about investing. There's a lot of street talk around lithium, so our regular investment columnist Max Riaz breaks it down for us (page 68). Peel away the hype and there's definitely something about the future demand for renewable energy that's propelling lithium companies into the limelight.

And retirees are getting a "pay rise" from July 1 (page 72). The minimum drawdown amounts for account-based pensions, which were reduced during the pandemic, will revert to normal. That will leave many retirees, who grew accustomed to living on a lower income, with extra money to spend, save or even reinvest.

There are plenty of cost-saving tips and investment ideas in this issue. Best enjoyed with a hot cup of tea.

Michelle

Michelle Baltazar,
Editor-in-chief

Feedback

Letter of the month

Working out to the voice of reason

I enjoyed the podcast with the warm and down-to-earth Michelle Baltazar and Paul Clitheroe, where I heard Paul's voice for the first time! (See podcast pointer below) I've been a fan of his and have read his advice closely for around two decades; his writing is usually fun to read and easy to understand, at the same time, a great bonus.

My only suggestion is that it would have been helpful for Michelle to have briefly summarised the five rules of money given by Paul, before she wrapped up the podcast. That way, they could more easily have stuck in the minds of listeners. Thanks for an enjoyable format (it lets me do 20 minutes of floor exercises as I listen).

Stella

Listen to the man who started it all on **Friends With Money podcast #100 Paul Clitheroe's top five money secrets**

Give the younger generation a fair go

What News Corp swamp did you dredge this guy up from (On my mind, "Let's give our old-timers a fair go", June issue)? Does Matthew Svenson realise the definition of ageism is "prejudice on the grounds of a person's age"? Clearly not, otherwise he wouldn't have thrown every stereotype about the younger generation into this piece of utter garbage.

Yes, older workers need a fair go. They bring an incredible amount of skills and knowledge to every role. I myself work with a boomer and it's the best working relationship I've ever had. But why couldn't this piece have been about the positives

instead of leaning hard into polarising and frankly offensive rhetoric?

Phrases like "they're also less likely to have all the anxiety crap that all Gen Z claim to have" not only dismisses people's very real struggles with mental health, it also demonstrates that he knows nothing of the mental health statistics of each demographic, and that a rising number of older generations have depression and anxiety.

We've just been through a pandemic and our collective mental health has suffered. We don't need this polarising rhetoric and we don't need anyone diminishing the new strides we've made in understanding and recognising our mental health needs.
Nicole

Funny yet sobering

Why am I wasting my time commenting on an article I have just read by Marcus Padley ("Don't let the old man in … our days are numbered", April issue)? Because it was the best, funniest and yet sobering article I have read in a very long time, and I wanted to say thank you. What the heck – at least I didn't vacillate in getting this away! Thanks again.
David

Thumbs up for new EV

In response to "Ask Paul: Should I lease a car or buy it outright?" (online), I'm dealing with that decision right now. For the same vehicle, it might work out better to go for a novated lease if you are after a new EV. Only because of the current FBT exemption that goes with new EVs (until June 2025). But I agree with Paul, a reliable second-hand car is definitely the option to go with if cashflow is an issue.
Helen

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The Money team

EDITORIAL

Founder & editorial adviser
Paul Clitheroe

Editor-in-chief
Michelle Baltazar
(02) 8234 7500
michelle.baltazar@moneymag.com.au

Art director
Ann Loveday

Designer
David Matthews

Senior sub-editors
Bob Christensen, Debra Duncan

Senior writers
Susan Hely, Pam Walkley

Senior journalist
Tom Watson

Digital editor
Sharyn McCowen

Multimedia producer
Michael Lynch

CONTRIBUTING WRITERS
Serina Bird, Mark Chapman, Nick Cummings, Alan Deans, Peter Dockrill, Alex Dunnin, Tracie Ellis, Nicola Field, Peter Forrestal, Rodney Horin, Anthony O'Brien, Marcus Padley, Vita Palestrant, Scott Phillips, Max Riaz, Hannah Tattersall, Graham Witcomb

CONTRIBUTING ARTISTS
Eamon Gallagher, Reg Lynch, John Tiedemann

PHOTOGRAPHS
Getty Images

PRE-PRESS
Peter Suchecki

ADVERTISING

Executive director – media sales
Stephanie Antonis
(02) 8234 7500
stephanie.antonis@rainmaker.com.au

Partnerships manager
Michael Grenenger
(02) 8234 7500
michael.grenenger@rainmaker.com.au

MARKETING

Marketing manager
Julian Clarkstone
julian.clarkstone@rainmaker.com.au

MANAGEMENT

Managing director
Christopher Page

Executive director
Alex Dunnin

Syndication enquiries:
money@moneymag.com.au
ISSN 1444-6219

How have you "won" back some money recently?

STEPHANIE ANTONIS
Executive director, media sales "I have found that freezing my gym membership periodically has been a great way to cost save without impacting my lifestyle. I have travelled fairly extensively over the past 12 months, and it makes sense to pause paid recreational activities, such as my Fitness First club pass, when I am in London. I also pause it during the hot summer months when I spend the majority of my time swimming laps outdoors for exercise."

SHARYN MCCOWEN
Digital editor
"I've done a bit of everything: cancelled a streaming service, negotiated a $1025 refund from a tradie for unfinished work, scored $50 in cashback rewards through my bank, and traded in two old iPhones for cash. I've also sold a couple of hundred dollars' worth of clothes, books and anything that isn't useful or doesn't work … the dog is starting to look nervous."

SCOTT PHILLIPS
Contributing writer
"Well, it certainly isn't by playing the lottery! We've been 'investing' in cost savings recently (we're fortunate to have the capital do so, of course): we've put insulation in our roof, swapped out our gas hot water system for a heat pump electric system, and we're about to replace a gas/electric reverse cycle aircon system for an all-electric one (that was less of a choice … our existing one died in the middle of winter!)."

ALAN DEANS
Contributing writer
"By changing electricity suppliers. I saved money because the new supplier set their own retail tariffs over the long term, rather than basing them on live market prices. The original supplier passed on live market prices directly to consumers and charged a fee for doing that. By changing suppliers, I was able to get stable bills because the new supplier took the market risk but set a slightly higher overall price."

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Keep the cheer in Christmas

By looking out for sales and bargains now, you can cut your spending and avoid a last-minute rush

This year is turning out to be difficult for many people. I wish I could provide good news, but following several interest rate rises and record high inflation, the outlook isn't great.

While Christmas in July is a thing, it's important to start preparing now for Christmas in December. I know it's still almost six months away, but whether it's of religious significance to you or not, invariably you will spend more money around Christmas. Not only is it a time for feasting, celebrating and family, it's also the beginning of holidays and leads into the start of the school year. In 2022, Australians spent a record $74.5 billion – despite tougher economic times – and it's easy to get caught up in the spending frenzy.

How to celebrate frugally?

The key is to be prepared. The more organised you are, the more likely you will have enough cash to splash and the less likely you will need to go out and panic-buy on credit.

Here are a few of my top tips to save money at Christmas.

- **Have the conversation.** Don't wait until a week before Christmas to announce you want to cut back on presents; others may already have presents for you and your family. Instead, get in early to suggest present minimisation strategies, such as a Kris Kringle, a dollar limit or buying presents for kids only.
- **Save for sales.** Make a list and check it twice – then wait for the sales. Mid-year sales often include toys, and then there's Amazon Prime Day (July), Singles Day (November 11) and Black Friday (late November). Buying early can save you money, preserve your sanity and avoid presents arriving in January. But remember young kids change interests rapidly, so if they love *Bluey* now, chances are they might be into *Paw Patrol* by Christmas.
- **Christmas accounts.** Start saving now into a Christmas account, which generally offers higher interest rates and measures to discourage you from withdrawing until close to the time. Myer's Christmas Club incentivises spending by providing $10 towards a Myer gift card for every $100 saved.
- **Stake out stalls.** Keep an eye on fetes, stalls and local markets for things you could use or give as gifts. Every year I bring out a cute Christmas-themed sugar and milk jug I picked up for 50 cents at a trash-and-treasure market more than 15 years ago. And handcrafted items or those in original packaging make great gifts. Why buy new when you can be sustainable and savvy?
- **When life gives you lemons.** Winter is the perfect time to make homemade gifts, such as lemon cordial, marmalade or (for the adults) limoncello. Keep lemon and orange peels and store them in the freezer – you can make them into candied citrus rinds for gifts or homemade Christmas cake or pudding.
- **Store rewards programs.** Major retailers, such as Coles and Woolworths, have programs aimed at providing more for Christmas. Everyday Rewards (linked to Woolworths, Big W, BWS, etc) enables customers to save points throughout the year and redeem them at Christmas. Flybuys (Coles, Shell, Target, Kmart and Liquorland) is a similar program.
- **Make your own hamper.** Rather than invest in a commercial Christmas hamper, create your own by buying non-perishable items on sale throughout the year. I find Christmas food items, such as cakes and puddings, come out by October and are on sale to convince people to buy early, and chocolates and other snacks are on sale semi-regularly.

> The more organised you are, the more likely you will have enough cash to splash

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

Red sales stickers trigger an outbreak of 'bargain regret'

While many are hunting for bargains right now, a good many of us are regretting making bargain purchases.

Insurance provider AAMI's *Bargain Regret Report* shows nine out of 10 Australians are seeking out bargains in an attempt to save money, but many are suffering from "bargain regret".

The findings are from a survey of 2003 people aged between 18 and 55, conducted between September 2022 and March 2023.

The most popular "bargains" are clothing (66%), home décor (57.2%) and shoes (54%). But 96% of people regretted purchasing an item, with severe cases spending up to $4000 a year.

"We see that little red sticker [signifying] half price and think 'great!' It's thrill seeking," says psychologist Sandy Rea.

"When you see shoes advertised with 'buy one, get the second pair half price,' well, hang on, if the first pair were $200 and the second pair $100, you've spent $300 when you only meant to spend $200. You have to be really diligent and understand your own emotions when you're making these purchases.

"It's a dopamine hit," adds Rea. "It's the same hormone released with sex."

But while we can all laugh about wasting money on a pair of shoes here or a cushion there, when it comes to big-ticket items, bargain hunting can have serious ramifications.

The survey found about 52% of Aussies were seeking out and/or only purchasing the "bargain" option for insurance, such as car, motorbike and travel policies, citing money constraints.

One in four admitted to seeking out a bargain for motorcycle insurance, one in three for income protection insurance, two in five for travel insurance, more than half for car insurance and two in five for home insurance.

The survey found one in five people who have purchased bargain insurance have lived to regret their decision – and of those who suffered bargain regret and made a claim, 40% reported being placed under huge financial strain as a result of their claim being denied and/or not having sufficient cover to meet their needs.

It's a bit like playing Russian roulette, says Rea. "People think, 'I've never been in a house that's burnt down', 'I've never been in a car accident' so therefore, 'I'm going to take the cheapest policy that doesn't cover me'.

"But is that wise? Is that what you should be doing when there's so much at stake?

"If life is a bit dull, we do want that excitement, that dopamine hit," she says.

"But, of course, that bargain regret is then realising, 'Oh no, I've just blown our month's savings on that blazer'."

Hannah Tattersall

ON MY MIND

Let's get the BNPL laws right

Financial Counselling Australia welcomes the federal government's move to increase consumer safeguards for buy now, pay later (BNPL), but wants to ensure the new laws go far enough.

BNPL credit can be great for some people, but it also causes great harm. Too many people have BNPL credit they struggle to pay, with many using it for essentials like food and utilities.

We know there will be a new category in the *Credit Act* for BNPL that will require providers to comply with "modified" responsible lending obligations, but it's unclear what these will be. And if BNPL providers aren't required to report BNPL limits through the credit reporting system, problems of overcommitment through multiple accounts will continue.

It is positive, however, that the new laws will prevent automatic credit limit increases and require providers to have adequate hardship arrangements.

But BNPL agreements range from small amounts to $30,000, so it is hard to see why those larger loans shouldn't be regulated like other credit, such as credit cards or personal loans.

Good on the government for regulating BNPL. But let's get this right.

Fiona Guthrie, chief executive of Financial Counselling Australia

CALENDAR OF EVENTS

Tuesday, July 4
RBA interest rate decision

Thursday, July 6
Balance of trade

Tuesday, July 11
Westpac consumer confidence
NAB business confidence

Thursday, July 20
Unemployment rate

Wednesday, July 26
Inflation rate

NEWS BITES

New investment scams involving fraudsters soliciting victims to send them cryptocurrency with a promise of sending even more in return are on the rise, thanks to developments in AI technology. Fake AI-generated Facebook and Instagram ads featuring celebrities are the main vehicle for scammers.

As of July 1, the pension thresholds that determine how much you are eligible for have been adjusted for inflation. This means many part-pensioners will now move to a full pension, and those who were previously ineligible for a pension – because they are over the assets test cut-off point – will now be eligible to start claiming a part-pension and all the concessions that go with it.

The number of strata properties has grown by 7% in the past two years, with at least 16% of Australians living in a strata-titled property, such as apartments and townhouses, according to a new report from UNSW's City Futures Research Centre. "This increase reflects population growth as well as government policies to promote urban consolidation – that is, building up rather than out", says lead researcher Professor Hazel Easthope.

Gig workers deserve super too

Our superannuation system is one of the best in the world, but it's undermined when gig workers aren't getting it. Extending it to workers such as rideshare and food delivery drivers and riders is better for everyone. As well as providing those workers with a better future in retirement, it's the right thing to do for the national economy because it eases the pressure on future government budgets across health, aged care and social security.

TWUSUPER wants the federal government's gig economy reforms to ensure on-demand transport workers have access to conditions, including superannuation, on par with other transport workers and the population as a whole.

McKell Institute research has shown that 81% of on-demand transport workers need the job to pay bills and fund their retirement and 45% of gig workers earned under the minimum wage, meaning they likely did not earn enough to pay voluntary super.

We believe all transport workers deserve to have access to employer-funded super and a fund that is tailored to their needs, including the appropriate insurance cover.

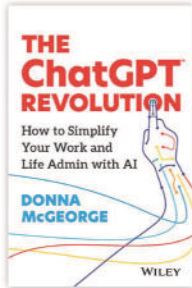
Frank Sandy, CEO of TWUSUPER

30M

Cash is still king, if Reserve Bank statistics from April this year are anything to go by. In fact, each month Australians make about 30 million cash withdrawals – a trend that shows no signs of waning.

NEWS&VIEWS

BOOK OF THE MONTH



THE CHATGPT REVOLUTION: HOW TO SIMPLIFY YOUR WORK AND LIFE ADMIN WITH AI
by Donna McGeorge (Wiley, $27.95)

Research shows that 85% of Australians haven't yet used innovative AI tool ChatGPT, but many have discovered how useful it is for completing certain tasks.

In this handbook, the author explains how you can benefit from using ChatGPT in your everyday life, from writing emails to planning meals and organising holidays. Think of it as your virtual assistant. You'll wonder how you ever lived without it.

Five readers can win a copy

In 25 words or less, tell us how you think ChatGPT could help you in your work, studies or personal life. Enter online at moneymag.com.au/win or send entries to Money, Level 7, 55 Clarence Street, Sydney, NSW, 2000. Entries open July, 3 2023 and close August 2, 2023.

PODCAST OF THE MONTH

FRIENDS WITH MONEY
#101: BUILDING A STOCK PORTFOLIO
Guest: Tim Wallace
Host: Tom Watson

Taking the leap into the investment world can be a daunting experience for most and we could all benefit from some sound words of advice before getting started.

On this episode of *Friends With Money* senior journalist Tom Watson chats to Tim Wallace, general manager and country head of investment platform Syfe Australia.

They'll take you back to basics as they dive into the fundamentals of building a portfolio of shares, exchange traded funds and other assets.

Happy investing.

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TAX TIP

How to claim deductions on an electric vehicle

If you have purchased an electric vehicle to replace an old petrol or diesel car for your business, you might well be wondering how you claim tax deductions for the running costs. In particular, you might be struggling to calculate the amount on your home electricity bills that applies to the cost of charging the car.

Well, the ATO has made the process much simpler by introducing a standard electric vehicle home charging rate. You simply multiply the cents per kilometre rate (the EV home charging rate) by the total number of work or business kilometres travelled by the electric vehicle during the income tax year. The rate is 4.20 cents per kilometre.

The choice is per vehicle and applies for the whole income year. However, it can be changed by the individual from year to year.

Electric vehicle owners can still calculate electricity use on an actual basis, but as many taxpayers find this too difficult, the cents per kilometre rate is bound to prove popular.

If you wish to rely on the EV home charging rate, you will need to keep odometer readings covering the income year (the readings need to be kept at the start and end of the year).

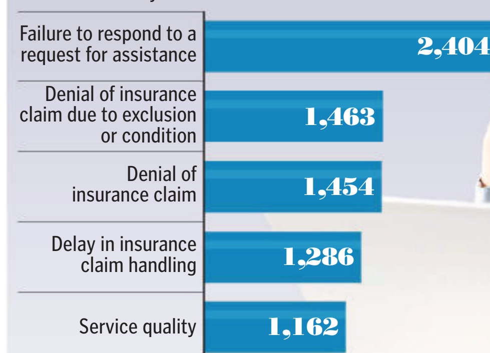
In addition, you must have:

- A valid logbook for the logbook method of calculating work-related car expenses. For other vehicles, a logbook is recommended to demonstrate work-related use of the vehicle.
- One electricity bill for your residential premises in the applicable income year to show you have incurred electricity costs.

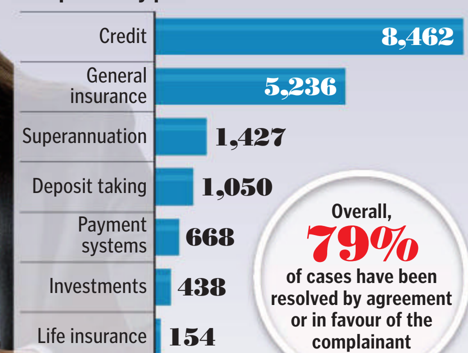
MARK CHAPMAN, DIRECTOR OF TAX COMMUNICATIONS AT H&RBLOCK. MCHAPMAN@HRBLOCK.COM.AU

SNAPSHOT Unhappy customers fight back

Number of financial complaints | Top 5 by issue
March 2020 – May 2023



COVID-19-related financial complaints by product



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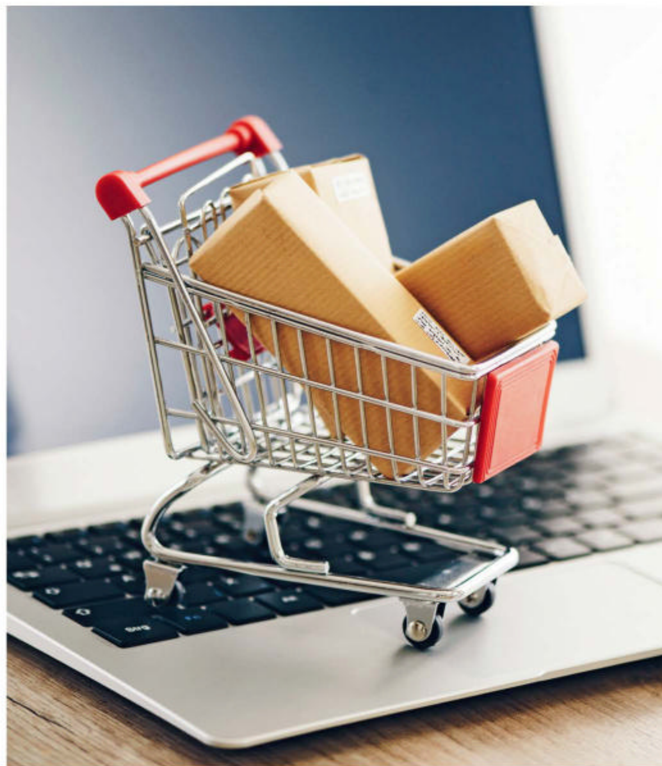
MY MONEY

▶MORE MONEY STORIES ON P44-57



SPENDING

Online shopping is as popular as ever

Almost half (47%) of Aussies say they will have done more than 50% of their shopping online this year, according to parcel delivery service CouriersPlease. It surveyed 1005 adults who have made at least three online purchases in the past three months. Three-quarters (73%) will have done at least 30% of their shopping online this year.

The trend towards shopping online is strengthened by the ability to compare products and prices to get the best deal.

While bricks-and-mortar stores have made a comeback since Covid lockdowns, online habits appear here to stay.

Richard Thame, chief executive of CouriersPlease, says the results come as little surprise. "We delivered more than 30 million parcels across Australia and internationally last year, up two million from delivery figures in 2021."

Across the states, the survey found the biggest number of online shoppers are based in South Australia. Fifty-four per cent of South Australian respondents will have done at least half of their shopping online by the end of the year, followed by 48% in NSW, 47% in Victoria, 41% in Queensland and 36% in Western Australia.

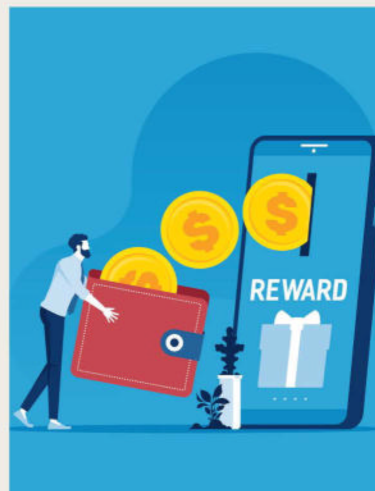
Loyalty points are now used to buy groceries

To contend with rising living costs, Australians are cashing in on loyalty programs by redeeming rewards points for cash or supermarket gift cards.

Research from NAB shows a significant shift in consumer behaviour over the past 12 months, with more people preferencing cash over merchandise when it comes to redeeming rewards points.

"As living costs rise, Australians are getting even closer to their finances and thinking about where they can squeeze maximum value out of the loyalty programs they have in their wallet," says NAB personal banking executive Kylie Young.

"We're seeing a big shift in customers using rewards points to cover their groceries and essential purchases rather than treat themselves to a new espresso machine or hair straightener."



After cash, Aussies are also redeeming rewards points for gift cards and travel. The number of people allocating points to travel, including airfares and holidays, has increased by 39%, according to NAB.

The three most redeemed gift cards were Coles $100, Woolworths $100 and Woolworths $50.

COMPILED BY HANNAH TATTERSALL

HOUSING

Number of rentals rises in a competitive market

It may not seem that way to anyone searching for one, but the number of available rentals has increased for the first time since December 2022, according to Domain.

After four consecutive months of remaining steady, Domain's May rental vacancy rate report reveals that the national percentage of available rentals has increased to 0.9%.

While Australia is still considered a "landlords' market", the monthly increase suggests conditions are beginning to marginally improve for tenants.

"It remains a challenging and competitive environment for tenants, but the recent performance of vacancy rates shows conditions have stabilised for now," says

Nicola Powell, Domain's chief of research and economics. The steady increase in housing supply across most capital cities can be attributed to some tenants reverting to share houses to cut costs, and others buying their first home earlier.

"But even with some extra available supply, the rental market still needs some huge changes to balance market conditions," she says.

"The continued flow of international migration and an unclear plan for building new homes and infrastructure to support this mean that while good news for the interim, the reprieve may be short-lived."

Wealthy families head down under

Australia is set to pass the United Arab Emirates to become the top country to attract high-net-worth individuals (HNWIs), according to a report from investment firm Henley & Partners.

Australia also held the top spot in 2015 and 2019.

China, meanwhile, looks set to suffer the biggest outflow of HNWIs since 2013. The *Henley Private Wealth Migration Report* estimates China will lose 13,500 HNWIs with investable wealth of more than $1 million each, followed by India with an exodus of 6500 and the UK at 3200.

According to Henley & Partners, global volatility is amplifying security, political and economic risks, prompting affluent families to diversify their domicile portfolios via investment migration to protect their lifestyles, wealth and legacies.

The highest yet number of millionaires are forecast to move to new countries in 2023 and 2024, with many doing so through investment migration programs.

"Countries offering a safe and stable environment, with clear and attractive policies and legislation that protect their wealth and secure their legacy, are likely to continue to outperform the rest, especially when it comes to attracting talented and affluent global citizens," the report says.

PROPERTY

▶MORE PROPERTY STORIES ON P58-65

INVESTING

▶MORE INVESTING STORIES ON P66-75

RETIREMENT

Comfortable lifestyle now costs $70k

How much retirees need

	WEEKLY	ANNUALLY
Modest (single)	$608.91	$31,785
Modest (couple)	$877.55	$45,808
Comfortable (single)	$957.94	$50,004
Comfortable (couple)	$1350.23	$70,482

Source: ASFA. Aged around 65, March quarter 2023

The annual figure that Australians will need to live a comfortable retirement has jumped once again, according to a new analysis from the Association of Superannuation Funds of Australia (ASFA).

Because of higher inflation, a couple will now need a record $70,482 each year to retire comfortably – an increase of 1.1% over the last quarter and 7.7% over the year. Singles will need $50,004.

"Retiree budgets have been under substantial pressure for over 18 months due to the higher cost of essential goods and services, namely food, fuel and electricity, with the latter up 15% over the past year," Martin Fahy, ASFA chief executive, says in a press release.

In addition to soaring energy costs, ASFA notes that price rises for pharmaceuticals (up 4.5% in the last quarter), medical and hospital services (up 4.2%) and insurance (up 3.5%) have also contributed to the higher cost of living faced by retirees.

On the brighter side, higher returns from deposit accounts are going some way to helping retirees.

"Fortunately, we are seeing a turnaround in term deposit income and, critically, the July 1 increase in the super guarantee rate to 11% will put a greater number of Australians on track to achieve the dignified retirements they deserve," Fahy says.

Fixed income looks like a standout

With inflation slowly easing back from the decade highs experienced at the end of 2022, asset management firm Schroders predicts a positive turnaround for bonds. In fact, it says fixed income could end up as a standout performer for 2023 compared with other asset classes.

"Although the surge of inflation in 2022 rose to levels not seen since the early 1980s, with the resulting negative impact on the bond market, there is now reason to be optimistic about the outlook for the fixed-income asset class," Stuart Dear, the head of fixed income at Schroders Australia, says in a press release.

"As well as the material possibility of high-quality fixed income delivering strong returns this year, partly erasing last year's losses, it should also be a good diversifier as we enter the down phase of the cycle."

Mihkel Kase, portfolio manager for fixed income at Schroders, says in a press release that while there's likely to be some volatility ahead, fixed income could begin to deliver improved returns for investors.

"Bonds tend to do best when growth is falling, inflation is softening and central banks are easing policy. While we may not see all three in 2023, Schroders believes at least two out of three are likely."

COMPILED BY TOM WATSON

TAX REFUNDS

Portfolios to be topped up

Nearly one in two investors will look at the sharemarket as the destination for any tax refund they receive this year, research from investment platform Sharesies has revealed.

A survey of 1400 users found that 47% would deposit their tax refund into their savings, 46% would invest it and 30% would put it towards everyday expenses.

