SMARTLIFE

SUMMER
2020

ISSUE
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BUSINESS SOLUTIONS
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Welcome to the Summer 2020 edition of SMART Life

At the end of a long, challenging year, it's understandable that people are keen for a well-earned break. However, the reality is that in 2020, Christmas and New Years will look a little different to what we've become familiar with. In this edition, we look at the impact of COVID-19 on the upcoming holiday season and what the recent Federal Budget measures could mean for your retirement.

The future of cash

Even before the pandemic, cash was losing favour in Australia. In 2019, less than a third of us (27%) of us paid with banknotes and coins, with most opting for the convenience and speed of a card. With many stores now only accepting card payments due to COVID-19, and digital wallets becoming more popular, what's the future of cash? We look at the trends around cash payments in Australia and what they mean for consumers and businesses.

A very COVID Christmas

The festive season is almost upon us. After a year marked by social distancing, many of us are looking forward to spending some quality time with family and friends. But with the virus still circulating and restrictions on social gatherings still in place, what will Christmas 2020 look like?

The 2020 Budget - what it means for your retirement

Almost every Federal Budget provides new changes for super, and 2020-21 is no exception. While tax cuts and COVID-19 support dominated the headlines, this year's Federal Budget also introduced changes affecting superannuation and investments. In this article, we look at what you might have missed – and how it could impact your retirement savings.

The future of cash

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Even before the pandemic, cash was losing favour in Australia. In 2019, less than a third of us (27%) of us paid with banknotes and coins, with most opting for the convenience and speed of a card. About 80% of in-person card payments were contactless, and one in 20 Australians used their mobile phone as a digital wallet.[1]

Then 2020 happened – and as the world embraced social distancing, hand sanitiser and face masks, the future of cash became even less certain.

COVID-19 and cash

During lockdown, we stayed home and ordered groceries, takeaway dinners, clothing and even furniture online. When we did venture out, many stores only offered contactless payments to help prevent the virus' spread.

Since the pandemic's start, non-bank contactless payments like ApplePay and Google Wallet also increased significantly, especially among younger Australians.[2] Meanwhile, the number of ATMs has fallen 20% in the last four years.[3]

So, does this mean cash is on the way out?

COVID-19 and cash

Physical cash may be waning in popularity – but there's still reluctance to let it go altogether. While Australians have embraced new payment technologies, a survey by ING found that, overwhelmingly, Australians don't want to go completely cashless.[4] Interestingly, the amount of cash in circulation in Australia jumped by $11 billion to $94 billion in 2020. This may be partly due to people stockpiling cash at home – perhaps fearful of a serious economic downturn. [5]

The benefits of going cashless

While cash isn't likely to disappear just yet, it's possible we could see a cashless society in the future – bringing with it several benefits for society at large. Going cashless could make it easier to identify and curtail corruption. It would make it harder to launder money and put a stop to cash-businesses that may avoid tax or underpay staff.

For businesses, a cashless society would make it easier to gain insights from transaction data into their customers' buying habits, help prevent employee fraud, and reduce the risk of theft.

For consumers, digital banking and payments can be easier and more convenient than using cash. And an electronic record of transactions can provide a more accurate picture of financial behaviour, making it easier to track spending, budget and provide proof of purchase.

The risks of a cashless society

However, there are potential downsides to a cashless society too – with some missing out on the benefits it provides. For example, elderly people may find it hard to adapt to using cards. And disadvantaged groups, like the homeless or those without bank accounts, would also struggle to get by without cash.

Probably the key concern is privacy – with every digital transaction leaving a record. What's more, hackers could break into people's accounts, potentially taking all their savings.

Finally, a power or internet outage can stop a business from accepting payments – while a dead phone battery makes a digital wallet impossible to access.

Managing your money

Whether you prefer cash or digital transactions, it makes sense to take care of your money. We can help you better manage your hard-earned cash – so you can make the most of it, whatever the future brings.

