

# Prepare for Life

Autumn 2024

## IN THIS ISSUE

Tax changes  
How will you use your super?  
Anti-Aging



# TAX CHANGES - *what it will mean to me?*

Prime Minister Anthony Albanese has announced changes to address ongoing cost of living pressures with all 13.6 million Australian taxpayers receiving a tax cut from 1 July 2024, compared to the tax they paid in 2023-24.<sup>1</sup>

Now is the time to assess what it means to your hip pocket and what implications it may have for end of financial year planning as a result of the new rules, due from 1 July 2024.

The Federal Government has recently announced changes to the third stage of a series of tax reforms introduced by the previous Coalition government almost six years ago which were designed to deliver tax cuts to most, simplify the tax system and protect middle income earners from tax bracket creep.

## The proposed changes

The new rules will see the current lowest tax rate reduced from 19 per cent to 16 per cent and the 32.5 per cent marginal tax rate reduced to 30 per cent for individuals earning between \$45,001 and \$135,000.

The current 37 per cent marginal tax rate will be retained for those earning between \$135,001 and \$190,000, while the existing 45 per cent rate will now apply to income earners with taxable incomes exceeding \$190,000.





In addition, the low-income threshold for Medicare levy purposes will be increased for the current financial year (2023-24).

A single taxpayer with a taxable income of \$190,000 paid \$59,967 tax in 2023-24. Under the revised rules, they will now pay \$55,438 tax, a tax cut of \$4,529. While still a reduction in tax paid, this compares with the \$7,575 tax cut received if the original Stage 3 tax cuts had proceeded.

On the other hand, low-income earners will receive a bigger tax cut under the revised rules.

A single taxpayer with a taxable income of \$40,000 who paid \$4,367 in tax in 2023-24, would have received no benefit from the original Stage 3 tax plan, but will now receive a tax cut of \$654 under the revised rules.

### Implications for investment strategies

For high-income earners, the key take-away from the government's new changes to the tax rules is you will now receive a lower amount of after-tax income than you may have been expecting from 1 July 2024.

This reduction makes it sensible to revisit any investment strategies you had planned to take advantage from your larger tax cut to ensure they still stack up.

For example, the smaller tax cut for some may impact the effectiveness of property investment.

Investment strategies such as negative gearing into property or shares, however, may become more attractive. Particularly for investors close to the new tax thresholds and looking for opportunities to avoid moving onto a higher tax rate.

### Timing expenditure and contributions

Investors considering repairs or maintenance for an existing investment property should revisit when these activities are undertaken. Depending on your circumstances, this expenditure may be more suitable in the current financial year given the difference in tax rates starting 1 July 2024.

Selling an asset liable for CGT also needs to be reviewed to determine the most appropriate financial year for the best tax outcome.

Other investment strategies that may need to be revisited include those involving making contributions into your super account.

If you are considering bringing forward tax-deductible personal super contributions, making carry-forward concessional contributions, or salary sacrificing additional amounts before 30 June, you should seek advice to ensure the timing of your strategy still makes sense.

*If you would help with reviewing your investment strategies or superannuation contributions in light of the new rules, contact us today.*

<https://treasury.gov.au/sites/default/files/2024-01/tax-cuts-government-fact-sheet.pdf>

# How will you use your super?

**We spend decades watching our super balances grow but for those thinking about retirement in the next few years, it can be confusing to work out how best to use your super.**

Here are some of the considerations for the popular options.

### Easing into retirement

You can keep working and receive regular payments from your super when you have reached your super preservation age (55 to 60, depending on your date of birth) and are under 65.

Using a transition-to-retirement income stream allows you to reduce your working hours while maintaining your income. To take advantage of this option you must use a minimum 4 per cent and a maximum 10 per cent of your super account balance each financial year.

A transition-to-retirement strategy is not for everyone, and the rules are complex. It is important to get independent financial advice to make sure it works for you.



## PROS

- Allows you to ease into retirement by working less but receiving the same income, using the transition-to-retirement income stream to top up your salary.
- If there is spare cash each week or month, you can make extra contributions to boost your super, perhaps by salary sacrifice if it suits you.
- There are tax benefits. If you are above 60, the transition-to-retirement pension payments are tax-free (although the earnings in the fund will continue to be taxed).