"Last year about two-thirds of Australians got a tax refund and the average was around $2800. This year it will be lower because of some offsets ending, so we're probably looking at about $1500," says Brendan Doggett, country manager of Sharesies Australia.

"That's still a pretty sizeable amount, so it's important for people, particularly now with inflation and cost of living, to think about how they will use it."

Asked where investors might direct their refunds, Doggett says that ETFs tend to be the most popular buys on the platform, as do familiar brands.

"Our investors are really about long-term investing, so it's usually the household names," he says. "You see that with Walt Disney, which has recently attracted some interest from people taking advantage of its price being, historically, down a little bit.

"It's also tangible to people, which people tend to like when the world is an uncertain place. We've seen that more of late as people have moved away from tech companies and towards supermarkets, airlines and brands they've grown up with."

Investors' favourite five

NAME	EXCHANGE
Walt Disney	NYSE
Tesla	NASDAQ
Mineral Resources	ASX
National Australia Bank	ASX
Ford Motor	NYSE

Source: Sharesies. Purchases by users, by value across all exchanges, May 2023

▶MORE SHARES STORIES ON P76-89

HOLD Virtus Health (CSL)

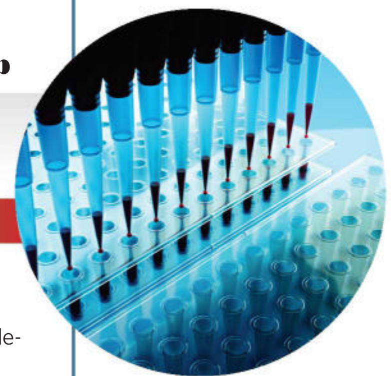
The Intelligent Investor Graham Witcomb

RECOMMENDATION

BUY	HOLD	SELL
below $250.00	up to $380.00	above $380.00

HOLD at $278.97

Source: Intelligent Investor; price as at June 15, 2023, close of business



One of Australia's best businesses, CSL, suffered a share price fall after management reduced its forecast for full-year profits. Unfavourable currency movements over the past few months have caused the $US175 million ($255 million) headwind predicted at February's interim result to balloon to $US230 million-$US250 million.

The troublemaker appears to be CSL's Behring division, where around 50% of sales occur outside the US (most costs are incurred inside the US). That mismatch, plus a long manufacturing cycle, has caused a margin squeeze as the US dollar has strengthened. Excluding the currency effects, however, management's forecast for underlying net profit is unchanged, so we aren't worried.

Unfortunately, management added a second helping of bad news: high donor payments are unlikely to ever return to pre-pandemic levels due to more competition for donors. This will weigh on margins.

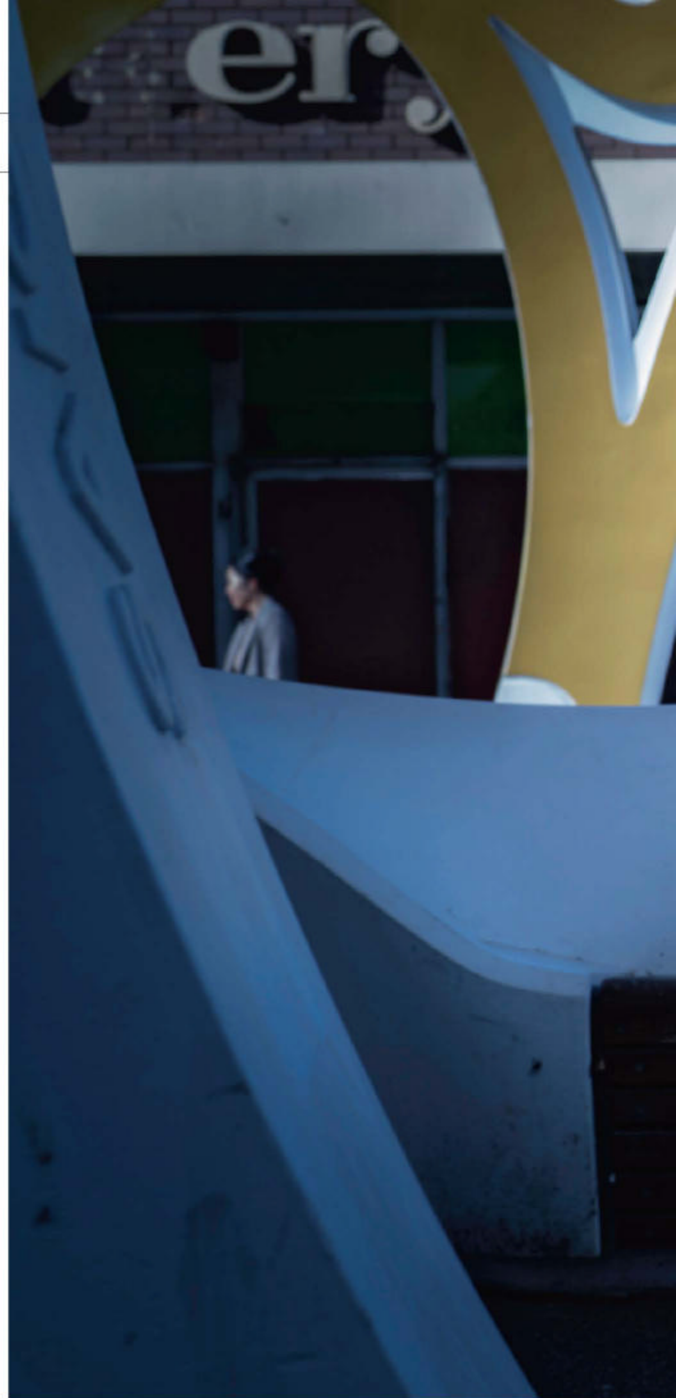
Given management's projection for 2024 earnings, the stock now sports a forward price-earnings ratio of around 32, on the low side historically, which is attractive for a high-quality stock with double-digit growth.

For investors willing to hold for the long term, there's a case for adding CSL to your portfolio. With formidable competitive advantages and a clean balance sheet, this is one stock we don't mind stretching for (a little). BUY below $250, HOLD up to $380.

Graham Witcomb is a senior analyst at Intelligent Investor.

STORY ALAN DEANS

Micro steps towards richer life



PHOTOGRAPHER EAMON GALLAGHER

Fact file

Jamie Terzi

Developing-world aid worker helping to provide a better life for new migrants to Australia. Aged 52. Lives in Melbourne.

Hankers to take up hang-gliding. Bought her first house at age 19. "Rather than paying rent, I paid into a mortgage. That really provided the basis for financial security and stability, even though interest rates [early on] rose to 18%. They keep rising now but, in the back of my mind, I remember the pain of interest rates back then."

Grameen bank is like no other lender. After nearly half a century, the so-called "bank for the poor" is growing exponentially. It has more than 2500 branches globally and granted microfinance loans totalling $US36 billion ($55 billion) to more than 10 million impoverished borrowers – people who couldn't get a foot in the door at most other banks.

Founded in Bangladesh – which once was one of the world's poorest countries but now has the fourth largest per capita income in Asia – Grameen is a driving force behind the nation's success. Its founder, Muhammad Yunus, is a Nobel Laureate.

Now the bank's ground-breaking microfinance model is cranking up its operations in Australia, following several years of trials and after establishing microfinance programs in the Philippines and

Cambodia. The aim is to assist women looking to take their first steps to self-employment. Grameen targets women who find it difficult to borrow money, which means it has the field largely to itself.

Jamie Terzi, the new chief executive of Grameen Australia, explains: “We see ourselves as being the first step on the pathway to financial inclusion for women who, perhaps, are under the radar, don’t have relationships with other banks, can’t get large amounts of money, but need somebody to take a risk and help them as they start the journey.”

Grameen has a proven business model, but every time it enters a new market there is a need to learn how to adapt. What is being rolled out here follows, in large part, what has worked for Grameen in America. The bank kicked off operations there in 2008 and now services communities in 25 cities. It has dispersed more than $US3 billion to nearly 170,000 women entrepreneurs. A telling statistic is that 891,000 loans have been made, indicating that borrowers take, on average, more than four loans to keep their businesses growing.

“The US welfare system is quite different to ours, and in many ways offers less support to people,” says Terzi. “We are the only current example of a replication of the Grameen model in a developed country with a fairly high-functioning social protection system. That changes the dynamics, but we are still committed to the core Grameen model.”

In the US, Grameen is working with the Latino community. Borrowers here tend to be migrants who speak languages other than English, and who have been in Australia for roughly 15 years. Many are single mothers. It takes money to make money, and Grameen’s business model shows that a few dollars can be a kickstarter.

Kickstarting a journey ... a loan of just a few thousand dollars can give women more control over their lives, says Terzi.

A typical loan in Australia is between $2500 and $3500, depending on what the woman wants it for and how confident she is about making repayments. Often, loans are intended to improve the lives of a tightly knit group of women.

"I have seen a range of activities," says Terzi. "From a woman using the money to set up her own cafe, others setting up hair and nail salons from home, and women importing clothing from their home country to sell in their local communities."

Sometimes their businesses are tied to traditional practices, such as henna ceremonies, producing perfumes and incenses and making food, such as bread, to be sold to community members or shops.

"I have noticed recently a lot of women purchasing equipment so they can work from home," says Terzi. "They might want to buy a sewing machine and work as contractors. That gives them more control over their hours and more control over their work-life balance. I have seen women who wanted to set up a food truck, and others working with family members to undertake home repairs."

There are plans to extend the model into indigenous communities, but not until the model is tested and can be managed with the help of indigenous communities.

From volunteer to leader

Following 15 years with the international humanitarian agency Care, and a stint as an independent consultant, Terzi joined Grameen in February.

In many ways, she was born for the role. When a friend's mother volunteered to work in Laos many years ago, a seed was planted in Terzi's head – how could she help people in developing countries? "Going overseas, not just to holiday and travel, but to contribute was really important to me," she says.

"I worked in Laos as a volunteer. Later, I went to Pakistan and Afghanistan and worked with women who were leaders in their communities. I saw the personal risks they took by being outspoken and contributing to their societies. Seeing that in multiple countries made me think, I could do that."

The small loans granted by Grameen help with women's employment or enterprises through a referral process. "It builds trust, confidence and discipline so they can take out [other] loans in the future," Terzi explains, adding, "Women's economic empowerment is hugely critical.

"That's why I'm in this work. When a woman is able to make decisions around her own life, to make decisions about how to use her money effectively, it really builds their confidence, ability to lead, to make decisions and be less dependent on others. That is huge. If you look at successful women, everyone has had to take that journey."

> "I saw the personal risks [women] took by being outspoken and contributing to their societies"

Once the system establishes itself in Melbourne, the plan is to expand into other major cities and into rural areas. In Australia, unlike operations in other countries, borrowers don't restrict themselves to a particular locality, says Terzi.

"Expansion happens through ethnic groups or friendship groups," she explains. "Women, set up in groups of five, who may be friends or known through social networks or work."

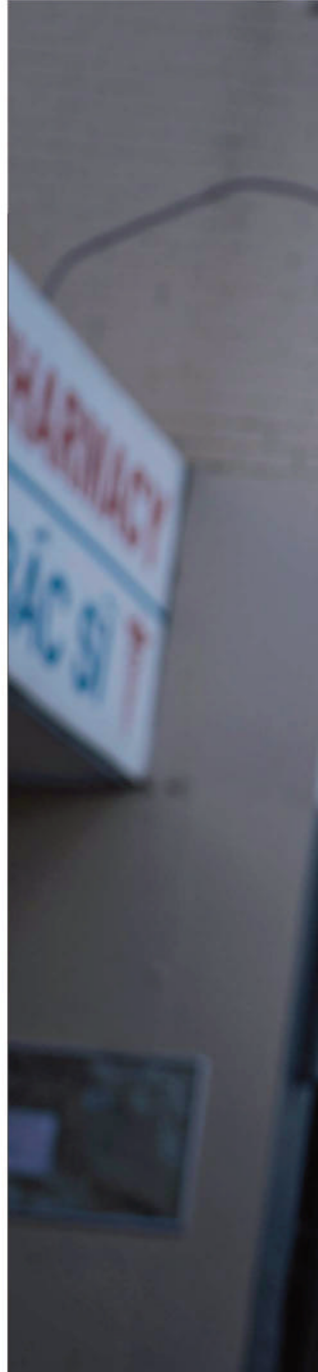
The loans will not be limited by geography. "Sometimes, groups are spread across the entire extremities of Melbourne. These people are bonded. They have existing support networks, and they are more likely to be successful."

There's a long way to go, but Terzi is in for the long haul. "It's a bit higher risk. It takes a higher touch," she says. "There's a lower reward, but we're not here to make money. We're here to help women on their journey to make money."

Regulation and sustainability

Grameen is regulated in Australia by AUSTRAC, a Commonwealth government agency that has much more weighty issues on its plate, such as detecting, deterring and disrupting criminal abuse of the financial system to protect the community from serious crime.

It is not registered yet as a bank, so by law it cannot use that title. But it does have centre managers whose job is to recruit members, otherwise known as borrowers. Managers are trained to explain that just one loan is permitted at a time, and it is initially only available for six months. If that works out, borrowers can apply for a larger loan, or take on more than one.



PHOTOGRAPHER EAMON GALLAGHER

As with any commercial business, longer term success depends on branches breaking even and being self-sustaining. An important current focus is on how to boost low cost or no cost sources of capital. More than $500,000 has been distributed so far but partners and funders are being sought, to cover Grameen's own costs and to provide loan capital. Banks and community members are being targeted, along with corporations and banks.

"Unless we have capital ourselves, we can't make loans," Terzi explains. "People are always waiting for our help."

An investment in a better future ... Terzi believes women's economic empowerment is critical.

Jonathan is worried that he won't cope when his 3% honeymoon ends

Fix your mortgage at a rate you can afford

Q I owe about $800,000 on my mortgage, currently fixed at 3%. It comes off the fixed rate in October. Should I refix now or wait and see how the Reserve Bank moves next? Our budget is tight, and I'm not sure how many more interest rate increases we can bear.

This is really stretching my very flawed crystal ball, Jonathan. As you know, economists are seeking to read the tea leaves of our economy and the global economy as best they can, but their interest rate predictions vary widely.

The problem is that we are trying to answer a question that has myriad variables. Inflation is the obvious one and unemployment is another. Then we turn to geopolitics, including the war in Ukraine and China's trade policy, and the price of our key exports, such as iron ore. Then we need to add in our weather patterns and our farmers' production.

Throw all that and a whole heap more, such as consumer sentiment, into a blender and out comes an answer regarding interest rates. The trouble is that if any of the guesses we make about all, or some, of the above are wrong, our answer on interest rates will be wrong. The Reserve Bank has my sympathy.

So, I think we need to leave guessing about interest rates alone and focus on you. If, after shopping around, you can fix your loan at a rate you can afford, then that can hardly be a bad decision. Rates may go up or down, but you have repayments you can afford.

What I would absolutely be doing is trying to build some reserves. As you look at your budget, are there any savings, any expenses, you can cut out? Equally, is there any chance you or your partner can bring in a bit of extra income?

Just about all of us have had moments when we feared we could lose our home. That happened to us in early 1990 as our mortgage soared. It was not pleasant, but our car had to go and we got a very cheap replacement. We scrounged savings on food, with no entertainment or holidays. I have to say it was not much fun, but things were brighter a few years later. Preserving our home was our first priority and we were very glad we sacrificed to do that.

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*.

Lee is coming to terms with both the health and financial impacts of bad news

Cancer diagnosis will be a big blow

Q Unfortunately, we have received a cancer diagnosis in our household. We are a two-income family earning $180,000, which will drop during treatment. We have private health but there will be out-of-pocket medical and other expenses. We are still paying a mortgage ($220,000) and car loan ($20,000) and have a small managed fund account ($13,000) and small savings ($10,000). Apart from the health concerns, I'm unsure how to not let this financially derail us. Your thoughts appreciated.

Lee, I am very sorry to hear your news. Life has a habit of throwing unexpected curve-balls at us and they're rarely pleasant. At a financial level, a lot comes down to the diagnosis, time of treatment and the outcome. This is all very personal and I appreciate a lot can be uncertain. What is certain is the huge improvements in medical care and outcomes with many cancers.

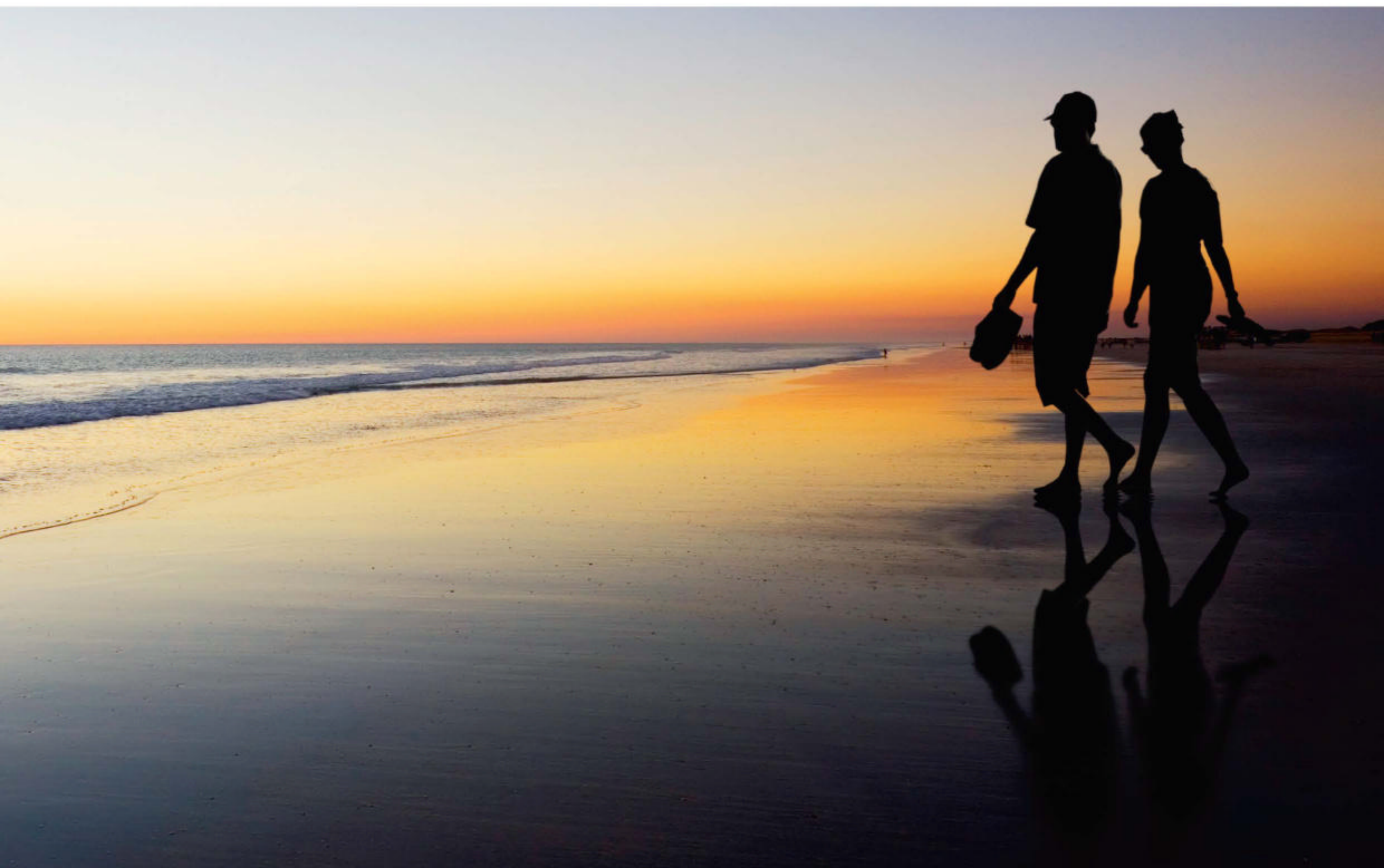
Your private health insurance will be a great help here, but you also need to look at what other options are available to you. What immediately comes to mind is your superannuation. If you do have super, is there income protection available to you? Also, of course, is there sick pay?

With your solid incomes, a $220,000 mortgage is very manageable. How this changes with the loss of all or part of one income is something that your budget will reveal.

When you examine the financial impact, I would not hesitate to talk to your lender about the hardship this may cause you. I imagine the equity in your home is high and a "pause" in repayments, or at least interest only, would be very possible.

At this stage, I would think that retaining your savings and managed fund account would be sensible as reserves, but this decision would need to be based on your treatment and prognosis.

I appreciate you have a lot on your plate at the moment. But the answer regarding your financial situation relies heavily on a detailed understanding of your health situation and all aspects of your finances, including super, sick leave and any other benefits available to you. I suspect that only a face-to-face meeting, possibly with your super fund or a trusted adviser, will give you the detailed information you need.



Maria has to choose between reducing her investment loan or buying more shares

Repaying deductible debt is a low priority

Q I'm 23 years old and in a very privileged position. I bought an investment property in Queensland last year and currently live at home with my parents in Sydney, where I am fortunate to pay only $50 a week in rent.

My income is $95,000 a year, with rental income of about $33,000 and about $2000 from investment returns. My father is always at me to pay down my loan in order to get more equity in my property. However, I can't help but think I am losing out on my opportunity in the sharemarket.

I allocate $1000 a month to shares, and was wondering if I should follow my father's advice or keep investing that $1000 a month. I also have an offset account with $10,000 in it. If you were to say that I should put more towards the property, should I keep this in the offset or pay down the principle?

The only debt I have other than my mortgage is HECS, which is currently sitting at $23,000.

Goodness, Maria, you have financial maturity way beyond your years. In fact, I am embarrassed when I look back at myself at age 23: my total assets were an ancient Datsun 1000 worth $300 and a pushbike. I had just started work and I think my savings plans were non-existent. Things got a bit better as I reached my late 20s, but it took a while.

I much prefer your approach, though. The key to financial security, which you obviously know, is to spend less than you earn, invest your surplus income and let compound returns work for you. With investment property income, share income, a job and low expenses, you are in a solid position. This is important, as it seems to me that repaying your loan on your investment property is not a priority. The interest you pay is deductible against your rental income.

So, the real question is: where are your best returns? I'll have to guess a bit, but if your mortgage interest was 6%, after tax deductibility, it would cost you about 4%. If you invest in shares rather than pay into your mortgage, would shares return you more than 4%? The answer (in the long term, historically) is yes.

Obviously, paying down the mortgage is a super safe option, but if you do this, I would strongly argue for adding to the offset account. This gives you flexibility and access to cash for the future.

So, this decision is a risk call. Repaying debt is always safe, but at your age, with good income and a growing asset base, you might think that building your share portfolio while leaving a sensible level of debt on your investment property is a pretty good thing. None of us is very fond of inflation, but it does destroy the real value of debt over time.

Kathleen wants to make a $300k downsizer contribution after selling her rural property

Don't play with fire in the shed

Q I bought a property in the country in 2001 and built a shed, which I lived in until last year. I didn't think it would be sensible to build a house at the time and I was broke. Two years ago, I saved up and bought a place in Melbourne, and now live there. I still have my country place and I'd like to know if I can put $300,000 into my super as a downsizer contribution when I sell it? I'd be so grateful if you could tell me "yes" or "no". I don't have much super. Thank you!

Well, Kathleen, I can give you an absolute "no", but not an absolute "yes". Let's look at the "no". For a downsizer contribution, you must have reached the eligible age, which as of January 1, 2023 is 55 or older. If you are younger than this, "no" is your answer.

Then we come to the "yes". Here is where angels fear to tread, let alone my interpretation based on the limited information you have given me. If you meet the age requirement, I need you to talk to your super fund or your adviser or this could go badly wrong.

Some information that might help you is that you must have owned your property for 10 years and it must be your family home. I have no idea if a shed qualifies as a family home! There are also a host of other rules, most of them very favourable to a downsizer who qualifies.

So, let's not play with fire. Gather all your information and seek professional advice.

Binh hasn't received any superannuation payments in more than a year

Employer's behaviour is outrageous

Q How often does my employer need to pay my superannuation? I am on a temporary visa and my work has not paid my superannuation since early last year. I don't want to cause trouble for anyone, but my Australian friends say my boss really should be paying my superannuation. Thank you.

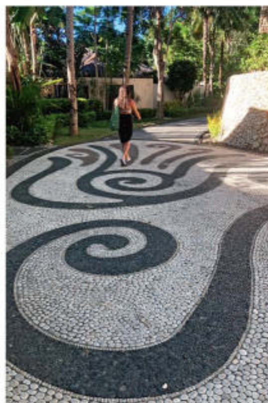
Yow, this is not good, Binh. In fact, it is totally outrageous.

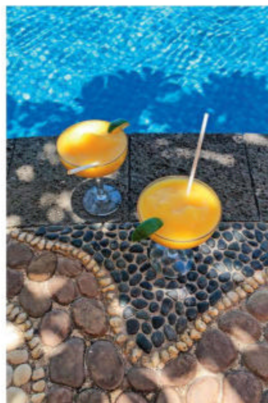
Super must be paid every three months into the employee's nominated account. From 2026 this will be every payday. There is absolutely no excuse your employer can use not to pay your super. I appreciate that you are on a temporary visa, but it concerns me your employer may be using this as an opportunity to not pay your super. Your employer is liable to pay a superannuation charge of the shortfall amount, plus interest of 10.5% and an administration fee.

From here you can take a couple of steps. A lot depends on your relationship with your employer. You could raise this with them. A formal step you can take is to use the ATO online tool to inform them your employer is not meeting their super guarantee obligations. The ATO will use this information to investigate your employer.

SMART SPENDING

Destination Boracay, Philippines





Life of luxury ... clockwise, from above, the pool at Shangri-La; sunset on the beach; mango margaritas; the lush gardens.

ANN LOVEDAY

Five things to do

1. Stay: A speedboat takes off from the Boracay Jetty Port wharf and whisks you up the picturesque coast to the luxurious Shangri-La resort. Chilled fruit drinks are served on arrival. There's a variety of deluxe villas, some with pools and ocean views but all including L'Occitane toiletries, the softest beds and generous baths, which are prepped, drawn and ready to slip into each night after a day in the sun and salt.

2. Kick back: Recharge your batteries relaxing in a poolside deckchair, snoozing, chatting or reading, with attentive bar staff serving delicious mango margaritas on call. Lunch offerings include crumbed fish, spring rolls and Greek salad served at your table. In the afternoon, move to a beach lounge chair, take a dip in the warm sea and watch the sun set over the bay.

3. Dine: There are four dining experiences at the resort each just a short walk away. Breakfast at the Vintana Asian Cafe is a banquet of delicious world cuisines. Children are treated to their own vast array of healthy treats as well as tempting doughnuts, pancakes and pastries. At night, indulge in the freshest seafood at the Sirena Seafood hilltop restaurant overlooking the sheltered bay, followed by a nightcap at the cabana under a blanket of stars.