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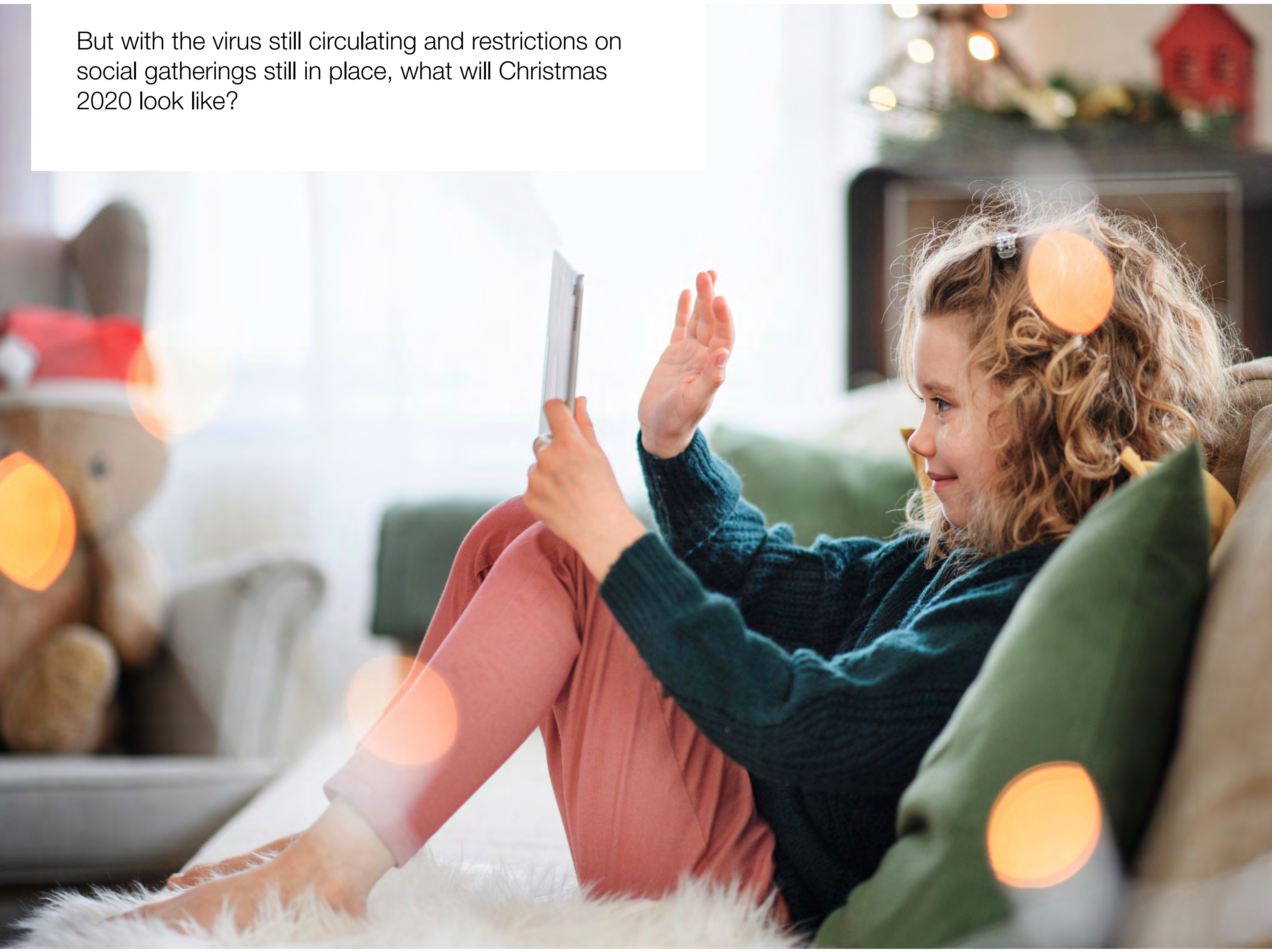
1 Reserve Bank of Australia (2019), How Australians Pay Snapshot – 2019 Consumer Payments Survey, Reserve Bank of Australia website, accessed 3 November 2020.
2 Roy Morgan (2020), Apple Pay drives contactless mobile payment increase; older Australians might need a nudge, Roy Morgan website, accessed 3 November 2020.
3 Australian Payments Network (2020), Device statistics: Number of ATMs and POS devices in Australia, Australian Payments Network website, accessed 3 November 2020.
4 Will Martin (2017), An economist at one of Europe's biggest banks tells us why there's 'no need' for a fully cashless society, Business Insider Australia website, accessed 3 November 2020.
5 Jack Derwin (2020), Cash use has plummeted, but Australians are holding more of it than ever. Here is why we're not going cashless, Business Insider Australia website, accessed 3 November 2020.

