# AMBLESIDE NEWSLETTER

## SUMMER EDITION
## DECEMBER 2020

## What's included



Ambleside
WEALTH ADVISERS

# A WORD FROM THE PRINCIPAL

Welcome to our summer newsletter. Looking back over the last three quarterly newsletters they have tracked us going into Coronavirus, opening up from the first wave, then trying to find our way out of the second wave. The news is now better with restrictions largely lifted and domestic travel starting to open up. Unfortunately the same can't be said with the US, UK and Europe experiencing a huge spike in cases. The long awaited vaccine will hopefully provide the solution but this is a huge logistical challenge as the vaccine must be transported and stored at -70 degrees centigrade.

Next week we are farewelling Brooke from Ambleside, where she has worked in reception and administration for the last two years. Brooke and her partner Rick are expecting their first baby in February and we wish them all the best. I'd like to take this opportunity to thank Brooke for her hard work and good fun in the office. At the same time I would also like to welcome Ros in the administration role, who started with us this week. Ros has worked in similar roles and we look forward to the experience she will bring to the role. Expect to hear Ros on the phone when you call the office!

Last week we had our Christmas party and managed to enjoy some of the great produce our region has to offer. We weren't sure if it would even happen with COVID restrictions, but we managed to visit Gorge chocolates, Dairylicious fudge, Apostle Whey Cheese, Forage restaurant, Sow & Piglets Brewery and of course the Timboon Distillery. We were very pleased to support local tourism and we hope they have a strong summer trading as visitors return to the area.

On behalf of the Ambleside team we wish you all a happy Christmas after what has been a difficult year. We will be closing the office on Wednesday 23rd December and reopening on Monday 11th January. If you have any urgent requirements over this period please call our office number as we will be checking messages daily.

# MARKET UPDATE

The market has rebounded strongly and recovered the majority of the COVID losses. The ASX200 (which measures the largest 200 companies in Australia) has covered a huge range over the last 12 months. It peaked at 7,197 in mid February (an all time high), then after 33 days fell to 4,402 (39% drop). Since then it has rebounded to 6,705 after a particularly strong November. The US market has outperformed the Australian market. While they also peaked in mid February the S&P 500 has recovered all the COVID losses and gone on to set new all time highs.

The market has been buoyed by a combination of factors including the COVID vaccine, election of President Biden and the almost elimination of COVID in Australia. I have written an article later in this newsletter that looks at the sheer size and scale of the main companies driving the US market.

The RBA lowered official interest rates from 0.25% to 0.1% on 4th November 2020 and embarked on a round of quantitative easing. These certainly are confusing times and uncharted territory.

**Negative interest rates.** Although interest rates can go negative (this has been tried by Sweden and Japan) the RBA have stated this is highly unlikely in Australia. Banks in Australia place deposits with the RBA and earn the official interest rate. By making rates negative, banks would have to pay the RBA if they were to make deposits. They clearly don't want to do this so the idea would be the banks would lend money instead at cheap rates, which would boost investment and economic growth.

**Quantitative easing.** This is simply a tool the RBA uses to manipulate interest rates, and they hope this will boost the economy without resorting to negative rates. The RBA has purchased $100 billion of government bonds from the banks, which will boost the amount of money held by banks and hopefully result in cheaper lending. It aims to achieve the same outcome as negative interest rates, just in a different way.

The recent market performance, the vaccine approval and RBA intervention has led many analysts to believe we will see a strong recovery from COVID in 2021. Unemployment will be a key factor for the government to manage as Jobkeeper and Jobseeker are wound back next year. Although many businesses are seeing an increase in demand there are still a lot who are reliant on these government payments.

# FAREWELL & WELCOME!

As we wrap up the year, we'd like to say farewell to Brooke, who is beginning a new chapter in her life of motherhood and we are pleased to welcome Ros to the team.

# AMBLESIDE'S OFFICE HOURS

As the COVID-19 restrictions are now easing, we are back to holding face to face client meetings in our office. Alternatively, you can still take up our other options for meetings, either over the phone or via Zoom. We will continue to comply with the changes we have already made to our office routine, including:

1. Applying hand sanitiser on arrival.
2. Still no hand shaking, and we will maintain the 1.5m spacing.
3. Wherever possible we will continue to use only one meeting room in the office, and this room will be disinfected after each meeting. This includes tables, light switches, door handles, pens and computer equipment.
4. We still ask that if you are feeling unwell you do not come into the office.

Just a reminder, the Ambleside team will be taking some time off over the holiday period. We're finishing up on Wednesday 23rd December and return to the office on Monday 11th January.

We wish you and your family a Merry Christmas and a happy and safe New Year!

# CHRISTMAS TOY DRIVE

We'd like to say a huge thank you to everyone who generously donated towards our Christmas Toy Drive. This year has been especially challenging for many families in our community. With saying that, we are pleased to announce that this year was the most gifts we've EVER collected! ☺

The team at Brophy Family & Youth Services will now organise the distribution of these toys just in time for Christmas.