4. Pamper: Catch the buggy or stroll through the lush tropical garden up to Chi, the spa pavilion. Sip on a ginger tea before indulging in your choice of luxurious body treatments, including body scrubs, massages or facials.

5. Get active: For seafaring guests there are kayaks and a catamaran. The resort also offers scuba diving, snorkelling trips, sunset cruises and island hopping on traditional banca boats.

ANN LOVEDAY

DRIVING PASSION

Five questions to ask before buying a car

You're ready to find a new set of wheels, but make sure you tick off these important considerations before you put down your money.

1. What is my budget?
Set yourself a firm budget before you start shopping for a car, whether it's new or used. This will help cut down the list of potential matches, save time and stop you overspending.

2. What type of vehicle do I need?
There are a lot to choose from, so it's worth thinking about what you'll use it for, where you'll mainly drive it and what features are important to you. That's not just whether it's got mag wheels or a smartphone hook-up, but how big, how economical and how capable you need it to be.

3. How safe is it?
Your safety is important, right? Ditto that of your passengers and even outsiders you might come into contact with. So check the independent expert safety ratings on the ANCAP or "How Safe Is Your Car?" websites and accept nothing less than five stars. For older cars, there's the Used Car Safety Ratings by Monash University's Accident Research Centre.

On the car itself, as a bare minimum, make sure it has electronic stability control (ESC), anti-lock brakes (ABS), a reversing camera, as many airbags as possible (say, four or six) and, if your budget permits, autonomous emergency braking (AEB).

4. How much will it cost to run?
A high-maintenance chariot – like a sophisticated European luxury car or a thirsty 4x4 ute or SUV – will eat into your bank balance. Nothing wrong with something basic, which you'll come to love for its all-round goodness and its lower insurance, service and repair costs. Also, a model's high popularity should ensure replacement parts are a decent price and in good supply.

5. How reliable is it?
It's a great question that's hard to answer, but asking around and doing some easy internet stalking can help you avoid buying a car with lots of previous owners.

By all means, listen to your mates whinge about their cars and dive into online forums. But don't get too jaded, and put faith into trusted sources, such as Carsales's "Buying a Used Car" library and the federal government's Vehicle Recalls website (vehiclerecalls.gov.au), which will tell you what's gone wrong and what should have now been fixed on the car you're keen to buy.

CARSALES.COM.AU

EXTRAVAGANCE

Purrfect

Little furry creatures love a sheltered cosy spot to curl up in, especially in the cooler months. The Chic Mustard Teepee Pet Bed is the ideal place for a cat nap and it looks stylish, too.

Find it at monteandco.com.au

WINE SPOTLIGHT

2021 Skuttlebutt Cabernet Sauvignon $20

With Stella Bella now moving happily among Margaret River's elite, it's no surprise that its Skuttlebutt range consistently represents impressive value. The latest cabernet does just that with its subtle redcurrant, red cherry flavours, smooth, pleasantly fleshy texture and gentle grip to finish.

SPLURGE

2022 Domaine Simha 'Rama' Pinot Noir $85

Looking for something to surprise your friends? Domaine Simha is a tiny production Tasmanian label expressing the personality of Nav Singh and Louise Radman and Tassie's multi-faceted terroir. The wines are difficult to obtain but worth the effort and show clearly what the fuss is about with Tassie wines. This youthful pinot is complex and very fine with satiny texture, delicate yet with wonderful depth of flavour and incredible length. Worth the hunt. PETER FORRESTAL

SMART TECH

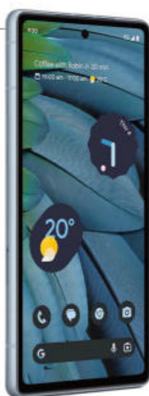
Meet the new arrivals in the Pixel family

It might not attract the same level of fervour as some other tech galas, but Google's annual I/O conference has become a mainstay of the tech calendar, with the search giant invariably unveiling a swathe of new products and initiatives worth paying attention to.

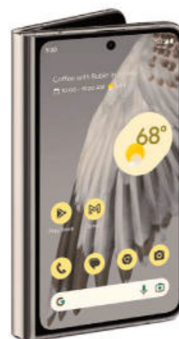
This year, Google showed off oodles of new AI features – all of which look impressive in their own way – but the consensus remains that Google is still playing catch-up to OpenAI's trailblazing ChatGPT.

For many, though, the most exciting part of Google I/O isn't the software and cloud innovations, but seeing Google's new hardware goodies. On that score, this year didn't disappoint, with the company showing off new smartphones and finally releasing its long-teased Pixel tablet.

While Google isn't primarily famous for its hardware chops – and has an unfortunate reputation for dropping support or prematurely killing off items that don't gain a strong enough market foothold – the Pixel line in particular is a flagship brand at this point, giving users a uniquely laser-focused "stock" interpretation of Android from the company behind the OS. PETER DOCKRILL



What is it? Pixel 7a
How much? $749
Pros: The Pixel A-Series is a budget version of Google's top-end smartphones. These much cheaper mid-range products appear later, but they inherit a lot of the same tech, making them a bargain. The Pixel 7a continues this tradition, offering a 6.1in display, Google Tensor G2 processor, 8GB RAM, 128GB storage, a 64MP camera, 5G and more.
Cons: It doesn't provide everything available in the Pixel 7 and 7 Pro, but the most important bits turned up.
store.google.com/au



What is it? Pixel Fold
How much? $US1799
Pros: Foldable phones haven't become a mainstream hit yet for a few reasons (such as price, imperfections and durability concerns). But there seems to be no stopping companies making them. The newest candidate – Google's first folding phone – is the Pixel Fold, which sports an external screen when closed, but opens up to reveal a tablet-like 7.6in display on the inside.
Cons: Pricey, and with no official Australian release details, importing might be your only option.
store.google.com

What is it? Pixel Tablet
How much? From $899
Pros: Google has sold truckloads of Nest Hubs, which resemble tablets but are frustratingly simpler. The Pixel Tablet looks like one of them but is a full-size 11in Android tablet that docks with a charging speaker. It's Google's first tablet in years, and gives the company its first chance in a long time to take on the unassailable iPad.
Cons: Android tablets have never caught on like Android smartphones. Could the Pixel Tablet change that?
store.google.com/au

GIVE IT UP

Drive Against Depression

What is it? "Drive Against Depression started from our personal experience with mental health," says Sarah Davis, who founded the organisation with her husband Adam. When Adam's depression recurred in 2017, he sought treatment including medication and counselling. But it was a weekend drive with mates that sparked something in Adam, and Drive Against Depression was born.

"We noticed this big improvement in his mental wellbeing from doing something he loves with a mate and connecting," Sarah tells *Money*. Staffed by volunteers, Drive Against Depression hosts four main drives a year in Melbourne, and recently held its first Sydney event. Events start with a briefing, a talk from a mental health practitioner, a scenic drive along a set route, morning tea, a second drive leg, then a group lunch. "It's pretty simple … but what we do is so impactful," Sarah says. "This is not a community of broken people, this is a community of like-minded people who understand that mental health is not black and white – it lives on a continuum."

Where your money goes: Drive Against Depression is a registered charity. Donations help fund events and mental health first aid training.

How to donate? Go to driveagainstdepression.com.au/donate.

WEBFIND

tosdr.org

"I have read and agree to the Terms" is the biggest lie on the web, and tosdr.org aims to fix that. Is deleted content really deleted? Can the service view your browser history or read private messages? tosdr.org rates the terms and privacy policies of websites such as Facebook, Wikipedia, YouTube, PayPal, and Spotify according to an easy letter grade system.

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*Fee includes ongoing fees and expenses, excluding transaction costs of buying and selling Fund investments. Betashares Capital Ltd (ACN 139 566 868 AFSL 341181) is the issuer. Read the PDS and TMD at www.betashares.com.au to see if the product is right for you. Investing involves risk.

YOUR QUESTION

Trouble at the bank as mortgage cliff looms

First, thank you for the advice over the years. I've been reading *Money* since it started.

I'm writing to share my experiences with the highly publicised mortgage refinance cliff we are all currently dealing with.

Do I have a dud broker or are the standard assessment criteria absolutely ridiculous? What's the standard acceptable shadowing rate for rental income?

I'm married and in my mid-30s. We have no dependants, but hopefully this will change in the future.

I'm trying to refinance $636,000 in investment home loans (currently 6.5% principal and interest). The three properties used as security for this home loan debt are all within 50km of Melbourne. All properties are rented.

I'm employed, long term and full time, earning $93,000. My wife earns almost twice my annual salary through an ABN.

I paid off my primary place of residence this year, thanks to the overall advice from *Money* magazine. Our credit card limit is $3500, split between two banks. I have no car loan (I drive a company car) and no HECS debt.

My wife has one investment property, still in the glorious fixed-rate period, with a liability of 25% of her net monthly wage.

According to the Moneysmart mortgage calculator, once I successfully refinance with this particular lender, my liabilities for servicing the loans would equate to 10%-15% of my net monthly pay.

Despite this, the amount of circle work I'm having to do to complete the refinance seems totally ridiculous and I've been denied by one of the major banks already!

Don't these banks realise it's easier to find a renter compared to switching employment in most industries? I understand APRA made changes to the standards – it's been mentioned in *Money* magazine many times. But still …

I know this might sound petty overall, but I consider my financial situation quite healthy and stable. I definitely have sympathy for those urgently trying to refinance in this current climate.

Kindest regards and gratitude!

Ryan

CASE STUDY

Frustrated ... Mathuri and Ryan

PAUL'S VERDICT

Yes, it's ridiculous, so see if a broker can find a better refinancing deal

With a $93k job, a home and other assets, you have a strong case

Thank you for your kind words, Ryan. My TV show *Money* ran on Channel Nine throughout the 1990s and into the 2000s. We started *Money* magazine in 1999 and it delights us all to hear from our long-standing viewers, readers and radio listeners.

Seeking to own and pay off a home has been one of my strongest mantras ever since the first *Money* TV show. It certainly is not an Albert Einstein quality thought, nor is it vaguely original. I recall my grandparents telling me to do that! But where I hope *Money* has helped a little is to take this message into people's lives and keep on repeating it.

One of my first stories, back in 1993, was the value of adding a minimum $1 or more a day to your mortgage repayments. It's always fun when someone tells me they thought that was so little money it was ridiculous, but figured it could not hurt. So many paid off their mortgage many years early, thanks to this simple lesson in compound returns, and have become financially independent so much sooner.

It is a favourite moment for me when kind readers such as you take a moment to let us know we helped a little. Sometimes I do wonder if I am speaking to a camera with no one listening or writing words that no one reads.

But now to your question. Yes, it is quite ridiculous. Both you and I would strongly support rules that do not allow potential home or investment property owners to overborrow, in particular at times of historically low interest rates.

However, with a fully paid-off home, a good job, significant other assets and repayments of 10% to 15% of your net pay required to service debt, I can feel your frustration.

I have no idea what model the bank that rejected you is using: maybe they are assuming your investment properties all lose their tenants or some calculation about your total level of debt, while not including rental income. It's all a mystery to me.

Present a compelling case

What I would do is find an advocate for you. By this I mean a person who will take the time and effort to fully understand and analyse your situation and argue your case to lenders. It really bugs me that this does not seem to be your bank.

I think you should consider going to an experienced and well-regarded mortgage broker who will assist you by putting the facts into a compelling argument for a lender.

Even better, a broker may be able to get you a better rate.

Goodness, it's really aggravating. My wife Vicki and I first trotted off to our bank in about 1983, looking to borrow about $60,000 to buy our first home, a tiny semi in a busy street. Our bank, which we had saved with for years, basically told us to nick off as Vicki, who was a schoolteacher, may get pregnant. We were seriously annoyed and put together the best presentation we could and trotted off to one of the newer building societies.

They were delighted to see us, understood our argument, lent us the money we needed and we bought our first home. While you would think in a far more advanced world you would not need to do this, I think that 40 years later you need to do exactly what we did. Shop around.

The one helpful thing is that a good, professional mortgage broker can do the shopping around for you. This would be my next step in your situation.

Thanks again for getting in touch. I wish you all the best and would be genuinely interested to hear that you have found a great deal from a new lender.

Ask your question

If you have a question, 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 to *Money*.

STORY NICOLA FIELD

AS AUSTRALIANS BATTLE RISING LIVING COSTS, SOARING RENTS AND HOME LOAN INTEREST RATES THAT ARE THE HIGHEST IN A DECADE, PLENTY OF US COULD USE A BIT OF EXTRA CASH. GIVING YOUR BANK BALANCE A BOOST DOESN'T HAVE TO MEAN SLAVING AWAY AT A SECOND JOB OR SELLING A VITAL ORGAN. A WEALTH OF FREE MONEY IS AVAILABLE, AND SOME OF IT COULD BE HIDING IN PLAIN SIGHT. WE LOOK AT 12 STRATEGIES TO HARVEST THE HONEY POT OF FREE CASH.

12 WAYS TO SCORE FREE MONEY

1 DUST OFF FORGOTTEN GIFT CARDS

LAST WEEK I made the brave decision to tidy my teenage son's bedroom. Turns out it was a lucrative experience. Among the decaying remains of school lunches and other questionable finds, I discovered several unused gift cards – JB Hi-Fi ($50), Rebel Sport ($25) and Village Cinemas ($50).

This is not unusual. While gift cards have a reputation for being a lazy gift, recipients are often unequally "meh" about them. According to comparison site Finder, two in five of us have unused gift cards lying around, with an average value of $243.

Finder's head of consumer research, Graham Cooke, believes more than a third of gift cards go unused. "By not redeeming them, you're essentially giving that money back to the retailer and losing out on a great deal of savings," he says.

Since 2019, most gift cards are required to have a minimum three-year shelf life. So, use it or lose it. If you know there's a gift card tucked away somewhere but can't find it, ask the giver if they have the receipt. Some retailers may replace the gift card if you have proof of purchase, once they check the card hasn't been redeemed.

2 GRAB A SUPER CO-CONTRIBUTION

YOU COULD BE eligible for a free boost to your super of up to $500. Sure, it's money you may not be able to access today, but if you're heading into retirement, a co-contribution is definitely worth a look.

If you earn up to $43,445 and make an after-tax super contribution of $1000, the federal government will chip in an extra $500. A partial co-contribution is available if you earn up to $58,445.

You don't need to apply for the super co-contribution. The tax office will work out if you're eligible and automatically top up your super account.

3 LOOK FOR LOST MONEY

AUSTRALIA IS AWASH with "lost" money, which totals more than $17 billion, according to figures from the tax office and the Australian Securities and Investments Commission (ASIC). Some of it could be yours. Here are four key places to check for a forgotten stash of cash.

- **Moneysmart**

About $1.5 billion of unclaimed bank accounts, shares, other investments and life insurance policies can be claimed through the lost money search on ASIC's Moneysmart website.

- **State/territory revenue departments**

State governments hold unclaimed money from deceased estates, share dividends and unclaimed salaries/wages to name a few. Head to the treasury or revenue website of your state/territory for details.

- **Public trustees**

Ever daydreamed about a total stranger leaving you a fortune? There is a way to find out if you've been the unwitting beneficiary to a will. The public trustee for each state/territory holds funds from deceased estates where the beneficiaries can't be found, or if the deceased person died without a will and their next of kin cannot be located.

Substantial sums of money are sitting in limbo. One deceased estate in Tasmania is worth in excess of $400,000. If you can prove kinship to the person who died, you may be able to stake a claim.

- **Lost super**

Around $16 billion worth of unclaimed super is waiting to be reunited with its owners. "Super is one of the most important investments many Australians will have during their lifetime," says tax office deputy commissioner Emma Rosenzweig. "When it comes to protecting your financial future, every bit counts."

The easiest way to find lost super is by accessing ATO online services through myGov.

4 SCORE A CASHBACK DEAL

AS COMPETITION HEATS up in the financial sector, consumers are being offered cashbacks of up to $10,000. From home loans to health funds, here's where to look – and what to weigh up.

- **Home loans**

Homeowners have been rushing to refinance mortgages in record numbers, with around 2400 home loans refinanced every working day over the past six months, according to Australian Banking Association chief executive Anna Bligh. The appeal isn't just the savings of a lower interest rate. Switching to a new lender can also mean a juicy cashback.

Borrowers eager to pocket a cashback may need to move fast, however. CommBank, NAB and Westpac have either scrapped or announced an end date for their cashbacks. There is still plenty on offer through the likes of St.George ($4000), BCU ($4000) and even $10,000 from Reduce Home Loans (if you take out a $2 million-plus mortgage).

And be aware that cashbacks can have a dark side. James Algar, a Sydney-based Mortgage Choice broker, says "they have created a game of churn" among some homeowners, who may look to switch to a new bank just six months after inking the deal on their latest refinance. "I've had customers approach Mortgage Choice who have notched up cashback payments totalling as much as $15,000 through repeated refinances."

While this kind of free cash may sound tempting, Algar cautions it can come at a cost. "The concern is that with each refinance, the loan term is typically reset back to 30 years," he says. "So, you're really just kicking the can down the road, and that can mean paying a lot more in long-term interest."

As the number of cashbacks starts to decline, Algar hopes lenders will focus more on closing the rate gap between new and established customers, rather than paying new customers to come on board.

- **Credit cards**

Cashbacks aren't restricted to home loans. You could also score free money with a new credit card.

Westpac's Low Rate Credit Card pays up to $250 when you spend $1000 on the card in the first five months. ANZ's Low Rate card pays $250 when you spend $1500 in the first three months. The St.George Vertigo card pays 10% cashback, to a maximum of $400, on purchases made at selected supermarkets and service stations in the first six months.

These cards aren't the cheapest on the market, so if you're likely to have an ongoing card debt, you may save more by skipping the cashbacks and focusing on a card with a wafer-thin rate.

- **Health cover**

The pandemic saw Australians take up private health insurance in droves, and with more than half the population now covered, you could be owed free money by your health fund.

Several funds are paying cashbacks resulting from so-called Covid savings when members couldn't access various health services during the pandemic. HCF, Bupa and HBF are among the funds paying millions of dollars in cashbacks.

How much you receive depends on your policy and when you took out cover. With HBF, a single with extras cover can get back $45, while a family with top cover can receive a cashback of $330.

Be sure your health fund has up-to-date details of your bank account to receive your cashback.

5

TURN CONTAINERS INTO CASH

AUSTRALIANS BUY ALMOST 15 billion plastic bottles every year. That works out to a whopping 600 per person annually. Transform these bottles into cash by heading to a container refund centre. Most states have them through schemes such as Containers for Change in Queensland and Return and Earn in NSW. Victoria and Tasmania are set to launch their own cash-for-container schemes later this year.

The schemes pay 10 cents each for eligible bottles and cans. It may not sound like much, but if your household uses 600 bottles annually, that's an extra $60 in your hip pocket. NSW residents alone have pocketed $900 million in container refunds since the launch of Return and Earn in 2017 – about $300 per household.

6

MAXIMISE SUPERMARKET REWARD POINTS

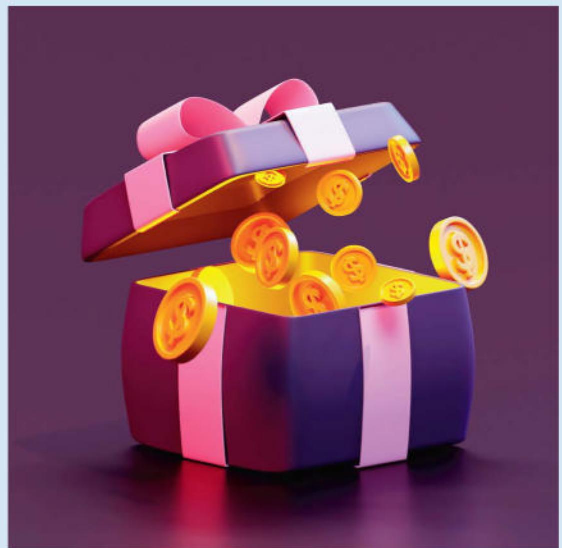
AUSTRALIANS LOVE loyalty programs. According to the consumer organisation Choice, nine out of 10 of us are with at least one scheme – though on average we're members of four programs – and they can be a handy source of free money.

With more than 60 reward programs to choose from, Australians rate Coles Flybuys and Woolworths Everyday Rewards as the best for value and simplicity, according to a study by the customer loyalty consultancy the Point of Loyalty.

Both schemes are free to join, and both offer one reward point for each dollar spent at Coles or Woolies, plus partner stores. For every 2000 points accumulated, you save $10 at the checkout.

How much free money can you score this way? Well, we spend an average of $185 on groceries each week, or about $9620 annually. At that rate, these reward programs can deliver $50 in savings each year.

To maximise points, add your membership card to your phone so it's always with you at the checkout, and look for special offers to boost points, including deals with reward partners. Origin Energy, for example, offers 10,000 Everyday Rewards points when you sign up to select power plans.



7 SELL, SELL, SELL

CHANCES ARE THAT you have unloved or unused belongings – anything from clothing to investments – which could be turned into cash. Here are a few ideas to beef up your bank balance.

- **Transform collectibles into hard coin**

One person's trash is another's treasure, right? According to eBay's 2023 State of Collectibles Report, there can be big money in selling collectibles, with the favourites being coins, toys and even sneakers. Old or unregistered cars can also be a source of extra money. eBay Australia's managing director, David Ramadge, adds that "motorheads looking for rare car parts" are willing to part with hard cash for the right find.

It could be time to raid the kids' toy cupboard, with trading cards and LEGO sets among the serious money spinners. The Pokémon 2016 Evolutions Booster Box can sell for $1200. LEGO sets are commanding big bucks, with the Grand Carousel 10196 set fetching up to $2100.

- **Sell unwanted clothing**

Separate eBay research shows we each own clothing and accessories worth an average of $3860, rising to $8003 among Gen Z. Despite having wardrobes worth thousands, Australians typically wear less than two-thirds of their clothes. That collectively leaves us sitting on $29 billion worth of garments that could be traded for cash.

eBay says online sellers make an average of $1231 selling pre-loved clothes. If you have a few designer labels tucked in the closet, the price tags can be far higher. A second-hand Chanel tweed jacket sold online last year for $5500.

As eBay Australia's head of fashion, Brooke Eichhorn, said ahead of Afterpay Australian Fashion Week this year: "Declutter and give your pre-loved clothes a second chance to shine ... You could be sitting on the one item someone wants to complete their look."

- **Cash in investments**

If you're strapped for cash, it can be tempting to sell investments, such as shares or exchange traded funds (ETFs). It's a decision that shouldn't be taken lightly, though.

While offloading investments can bump up your bank account, it's likely to be a short-term hit. It can mean missing out on future dividends and fund distributions – both of which can be lightly taxed.

On the flipside, selling can be an opportunity to cash in on gains. Over the past three to six months we have seen a huge comeback in some market sectors, such as tech stocks," says Glen Hare, financial adviser and founder of Fox & Hare. "Selling today can let you take advantage of that win, especially as the market is volatile and the gains could be eroded quickly."

Selling investments can also be part of a broader strategy. "If you're part of a couple, selling an investment can be an opportunity to buy back into the market and hold the investment in the name of the lower income earner," he says.

There is another key issue to consider. "Before you hit 'sell' on an investment, run the numbers from a tax perspective," advises Hare. If the value of an investment has increased, there could be capital gains tax implications. "You may, for example, get $10,000 in cash by selling your investment today, but you could lose some of that by paying capital gains tax tomorrow."

As capital gains tax is based on your personal marginal tax rate, Hare suggests it may be worth holding off selling an investment if your marginal tax rate is likely to be lower in the future. This could apply, for instance, if you plan to take parental leave next financial year.

There are other timing aspects to think about. A 50% capital gains tax discount is normally available if you have held an investment for 12 months or more. However, if you're likely to lose money on the sale of an investment, the capital loss can only be offset against capital gains. It can't be used to reduce assessable income in the way that work-related deductions can.

On the plus side, there is no time limit on how long capital losses can be carried forward. "Capital losses can sit in your back pocket indefinitely and be used to reduce capital gains tax on investments you sell for a profit in the future," says Hare.

8

MAKE SPARE CASH WORK HARDER

FIGURES FROM THE banking regulator APRA show Australians have $1373 billion in cash. Much of this is invested in term deposits and at-call savings accounts. But it also includes $165 billion in everyday accounts earning zero interest.

By any measure, that's a lot of cash sitting idle.

Cash held in everyday accounts should ideally be kept to a minimum – enough to cover general living costs. Putting any excess funds to work can be a source of free money through interest income.

"Cash is definitely more attractive than it was a year or so ago," says Glen Hare, financial adviser and founder of Fox and Hare. "I am encouraging my clients to look at high-interest savings account options

– the risk-free rate of return is far greater than it has been for a number of years."

Hare notes the importance of shopping around, as there can be significant differences in the rates available on different accounts. "Over the past decade we could afford to be lazy because rates were so low," he says. "By moving spare cash from an everyday account into a high-interest savings account, the rate your money earns could jump from near-zero to 5%. That's free money!"

9

INVEST A TAX REFUND

WE'RE HEADING INTO tax refund season, and Finder estimates the average refund will be about $2900. It's not just a handy windfall. According to Finder, a tax refund invested strategically can generate passive income for years to come.

Glen Hare, financial adviser and founder of Fox & Hare suggests looking at how a tax refund can be used to fast-track personal goals. "Options to consider include a high-interest savings account, investing in the stockmarket or adding to your super," he says. Use a tax refund to make an after-tax (non-deductible) super contribution for example, and you could enjoy the double whammy of a government co-contribution.

Or use it to get ahead with debt. "Putting a tax refund into a home loan offset account can be a powerful step in two ways", explains Hare. "First, you're making the same loan repayments but paying down more debt. In addition, you are saving rather than earning interest, so the savings delivered by an offset account aren't taxable."

As he points out, on a loan charging 5% interest, an offset account provides the full benefit of a 5% interest saving. By contrast, if you put the money into a savings account paying 5% you could lose almost half the interest income to tax depending on your marginal tax rate.

10 CHECK OUT DOLLARS FOR SCHOLARS

FAMILIES WITH KIDS are facing rising education costs, and with non-government school fees up 4.49% over the past year, school bills can put a serious strain on household budgets.

To put the expense in perspective, the annual median cost of sending a child to a non-government school ranges from $8985 in South Australia to $13,150 in the ACT. That's the finding of the latest Edstart school fees report, which shows families can pay considerably more. School fees for 2023 alone can go as high as $46,344 in Victoria. Fortunately, this is an area where free money may be available to ease the burden.

Almost all independent schools offer scholarships, which can slash fees. What's less well-known is that scholarships can also be available through the public education system. As a guide, Victoria's Department of Education offers a range of scholarships, many worth $1000 to $1500 annually for primary school students, and as much as $6000 for Year 12 students .

When it comes to tertiary education, more than 3000 scholarships are available. Some are for mind-boggling sums, such as the Ramsay scholarship available through Australian Catholic University, which is worth $160,000.