A very COVID Christmas

With COVID-19 affecting every aspect of our lives, Christmas 2020 will be unlike any other year. Here's how to make the most of your end-of-year celebrations, while keeping you and your loved ones safe.

The festive season is upon us. After a year marked by social distancing, many of us are looking forward to spending some quality time with family and friends.

But with the virus still circulating and restrictions on social gatherings still in place, what will Christmas 2020 look like?



If you're booking flights or accommodation, remember things can change quickly, so make sure you're aware of the latest restrictions before you travel. It's also a good idea to check the rules around cancellations and have a plan B – just in case.

Christmas dinner

If you plan to celebrate at home, check your state government's COVID-19 website to find out how many people you can safely have over.

If the weather's good, a picnic or barbecue could be a great option – especially for larger gatherings – but restrictions may still apply. While some states currently limit numbers on outdoor gatherings, others only require that you can socially distance.

Restaurants are another option for a stress-free Christmas meal – with no clean-up an added bonus. Book well in advance as most will have strict rules on the number of patrons allowed. It's also likely you'll have to provide names and contact details, or check in with a QR code for contact tracing purposes.
Also, if you plan to visit elderly loved ones in aged care, call well in advance, as they have strict rules on visitor numbers.

Focus on what matters

COVID-19 has had a serious impact on the economy and personal finances. A Melbourne University study found about 30% of respondents reported feeling stressed about having enough money to pay for essential goods and services.[7] So this year, it could be a good idea to focus on others, rather than gifts and holidays. Give simple or home-made items, or simply your time or support. If you haven't been financially impacted, consider donating to a charity to help those who have – or volunteer in your spare time to share the Christmas cheer.
Of course, if you're worried about your financial future, we can help you work out your options and create a plan to help you go forward. Just get in touch to chat about your options.

Overseas travel

Dreaming of a white Christmas? You'll need to wait at least another year. At the time of writing, the ban on overseas travel was still in place for everyone without an exemption, and international flights remain few and far between.

If you have family living overseas, it's unlikely you'll be able to get together for Christmas. Our international borders look set to stay closed to everywhere but New Zealand and Singapore until the end of 2021[6] However, if your loved ones are coming home permanently, they may benefit from the recent increase in inbound flights – although they will still need to quarantine for two weeks.

Interstate travel

If you're wanting to get-together with interstate relatives, the news is a little better. At the time of writing, most states and territories were planning on being open for travel to all Australians for Christmas.

If you're booking flights or accommodation, remember things can change quickly, so make sure you're aware of the latest restrictions before you travel. It's also a good idea to check the rules around cancellations and have a plan B – just in case.

Avoid holiday crowds

Christmas and New Year often involve crowds – think last-minute shopping, carols by candlelight, fireworks, and religious celebrations. But keeping out of crowded places is a much safer option this year – particularly if you're someone at higher risk.

While some carols events will go ahead with COVID-safe restrictions, consider doing your shopping early or online and watching fireworks from the safety of your living room.
Places of worship should be open but may have number limits or be subject to the four-square metre rule. Some may offer online alternatives to attending in person – so research your options before you attend.

6 Mosiqi Acharya (2020), Budget 2020: When will Australia re-open its borders?, SBS website, accessed 3 November 2020.

7 The Melbourne Institute (2020), Survey of the Impact of COVID-19 in Australia Survey Results, April 2020, Melbourne Institute Website.

The 2020 Budget

What it means for your retirement.

While tax cuts and COVID-19 support dominated the headlines, the Federal Budget also introduced changes affecting superannuation and investments. Here's what you might have missed – and how it could impact your retirement savings.

Almost every Federal Budget provides new changes for super, and 2020-21 is no exception.

The latest changes aim to remove unnecessary fees and multiple super funds – and help Australians choose the super fund that's best for them. Other changes to make super funds more accountable for their performances have also been introduced.

