Newsletter April 2022

In this month's newsletter we look at opportunities for maximising super between couples and provide warnings on scams and what to look out for.

At Experien Financial Services we provide you with affordable advice and strategy not only on how much you need to meet your wealth goals, but using our bespoke actuarial modelling, the likelihood of you achieving those goals. Reach out to discuss your wealth goals and any changes to your personal financial circumstances.

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Sharing super

a *win-win* for couples

Australia's superannuation system is based on individual accounts, with men and women treated equally. But that's where equality ends. It's a simple fact that women generally retire with much less super than men.

The latest figures show women aged 60-64 have an average super balance of $289,179, almost 25 per cent less than men the same age (average balance $359,870).[i]

The reasons for this are well-known. Women earn less than men on average and are more likely to take time out of the workforce to raise children or care for sick or elderly family members. When they return to the workforce, it's often part-time at least until the children are older.

So, it makes sense for couples to join forces to bridge the super gap as they build their retirement savings. Fortunately, Australia's super system provides incentives to do just that, including tax and estate planning benefits.

Restoring the balance

There are several ways you can top up your partner's super account to build a bigger retirement nest egg you can share and enjoy together. Where superannuation law is concerned, partner or spouse includes de facto and same sex couples.

One of the simplest ways to spread the super love is to make a non-concessional (after tax) contribution into your partner's super account. Other strategies include contribution splitting and a recontribution strategy.

Spouse contribution

If your partner earns less than $40,000 you may be able contribute up to $3,000 directly into their super each year and potentially receive a tax offset of up to $540.

The receiving partner must be under age 75, have a total super balance of less than $1.7 million on June 30 in the year before the contribution was made, and not have exceeded their annual non-concessional contributions cap of $110,000.

Also be aware that you can't receive a tax offset for super contributions you make into your own super account and then split with your spouse.[ii]

Contributions splitting

This allows one member of a couple to transfer up to 85 per cent of their concessional (before tax) super contributions into their partner's account.

Any contributions you split with your partner will still count towards your annual concessional contributions cap of $27,500. However, in some years you may be able to contribute more if your super balance is less than $500,000 and you have unused contributions caps from previous years under the 'carry-forward' rule.

If your partner is younger than you, splitting your contributions with them may help you qualify for a higher Age Pension. This is because their super won't be assessed for social security purposes if they haven't reached Age Pension age, currently 66 and six months.[iii]

Recontribution strategy

Another handy way to equalise super for older couples is for the partner with the higher balance to withdraw funds from their super and re-contribute it to their partner's super account.

This strategy is generally used for couples who are both over age 60. That's because you can only withdraw super once you reach your preservation age (currently age 57) or meet another condition of release such as turning 60 and retiring.

Any super transferred this way will count towards the receiving partner's annual non-concessional contributions cap of $110,000. If they are under 67, they may be able to receive up to $330,000 using the 'bring-forward' rule.

As well as boosting your partner's super, a re-contribution strategy can potentially reduce the tax on death benefits paid to non-dependents when they die. And if they are younger than you, it may also help you qualify for a higher Age Pension. These are complex arrangements so please get in touch before you act.

A joint effort

Sharing super can also help wealthier couples increase the amount they have in the tax-free retirement phase of super.

That's because there's a $1.7 million cap on how much an individual can transfer from accumulation phase into a tax-free super pension account. Any excess must be left in an accumulation account or removed from super, where it will be taxed. But here's the good news – couples can potentially transfer up to $3.4 million into retirement phase, or $1.7 million each.[iv]

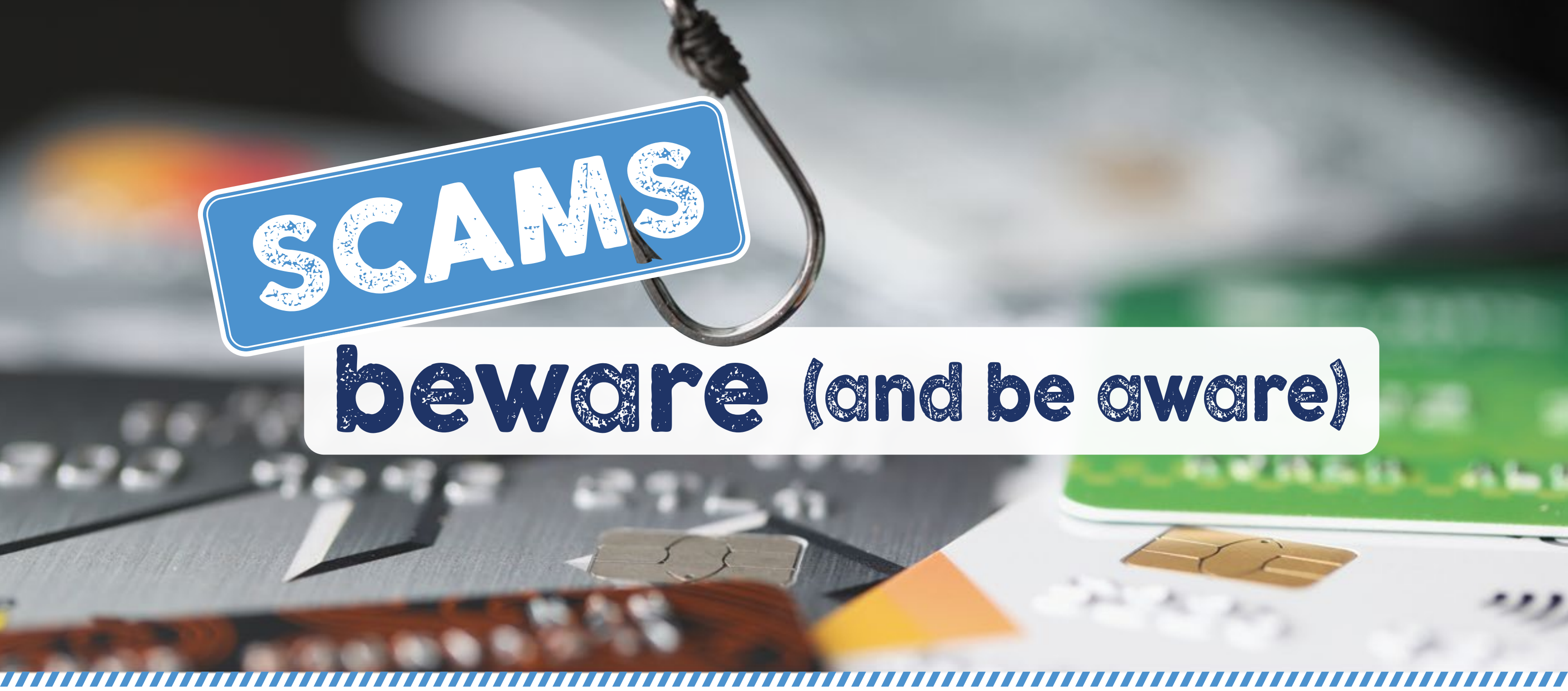
By working as a team and closing the super gap, couples can potentially enjoy a better standard of living in retirement. If you would like to check your eligibility or find out which strategies may suit your personal circumstance, get in touch.