Scholarships have varying eligibility requirements. However, thousands of dollars' worth of scholarship money goes unclaimed each year either because people don't know what's available or assume they won't be eligible. If your child is school age, ask your preferred school about scholarships, or check what's on offer through your Department of Education. Tertiary students can jump onto the website of the Good Universities Guide to see what's up for grabs.

SIGN UP TO LOYALTY PROGRAMS

AS WELL AS the big supermarket loyalty programs, many stores offer incentives for repeat purchasing. The good news is most are free to join and you don't have to accept yet another plastic card for your wallet: most will happily let you share your phone number verbally at the checkout to receive the benefits. Here are a few worth considering:

- Bakers Delight's Dough Getters program rewards customers with $5 to spend at the bakery for every $55 spent on products.
- Coffee shop cards giving you every 10th coffee free. These can save you around $5 every 10 days or $182 a year (more if you're buying more than one coffee a day).
- Dan Murphy's member program offers discounts on certain products at different times of the year and the liquor outlet will also match prices with other stores if they advertise a cheaper product.
- Priceline's Sister Club rewards one point for every dollar spent at the pharmacy and up to three points per dollar the more you spend in a year. When you reach 400 points you get $5 to spend.
- Accor's Live Limitless (ALL) loyalty program. Members can save up to 10% on bookings on Accor's 3000-plus hotels.
- BP Points. Members can earn two points per litre on BP Ultimate unleaded, one point per litre on all other fuel and one point per dollar on eligible shop purchases – 500 points equals $5 off. HANNAH TATTERSALL

12

PAY WITH CASH OR DEBIT CARD OVER CREDIT CARD

THESE DAYS HARDLY anyone carries cash. Aside from the fact that handling notes went out of style during Covid lockdowns, it's so easy to tap with our cards, phones and watches when paying for coffee, lunch or drinks.

But paying with cash has its advantages. For one, when you physically hand over money you are more aware of how much you're spending – and what you have left in your wallet. For another, businesses incur costs for processing certain card payments. While some businesses include these costs in their prices, others impose a surcharge for paying with a card.

As a guide, the Reserve Bank of Australia estimates the average cost for EFTPOS is less than 0.5%; Visa and Mastercard debit is between 0.5% and 1%; and Visa and Mastercard credit is between 1% and 1.5%. But sometimes it can be as high as 3% or 6%. Small businesses usually have higher processing costs than large businesses.

While a business must include the minimum surcharge payable in the displayed price for its products, it may still come as a surprise to learn that you're actually being charged $4.77 for a coffee you think is costing you $4.50. Likewise, for that salad that's advertised for $16, you're actually being charged $16.19.

While 20 cents or 25 cents here and there may not seem like much, it all adds up over the course of a year. That 27 c becomes $98.28 over a year, if you're buying a coffee every day for 365 days.

The good news is you can avoid these costs. If you have a debit card that can be used as either a credit or debit card, select "savings" instead of "credit". This will mean the payment is processed through the EFTPOS system rather than the credit provider's system, and you may avoid having to pay a surcharge. Or better still, pay with cash and save hundreds of dollars a year on unnecessary surcharges. HANNAH TATTERSALL *M*

FREE MONEY GIVEAWAYS

We have three prizes up for grabs. For your chance to win, tell us in 25 words or less why you'd like one of the Mophie tech products (pictured below).

Enter online at moneymag.com.au/win or send entries to Money, Level 7, 55 Clarence Street, Sydney NSW 2000. Entries open July 3, 2023 and close on August 2, 2023.

Mophie Snap+ 3-in-1 Wireless Charging Stand and Pad
Valued at $179.95.

Mophie powerstation Go Rugged Flashlight
Valued at $199.95.

Mophie Powerstation Go Rugged with Air Compressor
Valued at $279.95.

PLUS

The three lucky winners will also each receive a free 12-month subscription to *Money* magazine.

STORY PHIL SLADE

Vulnerable people who lose both their money and dignity can struggle to recover from the trauma

How scammers choose their victims

It is an increasing concern for many to see the continued rise of financial scams. Even with a concerted effort from banks and regulators, the Australian Competition and Consumer Commission released a report saying there's been an 80% increase in scams since 2021 to a record $3 billion, which includes $377 million lost in investment scams alone (see graph, page 46).

A common misconception is to think that you must be uneducated, less intelligent or gullible to be caught up in a scam. But this is simply not the case. Many people who are scammed are successful, intelligent individuals. Intelligence is no protection against financial scams because they speak to our emotional brain, not our rational one. The rational brain's job is to explain away the irrational behaviour – something intelligent people are very good at.

Scammers do not target the unintelligent; they prey on the vulnerable.

An executive in a major Australian bank who is tasked with working with vulnerable customers (we need to keep them anonymous for legal reasons) says: "People have very sophisticated ways of justifying or explaining away the transactions, and can get quite hostile when we suggest they may have been taken for a ride. Further to this, once they have been scammed once, we find they are extremely likely to be scammed again."

This initial scam is called a "gateway scam" and is often a small one. Once the scammers recognise that you may be vulnerable, you will find yourself being the target of many others. This further devastates the victims and their families, both psychologically and financially.

The social stigma attached to being scammed only serves to play into the hands of the scammers, emotionally trapping intelligent people in layers of confirmation bias in order to protect what is left of their dignity. When we lose our dignity, it can feel as if we lose everything that makes us valuable, so it is no wonder our brain does everything it can to protect it.

Biases make us vulnerable

In financial scams we see five common brain biases that scammers use to sell us into their schemes. Understanding these is critical to guarding against being conned, and is useful if you are attempting to show someone else they may be part of a scam. They are:

1 **Reciprocity bias.** Our brains are wired to feel indebted when someone does us a favour. Scammers may offer an exclusive investment opportunity, framing it as a favour to us. In response, we feel compelled to reciprocate, often by investing in their scheme.

2 **Social proof.** When we believe that others are doing something, we tend to follow suit, even in questionable circumstances. Despite our inner doubts, we're more likely to take the plunge when driven by the power of the herd (even if the stats are made up).

3 **The scarcity illusion.** Scammers are masters at creating a false sense of scarcity, instilling a sense of urgency. The FOMO (fear of missing out) becomes so overwhelming that we're driven to act impulsively, without fully considering the consequences.

4 **The power of similarity.** We like and trust people who resemble us in some way, making us more susceptible to their requests. Scammers often gather information about us and use it to create a mirroring effect. They may ask for our date of birth and coincidentally reveal that it matches theirs, triggering an unconscious connection and boosting their likeability and trustworthiness.

5 **Foot-in-the-door.** Once we commit to something small, we strive to follow through to protect our self-esteem. Fraudsters exploit this desire by asking seemingly trivial questions, gradually escalating to more personal queries.

The impact on the vulnerable is devastating. Once they've been scammed, people go through a grieving process, grieving the loss of an expected outcome, dignity and the money invested.

This is particularly insidious considering many of the victims were already experiencing some form of grief, which is why they were vulnerable in the first place. It starts with shock and denial, then self-blame, then anger at the world and others, then depression, then the final processes of turning a corner, reconstructing the future and eventually new hope.

Accept what has happened

The most important thing you can do if you've fallen victim to a scam is to accept the reality that you have been duped. More importantly, try to do this without judgement.

You need to be gracious to yourself – you're only human. Imagine how you might look at your own child if they were accepting and feeling terrible about being scammed. Show yourself the same love you would show them and forgive yourself.

You also need to accept the new reality. Look at your current financial situation without ruminating over what you've lost. It's gone, and it's unlikely to come back.

People recover more successfully when they take the emotion out of it. It's important to move on.

If you find yourself ruminating endlessly about what happened, and focusing on negative self-talk, you are going to make things worse. Consciously switch your mindset to the things you can do now, and forgive yourself because the truth is that we all make mistakes sometimes.

Self-care is also important. Realise that you have suffered a trauma. You have trusted someone and

they have betrayed that trust, making you feel like the world is unsafe. Take the time you need to heal. Find activities that help you to physically relax and engage in other things that give you energy.

Remember also that we are herd animals and recover better when we are part of a tribe. Seek out trusted family members, friends or even professionals who can journey with you on your road to recovery.

If a relative has been duped

If they are in denial, it is hard to get them to do anything. Your only step is to softly lead them to the realisation they are being conned. Evidence can be helpful, but the most effective way is to question each of the biases listed earlier. You are not trying to convince their intellect as much as you are talking to their emotional brain.

Once they have accepted they have been scammed, it's important to sit with them as you would with anyone who is suffering a major psychological trauma. Listen without judgement or ridicule, remind them they are competent and intelligent human beings, focus on what can be done and what is in their locus of control, and encourage them to forgive themselves.

One thing that tends to help victims break free from unhelpful thought loops is taking some kind of action to make things better.

For instance, look for education on scams or psychological tactics to prevent getting scammed again, or get involved with a support group that helps others who have been scammed. These are future-focused positive actions that reinstate dignity and promote emotional healing.

Remember, people who are scammed are more likely to be duped in the future. This susceptibility to risk can turn into an addiction. Like dealing with an addict, if you are judgemental, they will continue the problematic behaviour, but they just do it in secret.

Work on increasing digital literacy skills, talk to each other with grace and compassion, and don't believe the negative self-talk. We are all in this together. *M*

CASE STUDY

$1.2m gone – but Bob's still in denial

Clarice Briggs's 74-year-old father, Bob, has been scammed multiple times online. The retired senior executive has been the smart one his whole life: top of his class and highly regarded in his field. Soon after retirement, Bob's wife (Clarice's mother) became ill and passed away. Devastated, Bob found himself grieving the loss of his professional identity and his wife. "Dad was lonely and grieving, and he had poor digital literacy, making him vulnerable," says Clarice.

When he got an email offering classes on how to invest in bitcoin, it tickled Bob's curiosity and reinforced his belief he was good with money. "It made him feel purposeful and in control again," says Clarice. The website looked impressive, but ultimately it was a scam that cost Bob half a million dollars over three years.

To make matters worse, Bob was then duped by a "woman" in Singapore who gained his attention and affection over email and – without Bob ever meeting her in person, on the phone or video – claimed she needed money for medical bills, travel (always cancelled at the last minute) and other expenses totalling more than $100,000. "Sadly, Dad fell for it and sent the money," says Clarice. "They're still in contact."

In fact, despite being in full control of his faculties, Bob refuses to believe he has been scammed. When more fake companies contacted him claiming to have found lost money of his, he fell for those as well, transferring more money. All in all, Clarice's father has lost more than $1.2 million over three years: almost his entire life savings.

"Every time we try to help Dad or his banks call to tell him he is being scammed, he becomes furious and refuses to accept it," says Clarice, adding he now has a strained relationship with his previously close family. "We're all devastated," she says.

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

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
WA: 1300 650 579

myGov
Track down lost super
1300 169 468
my.gov.au

Seniors Card
ACT: (02) 6282 3777
NT: 1800 441 489
NSW: 137 788
QLD: 137 468
SA: 1800 819 961
TAS: 1300 135 513
VIC: 1300 797 210
WA: 1800 671 233

Telecommunications Industry Ombudsman
1800 062 058
tio.com.au/complaints

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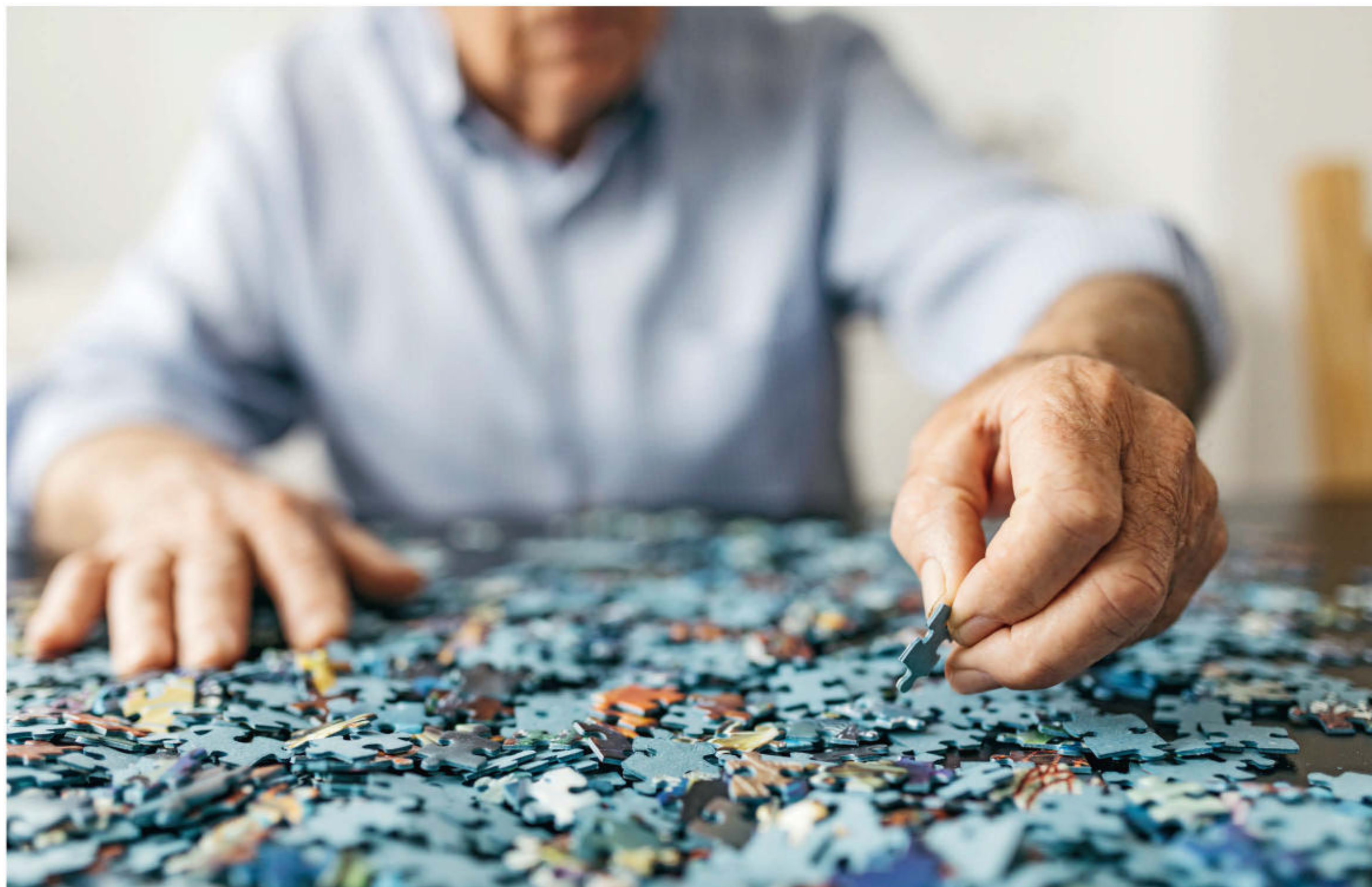
Navigating the

Our 10-point guide breaks through the jargon – such as RADs, DAPs and MPIRs – to explain how aged care works and how much it costs



STORY RODNEY HORIN

The aged care world can be confusing and arcane. Big decisions must be made, often in a short time. Facilities must be visited, a RAD (refundable accommodation deposit) must be negotiated and funded, or a daily accommodation deposit (DAP) agreed to.

And then there is the Centrelink form that must be filled out, which determines how much a resident must contribute to the cost of care. It is 21 pages long with 66 questions. Recent changes to the age pension and the maximum permissible interest rate (MPIR) both affect the cost of aged care.

And aged care is becoming more expensive. On April 1, 2023 the daily accommodation payment on an unpaid refundable accommodation deposit of $750,000 increased from $145.07 to $153.29 (it was $83.63 in April 2022). That represents an 83% increase in a year. As interest rates rise, and DAPs increase, more people are looking to pay a RAD in full.

However, as confusing at it is, the aged care industry cannot be wished away. It represents a growing part of Australians' lives. As our population rises and life expectancy grows (currently 81.3 years for males and 85.4 years for females), it is inevitable that more and more of us will end up in residential aged care. It is forecast that the number of people in permanent residential aged care is expected to triple in the next 35 years, from 230,000 today to 700,000 in 2050.

To demystify the aged care industry,

care maze

here are the 10 most common questions we hear, and the answers.

1 What is a refundable accommodation deposit?

Most new residents in residential aged care negotiate a room price (a RAD) with the facility before moving in. You will not be required to pay it if you are eligible for government assistance as a low-means resident.

2 Will I need to sell the family home to pay the RAD?

This is the most common question we get and the short answer is "not necessarily". The family home is often a couple's most valuable asset and many advisers wrongly assume that it needs to be sold to provide funds for a RAD. The key driver is to make sure that, like any valuable asset, the home generates a financial return. This return takes the form of rental income and capital growth (which RADs certainly don't provide). The home is treated on a concessional basis for the age pension and aged care fees. For age pension purposes, if you move into care, the former home's value will be excluded from the age pension assets test for two years, although any rental income will be assessable under the income test. The value of the home is currently capped at $193,219 for aged care means testing and any rental income is assessable.

3 Is the RAD negotiable and what alternatives do I have to pay it?

RADs can be as high as $2 million to secure a bed in an aged care facility. In many cases RADs are negotiable and at times can be as much as halved. Willingness to negotiate on RADs depends very much on the demand for – and supply of – in a particular facility.

Many facilities prefer the RAD to be paid as a lump sum upfront. However, it is possible to choose to make interest payments (DAPs) only or pay with a combination of lump sum and interest payments. A bank guarantee is not an alternative. The interest rates are set under the *Aged Care Act* – currently 7.46%. So, on a $1 million RAD, if choosing a daily payment, that's $74,600 a year.

4 Will my family get all the RAD back?

In a government-accredited aged care facility, the accommodation deposit is fully government guaranteed. Before July 2014, the accommodation bond repaid to the family would be reduced by retention amounts deducted by the aged care facility. Since July 2014, any lump sum paid as a RAD is now fully refundable and generally repaid 14 days after a person leaves the facility or, where the resident has passed away, to their estate when probate has been granted.

5 What is the means-tested care fee?

This is set by the government and collected by the aged care facility based on an individual assessment for each resident. It is an attempt by the government to ask residents with the financial capacity to contribute to the cost of care. This fee can range from nothing to a maximum of $358 a day but is capped at $31,706 a year or $76,096 over a lifetime (just over two years of payments).

6 Why does the government charge different means-tested care fees to residents?

While all residents pay the same basic daily fee ($58.98 a day, or 85% of the full age pension), the means-tested care fee varies from person to person depending on their assets and income.

7 Why is the means-tested care fee so high and how do I reduce it?

It is based on the income and assets of the aged care resident, so it increases as the resident's assessable assets and income increase. For example, a resident on a full age pension with assets totalling $250,000 and deemed to be earning $4497 a year will pay $1.56 a day ($569 per year) in aged care, while a resident with assets totalling $1.25 million and deemed to be earning $26,997 a year will pay $50.58 a day ($18,462 a year).

8 What is the extra services fee, and should I pay it?

The fee, which can be as much as $120 a day, gives the resident extra services, including more activities, outings, daily newspapers, more meal choices, pay TV and access to specialists such as podiatrists and hairdressers. If your aged care facility is charging an extra services fee, you should ask what services are being delivered and assess whether or not you are receiving value for money. This fee, too, may be negotiated. It will be adjusted if you are unable to utilise any of the services.

9 Paying daily fees will impact my cashflow. What strategies are there for dealing with this?

It is possible to have some or all of the daily fees deducted from the RAD that has been paid. This means, of course, that the DAP will increase over time and less of the RAD will be returned at the end of the care period.

10 What implications are there for my social security or pension?

The RAD is an excluded asset for social security purposes. Therefore, in some cases, where existing cash is used to pay for a RAD, it can result in a new or increased pension entitlement.

More often, a family home is sold to fund the RAD. In this case, while the home would have been excluded, the proceeds from its sale are counted as an asset. As a result, the cash remaining after paying the RAD can often result in a pension being reduced or lost entirely. However, there are ways to maintain, or even increase, one's current entitlements.

Rodney Horin is CEO at Joseph Palmer & Sons, wealth managers and aged-care specialists. See jpalmer.com.au.

Ready to face the world

STORY TOM WATSON

Dusting off your passport and suitcase is easy, but there's more to think about before your next jaunt overseas

It will feel like forever and a day between flights for many Australians who, because of the pandemic, haven't had the chance to set foot on a plane, let alone in another country, for years.

That's beginning to change, though. There were 1.34 million overseas departures in March, mostly people taking short trips, according to the Australian Bureau of Statistics. While that figure is not quite back to pre-pandemic levels, it's a huge increase on March 2022, when there were just under 375,000 departures.

With more people returning to international travel, it's worth becoming reacquainted with a few fundamentals, such as using your mobile overseas, managing your money and finding an insurance policy that covers your needs.

Mobile roaming and eSIMs

If you can't bear the thought of not being able to access your messages and calls while travelling, the good news is that the rollout of more competitive roaming options and advances in SIM technology means using your smartphone abroad is easier than ever.

Alex Choros, telco expert and managing editor of comparison website WhistleOut, says there are two main options for travellers wanting to use their smartphones.

The first is picking up a local SIM, which has been made far more convenient by the advent of eSIMS (see breakout).

"The local SIM options have become more viable now, thanks to a lot of phones having eSIM, which can be a really good option for people not wanting to roam.

"Instead of looking around at the airport or trying to find a convenience store that will sell you a travel SIM, there are websites that specialise in travel eSIMs that allow you to download a new eSIM card to your phone before you leave."

The second choice is to use international roaming with an Australian telco. Roaming has also improved in recent years, says Choros, as telcos have released more generous, less expensive international roaming deals.

"Vodafone has $5 per day roaming, which allows you to use your local inclusions while overseas – so if you're on a 40GB plan you'll be able to use those 40GB when you're travelling for just $5 extra a day. Optus also has its own $5 roaming now, which covers most of Europe, Asia and the US.

"It's interesting that we are also seeing a lot more offers from smaller providers," says Choros. "They either didn't used to have roaming at all, or you'd be looking at 'pay as you go' roaming, where you'd be charged by the megabyte, which led to these horror stories of people coming back with $1000 bills."

So, which option could be the best fit? According to Choros, from a cost perspective, the length of the trip could be the major factor in determining which to go with. "If you're just overseas for a few days, paying for roaming with your telco

might be better than trying to find a local SIM for that short amount of time, but after that is when it's good to think about other options in terms of the value proposition."

Cash, card or both?

From everyday debit and credit cards to dedicated prepaid travel cards and cash, there is no shortage of payment options for Australians travelling abroad.

According to Finder, some hotels and hire car companies won't accept prepaid cards so it's good to have a credit card on hand. It's also worth finding a card that doesn't charge, or charges very little for, foreign transaction or ATM withdrawal fees – which typically add 2% to 4% to the cost of the transaction.

ATM fees are another one to watch out for on debit, credit, and travel money cards. They can add around $3 to $5 each time you make a withdrawal and that cost can go up even more if the ATM operator also charges a fee.

Finder recommends letting your bank know you're travelling overseas before you go. It helps them keep an eye out for suspicious transactions and also means there's less risk of them flagging your spending as suspicious.

Covid insurance

While the border closures of 2020 and 2021 may be behind us, Covid is obviously still part of everyday life and a factor that travellers may have to deal with on holiday.

> "A lot of people think their policy starts when they leave the country but that's not true"

Given the disruptions that a case of Covid could cause to travel plans, how are travel insurers treating the virus? The level of Covid cover on offer varies across insurers and policies, says Warren Duke, head of travel insurance at Compare the Market, who adds that a lot of providers – though not all – will cover medical expenses on their basic plans.

"Most of the policy wordings have clauses around Covid-19 which mean that, if you are diagnosed and incur some medical or hospital expenses, that's all covered," he says.

Travellers may need to look at a comprehensive policy to be covered for Covid-related cancellations, advises Duke.

"If you're diagnosed with Covid and you're about to depart, some policies have introduced cancellation cover to reimburse you for any losses or cancellation fees. Similarly, if you contract Covid-19 overseas and you have to cut your trip short or you have a prepaid tour or a cruise that you can't participate in, these policies can cover those cancellation costs or lost deposits."

Beyond cover for Covid, another important consideration is for travellers with any pre-existing medical conditions to consider a policy that covers them. Duke recommends not leaving this until the last minute.

"As soon as you pay for your airfare or as soon as you're on the hook for something, we suggest you buy a policy immediately," he says.

"A lot of people think their policy only starts when they leave the country, but that's not true. The policy is in force from the moment you buy it, so if you're booking a trip six months in advance, buy it that same day," he advises. "That way you have the benefit of cover right up to when you depart and after you leave." *M*

eSIMs explained

What is an eSIM? A digital SIM card that can be downloaded and used in the same way as a physical SIM card.

Are eSIMs compatible with all phones? No, although most top-tier smartphone models released by Apple, Google and Samsung in recent years will support eSIMs.

Where can you get one? Many international telcos now provide eSIMs, but WhistleOut's Alex Choros also recommends specialist online stores such as Airalo.

How much do they cost? As with physical SIMs, prices will differ depending on the destination, the length of the plan and features, including data allowance.

Get into the old habit of saving

Whether you use the traditional envelope system or modern trackers, your finances will benefit

In a world that thrives on speed and instant gratification, it may seem counterintuitive to argue for slower banking processes. However, there is a case to be made for applying the breaks: it might just stop people from sinking further into debt or getting scammed.

Young savers are raving about "cash stuffing" or the "cash envelope system" as a means to saving more money.

Rather than pay their bills or expenses through their bank, a new generation of savers is withdrawing thousands of dollars from the ATM and putting $5, $10, $20 and $50 notes into envelopes for each expense item.

For example, if someone who gets a weekly salary knows that a $180 bill is due in three months, each week they "deposit" $15 into an envelope to cover it. This method sounds onerous, but it works. Search the hashtag #cashstuffing on social media and you'll see more than 1.1 billion views and thousands of devotees.

The method can be done in two ways: using real cash or prop cash, which you then reconcile with your funds in the bank.

For those who don't want to go through the paper-based approach, most banks offer a spending tracker in their app that can be used for the same purpose.

This allows you to keep your money in the bank and earn the extra interest you won't get from the traditional envelope system.

Check the spending categories

As at June, the big four banks (CBA, ANZ, NAB and Westpac) all offer a spending tracker in their app. Whenever you pay for a purchase or pay a bill, the bank automatically puts it under the most sensible category the transaction should fall under. Westpac's app, for example, tracks 20 types of expense, including utility bills, fees and charges, and insurance expenses.

You may want certain expenses to be categorised differently, which can be done by editing or changing the tags and category names in the app.

Get a better home loan

Unlike traditional cash stuffing, using the spending tracker could help you improve your credit score.

For example, those who have a credit rating of 600 or less out of a top score of 1000 points are unlikely to get the best home loan rate from their bank or another lender.

But over six to nine months if you can demonstrate an improvement in your expense management through a spending tracker, your credit score could go up to 700 or higher. The closer your points are to 1000, the better the interest rates on offer for you as a first-time borrower or if you're refinancing your home loan.