Here are some of the key changes that you should know about.

If you've changed jobs over the years, you may have collected a few super funds – including some you've forgotten about. The YourSuper comparison tool will let you quickly check how many super accounts you have – and consolidate them easily so you don't double up on fees and insurance premiums.

1 Portable super

Currently, if you change jobs and don't nominate a super fund, your employer can pay your Super Guarantee (SG) into their default fund. But from 1 July 2021 onwards, this will change.

If you don't nominate a fund, your employer must find your existing super fund details online from the Australian Tax Office (ATO) and contribute that fund. So, whenever you move jobs, your existing account will come with you.

The new legislation, an implementation of the Hayne Royal Commission Recommendation 3.5, is all about giving you a healthier super balance. That's because you won't be paying fees across multiple funds, or paying insurance premiums from more than one account. It will also save you the time and paperwork that goes into rolling over your old super into a new account.

2 Choosing, comparing and testing MySuper

From 1 July 2021, the ATO will use digital tools to help make it easier for you to choose a super fund. Its interactive YourSuper comparison tool shows you how different MySuper products rank by fees and investment returns. Of course, past performance doesn't always indicate a fund's future performance, and MySuper options aren't appropriate for everyone, so it's a good idea to seek advice if you want help choosing a super fund and strategy that's right for you.
If you've changed jobs over the years, you may have collected a few super funds – including some you've forgotten about. The YourSuper comparison tool will let you quickly check how many super accounts you have – and consolidate them easily so you don't double up on fees and insurance premiums.

From the same date, financial services regulator Australian Prudential Regulation Authority (APRA) will begin its annual benchmarking of MySuper products – comparing funds' net investment performances. If funds underperform, they'll need to let their members know by 1 October in the same year. They'll also need to share information about the ATO's YourSuper comparison tool with their members, to let them compare their fund's performance with other funds.
If a fund fails two annual performance tests in a row, it won't be able to accept new members until it's no longer underperforming. Other super products will also be subject to the same tests as the MySuper funds by mid-2022.
Super fund trustees – the people who make decisions about your retirement money on your behalf – will also need to show they're acting in their members' best financial interests and provide members with information about how their money has been managed and spent, before each annual member meeting.

3 Postponing a few changes

Back in 2018, the Australian Government made a proposal to change the maximum number of members allowed in an SMSF from four to six. The change was supposed to start from 1 July 2019. But the increase has been postponed until the related legislation is passed by both Houses of Parliament.
During the same budget of 2018-19, the government proposed to remove the capital gains tax discount (CGT) at the trust level for Managed Investment Trusts (MITs). These are types of trusts that allow people to collectively invest in assets like shares, property or fixed income.
This proposed change aims to stop people who aren't entitled to these discounts personally from benefiting from a discount that only applies to a trust. Again, this change won't go through until just before the related legislation becomes law.
Finally, the government is also deferring the retirement income framework legislation. Known as the Retirement Income Covenant, its purpose is to set up a mutual obligation where super trustees need to create a retirement income strategy for their members.
The Retirement Income Covenant was meant to take effect on 1 July 2020, but has been moved to 1 July 2022 so more consultation can happen and new laws can be drafted.

4 Getting retirement ready

No matter where you are in your financial journey it's never too early (or too late) to plan for your retirement. We can help you maximise your retirement income, with strategies to build your super and invest for the future.

Fewer people intend to travel this summer,

46% compared with

77% who usually travel [10]

Australian retail turnover rose

1.6%

in Oct 2020 [9]

Australia has recorded

27,821 cases

of COVID-19 as at 23 November 2020 [11]

Over the 12 months from June 2019 there was a

0.6%

reduction in total superannuation assets [12]

Australia's unemployment rate increased to

7.0%

in October 2020 [13]

Superannuation assets totalled

$2.9 trillion

at the end of the June 2020 quarter [14]

9 Australian Bureau of Statistics, November 2020
10 Australian Bureau of Statistics, October 2020
11 Department of Health, November 2020
12 ASFA, Superannuation statistics
13 ABS, Labour Force Australia October 2020
14 ASFA, Superannuation statistics

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