## CONS

- For people between 55 to 59, the taxable portion of the transition-to-retirement pension payments is taxed at your marginal tax rate, however you will receive a 15 per cent tax offset.
- Withdrawing money from super reduces the amount you have later for when you retire.
- It may affect Centrelink entitlements

## Taking a retirement pension

This is the most common type of retirement income stream. It provides a regular income once you retire and you can take as much as you like as long as you don't exceed the lifetime limit, known as the transfer balance cap.

## PROS

- While there is a minimum amount you must withdraw each year, there is no maximum.
- There is flexibility – you can receive pension payments weekly, fortnightly, monthly or even annually.
- You can still choose to return to work and it won't affect income stream you have already commenced.

## CONS

- The account-based pension may affect your Centrelink entitlements
- There is a risk that the amount in your super to draw on might not last as long as you do
- The amount you can use for your pension is limited by the transfer balance cap.

## Withdrawing a lump sum

You can choose to take your super as a lump sum or a combination of pension and lump sum payments, once you have met the working and age rules.

## PROS

- Gives you a chance to pay off any debts to help relieve any financial pressures.
- Allows you to make an investment outside super in a property, for example.
- Pay little or no tax if you are 60 and older.

## CONS

- If you are using the lump sum to invest, you may pay more tax
- Reducing your super balance now, means less for later
- Receiving a lot of money at once may encourage you to spend more than is wise

## Access to SMSF funds

There are a number of additional issues to consider for those with self-managed super funds (SMSFs). For example, you will need to carefully check your Trust Deed for any rules or restrictions for accessing your super and consider how your fund can meet pension requirements if it holds large assets that are not cash, such as a property. It essential to consult a financial planner to understand your circumstances.

The process of choosing the best approach for your retirement income can be daunting so let us walk you through the options and advise on the most appropriate strategies.

*If you'd like to take time off in the future, contact us today to ensure that taking a break from earning an income won't impact your future financial security.*







# EVIDENCE-BASED WAYS TO HOLD BACK THE HANDS OF TIME

You can't stop the clock, so the saying goes, but humanity has spent a long time trying to slow down or even reverse the effects of aging. Unfortunately, many of the measures taken actually shortened, rather than lengthened the live spans of those trying them.

Even today it can be hard to distinguish those measures that work from those that may not work and avoid those that may be downright dangerous! Fortunately, science-based public health research has some of the answers, so for some medically backed ways to stay healthy as you age- read on.

Anti-aging practices included the Egyptian queen Cleopatra bathing in donkey's milk, 16th century French courtesans drinking suspended particles of gold, and the Spanish explorer Juan Ponce de Leon's infamous quest for the legendary fountain of youth.

## Today the quest continues...

The quest for the fountain of youth has not ceased - it's just taken other forms in today's society. The anti-ageing market is ever expanding and expected to be more than \$119.6 billion globally.<sup>i</sup>

The truth is, aging is natural. Our bodies aren't meant to stop aging entirely. But the good news is that there are some tried and true, medically proven ways to stave off many of the problems associated with aging and, in some cases, slow down the aging process. While none of these are groundbreaking discoveries, it's worth keeping in mind that you don't have to spend all your money or waking hours to stay healthy as you age.

## Tips for living well and living long:

### MOVE IT!

That treadmill at the gym may not be a time machine but it can play a part in slowing down the clock. In fact, research showed that those who ran a minimum of 30-40 minutes, five days a week, had an almost nine-year "biological aging advantage" over those who lived a more sedentary lifestyle.<sup>ii</sup> Doctors call physical exercise a "polypill" because it can prevent and treat many of the chronic diseases associated with aging and it's never too late to start getting the benefits from regular exercise. Even a daily walk can do wonders!

### STRESS LESS

It's no secret that being in a constant state of stress is wearying and can make you feel older than your biological age, but recently scientists confirmed that exposure to stress can cause inflammation and damage to DNA in cells, which in turn can accelerate aging.<sup>iii</sup> The good news is this can be reversed using stress busting techniques such as mindfulness meditation, breathing exercises and progressive muscle relaxation which can lead to improvements in various biological markers associated with aging.