Spending trackers have a way of automatically showing you, warts and all, whether your expenses are almost as high as your income or if you're getting better at keeping your costs down.

Perhaps one of the most powerful benefits of going retro on the savings front is that cash-stuffing devotees become better at saving more money and avoiding impulse purchases. Research shows that people who tap their cards to purchase items spend 18% more each month than those who use notes and coins. Known on social media as influencer "Carocash", a graphic designer turned online business owner, Caroline, says she has saved $30,000 in a year using the envelope method.

Another trend sweeping the internet is the 50-30-20 budgeting method. It's a classic budgeting principle where you allocate 50% of your income to all your main expenses, 30% to discretionary items (or stuff that you want to spend on) and the remaining 20% to savings.

But rather than putting all three expenses in three envelopes, you have separate bank accounts for the three.

The key is to pick a system that works for you, without forgoing some of the benefits that are already offered by your bank.

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.*

Plug into some power relief

Make the most of the subsidies and deductions, with both federal and state governments trying to ease the energy bill pain

Rising utility bills are putting profits under pressure for more than one in three (36%) small businesses, according to a 2023 survey by MYOB, the accounting software provider. So, when the federal budget included energy savings of up to $650 for eligible small businesses from July 2023, their owners undoubtedly breathed a sigh of relief.

As is often the case, though, the devil is in the detail. The key words are "eligible" and "up to". The reality is that not every small business will share in the spoils.

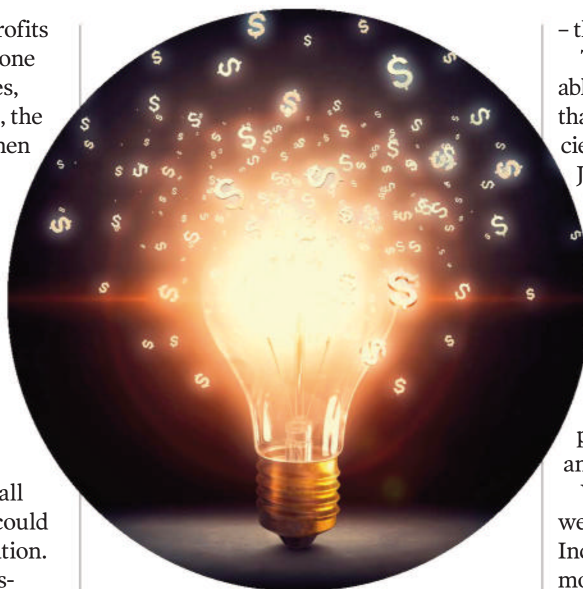
The government will chip in $325 towards power bill relief for each small business nationally. But the savings could be far higher depending on your location.

In NSW, Queensland, Western Australia, South Australia, Tasmania and the Northern Territory, the state/territory government will provide a co-contribution of $325. With the federal relief, this means a saving of $650 per business.

In Canberra, the situation is slightly different. The ACT government is lowering electricity tariffs for businesses through its large-scale feed-in tariff scheme. This will provide direct bill relief, with the savings expected to average around $624 annually per small business. This is on top of the Commonwealth's $325.

In Victoria, small businesses can expect to receive only the federal government's $325.

If your business is eligible, the savings will be automatically deducted from power bills from July 1, 2023. You don't need to do anything.



Who is eligible?

It's the fine print that decides if your business is entitled to a helping hand with power bills.

To be eligible for the federal relief, your business must be separately metered. This will likely eliminate the multitude of home-based businesses operating across the country, though some may be eligible for household energy relief.

Eligibility also hinges on how much power your business consumes each year. The following annual limits apply:

- 40MWh in Victoria
- 50MWh in Western Australia
- 100MWh in the ACT, NSW and Qld
- 150MWh in Tasmania
- 160MWh in the Northern Territory and South Australia.

These caps can be a good incentive for businesses to think about replacing outdated plant and equipment that may be power-hungry. This brings us to another energy relief measure.

20% tax deduction

From July 2023, small businesses with annual turnover below $50 million have 12 months to take advantage of a new tax break – the Small Business Energy Incentive.

This is a bonus 20% tax deduction available when your business invests in assets that support electrification and more efficient use of energy. It's only available until June 30, 2024 and a maximum spend of $100,000 applies, meaning the bonus tax deduction is capped at $20,000.

Given the brief life span of the incentive, it's important to get maximum bang for your buck. A good starting point can be to identify the energy guzzlers in your business. These will vary between enterprises but, as a rule, plant and equipment, heating/cooling and lighting tend to drain the most power.

While a tax break is always welcome, the weak spot of the Small Business Energy Incentive is that enterprises need to spend money to save money. For some small operations, this simply won't be an option.

Fortunately, savings on energy can be made through two steps that cost nothing.

First, think about load shifting, which means switching energy-consuming activities to a time of day when tariffs are cheaper. For instance, where practical, use non-critical appliances (such as washing machines and dishwashers) out of peak times. This assumes your business pays a time-of-use tariff. Check your electricity plan to see if that's the case.

Another option is to change behaviours. Encourage employees to switch off lights and other appliances including printers, computers and monitors, at the end of each day. It has the potential to deliver annual savings. Something as simple as dialling down the thermostat on your office air-conditioner can mean you're not chewing through power (and cash) while still giving your team a comfortable work environment.

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

Single parents' balancing act

The high cost of living and a housing crisis add to the stresses of raising a family

As a single parent to six-year-old Luna, Sheridan Rowe says her life is a fine balance between working as much as she can to pay the bills and finding some space so she can be a decent parent.

Single parents typically reduce their working hours and income to care for their children. At the same time, they bear many – or all – of the costs of running a home, such as rent or mortgage, home and contents insurance, transport, medical bills and childcare.

"Everything is on you," says Rowe, who doesn't receive any financial support from Luna's father.

It's a similar story for Sarah King, single mother of two-year-old Amelia, who says doing everything on your own can lead to burnout. "It's a snowball effect," she says, adding that once Amelia is asleep and the house is tidied, life can also be lonely.

Of the one million single parents in Australia, 81% are mothers. Almost all are treading water and it is difficult for them to get ahead.

Parenting payment

This year's federal budget acknowledged that single parents carry the weight of the world on their backs. "They sacrifice so much to give their children a better life," said prime minister Anthony Albanese, himself raised by a single mother. In a boost for many, from September 20, the cut-off age for the parenting payment for single parents will lift from eight years to 14, for the youngest child. This will increase the maximum basic rate of payment for eligible parents and carers from its current $745.20 to $922.10 a fortnight.

Jenny Davidson, chief executive of the Council of Single Mothers and their Children (CSMC), says while the increase will help many families, it won't go far.

"Those on JobSeeker will have an extra $20 a week, which isn't going to go very far in the current economy," she says. "Rental assistance has also gone up by 15%. All these things will help. We're very grateful. But with the cost-of-living crisis going on, it won't take a lot of pressure off families."

Not surprisingly, around 88% of single mothers are concerned about their financial wellbeing and are finding it difficult to meet their living expenses, according to the latest CSMC report.

Davidson says the CSMC's services have never been busier, and it had to dip into the next financial year's emergency relief months ago. It provides a range of support services and has been going for more than 50 years. It is funded by the Victorian government and private donations.

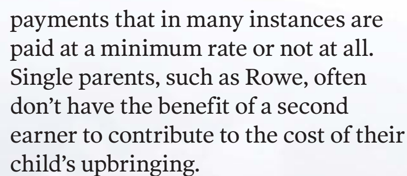
"Whether they're working full time, part time, or whether they're providing essential unpaid care and relying on the social security net, single mothers are worried about their financial wellbeing," says Davidson.

"We know these are the women at risk of homelessness in older age. Even when women are working, their long-term financial wellbeing isn't assured."

Childcare subsidies

Coinciding with the changes to the parenting payment are more generous childcare subsidies, announced last year, that will commence from July 10 this year. Around 1.26 million families will benefit and there will be higher subsidies for school-age children in care outside school hours.

There are calls by organisations such as the CSMC to improve the child support



payments that in many instances are paid at a minimum rate or not at all. Single parents, such as Rowe, often don't have the benefit of a second earner to contribute to the cost of their child's upbringing.

Davidson says research by the CSMC found some parents have rearranged their tax affairs to avoid paying child support. It found that single parents are owed a total of about $2 billion in unpaid child support and that there is a cottage industry around people not declaring their true income to avoid child support payments.

King receives $21 a day from the father of her daughter, Amelia, and says she is lucky to get it. She knows plenty of single mothers who get less or even nothing.

Certainly, people who earn cash, are paid through family trusts or partnerships, or are members of an extended family, aren't assessed for child support. As well, there are thousands of people who don't put in their tax returns for years to avoid paying child support. Sometimes, a new partner puts pressure on the paying parent to stop paying more than the bare minimum to the ex-partner.

Dealing with ex-partners and being a sole carer of an unsettled baby who won't sleep can be exhausting, stressful and lonely. Emergency support services such as Lifeline, the Pregnancy, Birth and Baby helpline or parent lines in each state can offer help. Both King and Rowe say these organisations have been a godsend.

Bargains and benefits

King, who had a successful career in logistics for 20 years, has opted to work part-time while her daughter is young. She shops at Aldi and markets, and searches for free events to make her money last. She mixes her income with government benefits to get by.

Rowe has an established job with an insurance company. Flexible work and understanding employers are essential.

Both mothers regularly dip into single mother groups on TikTok, Instagram and Facebook for useful advice about keeping costs down and special price deals. They make use of government benefits such as healthcare cards to receive cheaper medicines and health services.

"I found things that I didn't know previously, such as I could get 50% off my water bill, a 25% discount on my electricity and gas as well as up to $600 a year paid on your electricity and gas bill," says King.

Rowe finds there are little things that ease the stress, but she would like more community resources and support where she lives. Paying a babysitter is out of the question, so nights off from parenting are non-existent.

Navigating government benefits such as the Family Benefit, parenting payments and rent assistance for single parents can be complex. The CSMC offers a phone service for single mothers all around Australia, even though it is based in Victoria. (See csmc.org.au.)

What to do about housing

In the middle of a housing and rental crisis, it can be a huge challenge for single mothers to find suitable accommodation.

The Council of Single Mothers and their Children (CSMC) recommends they get a family member to act as guarantor to compete in the private rental market.

Jenny Davidson, the CSMC's chief executive, says its share house register – which helps women find other women who may have rooms to rent – is growing.

In a movement known as "mommunes" in the US, women are joining forces under one roof, splitting the household bills and raising their children together, even though they often have different parenting styles.

Saving a deposit on a single income is nearly impossible. There are some schemes to help single parents buy a home, such as the Family Home Guarantee from the federal government, which can be accessed with as little as a 2% deposit and without having to pay expensive lenders mortgage insurance (LMI). Thirty-two lenders have been cleared by the government to offer the home guarantee scheme and 5000 places are available every year until 2025.

Single parent Sheridan Rowe borrowed funds from Keystart, which provides transitional loans (without LMI) for people on lower incomes, to buy a block of land and build a house. "It helped me get my house. I'd given up all hope and it was getting mentally challenging," she says.

Interest rates have soared, which is a big strain. But at the same time, the value of the property has grown so she has a higher equity in the home.

Davidson has seen shared equity schemes where women buy homes together. "It's a good model, because you have to come up with a smaller deposit," she says.

Servicing smaller loans can be the same as paying rent, but still women have to squirrel away the deposit. "We need more women to have these sorts of assets," she says. "If they're not going to have a lot of super, at least having a home with or without a mortgage will assist you in your older age."

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

How to treat a bad case of poison envy

At a time of widespread financial loss, it pays to concentrate on the good things in your life

When my son bought his second-hand dual-cab 4WD, it was love at first sight. He set about tinkering with electronics and all manner of things to spruce up his perfect car, aptly brandishing a large "Built not Bought" sticker on the front – a not too subtle poke at some of his friends who had spent more on a car, but whom the tribe had deemed less authentic and cool.

That car was more than simply a mode of transport; it was a core part of his identity. Great adventures were had camping on beaches, tearing up cliff-like mud tracks and day-tripping with his mates wherever and whenever they wanted. It was love. It was freedom. It was happiness.

However, as the years passed, his university degree started to soak up more and more time, and the cost of rent, fuel and food started to skyrocket. He found himself with less money at the end of each week and less time to earn more. He moved into a small apartment to be closer to his university on the Sunshine Coast, and started to learn what it was to live on a strict budget.

Meanwhile, other friends who had chosen a professional trade rather than study had more disposable cash to spend on shiny new vehicles. The adored 4WD started to look a little more "Bashed not Beloved" – the tarnish was wearing thin. Offroad adventures with his friends all but ceased because the cost of fuel and repairs was simply too high. The hobby that was giving him so much energy, happiness and identity was becoming too expensive to maintain – a loss that started to hurt.

My son started to become disquieted with what he had, discontented with his situation and wondered whether university was indeed the right choice after all. Then we reminded him of a simple saying that is attributed to the Greek philosopher Epicurus from around 300BC:

"Do not spoil what you have by desiring what you have not; remember that what you now have was once among the things you only hoped for."

He has a great 4WD, he has great friends, and he is doing well in a university course that will set him up for a great life. And let's not forget he is living near the beach in one of the most beautiful parts of the world. It might not be perfect, but there is a lot to be grateful for.

Keep an eye on the big picture

So many people are feeling the pain of loss at the moment, just like my son, as they sacrifice things they love to balance the budget. Being able to manage your emotions and reframe your experience to focus on what you do have rather than what you have lost, is a critical mental skill when battling financial grief. Without this skill you will slide into a type of depression, mourning the loss of things that in the big picture are relatively meaningless.

Paradoxically, when people are under financial pressure, they will sometimes look to spend even more money on things or experiences to make themselves feel better. If the loss is dramatic enough, people will often take big risks and gamble what money they do have away in search of a windfall to soothe the hurt. They devalue what they have, in the search for what they do not.

The more you allow the pain of loss to impact you, the more likely you are to make a bad decision to mitigate the heartache. This is the true cost of discontentment. It is poison envy.

Plan for a better future, but never lose sight of the good things you have. Do not spoil what you have by desiring what you have not. Two thousand years on it seems we are still struggling to learn this basic lesson of happiness.

> **Plan for a better future, but never lose sight of the good things you have**

3 TIPS TO TRY

Manage your emotions: think positive

Every morning, start the day by listing three things you are grateful for. Try to avoid common things like "my kids" or "I live in a great country". Be specific and attentive to things that are often overlooked. This could include gratitude for people who've made a positive difference in your life, a new opportunity that you have today or something simple in your immediate line of sight.

At the end of any formal meeting or in-depth conversation, make a point of thanking the other person for a specific new insight or knowledge they have just given you. This will help you see people for who they are, rather than what they own or do, and will also make the other person feel valued.

Learn to articulate out loud what you love about the things you have. Externalising thoughts helps your brain "hear" it better, reinforcing the more positive (and realistic) perspective.

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

STORY TRACIE ELLIS

Cheap and cheerful will do it

Your budget may be stretched, but a handful of projects that cost less than $150 each can transform your home's look and keep up the all-important maintenance

The soaring cost of living continues to see families trimming their budget. But it's important through these difficult times to ensure that cutting corners now does not cost you significantly more down the track, or is detrimental to retaining the value in your property.

Improvement projects are essential and go hand in hand with home ownership. And vital maintenance should not be overlooked despite the financial challenges. It is important to remember that home improvement plays a pivotal role in ensuring your living experience is enjoyable.

Property prices remain high, and this alone highlights why improvement projects should be high on the family agenda, as they significantly increase the value of your home and your equity in it. You never know when your plans may change, and if a home is in good order preparing it for sale (or for a bank valuation) will not be a major expense involving a long list of onerous tasks.

Not only do improvement projects increase the value of your home, they also enhance its liveability. Maintenance and minor upgrades create a more comfortable and functional living space. Significant projects like an upgrade to a kitchen or bathroom are not necessary during a cost-of-living crisis – they can wait.

Let's explore some areas where cost-effective projects can improve your property's value while not hurting the budget.

Garage doors

Transforming your garage door with a feature paint is a fun and inexpensive project. Unlike other painting projects (which you tend to regret when you start), it's a small area that you can tackle yourself within a tight budget – while having some fun in the process.

Recover cushions

Outdoor cushions fade and become lacklustre, losing their brightness and effectiveness. They also stain over time because of entertaining. Recovering them (both inside and outside) is a cost-effective way of transforming any room. Upgrading the covers will get the most out of your cushions while ensuring your space remains stylish.

COST: Indoor cushion covers cost from $8 each and outdoor versions from $5 each.

Regrout tiles

Regardless of how fastidious a homeowner you are, grout stain is inevitable and dates your tiles and bathroom, leaving the area looking shabby. Regrouting is a fantastic option that costs from $25 to $40 a square metre. While regrouting all tiled areas may be out of reach, tackling

one area at a time is achievable and retains the value in each room.
COST: A typical small 3m by 2m bathroom can be regrouted for around $150.

Upgrade lighting

Changing your lighting to cost-effective and energy-efficient LED sources will return the benefits in your power bill as well as being a fantastic maintenance project. LED lighting consumes up to 80% less energy than other options. Their longer life span means you are replacing bulbs less frequently, reducing your waste, protecting the environment – and reducing your costs.
COST: Conventional bulbs cost $6 each and $23 a year to run. LED bulbs cost $10-$15 each and $5 a year to run.

Improve security

A basic security installation can be achieved with cost-effective purchases. With a view to keeping under the $150 spend, this is achievable as a DIY project. While high-tech security and alarm systems are a great investment, they also come with a high price tag. A security camera from your local hardware store is cheaper and easy to install, providing a sense of safety and a deterrent to potential thieves.
COST: A home security wi-fi camera costs from $59.

Refresh kitchen/bathroom

Upgrading drawer and cupboard door handles in the kitchen and bathroom is an inexpensive project that will provide a surprising new look in both areas. The sink mixer is one of the most frequently used items in the house, so upgrading to a fresh, stylish version will add a splash of new life to your kitchen.
COST: Drawer handles cost from $6 each and basic kitchen mixers start at $53.

Switch plate covers

Possibly one of the most neglected interior areas are your switch plate covers. What do yours look like? Plain, white and boring? Unless the power point has a fault or becomes damaged, we tend to forget about them, but they are certainly a cost-effective project that can make a big impact.

- High gloss or metal plates are a great choice for most rooms. The contrast of a shining switch plate cover against a painted matt wall can really brighten a room.

Metallic switch plate covers come in a variety of options, so you can find a finish that is perfect for your room.

- Sourcing an exact match to your wall colour is difficult, but once you find the correct match your room will have a seamless look that oozes elegance.
- If you are looking to try something new with a load of impact, try dark grey or even black switch plates. They can draw interest to a room that is light, or even try them in a dark room to blend with the walls.

COST: Switch plate covers range from 84 cents to $69 each.

Kids / guest room

As children grow, the space they love to call their own needs to evolve as their tastes change and they mature.

Whether you are facilitating tiny tots, primary school kids or teens, over time there will be a need to transform the space.

Littlies are all about the floor area, and creating a cosy reading nook can be easily achieved with a circular rug and scatter cushions. Likewise, comfy bean bags or a strategically placed ottoman for teens are a great addition. Creating a unique area can be surprisingly simple, a space where they can enjoy their own company.

- Rug $30-$98
- Cushions $16-$30
- Bean bag $28-$79
- Ottoman $50-$120.

A feature wall with fun wallpaper is also a simple way to inject colour and a new tone to your child's room without too much effort. This is easily switched out over the years as they grow and tastes change.

- Wallpaper from $80.

Living room

There are loads of mini projects you can find in your living room including:

- Sheers

Upgrading your sheers to a contrast sheer or simply adding them as a new addition to your blockout curtains, or even over the top of blinds, is a great project that also brings instant luxury to the room.

- Lamp shades

Changing your lamp shades is such a quick and easy way to transform the look and feel of a space and a great DIY project.

- Art

Painting your own DIY canvas art is an affordable living room decor upgrade. Purchasing blank canvases and going wild with your favourite hues is not only a lift for the room, but a fun project.

It's important to remember that regular maintenance extends the life (and value) of your home, constantly improving its liveability. Addressing small home improvement projects in an orderly manner ensures that problems are identified before they become a costly nightmare.

Often the smallest projects can have the biggest impact, so while your budget may currently be stretched, you may just surprise yourself with what you can achieve and the great impact mini affordable improvement projects will have on your home.

Tracie Ellis is the CEO of Renovators Directory, the platform that brings together business owners in the renovation sector and consumers requiring their services. There are more than 100,000 businesses listed on the site, which has amassed more than 12 million views since its launch in 2020. See renovatorsdirectory.com.au.

How to avoid tax on an inheritance

It's a jungle out there if you happen to inherit a property – but our guide will help you cut through

Inheriting a property may sound like a dream come true, but if you don't handle your affairs correctly you could face a sizable capital gains tax bill further down the track.

While you won't need to pay CGT at the time you inherit the property from a deceased estate, there's certainly a possibility you'll trigger a liability when you sell it.

In a worst-case scenario, you inherit a home that had always been used as an investment property and you continue to use it that way. You sell it seven years after it passed to you and in that time the value of the property has increased by $700,000, representing a capital gain. Because you've owned it for more than 12 months, you're entitled to a 50% discount, but it still means that $350,000 will be added to your taxable income in the year you sell.

Consider the options

Basically, you have two choices to avoid CGT on inherited property: you sell it within two years of the date of the deceased's death; or it is treated as a principal place of residence.

But even if you do either of these, there is no certainty you will totally avoid CGT, as much depends on when the property was purchased by the deceased, when it passed to you and if it was a main residence, a rental or a combination of the two over the years.

CGT is normally payable when you sell a capital asset, such as shares or real estate. The way it works is that any taxable capital gains you make from selling an asset are added to your assessable income in the financial year you sell it. The tax office specifies that only assets acquired after September 20, 1985 (when CGT was introduced) are subject to CGT.

To sell or not to sell

There are several factors that determine whether you will be required to pay CGT on inherited property that you later sell.

If the person you inherited the property from died before CGT started on September 20, 1985 and the property transfer also occurred before that date (meaning the property is a pre-CGT asset), you'll be completely exempt from CGT.

But if the property underwent major capital improvements on or after that date for the purpose of using it to generate income, part of any capital gain that's accredited to those improvements will be taxable.

If the deceased purchased the property before September 20, 1985, but you inherited it after that date, certain conditions need to be met to exempt you from CGT.

1 You sell the property within two years

The relevant dates for determining the two-year period are the date the deceased died and the date of settlement. The property would have to have been the main residence of the deceased, but it does not matter whether you used the property as your family home or to generate income.

To complicate matters, a second important date is August 20, 1996, when a further requirement was introduced. If the deceased acquired the property after the introduction of CGT and it passed to you on or before August 20, 1996 you may be exempt from CGT if you meet the main residence rule and the deceased used it as their main residence from the date they acquired it until their death.

If the same property passed to you after August 20, 1996, you may be exempt if you meet either the sell-within-two-years rule or the main residence rule.

● The ATO gives the following example of disposal within two years:

Rodrigo bought a flat in April 1990. He lived in it and it was his sole property. When he died in January 2020, he left the flat to his son, Petro, who rented it out and sold it 15 months after his father died. Petro is entitled to a full exemption from CGT as he acquired the flat after August 20, 1996 and disposed of it within two years of his father's death.

You can apply to the ATO to extend the two-year rule if there are special circumstances, such as if the will is challenged or probate is delayed.

2 The inherited property becomes a main residence

If the deceased's spouse or a nominated beneficiary in the will (including yourself) occupies the property as their main residence, you'll be exempt from paying CGT on your inherited property.

● The ATO gives the following example of main residence rule:

Peter bought a house before September 20, 1985 and died in February 1992, when it passed to his beneficiary, Bob. Under Peter's will, Patti had a right to occupy the house, but she could not move in until probate and administration of the estate was granted in September 1992. Patti moved in immediately and used the house as her main residence until Bob disposed of it in 2022.

Patti did not own any other property from the date of Peter's death and as she moved into the house when it was first practicable to do so, it is treated as Patti's main residence from the time of Peter's death until Bob sold it. Bob is entitled to a full main residence exemption.

If the property had been used to produce an income – for example, it was a rental property or was not the deceased estate's main residence – than CGT may be payable on all or some of the capital gain.

If you don't qualify for the two full CGT exemptions, you may be able to claim a partial exemption.

● The ATO gives the following example of calculating CGT with a partial exemption:

Vicki bought a house under a contract that settled in February 1995 and used it solely as a rental property. When she died in November 1998, the house was inherited by her beneficiary, Lesley, who lived in it as her main residence. Lesley sold the property in November 2021, making a capital gain of $400,000. This is based on the increase in the property's value from the date of the deceased's death to the date of the sale.

Lesley cannot claim a full exemption from CGT because Vicki did not use the property as her main residence. However, Lesley is entitled to an exemption for the time she used the house as her main residence:

● *Vicki owned the house as a rental property for 1375 days.*

● *Lesley lived in the house for 8412 days.*

This is a total of 9786 days.

Lesley works out the taxable portion of her capital gain as follows:

Capital gain × non-main residence days ÷ total days = capital gain or loss. ($400,000 × 1375 ÷ 9786 = $56,203)

Because Lesley held the property for more than 12 months, she is entitled to a 50% CGT discount.

No escape for foreign residents

If you are a foreign resident or the deceased was a foreign resident, you are generally not entitled to the main residence exemption when you sell the property.

● The ATO gives the following example of inheriting property from a foreign resident:

Michael bought an Australian residential property in 2010 and lived in it as his main residence until July 2013, when he moved overseas and rented it out. He died in August 2021 and Anita, an Australian resident, inherited the property from Michael. Anita did not live in the property and sold it within two years.

At the time of his death, Michael had been a foreign resident for more than six years, meaning he was not eligible for the main residence exemption, despite having lived in the property from 2010 to 2013.

Anita cannot claim the main residence exemption because Michael was not entitled to it. She must declare the capital gain in her tax return and pay CGT.

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.*

STORY SERINA BIRD

The days of super-low interest rates are well behind us, so it's more important than ever to reduce your debt as soon as possible

How to repay your mortgage faster

Thirty years is a long time but that's typically how long it takes to pay off your mortgage. The good news is that, with a little commitment and focus, and some clever hacks, you can set yourself up to achieve your home-ownership goals.

The basic premise for success is that the smaller the debt, the lower the interest rate and the shorter the term, the sooner you will pay off your loan.

Negotiate a lower rate

When was the last time you rang your lender and asked for a better deal? I did recently and immediately got 0.8% off the variable rate.

I'm one of the 800,000 people who fixed their mortgage when rates were low in 2021 and 2022, at least on my investment properties. So, when those loans reverted to the standard variable rate (SVR), I researched the rates offered at other institutions.

Armed with that information, I then rang my non-bank lender. It wasn't stressful and it wasn't difficult. I had four loans with them and they wanted to retain my business, so they offered me a better deal.

Consider switching lenders

If your lender isn't providing you with a competitive interest rate and isn't willing to budge, you have the option to switch.

