# INSIGHTS

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FINANCIAL ISSUES AFFECTING YOUR LIFESTYLE

## FEMALE FINANCIAL FREEDOM: HOW WOMEN CAN TAKE CHARGE OF THEIR MONEY AT EVERY STAGE OF LIFE

Thursday 8 March is International Women's Day – a time to celebrate what has been a remarkable year for women around the world. From the #metoo and #timesup campaigns to demands for equal pay, women are taking unprecedented strides in both the professional and public spheres.

In this new era of female empowerment, however, there's at least one area where women remain at a disadvantage: their finances. From the gender wage gap to career breaks for raising children, women still face unique barriers that can prevent them from achieving financial security.

But for women who manage their finances proactively, it's still possible to successfully navigate these obstacles and regain financial control at each stage of life. Here's how to do it.

### Starting out (18–34)

For many women, early adulthood means juggling tertiary studies with part-time or casual work. Then, when you begin working full time in the early stages of your career, having a regular paycheque coming in may be your first taste of financial independence.

But when you're starting out in the workforce on a limited disposal income, it can be challenging to manage your bills and day-to-day expenses, especially if you're paying off a student-loan. This can be even harder for women than for men, because the unfortunate reality is that full-time female workers still earn an average of 15.3% less than males.[1]

With so many temptations out there for you to throw your hard-earned money at, it's important to be careful with your spending. What may start with a few innocent taps of your credit card could lead to a debt spiral that takes years to escape.

So before you find yourself saddled with additional financial responsibilities as you move through life, or supporting a starting-out loved one, now is the perfect time to develop smart saving habits. Your financial adviser can help you set up a regular savings plan to get you, or a friend or family member started. By putting aside even a small amount of money each week or fortnight, you can make a big difference to your savings over the long term.

### A balancing act (35–44)

As you move through your career, you'll hopefully land higher-paying jobs as well. But even if you're now richer in assets and income, you're probably also facing a significant amount of debt – from a mortgage to a car loan and perhaps a few credit cards in between.

If you're like many women in this age bracket, things are even more complicated if you're juggling your professional responsibilities with the demands of raising children. And while you're focused on keeping up with bills, groceries and other household expenses, it can be hard to plan seriously for your family's future.

At this stage of life, many women also take time out of the workforce to look after their kids before they start school. If you're one of them, it's worth preparing financially before taking a career break. One way is to start salary sacrificing a bit extra into your super from your pre-tax pay while you're still working. This will help ensure your retirement savings don't fall behind during the period when you're not receiving super contributions from your employer.

With your children's future to consider, it's also essential to have the right insurance cover. This might include taking out income protection and life insurance policies, so your loved ones will be covered financially if the unexpected happens.

Remember, a financial adviser can help you put together a strategy so you can make the most of your income and protect your wealth.

## Changing direction (45–54)

It's common for women to experience a period of change during their 40s and 50s – whether it's a career shift or a relationship breakdown. Even a small setback can have a lasting financial impact, so it's vital to have your finances under control.

As senior family members become frailer, you may also find yourself squeezed between the responsibilities of taking care of ageing parents as well as teenage children. In fact, around 60% of Australian female workers deal with life's conflicting demands by sticking to part-time or casual work, compared to only 32% of Australian men.[2]

On the other hand, as your children get older, you might be returning to the workforce full time after a lengthy career break. In this case, it's important to put your renewed financial independence to good use.

For instance, you might want to focus on getting your mortgage out of the way so you can enjoy a debt-free future.

It's also a good idea to begin preparing financially for your retirement – you can start by asking your financial adviser about the best ways to grow your nest egg.

## Rich with life experience (55–64)

Your children have probably flown the coop by now, so you can really knuckle down on getting retirement-ready. This is especially important if you've had career breaks over the years that have taken their toll on your super balance.