i https://www.superannuation.asn.au/ArticleDocuments/402/2202_Super_stats.pdf.aspx?Embed=Y

ii https://www.ato.gov.au/individuals/income-and deductions/offsets-and-rebates/super-related-taxoffsets/#Taxoffsetforsupercontributionsonbehalfof

iii https://www.ato.gov.au/Forms/Contributions-splitting/

iv https://www.ato.gov.au/individuals/super/withdrawing-and-using-your-super/transfer-balance-cap/



SCAMS beware (and be aware)

There is a saying 'a fool and his money are often parted' but with scammers becoming ever more devious and sophisticated in their methods, it pays for everyone to be aware of the latest tricks being employed.

According to Australian Competition and Consumer Commission (ACCC) data, last year was the worst year on record for the amount lost to scammers, with a record $323 million lost during 2021. This represents a concerning increase of 84% on the previous year.[i]

And with Australians spending more time online than ever before, predictably the area of most growth is cybercrime.

Incidences increasing

Cybercrime increased over 13% during the 2020-21 financial year, with data revealing one attack occurs every 8 minutes.[ii]

Police records indicate that as the number of house break-ins and burglaries decreased through COVID, the amount of digital scams increased as criminal activity found an alternative outlet and moved online.[iii] Scammers also exploited the pandemic environment by targeting an increasing reliance on online activity and digital information and services.

Most common scams

Phishing, where scammers try to get you to reveal information that enables them to access your money (or in some cases steal your identity), is one of the most common scams. Last year Scamwatch, a website run by the Australian Competition and Consumer Commission (ACCC), received more than 44,000 reports of phishing, costing Australians $1.6 million.[iv] While some phishing scams are obvious, like free give-aways, you can also be directed to sites that masquerade as financial providers or government departments and they can look pretty official.

The trick to not be taken in is to be very wary of clicking on a pop up or unknown site and do an independent google search or verify the site is secure. Before submitting any information, make sure the site's URL begins with "https" and there should be a closed lock icon near the address bar. It's also a good idea to keep your browser and antivirus software up to date.

Scams that cost us the most

Investment scams are becoming ever more sophisticated and the amounts associated with these scams are significant. Investment scams accounted for $177 million in 2021.[v]

In one of the most disturbing trends of the year, the Australian Securities and Investment Commission (ASIC) said some investment scammers were presenting impressive credentials, including their funds 'association' with highly regarded domestic and international financial services institutions.

Those doing their diligence on the funds were met with professional-looking prospectuses offering very high returns and claiming investor funds would be invested in triple A rated or government bonds, offering protection under the government's financial claims scheme. Scammers even cleverly honed in on those most likely to be tempted by these investment products by gathering the personal and contact details potential 'investors' entered into fake investment comparison websites.

While the rise in, and increasingly compelling nature of investment scams is certainly of concern, we are here to help if you have any opportunities you'd like to explore that need thorough investigation.

Staying scam-proof

- **Be alert, not alarmed** – always consider the fact that the 'opportunity' you are being presented with or the fine or fee you are being asked to pay may be a scam. Don't be swayed by the fact that it looks like it is coming from a well-known company or source.
- **Keep your personal details and passwords secure.** Be careful how much information you share on social media and be wary of providing personal information.
- **Beware of unusual payment requests.** Scammers will often ask for unusual methods of payment which are untraceable like iTunes cards, store gift card or debit cards, or even cryptocurrency like Bitcoin.

The best way to avoid scams, is to be aware of the tactics being employed and maintain a sceptical frame of mind. If something seems too good to be true, or if your alarm bells are ringing take your time and do your due diligence before taking any action.

i, v https://www.savings.com.au/news/scamwatch-2021

ii https://www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-2020

iii https://www.abc.net.au/news/2021-09-22/financial-crimes-increasing-as-burglars-switch-to-fraud/100473828

iv https://www.scamwatch.gov.au/get-help/protect-yourself-from-scams