It's easy to compare lenders. You can ask a mortgage broker for assistance or use one of the many online finance comparison sites, such as Canstar, InfoChoice, Finder, Compare the Market and RateCity.

Note that many of these sites do not compare all brands – this is because, as they are not government sites, they may make money through advertising and commissions. You can also ask money-savvy friends who they use and if they are happy with their provider. They might surprise you with a refer-a-friend deal.

Be aware, too, that there are often unforeseen costs in switching. I switched lenders a few years ago after discovering a large, hidden annual fee.

However, I discovered that moving was much more difficult and expensive than I had foreseen. It ended up costing me thousands of dollars in unexpected exit fees, settlement fees and other charges across several loans, not to mention the hours and hours spent filling out forms.

Before you switch, make sure you calculate all the fees involved. They can include exit

fees, application fees, mortgage settlement fees and sometimes taxes.

Ask your new lender for a breakdown of all the fees that will be charged and total them with any exit fees. Then, calculate the savings you expect to gain from moving to the new lender to assess whether it's worth the switch.

My new lender was upfront about its fees and offered to reduce some. I have no regrets about moving because the treatment I was receiving with my previous lender was shoddy. Four years in, I'm happy with my new lender. Over the course of the loan, I consider the benefits of switching will far outweigh the costs.

Though it can be hard to work out when rates keep changing, you must do the maths to determine how much better off you will be. Cheap lenders may tempt you with low interest rates to begin with, but they can then become uncompetitive over time and more expensive in the long run. My advice is to instead choose a lender with a good track record of favourable rates, and then let the miracle of compound interest work in your favour.

If you do decide to move, when your lender receives your discharge authority form a member of their sales team will usually contact you to offer a better deal. It's your choice whether to stay with a lender who didn't value you until you were nearly out the door or to go with a new lender.

Optimise your credit score

Whether you're negotiating with your current lender or thinking about switching, one of the best ways to get an optimal interest rate is to be someone a lender wants.

The best deals are available to borrowers with good credit ratings. Lenders want to know that you can pay your mortgage off. So, their ideal candidate is someone with a stable, permanent job, a history of paying back debt commitments and a good savings history – and before they approve a loan, they will run a credit check on the applicant.

I used the tool on the Canstar website to run a check on myself. My score was "excellent" at 1004 points – two points higher than my husband's.

The good news is that, wherever you are on the scale, you can improve your score.

There are four key factors that contribute to your credit rating:

1. Existing home loans and home loan applications

2. Employment and residential stability

3. Rare or infrequent loan applications

4. Strong credit history.

Let's start with existing home loans and applications. If you already have a home loan and are paying it off regularly, it helps your credit score. I know that sounds odd – needing to have a mortgage to get a good credit rating to get a mortgage – but if there is no data on which to assess you, it is hard to give you a reliable score. In practice, this may mean that you get a mortgage at an ordinary rate, and then have to negotiate a better deal after demonstrating your ability to pay it.

A solid, permanent job and residence in the same place for many years are considered positives. This is because a lender doesn't want to lend to someone whose financial situation is always changing or who looks like they could be running away from debt.

If you have your own business, change jobs or move around a lot (due to a defence career, for example), it may be hard to do well in this criterion, but it's not the end of the world. You may just need to focus on the other three factors to bring your score up.

Now, let's return to loan applications and credit. As I've noted, having a mortgage (or a credit card) can support a higher credit score because it shows you can manage debt responsibly. On the other hand, constantly transferring credit cards to new deals or being knocked back for loans are red flags.

There are three things to keep in mind here if you want to improve your credit score:

1. Don't fill out multiple mortgage forms. It can look like you are shopping around after being knocked back even if it isn't the case. It's fine to discuss your options with multiple lenders but don't go the whole way with them. If you have a broker, they will work to identify the best lender so you don't have to worry as much about the risk to your credit rating.

2. Watch your credit card limits – they matter more than how much you owe on your credit card. When my friend Dan went for a loan, his credit card with a $5000 limit reduced his borrowing capacity by $40,000. This is because lenders assessed it on the worst-case scenario of that credit card being maxed out and interest compounding.

3. For those who have graduated from university or another tertiary institution, a HECS-HELP loan could also adversely affect your borrowing capacity. This is because lenders will look at your liabilities to assess how much they can give you based on your perceived ability to service a loan.

Finally, one of the best ways to maintain a strong credit history is to pay your bills on time. Even better, pay them early. I automate bills whenever possible.

Is fixing right for you?

One of the most significant decisions you will need to make as a homeowner is whether to fix the interest rate on your mortgage.

Having a fixed loan means that the rate at which interest is charged remains the same for a certain period of time, usually from one to five years. That means that whether the variable interest rate at your lender goes up or down, you will still be charged the same rate of interest on that loan.

As was the case for around 800,000 other Australian households in 2021, I fixed the interest rates on my mortgages when they were at record lows.

When interest rates were falling, people with fixed rates found themselves paying tens of thousands more in interest than if they had stayed with a variable rate. You might

Use an offset account

When you apply for your home loan, you'll probably hear about whizz-bang features such as offset accounts. They are like bank accounts, except they're attached to your mortgage. The general premise is that instead of earning interest on your savings – and paying tax on it – you get a reduction on the interest charges on your mortgage.

For instance, say that you have $20,000 sitting in your offset account rather than in a savings account. That $20,000 is equivalent to 6% tax free (assuming you're reducing your $600,000 mortgage by $20,000 at 6%). Depending on your savings account, you might otherwise earn 4% interest (in many cases less). You would also pay tax on that interest as it is an investment.

Using an offset account is convenient because, although it's much like a standard bank account, moving money to and from your mortgage is easier, meaning it's also simpler to make additional repayments.

If you plan to use an offset account, you may wish to close other savings accounts and instead use your offset for your day-to-day banking. The idea is that ensuring your pay or other income goes into this account allows you to maximise interest savings.

Though I've used an offset account before, I don't anymore. I prefer to keep my accounts separate, and mortgages with offset accounts are often (though not always) more expensive. Instead, my approach is now to get a low-interest-rate mortgage with zero fees. So long as it meets those criteria and has an easy-to-use redraw facility, I don't care if my mortgage has all the bells and whistles.

wonder why they didn't cut their losses and get out of that deal.

Unfortunately, it's not that simple. There are usually penalties, known as break fees, for ending a fixed-rate loan early. When I refinanced three of my investment properties and put them on a fixed rate, the terms of the contract allowed me to pay no more than $10,000 extra per year per loan. If I chose to sell one of those properties while under that fixed-loan contract, I would have had to pay break fees.

Splitting your loan – fixing a portion of it and leaving the rest at a variable rate – is one way to ensure a degree of certainty while also retaining the flexibility to make additional repayments and take advantage of possible falling interest rates. This allows you to plough through and repay the variable part while having the security of knowing that interest rates won't soar to alarming levels.

Decisions to fix often come from a place of fear. What if rates get so high that you can't afford to pay them?

My approach is to always go for the lower rate. Always. I don't know what will happen in the future, so if something is a good deal now, I'll take it, thank you very much.

As my strategy is to pay off loans quickly, especially if that loan is for my home, I usually prefer a standard variable rate as there are no limitations on making additional repayments. That said, if there was a special deal on fixed rates that suited me – as there was in 2021 – I'd take it in a flash and park any additional money in other investments until needed.

Pay fortnightly

One of the easiest ways to get ahead on your mortgage is to pay fortnightly. Finance writer Noel Whittaker popularised this strategy with his book Making Money Made Simple.

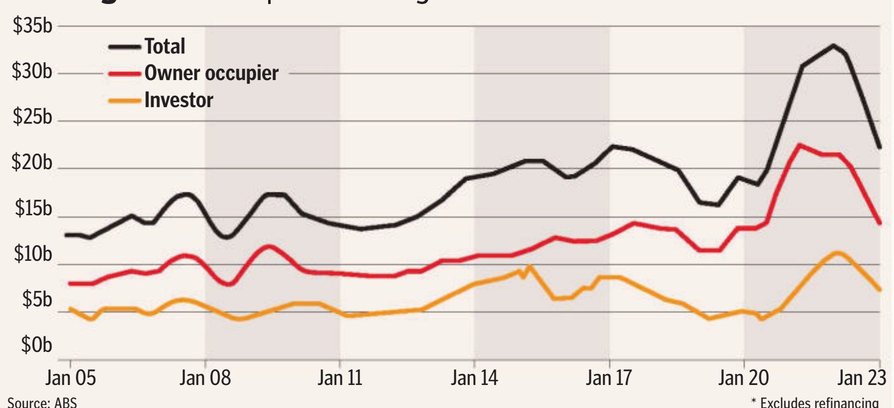
Let's look at the numbers. The monthly repayment on a $600,000 loan at 6% per annum over a 30-year term is $3597. However, if you pay half of that ($1798.50) each fortnight, your loan will be paid off in 24 years and seven months – over five years ahead of schedule. Plus, you'll save $148,342 in interest.

How does it work? Though there are 12 months in a year, there are 26 fortnights. So, if you pay half the monthly repayments fortnightly, you'll end up making an additional month's worth of mortgage payments a year, and that adds up over the life of your loan.

While some lenders now offer fortnightly payments, their calculations don't lead to additional repayments. This is because, rather than dividing the monthly amount by two, they take the annual fee and divide it by 26. Counter this by doing your own maths and setting your own fortnightly mortgage payments.

Living on a credit card

Credit cards are evil and wrong. Right? Recently, I was watching the 2009 film *Confessions of a Shopaholic*. Rebecca Bloomwood, played by Australian actor Isla Fisher, was addicted to buying designer clothing and in serious financial distress. She had frozen her credit card in a large block of ice as part of her commitment to getting out of debt, but when she heard about a designer sale, she



Source: ABS
* Excludes refinancing

Explore ways of improving your credit rating. It will help you get a better deal

hacked at the block of ice until she could free the credit card and go shopping.

If you can relate to that experience, then using your credit card as part of your strategy to pay your mortgage off early is not likely to be a good idea. If, however, you regularly exercise fiscal restraint, this can work a treat.

This is how it works:

1. Apply for a credit card with a low annual fee and a good rewards program. Don't worry about a low interest rate (the idea is to pay it off in full at the end of each month), but do make sure it offers a good interest-free period, ideally 55 days.

2. Choose a mortgage with a fee-free, easy-to-use redraw facility (or offset account).

3. Deposit your pay straight into your mortgage account. You will use this like a bank account – sort of.

4. Use your credit card for everyday expenses such as groceries, dining out and paying bills where possible and practical. Make sure you take notice of any fees you might incur for using your card; sometimes it isn't worth the interest savings if you're paying hefty bank merchant fees.

5. Pay your credit card in full every month. As soon as you get your credit card statement, schedule to pay it in full using your redraw facility.

This system hinges on using your credit card's interest-free period to your advantage, allowing you to slightly reduce the interest paid on your mortgage because you're leaving more cash in your account.

As a bonus, depending on the card you select, you can also receive rewards points on credit card purchases, which you can use for fun things such as travel and gifts.

One disadvantage of this approach is that it can be difficult to see the true value of your mortgage. As you are often withdrawing from your account, your true mortgage balance is less clear, and it can be less motivating than if you instead have a separate mortgage account that you can see decrease consistently.

This strategy will only work if you manage your credit card well. You will probably need to set a budget and monitor it carefully. Before adopting this approach, I suggest trying other methods of paying your mortgage.

Summary

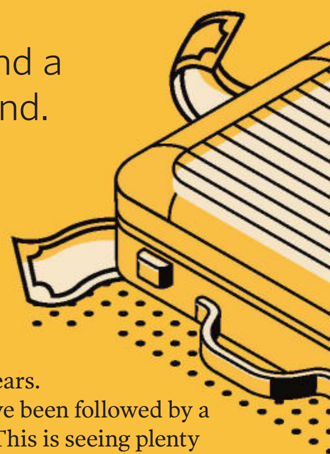
- Contact your lender and request a rate review.
- If your lender doesn't offer you a sufficiently large discount, or doesn't treat you well when you ask, it's time to think about switching. Note that switching will involve costs, and you will also have to spend time filling out forms. However, it can be worth it if you are able to lock in a good deal.
- Explore ways of improving your credit rating. A good rating will help you get a better deal on your mortgage.
- Divide your monthly payment by two and pay that amount each fortnight. This trick alone will help you achieve home ownership years sooner – and save you paying interest.
- Consider whether to fix your mortgage rate or negotiate a split loan with your lender. There may be break costs if you sell your home or refinance before the term ends, as well as limits on how much you can repay within the period.
- Look into living on your credit card. This means depositing your pay into your mortgage account, using your credit card for living expenses whenever practical and then paying it in full before the end of the interest-free period using your mortgage's redraw facility.

This is an edited extract from *How to Pay your Mortgage off in 10 Years (even when interest rates are going up)* by Serina Bird (Major Street, $29.99).

STORY ANTHONY O'BRIEN

Franchising's rewards and risks

Self-employment is a personal goal for many Australians, and a franchise can give small enterprises the power of a big brand. But how has it stacked up in uncertain times?



Small businesses are the backbone of the Australian economy. But for many budding entrepreneurs, it makes financial sense to be part of a franchise rather than start a venture from scratch. It can mean instant brand recognition that sets your business apart from others and triggers a flow of orders from day one.

According to Angus Raine, executive chairman of the Raine & Horne real estate franchise group, the benefits of a franchise go beyond a big brand. They can include a larger referral network, greater marketing and advertising resources, ongoing training programs, access to mentors, internal recognition and awards, and a superior suite of technology services. "These advantages play a significant role in the success of Raine & Horne," he says.

In some cases, franchisees even have the backing of a guaranteed income, something independent businesses can only dream of.

7-Eleven, for instance, provides franchisees with a guaranteed yearly gross income. According to the company's website, this is currently $365,300 for fuel stores and $399,000 for non-fuel stores. If a franchisee is not making this sort of money, 7-Eleven will step in and help by adjusting the monthly franchise charge.

A guaranteed income may sound impressive, but it doesn't come cheap. 7-Eleven franchises can cost more than $1 million.

When it comes to franchise opportunities, there is no shortage of choice. According to Business Franchise Australia and New Zealand, more than 1300 different franchises are available in Australia. It makes franchising big business. According to the Franchise Council of Australia, the cost of buying a franchise can vary from $5000 to $250,000-plus.

What you get for your money varies widely, too.

Along with a recognised and (hopefully) respected brand, franchisees should be able to access proven bookkeeping systems, IT networks, franchisor-generated leads and group-wide purchasing power.

The catch is that with so many different businesses being franchised, not every brand will resonate with consumers.

For example, the website of Blue Wheelers, a mobile dog grooming service, says that "pre-loved" mobile dog salons are priced from $14,990, and adds that franchisees generally earn between $1000 and $3000 a week. However, the brand may not be top of mind for dog owners.

Unexpected threats

Investing in a franchise can give your business a headstart, but it's no silver bullet for success. While the small business community has a track record for being tremendously resilient, the sector you're buying into can be more of a clincher of longevity than the terms of a franchise agreement.

We have seen this play out in the fitness industry, which has copped an especially hard time over the past three years. Covid lockdowns have been followed by a cost-of-living crisis. This is seeing plenty of Australians look at ways to cut discretionary (non-essential) costs, and gym subscriptions can rank high on the hit list of cutbacks, especially during winter.

ASIC records show several high-profile gym franchises, including Infinite Cycle and F45, closed their doors in recent months though some individual franchisees are still trading.

While few of us could have predicted the pandemic and its aftermath, would-be franchisees need to carefully research the sector they are buying into. In particular, take off the rose-coloured glasses when it comes to weighing up potential industry threats. According to CreditorWatch, the sectors most at risk in the current environment are hospitality, construction, and administration and support services.

Access to technology

According to a study by the software provider Xero, a key differentiator between businesses that grew during the pandemic and those that struggled was access to technology. The report notes that "digitally enabled firms, which could pivot to working from home, growing online sales, or making use of business app tools, were

more resilient, saw their revenues fall by less, and were able to better retain staff".

Angus Raine agrees with this finding. "In the case of Raine & Horne, we have invested millions of dollars since 2018 to develop a comprehensive ecosystem of technology firsts for our agents and property managers. This platform includes first-to-market artificial intelligence (AI) and our social media marketing technology called Amplify, as well as an online sales and property management appraisal platform called DigiKitPlus."

While the major real estate groups have the capacity to invest in, and develop, innovative tools and platforms, this is something independent businesses may struggle to afford or develop on their own. "This gives our offices a technological advantage and contributes to their success, especially in a rapidly evolving digital landscape," says Raine.

Independents come and go

Real estate franchisees have also benefited from a property market that spurned dire predictions of a downturn at the onset of the pandemic. CoreLogic estimates that in the 12 months to August 2021, some of the pandemic's worst months, almost 598,000 homes were sold Australia-wide, the highest number of annual sales since 2004, and 31% above the decade average.

That growth didn't just benefit franchisees. It also fuelled a rise in the number of independent real estate agents who are in competition with the big franchises. However, Raine is not fazed. "In 35 years, I have seen numerous independents come and go," he says. "Some independents tend to spring up in rising markets and then go when the market softens. Raine & Horne has been in business for 140 years."

Hard work, long hours

It's worth noting that IBIS World suggests franchising in Australia is labour intensive. In other words, it is typically the hard graft of the owner that drives business success. Don't expect to hire a manager, then sit back and watch as the profits roll in.

In many ways, this is no different from independent ventures, which any small business owner will say involves long hours at the coal face. However, franchisors often actively require franchisees to be personally engaged in the day-to-day running of the business.

In answer to an FAQ on the 7-Eleven website about having a manager run the business, it says: "We would prefer the franchisee is the operating manager of the business". McDonald's, where a franchise can cost $1.5 million, doesn't sugarcoat its expectations either. It stipulates that McDonald's will be "your only business" and adds, "You cannot work anywhere else except at McDonald's and you've got to be prepared to make an investment of hard work and long hours to reach success."

In addition, a franchise can be a long-term commitment. Pizza Hut, for instance, calls for a 10-year franchise agreement. In a world where rapid change is one of the few constants, that can be a big ask. Independent businesses are often better placed to pivot in response to shifting consumer preferences or market conditions.

Yes, some franchises survived the pandemic with flying colours. But none of us can predict for sure what lies ahead. If you're thinking of buying into a franchise, the best investment of your time can be to speak with other franchisees – and not necessarily the ones recommended by the franchisor, who may pick the star performers.

If current franchisees highlight problems with the system they're part of, it could be a cue to walk (or run) from what could be a potential minefield of issues, and maybe have a go at opening your own enterprise. After all, McDonald's started out as a single store in California. Who knows? Your start-up could grow into tomorrow's red hot franchise opportunity. ***M***

Critical for a green future

STORY MAX RIAZ

Countries and companies around the world are scrambling to secure supplies of the metal that is fuelling the energy revolution

As the world seeks to reduce its carbon footprint and mitigate the impacts of climate change, the demand for renewable energy sources and electric vehicles has skyrocketed.

At the heart of this transition lies lithium, a soft, silvery-white metal that is essential for the production of lithium-ion batteries, which power everything from smartphones to electric cars.

The transition to clean energy and transportation is essential for reducing greenhouse gas emissions and mitigating the impacts of climate change. Lithium-ion batteries are a key component of this transition.

First, vehicles can use the stored energy in lithium batteries to operate instead of burning petrol that causes CO2 emissions. Secondly, the stored energy in the lithium batteries themselves has to come from somewhere, and that somewhere can be solar panels installed on your roof top to recharge your electric vehicle or household battery.

In future, there will also be grid-level, large lithium batteries installed next to solar and wind farms that charge these batteries to supply renewable energy to the electricity grid at night. The chart (page 69) from the Australian government's latest budget papers speaks for itself. The purple and black bars show that both solar energy and lithium battery storage in Australia are set to grow significantly in the years ahead. Moreover, it is safe to infer similar growth for other major economies.

The International Energy Agency estimates that electric vehicles could save up to 1.5 million barrels of oil per day by 2030, while renewable energy sources could provide up to 70% of the world's electricity by 2050. These figures demonstrate the potential for lithium-ion batteries to play a crucial role in reducing greenhouse gas emissions.

Global race intensifies

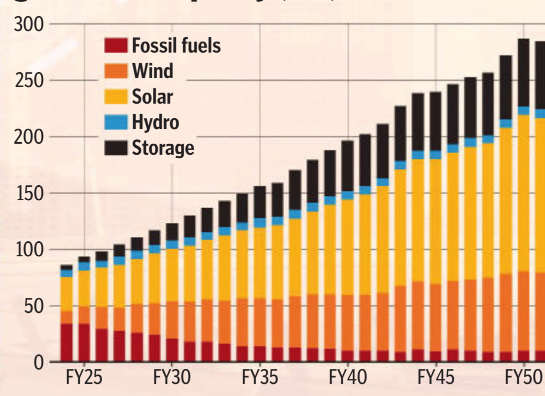
The new energy revolution is well under way, with countries around the world vying for control over this critical resource.

Lithium-ion batteries are widely used in portable electronics, electric vehicles and grid-scale energy storage systems. These batteries are lightweight and rechargeable, and have a high energy density compared to other types of batteries.

Density is an important consideration because it tells us how much energy can be stored in a given amount of space or weight. Batteries need to store as much energy as possible in a small and light-weight package. The higher the energy density of a battery, the more energy it can store per unit of weight or volume, which means that it can power devices for longer periods of time or allow electric vehicles to travel further on a single charge.

However, electric batteries require large amounts of lithium to produce. The average electric vehicle battery requires between 10 and 15 kilograms of lithium carbonate equivalent (LCE), while grid-scale storage systems can require hundreds or even thousands of tonnes.

Consequently, the demand for lithium is experiencing a significant increase. This is particularly visible in the growth



of the lithium-ion battery market, which is projected to grow by more than 30%pa from 2022 to 2030, according to McKinsey & Co.

As of 2023, there are about 2.5 million electric vehicles in the US, out of a total 286 million vehicles (about 0.88% electric), according to the data firm Statista.

The growth forecast for electric vehicles in the US suggests they will account for 32% of the market in 2030 and 45% in 2035. This represents compound annual growth of 32% of electric vehicles and lithium batteries.

No wonder there is a flurry of activity in the global lithium market as countries seek to secure their supply chains.

Billions of dollars invested

As demand for lithium-ion batteries grows, countries are competing for control over this critical resource. Reserves are concentrated in a handful of countries, including Australia, Chile, Argentina and China.

The global race for battery dominance is evident in the significant investments being made by governments and private companies. China has invested heavily in lithium mining and processing, while Australia has become a major exporter of lithium concentrate. In addition, companies such as Tesla are investing billions of dollars in new battery factories and research and development aimed at improving battery performance and reducing costs.

Lithium resources occur in two distinct categories: lithium minerals (largely from the mineral spodumene) and salts (largely from lithium-rich brines in salt lakes). All of Australia's current resources and production are from lithium minerals, chiefly spodumene, while lithium brine is produced predominantly in Chile, followed by Argentina, China and the US.

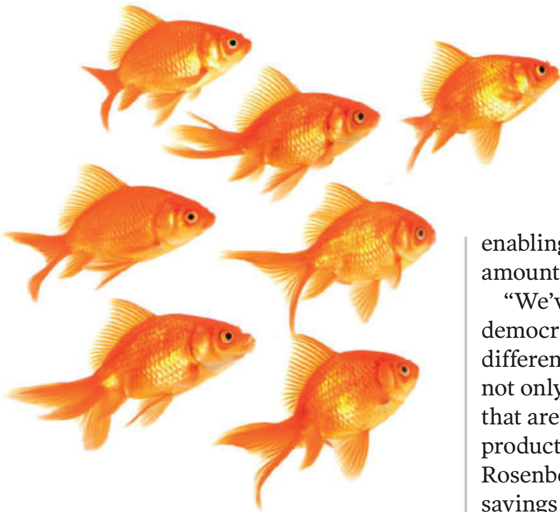
In Australia, we have liked and owned Allkem (ASX: AKE) for a number of years. It is currently proposing to merge with Livent, a smaller US-based competitor. If the merger is accepted by shareholders, then Allkem will become the third largest global supplier of lithium chemicals. Livent will add considerably to Allkem's processing capability. What we specifically like about Livent is its capabilities in direct lithium extraction (DLE).

This capability could boost the availability of lithium derived from brine, potentially close to doubling both the production and yield of lithium (increasing recoveries from 40%-60% to 70%-90%). This enhancement could lead to better profitability for Allkem. Additionally, DLE offers environmental and social governance (ESG) benefits to Allkem, such as potentially a more than 20-fold reduction in land usage due to the elimination of evaporation ponds for brine, and improved water usage metrics through potential brine reinjection. Production economics should also improve.

Alternatively, investors can play the lithium thematic through a broad-based exchange traded fund, Battery Tech & Lithium (ACDC). It invests in companies throughout the lithium cycle, including mining, refinement and battery production, cutting across traditional sector and geographic definitions. *M*

Start small but think big

STORY TOM WATSON



Online platforms that use "spare change" to buy shares can get would-be investors off to an early, painless start

Investing in equities was once the domain of people with deep pockets and the know-how to navigate the investing process. These days, technological developments such as online trading, coupled with lower investment costs and minimum investment requirements, have opened up the world of investing to the rest of us.

These developments have also helped pave the way for the emergence of micro-investing – an investment strategy enabling individuals to invest small amounts of money regularly over time.

"We've seen a big push towards democratising financial assets and different investment classes so that it's not only the high-net-worth investors that are benefiting from the best financial products in Australia," says Gaby Rosenberg, chief executive of micro-savings platform Blossom.

"We've seen that in Australian equities, in global equities and even in crypto and property, and it just means that people who have smaller amounts can still participate in the best opportunities," she adds.

How micro-investing works

Typically, investors using an online share trading broker or platform to purchase a parcel of direct shares will be looking at a minimum investment amount in the hundreds or even thousands of dollars – at least for their first purchase.

Micro-investing platforms, on the other hand, allow users to invest in assets such as exchange traded funds (ETFs), fixed-income products and fractional shares with a much smaller amount of money – sometimes only a few dollars at a time.

Nick Nicolaides is the chief executive of investment platform Pearler, which offers both direct share purchases and a micro-investing option. One benefit, he says, is that it potentially provides an earlier entry point to the market for some investors.

"From our perspective we've always tried to focus on how we can make sensible investing more accessible. By that we mean making it about accumulating wealth, not the gamified aspect of trading.

"So, when it comes to micro-investing, our angle has always been that it's a fantastic tool to learn from because it enables someone to get in earlier – perhaps as they've just started earning money and potentially as their first investment."

This is by no means a niche group of investors, either. In a report on the industry released last year, investing service provider Cache Invest put the number of Australian micro-investing accounts at just over 2 million as of June 30, 2022 – an 845,000 increase on the 2021 number.

The number of providers is also growing. In the 2021-22 financial year, Cache Invest reports there were six new entrants in the micro-investing market, including both Blossom and Pearler Micro, which joined established players CommSec Pocket and Raiz.