In fact, by the time women reach this age bracket, they have an average of around $180,000 in super savings – compared with over $320,000 for men.[3] What's more, only 17% of women say they regularly engage with their super – so for most women, their super may not be working as hard for them as it could be.[4]

At this stage of life, it's also important to start thinking long-term about your health and possible future medical needs. One option could be to take out trauma insurance, which can provide much-needed financial support if you're ever struck by a serious illness like cancer, a stroke or a heart attack.

## Financially fit for retirement (65+)

For Australian women who are now reaching retirement age, their average life expectancy is currently above 87 – around three years higher than men.[5] While this is good news for women, it also means you'll need your retirement savings to stretch further than a man's, especially if you want to avoid relying on the Age Pension.

Entering retirement is also the perfect time for a change of scenery – whether it's taking the overseas trip you've always dreamed of, or making a permanent sea or tree-change.
And if you choose to downsize your home to something more manageable, you might even be able to give your retirement savings an extra boost.

From 1 July this year, Australians aged 65 or over who sell their eligible family home can contribute up to $300,000 of the sale proceeds into super. This could be the extra push your nest egg needs to ensure you'll be financially comfortable for the rest of your life.

When you're weighing up your options on how best to structure your super and other investments, be sure to speak to your financial adviser. They can also make sure you're receiving any Centrelink benefits you're entitled to, so you can make your retirement years as enjoyable as possible.

1 Workplace Gender Equality Agency, *Australia's gender pay gap statistics*, August 2017.
2 Workplace Gender Equality Agency, *Australia's gender quality scorecard*, 2017.
3 Australian Bureau of Statistics, *Gender indicators*, 2016.
4 Commonwealth Bank, *Enabling change: A fresh perspective on women's financial security*, 2017.
5 Australian Institute of Health and Welfare, *Life expectancy*, 2017.

# MAKING THE AGED CARE JOURNEY SMOOTHER

When you're exploring aged care options for a loved one, the process can seem overwhelming. Here's how to make it a bit easier.

Choosing when to place an elderly relative into a retirement home may be one of the toughest decisions you have to make. And while you want your loved one to be as comfortable as possible in their final years, it's also important to be financially prepared.

With so many choices available and so many decisions to make, it helps to break down the process into a series of steps. And remember, when the time comes to begin your own aged care journey, you'll want to be ready – so the sooner you start planning, the better.

## Step 1. Finding the right place

The first step is to have your loved one's needs assessed to determine the right level of care – from semi-independent living to round-the-clock nursing. Free assessments are conducted by community- or hospital-based Aged Care Assessment Teams. You should also consider any additional services your relative might need in the future, so they won't have to move again if their health declines.

If you can, visit different retirement facilities together to find an environment your loved one feels comfortable in. Be sure to investigate the social activities and meal options on offer, to ensure they'll enjoy a happy and enriched life there.

## Step 2. Calculating the costs

Although the federal government subsidises aged care costs, there are still various expenses that need be covered. For residential aged care, these include:

- **Accommodation fees**. Prices are set by the facility but may also depend on your relative's income and assets. Fees can be paid either as a lump sum or in regular instalments.
- **Basic daily care fee.** This covers daily living costs and is fixed at 85% of the maximum single Age Pension – currently $49.42 per day.
- **Means-tested fee.** This may be charged on top of your relative's daily care fees, and is based on their assets and income. It's currently capped at $26,566.54 a year.
- **Extra service fees.** Additional fees may be charged for a more comfortable standard of accommodation, or special services like hairdressing or pay TV.

A financial adviser can help you calculate all these costs so you know exactly what to expect.

## Step 3. Managing the paperwork

Because the fee amounts vary, you'll need to lodge a *Request for a combined assets and income assessment form* with the Department of Human Services. This helps determine how much of a government subsidy your relative will receive towards the aged care costs.

Next, you can start applying directly to aged care facilities to find a suitable placement for your relative. A facility will contact you as soon as a slot becomes available, and they may also require you to enter into a Resident Agreement and Accommodation Agreement.