### NOURISH YOURSELF

While there is plenty of hype around the plethora of "superfoods" that are touted to possess anti-aging qualities there is no one food that will significantly impact the aging process and turn back the clock. However, the food and drink we put in our bodies day after

day does make a difference to our health as we age. Research from the worlds "Blue Zones" – areas where people tend to reach the age of 100 – demonstrate the benefits of a relatively plant-focused diet consisting largely of vegetables, fruits, grains, and legumes.<sup>iv</sup>

## MAINTAIN A POSITIVE MINDSET AND EMBRACE AGING

Finally, it's also worth considering that as we can't beat the clock, we might as well accept, if not embrace, the gifts that come with age (wisdom and a longer-term perspective come to mind!).

And moving through life with a positive mindset about the aging process might also give you more days to enjoy. A study recently confirmed that those with a positive view of growing older lived seven years longer than those who complained about it.<sup>v</sup>

*All in all, life is to be lived to the fullest and it's precious because it's finite. Do what makes you feel healthy and gives you joy now and that will also help you to enjoy life in the future.*

Note: You should always consult with a licensed physician before starting an exercise program, or changing your diet.

- i <https://www.globenewswire.com/en/news-release/2022/03/29/2412093/0/en/Anti-aging-Market-Size-to-Worth-Around-US-119-6-Bn-by-2030.html>
- ii <https://news.byu.edu/news/high-levels-exercise-linked-nine-years-less-aging-cellular-level>
- iii <https://www.healthline.com/health-news/stress-can-increase-your-biological-age#How-stress-ages-the-body>
- iv <https://www.everydayhealth.com/diet-nutrition/the-blue-zone-diet-a-complete-scientific-guide/>
- v <https://pubmed.ncbi.nlm.nih.gov/12150226/#:~:text=This%20research%20found%20that%20older,positive%20self%20perceptions%20of%20aging.>

Your finances are in good hands when you choose Sapphire Financial Services. Our team has more than 30 years of industry experience, and are truly passionate about helping you with your financial planning needs.

We specialise in helping clients get the most from their finances. From wealth creation, management and accumulation, to retirement funds, superannuation's and estate planning, our advisor has the knowledge and expertise to point you in the right direction.

With clients at the epicentre of our business's philosophy, we are proud to take a holistic approach to financial planning. Instead of providing generic, off-the-shelf financial services, our planner takes the time to understand every aspect of your life, before recommending the relevant opportunities for you.

Take comfort in knowing Sapphire Financial Services is with you every step of the way through your financial journey. As well as providing short-term advice for urgent matters, our team offers ongoing support to ensure you always feel supported when it comes to your assets.



Sapphire Financial Services  
13 Sydney Street, Mackay QLD 4740  
P: 07 4969 1800  
E: [reception@sfsmackay.com.au](mailto:reception@sfsmackay.com.au)  
[www.sapphirefinancial.com.au](http://www.sapphirefinancial.com.au)

This publication contains information and advice of a general nature only and does not consider your particular objectives, financial situation or needs. You should consider if it is appropriate for your situation before acting on it. You should obtain and consider the relevant Product Disclosure Statement (PDS) and consider seeking the assistance of an authorised financial adviser before making any decision regarding any products mentioned in this publication.

Prepare for Life is a publication of Professional Investment Services Pty Ltd ABN 11 074 608 558, AFSL No. 234951 a wholly owned subsidiary of Centrepoint Alliance Limited. The information is derived from sources believed to be accurate and current at the publication date and may be subject to change. While all care has been taken in the preparation of this publication, to the extent permitted by law, no warranty is given in respect of the information provided and accordingly, the licensee, its related entities, employees or representatives shall not be liable for any loss suffered arising from reliance on this information. Past performance is not a reliable indicator of future returns. Sapphire Financial Services Pty Ltd ABN 90 160 234 337 is a Corporate Authorised Representative No. 1293361 of Professional Investment Services Pty Ltd