Investing on autopilot

If a lower barrier to entry is one of the

major upsides to micro-investing, the other is the relative ease with which users can invest their money.

In the same way banks have made building a savings account balance easier in recent years with the popularisation of automatic transfers and round-ups, many micro-investing platforms have rolled out comparable features.

For instance, Blossom users can link a bank account to their investing account and enable transactions to be rounded up to the $1, $2, $5 or $10, with the difference then invested into the Blossom account once the cumulative round-up balance hits at least $5.

"We have set-and-forget functionality that we really see adds a lot of value to our users because it just helps to build good financial habits. It [is] actually our most sought-after feature," says Rosenberg.

"And then just the virtue of the round-ups being such small value means that people can get started with $5, $10 or $15 if they want to, which makes it accessible. It's simple, it's convenient and it helps people save regularly in small but consistent ways."

Glen Hare, a financial adviser and the co-founder of Fox & Hare, says he's had a fair number of clients over the years who have flirted with micro-investing or invested through one of the platforms.

He describes having a bit of a love-hate relationship with micro-investing, though. While he believes the platforms have made investing more accessible, he's challenged by the idea of people entering the market without a sound knowledge of the assets their investing in, or without any particular goals in mind.

"In terms of the interfaces, the accessibility and the minimum trades, they've made it accessible for those in their 20s or their 30s who want to start exploring options beyond just leaving their money in a bank account," says Hare. "I love the fact that these platforms have enabled that.

"Where the opportunity lies is around the education case. I'm a firm believer that you should be aligning investment strategies with goals and objectives, rather than just building wealth – which is obviously great – just for the sake of it. That's why I ask people what success looks like for them and what strategy is going to get them to where they want to be."

Cost versus convenience

Micro-investing is not without its costs. These differ from platform to platform but typically investors can expect to pay either a brokerage fee for each trade (for example, CommSec Pocket charges $2 per trade) or an account fee (Raiz charges from $3.50 a month).

These fees may not sound particularly high, but given the small amounts that users are investing, they can prove more expensive, relatively, than those for direct investing. It's just one of the trade-offs for the convenience and accessibility of being able to invest smaller amounts.

What's more, some platforms charge higher fees or a higher percentage as the balance grows. That's why Hare suggests investors consider their options once they've built up a healthy micro-investment balance.

"Micro-investing might be a small component of someone's broader strategy, but as the balances increase in these micro-investment platforms, so do the fees," he says. "So, there's that to take into account.

"Again, it's different per platform, but once the value of your portfolio gets to a certain size, it may be far more cost-effective to be using a platform where you are accessing direct shares or direct exchange traded funds through the platform."

For Nicolaides, catering to the desires of investors for cheaper, more accessible options, and the ability to own their investments directly, will be among the future challenges for the sector. Ultimately, though, he believes micro-investing will continue to be a positive force.

"I think micro-investing has to continue to evolve," he says. "And what will guide that evolution is making it simpler, making it cheaper, and through those two things offering products that aren't selling a dream, but are really just selling the good habits to build wealth. "That's where I think micro has the biggest potential benefit to society in general." **M**

How they compare

A comparison of fees and investment options among four micro-investing platforms

	About	Minimum investment	Ongoing fee	Brokerage fee
Blossom	Targeting a return of 5.25%pa (currently), Blossom's focus is on fixed-income products	$5	None	None
CommSec Pocket	Users can invest in seven ETF options covering the ASX, emerging markets and more	$50	None	$2 (trades up to $1000)
Pearler Micro	Micro gives investors access to a number of popular ETFs by way of a managed fund	$5	From $1.70 a month	None
Raiz	Raiz offers investors the chance to invest in ETFs, crypto or property through its range of portfolios	$5	From $3.50 a month	None

Source: *Money* magazine. Select micro-investing platforms only. Minimums and fees accurate as of June 14, 2023.

Retirees set for an income boost

With the minimum drawdown rate going back up, fund members with an account-based pension need to decide what to do with the extra money

The minimum drawdown rate for super members with an account-based pension will return to normal in the new financial year. The minimum was temporarily halved four years ago to shield members' super balances from falling markets and pandemic-induced uncertainty.

If you are between 65 and 74, your annual pension rate will go from 2.5% to 5% on July 1 (see table). The drawdown rate also increases as you get older. For instance, if you are 95 or older, the minimum is 14%.

Fortunately, super funds take care of these changes and update their members accordingly, either by email or letter. They will also ask whether you want to alter the payments to withdraw more.

Funds calculate your minimum drawdown amount each year based on your super balance at July 1.

"Members won't know the exact amount of the minimum drawdown before July 1," says Craig Sankey, head of technical services and advice enablement at Industry Fund Services. "The fund will ask them if they want to change their income payments. If you don't respond, they'll automatically bring you up to the new minimum."

Consider tax rates

Retirees who managed well on their previous, lower income might be wondering whether they should contribute the surplus cash back into super or into a high-interest bank account. Which option makes more sense will come down to personal circumstances and super rules.

Sankey says many older Australians get a super income stream as well as the age pension. "They don't pay income tax, which means building up your savings outside super is not necessarily a bad thing. There's no real downside to it if you're not paying any tax.

"Once you put your money into a super accumulation account, earnings are taxed at 15%. So, if you are someone who's retired and doesn't have

Super income streams

Age of account holder at July 1	Current minimum pension requirement	2023-24 minimum pension requirement
Under 65	2%	4%
65-74	2.5%	5%
75-79	3%	6%
80-84	3.5%	7%
85-89	4.5%	9%
90-94	5.5%	11%
95 and over	7%	14%

Souce: Australian Taxation Office

much taxable income – your super income stream provides you with zero taxable income – there may not be a huge advantage putting money back into super.

"But for some people, though, that are paying tax, it may be appropriate to start feeding the money back into super. Providing they're under 75 and have less than $1.9 million in pension phase, they can contribute that money back in."

But they should be aware that the annual cap for non-concessional contributions is $110,000.

"If you are getting close to that age, or those numbers, you have to be careful. You would want to check that out with a financial adviser or talk to your fund. Most funds provide what's called intra-fund advice.

"If you've got questions about your options, how much you can contribute, or whether you should contribute, your fund can provide that advice. It's not going to take into account complex situations. If it's just to do with you and your super fund, they will provide that as part of your overall admin fee. There's no additional charge for that service."

Start a new pension

People sometimes mistakenly assume they can make contributions directly into their account-based pension. "You can't put the money straight back into a pension account. You'd have to start building the savings back up in an accumulation account, which is no big drama. Once the balance builds up to a sizeable amount, you can start an income stream, or combine both income streams later on," says Sankey.

Increasingly, people hold onto their accumulation account when they switch to pension mode because they anticipate they might need it. "They might want to hang onto their life insurance or they think they might go back to work, do some work on the side. It means they don't have to rush around and open an account at the very last minute."

For those with a self-managed super fund (SMSF), things are more complicated. For starters, the onus is on the trustee to get the new minimum drawdown right.

"If you have an SMSF and you are the trustee of that fund, then you, as the trustee, have an obligation to follow the rules. If you fail to do that and break the rules, there could be repercussion for your fund. In the worst-case scenario, your SMSF could be deemed non-compliant and you could lose your tax benefits and have to pay penalty tax."

Warning on a lump sum withdrawal

It's important to take into account that a lump sum withdrawal doesn't count towards your minimum pension payments, warns Craig Sankey, from Industry Fund Services.

"Let's say you are drawing out $10,000 but your minimum drawdown is $20,000. That $10,000 doesn't count towards your $20,000 minimum. Someone can't just do a lump sum and think they've met their minimum requirements. They need to be aware of that.

"They are treated separately under the superannuation rules," he says. Lump sums are treated as lump sums and income payments are treated as income payments. Minimum drawdowns are only based on income drawdowns; they're not based on lump sum withdrawals."

When you nominate how often you want your income payments to be made, it can be anything from twice a month, monthly, quarterly to once a year.

Some fund members prefer an annual payment so they get the benefit of their tax-free returns compounding until the end of that financial year.

"You can choose an annual payment and have it paid in June. Even though it's an annual payment, it's still classified as an income payment, not a lump sum payment. It still meets the minimum drawdown," he says.

"It's pretty straightforward. Assuming someone has a drawdown of $30,000, they can leave that $30,000 earning interest tax free for the whole year and then draw it out in the last couple of weeks of June."

Finally, if you need to make a lump sum withdrawal, expect to wait between five and 10 working days for the money to be processed. The length of time will depend on the investments being sold. "The funds can't sit on the money and ignore it. There are turn-around times they have to adhere to. Some kind of structured investment can take longer to sell down," says Sankey.

Vita Palestrant was editor of the Money section of The Sydney Morning Herald *and* The Age. *She has worked on major newspapers overseas.*

Game changers in an ageing world

Understanding the population trends of different countries is crucial for investors taking a long-term view

The burden of an ageing demographic has far-reaching consequences. It impacts the supply of labour and inflation, and brings with it lower economic growth, fiscal instability of government budgets – leading to forever more government borrowing and risks to credit ratings – and weaker geopolitical influence. These consequences need to be considered when allocating capital to different markets in investment portfolios.

The great industrial powers of Germany, Japan and China face significant demographic challenges characterised by low birth rates, declining populations and rapidly ageing societies. China's population, for example, is both ageing and decreasing, with projections of a decrease by 48 million, or around 2.7%, between 2019 and 2050. Additionally, according to the United Nations World Population Prospects, by 2050 each of these countries is projected to have a population with the median age exceeding 50 years.

In contrast, the US, Australia and India display more favourable demographic profiles. The US and Australia have relatively higher birth rates – 12 per 1000 and 12.1 per 1000 respectively – and younger populations compared with Germany (9.3 per

ILLUSTRATION JOHN TIEDEMANN

1000), Japan (7) and China (10.6). Similarly, India has a large and growing population, with 17 births per 1000 and a median age projected to be only 38 by 2050. These advantages provide these countries with larger potential workforces and a greater capacity for economic productivity.

More hands and minds

Labour market dynamics also play a crucial role in determining a country's ability to address the challenges of an ageing demographic. Shrinking workforces and labour shortages can hinder economic growth and productivity. The US, Australia and India, with their younger populations, are better positioned to sustain labour market stability and mitigate the negative effects of demographic shifts.

According to the Bureau of Labour Statistics, the US has maintained a relatively high labour force participation rate compared with Germany, Japan and China. Australia has also demonstrated a higher labour force participation rate, bolstered by robust immigration policies. India's growing population provides a significant workforce potential.

These factors indicate a larger proportion of the population actively contributing to the labour market, thus supporting economic output and mitigating potential labour shortages.

Specifically, when there are more people who can work, it means there are more hands and minds to do the job. This can make the economy stronger because there are more people available to produce goods and offer services.

Having a bigger potential workforce also means there are more people who can learn new things and come up with fresh ideas. This can lead to innovation and help businesses grow and create new products and services.

Greater economic resilience

The economic resilience of a country in the face of ageing demographics is critical to managing the associated burdens. Germany, Japan and China confront the challenge of sustaining economic growth and managing public finances amid rising healthcare and pension costs. These countries may experience reduced economic growth rates and increased fiscal pressure, which can strain government budgets and hinder public investments.

In contrast, the US, Australia and India exhibit greater economic resilience. According to the International Monetary Fund (IMF), these countries have projected economic growth rates that outperform many other advanced economies. The IMF also highlights the positive correlation between demographic factors, such as labour force growth, and economic performance.

The US and Australia, with their younger populations and robust labour markets, have the potential for sustained growth. India, with its large and dynamic workforce, offers significant economic opportunities.

Geopolitical influence

Ageing demographics can also affect a country's geopolitical influence and global standing. Germany, Japan and China, despite being significant global players, face the challenge of diminished influence due to potential economic and societal pressures associated with ageing populations.

Older populations tend to have different priorities and interests than younger generations. They may focus more on social welfare and healthcare, which can lead to increased government spending in these areas. This shift in focus can divert resources and attention away from other areas crucial for geopolitical influence, such as defence, foreign policy and diplomatic initiatives.

The US, Australia and India, on the other hand, are better positioned to maintain their geopolitical influence due to their favourable demographic profiles, economic resilience and relatively stronger labour markets.

While no country is exempt from the consequences of ageing populations, the US, Australia and India demonstrate a comparative advantage in navigating the burden of demographic changes, positioning themselves for greater stability and influence in an ageing world.

Investors taking a long-term view of markets need to consider investing in countries with a relatively more attractive demographic profile, rather than getting stuck on countries in which demographic weaknesses are set to worsen in the years ahead.

Max Riaz is an investment manager and director at Banyantree Investment Group, with responsibilities across equity and multi-asset strategies. See banyantreeinvestmentgroup.com.

3 FUNDS TO WATCH

Australian Quality ETF (ASX: AQLT)

The Betashares ETF aims to track an index that comprises 40 high-quality Australian companies. The index selects Australian companies based on "quality" metrics of high return on equity, low leverage and relative earnings stability.

Nasdaq-100 ETF (ASX: NDQ)

NDQ, also from Betashares, aims to track the performance of an index that comprises 100 of the largest non-financial companies listed on the Nasdaq market in the US, including many companies that are at the forefront of the new economy.

India Nifty 50 ETF (ASX: NDIA)

NDIA offers access to 50 of the largest and most liquid publicly traded companies in India, spanning a range of economic sectors.

> A bigger workforce means there are more people who can learn new things and come up with fresh ideas

mFunds languish in the shadows

An innovative digital service that was meant to make life easier for everyday investors is struggling to stay relevant

STORY ANDREW MCKEAN

According to the Australian Securities Exchange (ASX), mFunds are unlisted managed funds admitted for settlement under the ASX rules and available to investors through the mFund settlement service.

Launched in 2014, this service was designed to provide a platform on the ASX for mum-and-dad investors, self-managed super fund trustees and financial advisers to buy and sell units in unlisted managed funds. It removed paperwork and offered them an electronic method to trade through brokers, much like investing in shares.

In the beginning, everyone was excited. The mFund service was backed by the ASX and was meant to make life easier for all.

At the service launch announcement, former ASX deputy chief executive Peter Hiom said: "mFund will allow brokers to offer a greater choice of products to their clients and provide investors with a more convenient and efficient method for transacting in managed funds. The current process can be time consuming and paper intensive, and it is often difficult to get an overview of your holdings; the new mFund service changes all this."

The service uses the CHESS investment administration system to automate and track transactions.

Additionally, the mFund service made use of the existing ASX CHESS infrastructure to offer investors a consolidated view of their investments. This includes shares, other products such as government bonds and exchange traded funds (ETFs), as well as managed funds bought using the mFund service. The convenience of this consolidation was a significant selling point, simplifying the investment process and improving transparency.

It was against this backdrop that the mFund industry emerged. The system rallied the support of 70 foundation members including fund managers such as abrdn, Allan Gray, AMP, Bennelong, Fidelity, Platinum, PIMCO and Schroders, and offered solutions to various challenges plaguing the market.

Struggle to keep pace

Despite this promising start, however, the mFund service ultimately fell short of its full potential. The ASX monthly update for April 2023 shows it struggled to keep pace with other fund segments. Despite its broad offering of 230 products, mFund's market capitalisation is a meagre $1.7 billion.

In contrast, exchange traded products (ETPs), which track the movement of an index, commodity or a basket of assets and trade on the ASX, have a market capitalisation of $143.46 billion spread over 297 listed products. (ETP is the umbrella term for exchange traded funds and similar products.) The index group Global X predicts the industry will grow to $200 billion by 2025, with an increase in the number of listed products to at least 350.

ASX data also reveals a paltry number of daily transactions for mFunds (125) and an average daily volume of only $2.3 million. By contrast, ETPs posted 23,230 transactions each day and an average daily volume of $382.3 million. Within the mFund universe, six investment managers held half of the market share.

The largest mFund product – the PIMCO Global Bond Fund Wholesale Class – stands as the "big fish in the small pond", making up 11.4% of the market or $185 million in funds under management, according to a Rainmaker Information report.

Because of mFund's low performance, the ASX plans to release a consultation paper shortly seeking feedback on a proposed wind down and closure of mFund. While this doesn't definitively seal the fate of mFunds, an official statement acknowledged the clear shift in issuer and investor preferences towards ETPs, particularly ETFs, and away from managed funds.

The ASX recognises the surge of exchange traded managed funds (ETMFs), also referred to as active ETFs, within the Australian market, a trend that aligns with the expansion of the global ETF sector. This observation

Is there a future for mFund?

The question naturally arises: what's next for mFund? While the ASX's Andrew Campion remains coy about the exchange's future plans, he says any decisions will be guided by a commitment to safeguard investors' interests.

No matter which way the scales tilt, Australian Shareholder Association (ASA) chief executive Rachel Waterhouse advises investors to remain unflustered. She interprets the silence around mFund in investment circles to be a sign of its dwindling relevance, rather than a cause for concern. "The silence surrounding mFund speaks volumes. Investors are increasingly discerning, and it's apparent they're gravitating towards other options," she says.

possibly presages the termination of mFunds, drawing the curtain on a venture that once held great promise.

Great idea, poor timing

The mFund struggle isn't purely a tale of an innovative idea that was destroyed by the harsh realities of market competition. It's also a story of timing and, unfortunately for the ASX, the timing was far from ideal.

The launch of mFunds coincided with the start of an unprecedented boom in the ETP market. As ETPs surged in popularity, their easily accessible, highly liquid and cost-effective structure began to capture the attention of investors.

"The rising popularity of ETPs has taken away interest from some active fund managers," says Global X chief executive Evan Metcalf.

The change in investor preference was amplified by the inherently complex business models of unit trusts, which are typically accessed through platforms and intermediated through financial advisers.

These products rely heavily on being recommended by trusted professionals, whose decisions were influenced by their licensee's research and the product's availability on their preferred platform. Aptly, ASX data shows that mFund is primarily a service for financial advisers, with more than 70% of inflows coming from intermediaries.

The ETP boom turned out to be a game changer, siphoning much of the focus and investment that might otherwise have found its way to mFunds. The rise of ETPs, which promised similar advantages as mFunds, with added benefits, left the former languishing in the shadows of irrelevancy.

Speaking at the Financial Standard ETP Forum last year, John Dyall, head of investment research at Rainmaker Information (which publishes *Money* magazine and *Financial Standard*), underscored the value of ETPs, highlighting the potential benefits of unifying the features of unlisted trusts and ETPs.

"Having unlisted unit trusts, which offer certain benefits, and ETPs, which can be traded on a minute-to-minute basis throughout the day, provides existing customers liquidity and expands outreach to new customers who aren't intermediated," Dyall said.

He also pointed out that many unlisted unit trust products continue to be sold on an intermediated basis. ASX data continue to paint a grim picture. While mFunds recorded an incremental increase of $1.2 billion in the five years to December 2022, ETPs grew into a $100 billion sector.

This narrative led Rainmaker Information to coin mFund as the Apollo 13 of Australian funds management: a successful failure. Further compounding mFunds' woes, investment managers discovered they could convert regular managed funds into ETMFs – hybrid funds that combined the best of both worlds. This strategy gave investors the familiarity and trust of managed funds with the added liquidity, transparency and ease of trading ETPs.

Dyall likens mFunds to being the Betamax of product distribution, referring to the video cassette recorder that was eventually wiped out by its VHS rival. "It [mFund] was meant to be a better mousetrap than regular unlisted unit trusts because of less paperwork involved. They were meant to be a way for fund managers to access the self-directed investment crowds as opposed to the intermediated model that is used by clients of financial advisers. ETPs, however, turned out to be the better mousetrap," he says.

Final nail in the coffin

The emergence of hybrids was the final nail in the coffin for mFunds. Hybrid funds heightened competition to a point that mFunds were functionally ill-equipped to handle. Consequently, the business case for mFund, which was already on shaky ground, became arguably untenable.

But was there an alternative course for ASX? Not really. At the time of mFund's inception, a mechanism for unlisted unit trusts to trade as ETPs was non-existent. Today, the landscape is quite different.

Damon Riscalla, head of practice development at Betashares, says: "Originally, choices were fairly limited, mostly focused on market cap-weighted exposures. Fast-forward to today, and the landscape is so much more diverse. We've seen exponential growth in terms of asset classes, thematic investing, factor and smart beta exposures. This has been a key driver in attracting both financial advisers and self-directed investors."

History is littered with examples of promising innovations that have been eclipsed by superior ideas and mFund isn't an exception. Despite the ASX's well-intentioned endeavour to streamline the managed funds market, it has found itself overshadowed by more enticing investment vehicles.

Andrew Campion , ASX general manager of investment products and strategy, suggests mFund's struggle to capture capital isn't indicative of an inherent flaw in the service. Rather, it's a reflection of the astounding success of the ETP market. "It's not like we have people at our doorstep criticising mFund. Rather, it's the allure of the active ETF wrapper that has been more captivating to both investors and issuers," he says. *M*

This is the market's biggest lie

There's one question that share and property investors should never ask the financial "experts"

I once gave a presentation at a home buyer's show. My talk was on which asset class is the best, property or shares, and in my preparations I discovered that both asset classes return 6% to 10% over the long term and, depending on your chosen time period, one or other will win but no one takes the trophy at all times.

I started out looking for the differences, but what I noticed where the similarities. The two asset classes have very similar marketing. They are both playing a game with you.

Here are some of the parallels:

- Both asset classes simply want you to buy something. Never sell something.
- Both industries rely on the image of a perpetual bull market.
- Both industries understate the risk by asking you to look at averages over a long, long period of history.
- Both industries work very hard to make everything appear low risk, safe and cuddly. It is well known on the financial sell side that the safer it appears the more the customer will buy.
- Both industries use a lot of successful handpicked examples in hindsight.
- Both industries make out that everyone always wins.
- Both industries, like those TV screens in the Bellagio casino in Vegas, raise up their winners as examples of the norm and rely on the losers to find dark corners lest they be revealed as fools.

It's the same in every industry, of course, but when it comes to investing, the process is one of manoeuvring potential customers into a "comfort zone" from which they think it is safe to buy.

Keep the punters happy

On that subject, let me explain something fundamental about economists and strategists. Almost all of them, certainly

the well-known ones in Australia, are representatives of large product-selling institutions. In Australia, the best-known economists and strategists are from the major banks and the major fund managers.

Understand, then, that each of them has a legion of salespeople behind them whose job it is to sell financial products under the same brand. Because of that they will never, ever, ever tell you to sell. They have one simple imperative: calm the clients down, keep them happy, keep them invested in their company's products and, as a side issue, present your institution as intellectual and smart.

They do that well and they do it by presenting a calm, intellectual persona who suggests that the markets are predictable and that the client need not worry because their adviser has everything pinned down, including the future.

Their role is to keep the clients invested in their products and they do that by presenting the impression that the market risk is benign and the financial outlook is certain and optimistic, because certainty sells financial products.

Yes, all the economists and strategists are intelligent, educated and presentable, but their opinion is not independent. They have no freedom to express doubt because if they did, if they were ever to say "sell", they would have the thousand product salespeople who had recently sold product under their brand calling for them to be sacked. Most economists are, unfortunately, pacifiers. Most of what they tell you is designed to alleviate your worries and keep you invested.

Ignored in the marketing

Back to the similarities. There is one final similarity between property and shares that you will not find in the marketing but is understood by all experienced investors in both property and shares.

It is this. Any investment outcome depends on when you buy and when you sell and how that investment does between the time you buy and the time you sell.

This final inconvenient truth is a killer for both industries. It includes the word "when". The property and funds management industry hates being asked "when?". They want you to invest all the time, at all times, at any time, without bothersome questions like "When should I buy?" or, the worst, after you've bought, "When should I sell?".

The last thing they want, having seduced you at great length into buying their product with fees, is for you to disturb them with a question they do not know the answer to.

And so it is that the biggest lie of the financial markets has evolved. You know the one. "You can't time the market." Thank goodness for the academics who came up with that study.

Never has a bunch of statistics been so welcomed by an industry. How convenient. You can't time the market, so don't bother asking us "when", just buy all the time and never sell. Perpetual customers. Terrific.

The unfortunate truth, then, is that your investment experience will not mimic hand-picked examples in hindsight, the success of Warren Buffett or the long-term average of a particular asset class in history. Your experience will stand alone, as unique as you are, as a personal experience that will have nothing to do with everyone else and everything to do with what you bought, when you bought, and, let's not ignore it, when you sell.

You know it already. The marketing tells you it's safe to buy at all times and never sell. It's not true.

Marcus Padley is the author of the daily stockmarket newsletter Marcus Today. *For a free trial of the newsletter, go to marcustoday.com.au.*

SECTOR **HEALTHCARE**

Dreams created in the lab

The search for a cure or treatment, with a low chance of a large return, is rather like prospecting for a precious metal

For the first time since 2020, Covid is not the story of the year; for investors or for the world at large. To be sure, it seems as if we're stuck with a new endemic virus. And healthcare professionals seem nowhere near as blasé as the rest of us, on average, have become. But, thanks to competing priorities and short attention spans, our society has largely moved on.

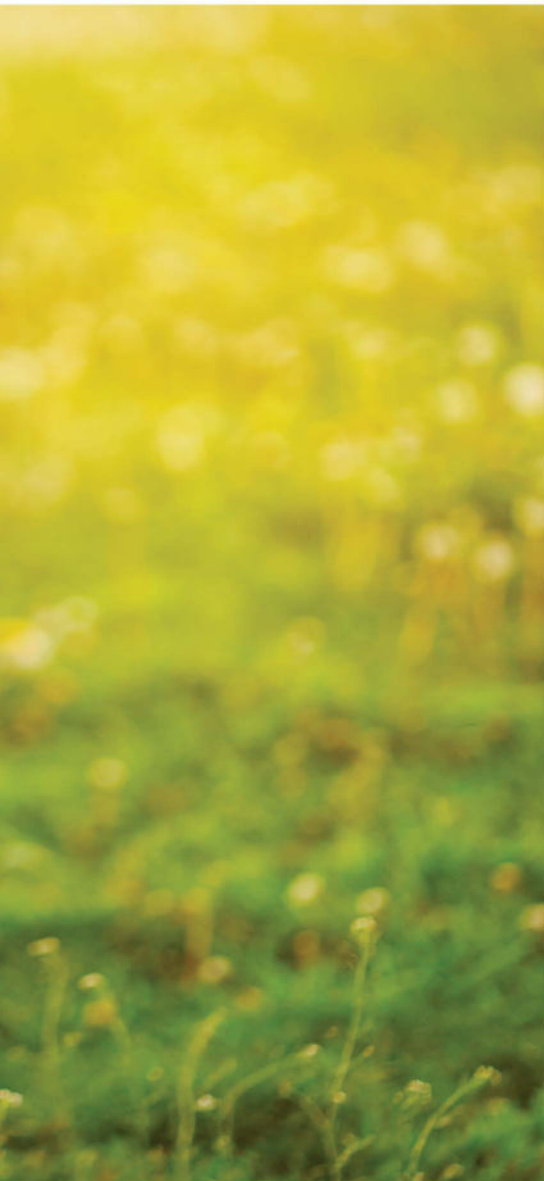
And yet, the experience of, and response to, Covid has been profound – as a society, but also for healthcare. The very idea of mRNA-based vaccines, for so long a dream with an unknown timeline, became real – and really useful – in 2021. And most of us learned more than we ever thought we would about medical devices, the cost of care, and the fragility of supply chains – health and otherwise.