# SUPPLEMENT PAYMENT

In response to COVID-19 pandemic, Centrelink paused some debt raising and recovery activity to help ease pressure on people's budgets. This pause ended on 30th October 2020.

Centrelink will now write to you if you have been overpaid between April and October 2020.

There are 4 things to know if you do owe Centrelink money:

1. You don't need to pay anything back until February 2021. But you can start earlier if you want to.
2. If you don't understand why you've been overpaid, please call us first. After that we can talk to Centrelink and ask them to explain. If you disagree with the decision, we can ask for a review.
3. When you need to start repaying the money there'll be options and you'll be able to work with Centrelink to find the best one for you.
4. Centrelink can also give you support if you're worried about the debt. Centrelink has social workers who can provide short-term counselling, information and referrals to other services.

If you have any questions, please contact the office and talk to Rian.

# WATCH OUT FOR SCAMS!

When we hear stories of people getting scammed, we normally associate these with phone calls from people posing as the ATO or debt collectors.

Unfortunately, scammers these days are becoming more cunning, with tricks such as business email compromise (BEC) scam becoming more prevalent. The ABC recently reported a story of a local business who were victims of a $51,000 business email compromise scam.

*"Jane was in the process of paying Simon for work he had recently completed, using the bank accounts details enclosed on an invoice which he'd emailed to her. Unbeknown to Jane and Simon, the scammer intercepted either hers or Simon's email, changed the bank account details on the invoice and conned Jane into transferring $51,000 into their own bank account instead of Simons. Once they discovered they'd been scammed, Jane and Simon found it was near impossible to reclaim the funds, as banks won't always take responsibility and prosecution is difficult, as these types of cybercrimes are a product of an elaborate overseas scam."*

Stories like these continue to increase, so it is important we take extra precautions, especially when making online transactions. These include speaking directly to the person managing the collection of payment, to ensure you have the correct bank details. To help recognise the warning signs to look out for, James' touched on these in his article he wrote about scams last year.

If you would like more information about scams, jump on the scamwatch website or you can give our office a call.

www.scamwatch.gov.au

# JAMES – AGE CARE ROYAL COMMISSION

While we have all been trying to manage through COVID, the Royal Commission into Aged Care Quality and Safety has been running. It started in September 2018 and is due to hand down its final report on 26th February 2021. We know many families have been unable to visit loved ones in age care facilities during COVID which has been especially hard.

The Commission has made some initial findings, the first of which is perhaps the most damning but not at all surprising. There have been many inquiries and reports over the years and the Commission has heard successive Australian governments have shown a lack of willingness to commit to changes recommended by these past inquiries. In short a lot of what has been found this time, around has raised before.

To date the Royal Commission has made 124 recommendations, including new laws based on human rights principles for older people, mandated staffing ratios, an independent aged care commission and that wider enforcement powers be given to the aged care regulator.

The required changes will no doubt cost a lot to implement, and this has been made all the more difficult by the financial effects of COVID. Under current aged care funding arrangements, about 75 per cent of funding comes from the Australian Government with the remainder as co-contributions from the user. This funding has grown substantially over the past 60 years to around one per cent of GDP.

# US MARKET

Occasionally I'm reminded where the Australian share market sits in the world, and why it's important to spread (or diversify) your investments around the world. This can be made difficult because Australian tax law provides a franking credit, or bonus, for investing in Australian stocks. Despite this, and as I highlight below, Australia is a small player on the global stage.

The first two examples highlight the sheer size of the big US technology companies.

Tesla is a large US electric car and energy company founded by Elon Musk. In September this year, and after a particularly bad week, the market wiped $207bn from the company. This drop in price is equal to the total value of the biggest company listed on the Australian market, BHP.

Later in the year Microsoft started getting tough with its competitor Zoom. Both of these companies produce video conferencing software that has become popular during COVID, and Zoom is the market leader in this field. Many people were questioning how Microsoft could dislodge Zoom from the top of tree. A quick look at Microsoft shows it has $187 billion in cash and short term investments, versus Zoom who has $2 billion. These resources give Microsoft the market power they need to take on any competitor.

These two examples show the economic power of technology stocks in the modern economy, and helps explain why governments want to encourage STEM (science, technology, engineering and maths) in school.

An investing term sometimes used in the US is 'FAAMG', which stands for Facebook, Amazon, Apple, Microsoft and Google. These tech companies collectively make up around 25% of the S&P 500, and are largely the reason the US market has come through COVID to reach record highs. Compare this to Australia where the largest stocks are mining companies and banks.

While Australia has quality investments that have performed very well over the long term don't forget we are a small part of the global market!

# FEDERAL BUDGET 2020 RE-CAP

As a result of the Covid-19 pandemic, the usual Federal Budget date was moved this year from May to October. If you missed it, here is a recap on what was announced. James has also recorded a short video on the federal budget highlights, which can be viewed on our Facebook page.