## Step 4. What to do with the family home

Moving into aged care accommodation isn't cheap, and many people who go into care need to sell their family home to cover the costs. This process can take many months, so you might also have to sort out a loan to manage the initial expenses while the property is on the market.

An alternative may be to rent out the property and use the rental income to help cover your aged care fees.

Your relative's choice of whether to sell, or keep and rent out their former family home can have significant consequences for the aged care fees they pay, as well as any social security entitlements they receive, so speak to a financial adviser about the best option before taking any action.

## Step 5. Making the move

Packing up an entire house or flat and moving into a single room of a retirement home requires a lot of work. As space will be limited, you'll need to prioritise the most important or valuable items (including those with sentimental value) for your relative to take with them, and then sell or give away the rest.

There will also be other practicalities to deal with, such as changing their postal address and advising Centrelink about the move. Finally, make sure you include your loved one in as much of the decision-making as possible, to help make the transition as painless for them as you can.

# ECONOMIC TRENDS SHAPING 2018

It has already been a turbulent year for the global economy, with recent stock market volatility sparking some concerns for the future. So what major factors are currently influencing the Australian and international economies – and how will these shape the year ahead? Here are some of the economic trends everyone's talking about.

## Australia's housing market may be set to weaken

After a six-year boom, which has seen the average value of Australian homes increase by over 40 percent, the property market is starting to level out.[1] Last year saw a slowdown in price growth, and this is expected to continue in 2018 due to tighter lending restrictions and housing oversupply.

Sydney has experienced the biggest market shift – with housing prices dropping 2.1% from September to December last year, and set to decline further in 2018. Instead, investors may turn their sights to smaller capital cities like Hobart and Canberra, which experienced the highest growth in the last quarter of 2017.[2]

## Cryptocurrency is on the rise

Investors flocked to buy Bitcoin in 2017, sending its value skyrocketing. But before you jump on the cryptocurrency train, which has also experienced significant price swings, you need to understand how it works.

Bitcoin and other cryptocurrencies are essentially digital peer-to-peer payment systems that allow consumers to buy products and services online, without cash and with no involvement from banks. Because cryptocurrency isn't considered 'money' and isn't tied to a specific country, it's largely unregulated – but that's about to change.

The Australian Taxation Office is currently setting up a taskforce to ensure users pay capital gains tax on their Bitcoin investments. The Australian Securities and Investments Commission is also scrutinising Bitcoin usage and has developed stricter guidelines to regulate cryptocurrency trading.

## Overseas uncertainties persist

The global economy got off to a rocky start in 2018, with unexpected volatility affecting share markets worldwide in February. Before these falls, however, investment, manufacturing, commodities and trade were all picking up, and growth was forecast at above 3%.[3] As volatility is a natural part of the market cycle, the economy has already started to rebound.

Geopolitical risks also spiked during the last year in the wake of Donald Trump's presidential win and the UK's historic Brexit vote. And while global policy is becoming more certain in the United States and Europe, we're yet to see how international tensions with North Korea will play out.

## More Australians are dipping into super early

In the 2016–17 financial year, Australia's Federal Treasury reported that $290 million was released early from superannuation on compassionate grounds – up from $42 million in 2000–01. Of more than 21,000 applications approved in 2016–17, around 15,000 were requesting an early release for medical reasons.

The average amount released was $13,644. This trend reflects the rising out-of-pocket costs for healthcare and the importance of preparing financially for unexpected medical issues. The purpose of super is to fund your retirement lifestyle, so before you find yourself having to dip into your savings early, speak to your financial adviser about ways to keep your nest egg secure.

1 CommSec, *Economic insights*, January 2018.
2 CoreLogic, *Hedonic Home Value Index*, January 2018.
3 World Bank Group, *Global economic prospects*, January 2018.

## SPEAK TO US FOR MORE INFORMATION

**We are always available to discuss any questions or concerns you may have.**