In some ways, it was the acceleration of an existing trend.

For a long time, the growth in health spending has outstripped average government spending, as we live longer, diagnose better and develop increasingly impressive – and costly – treatment regimes.

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
Financials	Macquarie	MQG
Healthcare	Cochlear	COH



Which is good for prolonging life and asks serious questions of government policy (and our willingness to fund it), but also raises the potential of investment gains. Given the therapeutic arms races that are constantly under way, is there an opportunity to do well by doing good?

Almost certainly. But, of course, finding the (hypodermic) needle in a haystack of good intentions can be as difficult as it sounds. After all, other than with a couple of fraudulent examples (I'm looking at you, Theranos), there is a phalanx of ASX-listed companies, all run by incredibly smart, super-committed, scientifically informed researchers, who all believe (hope?) that their particular hypothesis might just be proven out as the one that will treat or cure any number of diseases and conditions.

Against that, however, there are three major, often unsurmountable challenges: the proposed solution simply may not work, or it may work but less well than a competing product, and, for investors, even if it does work, the time and money sunk into the project may overwhelm the commercial opportunity, leaving a suboptimal return for those who put their funds on the line.

If that sounds bleak, well, it often is. There is the occasional breakthrough, to keep the scientists motivated and the speculators interested, but I used the word "speculator" deliberately. The returns in this sector more closely resemble those of mining prospectors than of industrial businesses; a very low chance of a very large return. Society benefits from that rare, genuine breakthrough, but investors too often don't.

Which leaves us where, exactly? Well, if the founders – the mega-brains with the dream of treatment or cure – don't know whether they'll be successful, how are investors (absent ego and pretence) to put themselves in a better position? In short, I think it requires suspension of disbelief.

Which leaves us with established proven players. A reminder, again, that listed aged care providers are closer to operating REITs than to genuine healthcare operators, given their business models (and a recent royal commission), so we're excluding them here.

Foolish takeaway

Luckily, there's plenty to choose from among our world-leading healthcare companies, including CSL, Cochlear, Fisher & Paykel Healthcare, ResMed and more. And it's from that group we find our winner: a company with Australian-developed, world-leading technology, backed by a peerless brand, decades of structural growth ahead, and which keeps its customers for life. That makes hearing-device business Cochlear our healthcare Best in Breed.

Scott Phillips is The Motley Fool's chief investment officer. He owns units in the Vanguard Developed World ex-Australia ETF. You can reach him on Twitter @TMFScottP, Facebook /scottphillipsmoney, and via email ScottTheFool@gmail.com.
This article contains general investment advice only (under AFSL 400691).

Profitable slice of the data action

STORY NICK CUMMINGS

It's okay to be boring when your business is helping to devour the world

Silicon Valley venture capitalist Marc Andreessen says, "Software is eating the world". Microsoft chief executive Satya Nadella, meanwhile, expects 10% of global gross domestic product to be spent on technology, up from 5% currently. These positions have led to a classic corporate homily – you are either a digital business or a dead business.

As with most stereotypes, there's some truth to this. Retailers must have an online store, power plants require cybersecurity software and employers must offer a work-from-home option. The pandemic has proved the veracity of these sentiments. Everything is going online.

As the technology sector booms, the businesses seeking to profit from it multiply. We can separate them into two categories – hardware and software. The former, consisting of computers, routers, cables and their transport and integration, is largely a commodity business; the latter anything but.

Dicker Data is at the heart of the trend towards digitisation, moving the boxes and cables that allow the ones and zeros to zip around the world. If you're looking for sexy, you won't find it here.

This is a tedious business with all the hallmarks of a poor investment, including razor-thin margins, large working capital balances and powerful Fortune 500 suppliers like Microsoft, Hewlett Packard, Cisco and Dell on the end of most transactions.

So, here's the thing. Since Dicker Data's initial public offering (IPO) in 2011, the company has become a 100-bagger, including dividends. It listed at 20 cents per share and now trades above $8 a share, paying dividends along the way.

How has Dicker Data succeeded in such a difficult, low-margin sector?

Firstly, in a rapidly growing industry, well-managed companies tend to prosper, especially if they focus on the most profitable niche.

Dicker Data concentrates on small and medium businesses, where gross margins are twice that of the retail sector (11%-12% gross margins rather than 5%-6%). Competitors like Synnex and Ingram Micro target high-volume products where customer support is negligible and big-box retailers like Harvey Norman and JB Hi-Fi have more bargaining power.

Dicker Data's largest customer accounts for 4% of revenue. The more complex needs and dynamic demand schedules of small businesses are harder to service, but the additional margin makes it worthwhile.

This is the origin of the working capital challenge. Scheduling inventory for customers like JB Hi-Fi is far easier in a seasonal retail business. Corporate demand is more ad hoc. If you stock too few products, resellers will look elsewhere; if you stock too many, you'll be saddled with excess inventory.

This is one of Dicker Data's core management challenges, one it has mastered by offering technical support, remote configuration, financing and other services to improve customer engagement. Working more closely with clients not only helps client retention but delivers a clearer picture of future demand.

Hills provides security services through the distribution of things like security cameras and access cards. The crossover with IT distribution seems limited but the logic is sound: Hills is a mismanaged business with a valuable reseller list suffering from vendor losses.

In fact, 85% of Hills's 2000 customers have no prior relationship with Dicker Data. The aim is to restore lost vendors and cross-sell IT products to new customers. If successful, the purchase price of $20 million could be a bargain.

The other plank in management's strategy is to grow software subscription revenue. It now accounts for 21% of revenue, up from 16% three years ago.

Our conversation with management emphasised how much software is "eating the world", with 80% of the company's new vendors developing software. Unlike hardware revenue, subscription software is recurring and doesn't tie up much capital.

For distributors, this is a double-edged sword with the internet replacing logistics and warehousing. So far, software vendors have relied on distributors for sales and support rather than internalising these functions. But it's worth watching if this union holds.

The company trades on a multiple of less than 20 times forward earnings, up from 10 times in 2015, and is well above the 10 times multiple attributed to peer Synnex.

The industry is forecast to grow at 5%-6% a year over the next five years and we'd expect the company to achieve low double-digit earnings growth, assuming steady margins.

In the recent first quarter result (Dicker Data has a December year end), revenue increased 9.7% from a year earlier, easing fears around gross margins that increased from 8.6% to 9.2%. Net profit only increased 7% to $25 million, due to increasing interest payments on the company's working capital facility and redundancy costs, but management expects another strong year.

This is the epitome of a founder-led, well-managed and boring business that hides its attractions well. BUY below $9.

Nick Cummings is an analyst at Intelligent Investor.

Using this approach, Dicker Data has grown from 27% of the corporate market to 33% in two years. Management estimates it has around half the small-to-medium business segment.

The financials highlight the focus. Ingram Micro turns over its inventory 10 times a year; Dicker Data's comparable figure is 14. Ingram earns 7% gross profit margins; Dicker Data earns 9% – a number it has produced for each of the past five years.

Small differences in margin and a bespoke approach to customer service and retention show up in impressive headline figures. Since listing, revenue has grown at 20% a year compared to industry growth rates of 5%-6%, profit before tax has grown by 28% a year and earnings per share by 24%.

Incentives also play a role. The company's top executives receive 7% of the company's earnings before tax, while founder and chief executive David Dicker doesn't pay himself a salary.

The unique and uncapped incentives caused proxy advisers to recommend against the 2021 remuneration report, but the spill resolution didn't carry. That was probably a good thing. Success in a small market can only go so far. After growing organically for years, Dicker Data recently purchased two businesses.

Exeed, New Zealand's second largest distributor, increased the company's market share in that country from 8% to 28%, and secured key vendor HP. The arrangement enhances cross-selling opportunities and allows it to pursue larger customers.

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	0.1%	16.5%	8.7%	8.2%
International Equities	MSCI World ex AU Index	4.9%	13.4%	11.6%	14.6%
Property	S&P ASX200 A-REIT Index	-13.9%	13.6%	4.8%	7.7%
Australian Fixed Interest	Bloomberg Barclays Australia (5-7 Y) Index	1.3%	-2.3%	1.5%	2.8%
International Fixed Interest	Bloomberg Barclays Global Aggregate Index	-5.5%	-2.8%	0.3%	2.4%

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)
Vanguard International Shares Index Fund	VAN0003AU	0.18%	1997	$23,379m	4.4%	13.0%	11.1%	14.1%
ISPT Core Fund			1994	$18,247m	3.1%	6.7%	6.0%	9.1%
Vanguard Australian Shares Index Fund	VAN0002AU	0.16%	1997	$17,970m	-0.6%	16.6%	8.6%	8.0%
DEXUS Property Fund		0.55%	1995	$12,444m	4.9%	5.5%	6.9%	9.6%
Vanguard Australian Shares Index ETF	VAS	0.10%	2009	$12,365m	-0.6%	16.6%	8.6%	8.1%
SECTOR AVERAGE		**0.68%**		**$771m**	**-0.3%**	**9.1%**	**5.7%**	**7.2%**

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)
Antipodes Global Fund	IOF0045AU	1.20%	1994	$2,409m	23.7%	12.3%	7.7%	14.0%
Platinum International Brands Fund	PLA0100AU	1.35%	2000	$488m	22.8%	15.5%	6.5%	10.9%
Platinum International Fund	PLA0002AU	1.35%	1995	$6,835m	17.7%	11.3%	5.5%	11.0%
Schroder Global Recovery Fund	SCH0095AU	0.98%	2017	$13m	15.0%	19.4%	7.2%	
Platinum Global Fund (Long Only) P Class	PLA0779AU	1.10%	2017	$7m	14.9%	12.5%	5.2%	
SECTOR AVERAGE		**0.81%**		**$729m**	**1.1%**	**12.2%**	**7.4%**	**9.0%**

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)
Orbis Global Balanced Fund	ETL3967AU	1.20%	2017	$8m	9.8%	14.6%	6.0%	
Morningstar High Growth Real Return Fund	INT0042AU	0.65%	2001	$80m	8.5%	13.7%	6.8%	8.6%
CT Pyrford Global Absolute Return Fund	PER0728AU	0.80%	2014	$60m	8.0%	6.1%	5.5%	
Morningstar Multi Asset Real Return Fund	INT0040AU	0.74%	2000	$259m	7.6%	9.8%	5.4%	
Morningstar Growth Real Return Fund	INT0038AU	0.59%	2001	$483m	6.9%	10.2%	5.4%	7.2%
SECTOR AVERAGE		**0.71%**		**$593m**	**-0.7%**	**7.6%**	**4.7%**	**6.1%**

Source:
Rainmaker Information. Data sourced March 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	10.2%	23.0%	7.9%	9.2%
VanEck Australian Resources ETF	MVR	0.35%	2013	$351m	8.8%	26.3%	13.7%	
SPDR S&P/ASX 200 Resource Fund	OZR	0.39%	2011	$152m	8.7%	28.5%	15.6%	8.8%
Lazard Defensive Australian Equity Fund	LAZ0022AU	0.75%	2012	$22m	8.5%	19.2%	8.9%	9.1%
Merlon Concentrated Australian Share Fund	HOW2217AU	0.52%	2018	$6m	7.9%	23.8%	8.4%	
SECTOR AVERAGE		**0.67%**		**$805m**	**-1.3%**	**17.1%**	**8.0%**	**8.5%**

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)
Hamilton Lane Global Private Assets Fund - AUD (UH)	PIM8461AU	1.70%	2021	$0m	27.6%			
Antipodes Global Fund	IOF0045AU	1.20%	1994	$2,409m	23.7%	12.3%	7.7%	14.0%
Platinum International Brands Fund P Class	PLA2056AU	1.10%	2017	$2m	23.1%	15.7%	6.8%	
Platinum International Brands Fund	PLA0100AU	1.35%	2000	$488m	22.8%	15.5%	6.5%	10.9%
Platinum International Fund P Class	PLA8968AU	1.10%	2017	$29m	18.0%	11.6%	5.8%	
SECTOR AVERAGE		**0.82%**		**$772m**	**4.1%**	**11.9%**	**9.5%**	**12.5%**

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)
Vertium Equity Income Fund	OPS1827AU	0.97%	2017	$98m	7.4%	16.0%	7.6%	
Merlon Australian Share Income Fund	HBC0011AU	0.95%	1985	$357m	6.6%	16.1%	5.7%	6.5%
Investors Mutual Equity Income Fund	IML0005AU	0.99%	2004	$521m	5.6%	16.8%	4.8%	7.0%
Invesco Australian Equity Efficient Income Fund (Class A)	GTU0516AU	0.85%	2019	$16m	5.0%	9.8%		
SPDR MSCI Australia Select High Dividend Yield Fund	SYI	0.35%	2010	$386m	3.6%	19.3%	8.1%	6.4%
SECTOR AVERAGE		**0.78%**		**$441m**	**0.2%**	**16.0%**	**6.3%**	**6.7%**

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)
VanEck MSCI International Sustainable Equity ETF	ESGI	0.35%	2018	$156m	9.8%	10.6%	9.8%	
Impax Sustainable Leaders Fund	ETL8171AU	1.10%	2017	$288m	9.6%	14.3%	10.5%	
Franklin Global Responsible Investment Fund	SSB5738AU	0.75%	2019	$23m	8.4%	14.8%		
Bell Global Sustainable Fund (Unhedged)	BPF6914AU	0.80%	2021		7.0%			
Acadian Sustainable Global Equity Fund	FSF0710AU	0.97%	2005	$158m	6.8%	15.4%	11.6%	13.6%
SECTOR AVERAGE		**0.79%**		**$238m**	**-0.4%**	**10.1%**	**6.8%**	**8.5%**

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 – March 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
Mine Super - High Growth	LC	89%	High Growth	0.5%	23	12.6%	1	7.3%	6
Telstra Super Corporate Plus - MySuper Growth	LC	89%	High Growth	2.4%	4	11.9%	2	7.3%	3
Maritime Super - MySuper	S	75%	Growth	1.6%	9	11.9%	3	7.3%	2
Hostplus - Balanced	S	81%	Growth	1.5%	10	11.8%	4	7.2%	7
GuildSuper - MySuper Lifecycle Growing	LC	100%	High Growth	-0.9%	34	11.4%	5	7.0%	11
Active Super Accumulation Scheme - High Growth	LC	95%	High Growth	0.5%	22	11.3%	6	7.3%	5
Essential Super Employer - Lifestage 1980-84	LC	74%	Growth	-0.8%	32	11.2%	7	5.9%	26
Mercer CS - Mercer SmartPath 1979-1983	LC	89%	High Growth	1.0%	13	11.1%	8	6.7%	14
FirstChoice Employer - FirstChoice Lifestage (1980-1984)	LC	96%	High Growth	-0.8%	33	11.0%	9	5.5%	32
Aware Super Employer - High Growth	LC	84%	Growth	0.1%	25	10.9%	10	7.6%	1
Virgin Money SED - LifeStage Tracker 1979-1983	LC	90%	High Growth	-0.4%	30	10.8%	11	7.3%	4
ART - Super Savings - Lifecycle Balanced Pool	LC	77%	Growth	2.6%	3	10.8%	12	7.0%	10
smartMonday PRIME - MySuper Age 40	LC	86%	High Growth	-1.8%	36	10.5%	13	6.8%	12
ANZ SCSE - ANZ Smart Choice 1980s	LC	80%	Growth	-1.4%	35	10.4%	14	6.2%	18
HESTA - Balanced Growth	S	69%	Balanced	1.8%	6	10.1%	15	6.5%	15
AustralianSuper - Balanced	S	66%	Balanced	0.6%	20	10.1%	16	7.1%	8
AvSuper Corporate - Growth (MySuper)	S	81%	Growth	3.6%	1	10.1%	17	6.2%	19
AMP SignatureSuper - AMP MySuper 1980s	LC	86%	High Growth	-1.9%	37	10.0%	18	5.9%	25
UniSuper - Balanced	S	68%	Balanced	1.7%	8	9.9%	19	7.1%	9
legalsuper - MySuper Balanced	S	74%	Balanced	0.2%	24	9.8%	20	6.1%	22
Vision Super Saver - Balanced Growth	S	70%	Balanced	0.8%	15	9.7%	21	6.7%	13
Cbus Industry Super - Growth (MySuper)	S	73%	Balanced	1.2%	12	9.4%	22	6.4%	16
TWUSUPER - Balanced (MySuper) Option	S	72%	Balanced	0.6%	21	9.4%	23	5.6%	31
CareSuper - Balanced	S	77%	Growth	1.8%	7	9.1%	24	6.0%	23
REI Super - Balanced (MySuper Option)	S	76%	Growth	-0.2%	28	8.9%	25	5.0%	36
Bendigo SSSE - Bendigo Growth Index Fund	LC	76%	Growth	-2.2%	38	8.7%	26	6.0%	24
Spirit Super - Balanced (MySuper)	S	67%	Balanced	1.3%	11	8.6%	27	6.1%	21
Equip MyFuture - Equip MySuper	S	60%	Balanced	0.7%	17	8.5%	28	5.7%	29
Rest Super - Core Strategy	S	69%	Balanced	0.7%	16	8.5%	29	5.3%	33
NGS Super - Diversified (MySuper)	S	72%	Balanced	0.6%	18	8.4%	30	5.8%	27
Rainmaker MySuper/Default Option Index				**0.6%**		**9.3%**		**6.2%**	

Benchmark Indices – Workplace Super

INDEX NAME	Performance to March 31, 2023		
	1-year	3-years (pa)	5-years (pa)
Rainmaker MySuper/Default Option Index	0.6%	9.3%	6.2%
Rainmaker Growth Index	-0.1%	10.8%	6.7%
Rainmaker Balanced Index	0.2%	8.1%	5.5%
Rainmaker Capital Stable Index	0.3%	4.3%	3.4%
Rainmaker Australian Equities Index	0.2%	13.6%	7.9%
Rainmaker International Equities Index	0.6%	11.3%	7.6%

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.

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"I never give up hope for a better tomorrow"

Do you recall your earliest money lesson?
I have two strong early memories. The first one was from my parents, and it was the importance of giving back where you can and supporting others. The second was in Year 7 of high school during social studies class. It was the first time I had heard about "hire purchase", "consumer leases" and "rent to buy". I recall being horrified at how expensive a fridge under finance could become and curious as to what was happening in a person's life to use these products.

What was the first thing you remember saving up for?
I was a terrible saver when I was young and a great spender on clothes and holidays. The first real saving occasion for me was for a house deposit and I'm grateful that in 1993, with house prices and living at home with my parents, it was quite achievable.

How are you dealing with cost-of-living pressures this year?
I am definitely noticing the increased cost of going to the supermarket – and power bills. I am keeping mindful of my spending habits and purchases and slowing down before I buy something extra.

For someone committed to helping others in need, do you think you place as high a value on money as other people?
Love this question. I often think money is the "medium" and shows up in different ways depending on nature and nurture. For me, the value is that everyone has safe shelter, food security, access to high-quality education and health, and enough money to have at least one coffee out per week. The value is being connected to others and, unfortunately, when funds are low, we too often see that important basics aren't able to be met, including connection with others.

KRISTEN HARTNETT

Kristen Hartnett is national Moneycare manager with The Salvation Army. Moneycare is The Salvos' free and confidential financial counselling service.

What would you say was a big financial turning point for you?
I can't recall a big financial turning point. Having worked in this sector for the past 23 years, I enjoy conversations and learning from people all the time. I am forever impressed by the resourcefulness of people who navigate complex personal and financial situations. I am proud of people who connect with The Salvation Army Moneycare financial counselling service during their time of challenge and I never give up hope for a better tomorrow.

What's the best money advice you've received?
I have to thank my father for this one. From a very young age he instilled in me: "Never pay off a depreciating item." This advice has kept me very safe.

What's the best investment you've made?
Buying a house. The best part is having a safe place for my family and the times we have had and continue to share.

What's the worst investment decision you've made?
Oh, this is easy. Not an investment but a purchase. We bought a VK Commodore that turned out to be a dud. We spent more money on repairs than on the purchase price. It was a money pit and a very painful experience.

What is your favourite thing to spend money on?
Can I only choose one? Experiences and holidays with family and friends (and some clothes).

How would you spend your last $50?
That would be hot chips by the lake and I'd invite my family and friends to join me.

What's the next challenge you've set yourself?
I've just completed a 22km trail run in the Blue Mountains and had a wonderful time preparing for and completing the event with great people. I'd love to do something with all of them again. Other than that, it would be as simple as making sure I get some exercise outside and fresh air each day.

Finish this sentence: Money is good for...
meeting needs, buying time and investing in others.

APPEAL HAS $37M TARGET

The Salvation Army's Red Shield Appeal is currently under way, aiming to raise $37 million to ensure Aussies who are doing it tough can get the support they need, including services such as Moneycare.

To donate to the Red Shield Appeal, or if you need support from The Salvos, visit salvationarmy.org.au or phone 13 SALVOS (13 72 58). You can also donate at any Salvos store.

Taxpayers are our true heroes

The minerals industry is more of a freeloader than a heavy lifter when it comes to government revenue

The Minerals Council of Australia (MCA) is running a national multimedia advertising campaign proclaiming that Australia's minerals industry is the nation's fiscal salvation because it's paying record company tax and royalties.

"In 2021-22, [Australia's minerals industry contributed] $63 billion to federal, state and territory governments, an increase of $21 billion on the previous year. That total contribution is the equivalent of paying for the entire Medicare scheme or the childcare subsidy for two years," it boldly states in its media release.

The clincher line says the minerals sector pays a third of all company tax paid in Australia, meaning "the minerals industry is clearly paying its fair share of tax".

Maybe. The minerals industry is, without doubt, an Australian and global success story, and if Australia wants to reduce its carbon emissions we'll need the industry to really ramp up its extraction and production of minerals and rare earths – which is why anyone who thinks transitioning to renewable energy will make Australia less reliant on the mining and resources sector has no idea what they're talking about.

But to really appreciate who Australia's tax-paying heavy lifters are – and who the free-loading leaners are – you simply have to cast your eye over the budget papers. Expect to be shocked.

Long way from the truth

To set the scene, May's federal budget revealed that for the 2022-23 financial year, the national government expects to receive $636 billion in revenue: 93% as taxation receipts and 7% from selling goods and services, interest payments, dividends and capital gains.

On the upside, within four years, by 2026-27, this total is expected to rise

16% or by 3.7%pa, meaning the government and its treasury advisers think we'll have $100 billion more to spend by then. But the stunner is that while the MCA might think its members are national heroes making this increased budget expenditure possible, that's about as far from the truth as you could get.

Showing how far off the mark their claim is, company taxation is expected to fall 7%pa, resulting in the share of government receipts they pay diving from 21.8% of total revenue in 2022-23 to just 17.5% in 2026-27. That's a drop of 4.3 percentage points, meaning company tax is going backwards.

By sharp contrast, it's individual taxpayers who are our true economic heroes and fiscal lifters making everything possible. Through the next four years, the taxation they pay is expected to increase 19% from $301 billion to $359 billion. The share of total government receipts they pay should rise skywards from 47.3% in 2022-23 to 48.8% in 2026-27, making it one of the highest individual taxation ratios in the OECD.

The heavy reliance on individual taxpayers means 60% of the budget's projected increase in government revenue will be paid by them. It's about time people realised that the idea Australia relies on companies to pay our tax bills is pure fantasy.

Put even more savagely, in 2022-23, individuals in aggregate paid more than twice the total tax paid by companies – and that's in the middle of a commodities and energy boom. On current trends, within just six years this ratio will go stratospheric as the tax paid by individuals will grow to be triple the amount of tax paid by companies.

No wonder the current government is loath to reverse the stage three tax cuts.

Punished by bracket creep

We also need to appreciate that just 20% of taxpayers – meaning those earning more than $180,000 per year – have already been punished by bracket creep. According to tax office statistics, in 2019-20 they contributed two-thirds of all taxes paid by individuals.

While the vexed politics around the stage three tax cuts ignite all manner of arguments over social equity, not honouring them will mean this small number of taxpayers will pay an even bigger share. Australia will have to pray that not too many of these people migrate; if they do, then our country's future tax base could be in long-term strategic trouble.

Another structural 2022-23 budget shock is that 96% of government revenue is paid by just five revenue categories: individuals, companies, the GST, non-tax receipts and excise. Worse still, for all the government's bluster over the increase in the petroleum resources rent tax, its share of total government revenue is actually expected to fall from a tiny 0.4% to an even tinier 0.3%.

Australia's mining sector may indeed be a major taxpayer. But in trying to highlight this it just shines a light on the mess that is Australia's taxation system. Trouble is, doing something about it is fraught with political risk, which is why so few modern governments dare try.

Alex Dunnin is director of research at Rainmaker Information.

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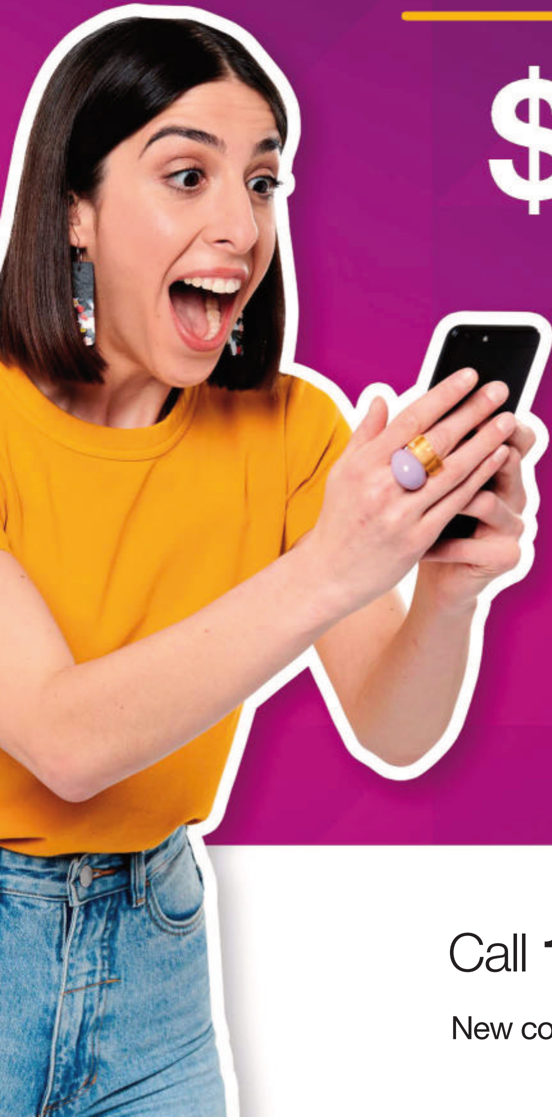

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