### Personal tax cuts brough forward. Immediate tax relief.

'Stage two' personal income tax cuts will be brought forward two years, and backdated to 1 July 2020.

**Raised tax brackets**. The upper threshold of the 19% tax bracket will rise from $37,000 to $45,000 and the upper threshold of the 32.5% tax bracket will rise from $90,000 to $120,000. This will be worth the equivalent of $41 a week to those earning between $50,000 and $90,000 a year, and about $49 a week to those earning more than $120,000 a year.

**Boost for workers on lower incomes.** Workers on lower incomes will gain from an extension of the Low and Middle Income Tax Offset for a further 12 months until 30 June 2021, and increase in the Low Income Tax Offset.

### Support for pensioners, low income earners, welfare recipients and job-seekers.

**Two cash payments.** Aged pensioners, carers, disability support and concession cardholders will receive two $250 payments. The payments will be made progressively from 30 November 2020 and early 2021.

**Incentives for employers to hire.** A JobMaker Hiring Credit will be paid for a year to businesses who hire an eligible unemployed worker aged 16 to 35. The rate will be $200 a week for people under 30 and $100 a week for people between 30 and 35, and they must work at least 20 hours a week. The JobMaker Hiring Credit is aimed at filling the gap when the JobKeeper scheme ends next March.

**Support to businesses employing apprentices and trainees.** A wage subsidy will reimburse eligible businesses up to 50% of a new apprentice or trainee's wages. Subsidies are capped at $7,000 per quarter, per eligible apprentice or trainee, capped at 100,000 places Your Future, Your Super package commencing 1 July 2021

**Making it easier to choose a super fund.** Super fund members will have access to a new interactive online comparison tool, YourSuper, aimed to encourage funds to compete harder for members' savings.

**Transparency around underperforming funds.** To protect members from poor outcomes and encourage funds to lower costs, the Government will require superannuation products to meet an annual objective performance test. Those that fail will be required to inform members and refer members to the YourSuper comparison tool. Persistently underperforming products will be prevented from taking on new members.

**Additional trustee obligations.** Super fund trustees need to ensure decisions are made in the best financial interest of members and provide better information on management and expenditure.

### Business tax changes

**Immediate tax write-off.** Businesses with annual turnover of up to $5 billion can write off the full cost of eligible capital assets acquired from 7 October 2020 and first used or installed for use by 30 June 2022.

**Loss carry-back.** Companies with aggregated annual turnover of less than $5 billion will be able to apply tax losses from the 2019-20, 2020-21 and 2021-22 income years against previously taxed profits from the 2018-19 and later tax years by claiming a refundable tax offset in the loss year.

**Specific changes for small business.** Small businesses with a turnover of up to $50 million will be able to access up to 10 tax breaks, with fringe benefits tax scrapped on car parking, phones or laptops, simpler trading stock rules and easier PAYG instalments.

**First home buyers.** Purchase cap lifted: Up to 10,000 more first home buyers will be able to get a loan to build a new home or buy a newly built home with a deposit of as little as 5% (source: https://budget.gov.au/2020-21/content/overview.htm). The purchase cap will also be lifted and varies depending on the State and regional area.

# CAITLIN – COVID-19 EARLY RELEASE OF SUPER

With 2020 drawing to close it's a good time to check in and see how your super is looking. The government announced a new condition of release this year that allows eligible people to access their super early due to the financial impacts of COVID-19. While this was designed to get you through the tough times that COVID-19 brought on, now is a good time to review your situation and if your situation has improved, look at ways to boost your super back up.

Eligible people were able to access $10,000 in the 2019-2020 financial year and another $10,000 in the 2020-2021 financial year. The deadline for applications was 11th December 2020.

**IMPACTS**

This can have a large impact on your future superannuation savings and retirement benefits. Don't be alarmed if you have gone down this path there are ways of getting money back in.

A couple of ways to top up your super:

- **Salary sacrificing:** You can arrange with your employer to start salary sacrificing. This will reduce your taxable income while contributing the funds into super.

- **Lump sum personal contribution:** If you have saved an amount in your bank account and wish to add these funds into your super, you can make a one-off personal contribution. This can also be tax deductable.

**THINGS TO NOTE**

There are certain rules and tax implications associated with contributing funds to super. It is recommended you speak to a specialist before proceeding.

If you would like to discuss further, please feel free to contact us.

# KATHERINE'S HOMEMADE LEMON CORDIAL

**Ingredients:**

- 12 Lemons
- 50g Citric Acid
- 10 cups sugar
- 3 pints boiling water

Note – makes around 7 bottles

**Method:**

**1.** Squeeze juice of all lemons into a bowl

**2**. Grate the rind of 4 lemons and add into juice

**3.** Add the sugar & Citric Acid

**4.** Pour over boiling water and stir until dissolved

**5.** Cool and bottle