MONEY MATTERS.

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Cyber crime surge: how to protect yourself from COVID-19 scams

Criminals are using the coronavirus pandemic as a means to covertly commit cyber attacks. Here's how to stay safe.

Coronavirus is not just a threat to our health. Cyber crime is also on the rise with criminals using the pandemic as a means to stealthily extract money from unwitting individuals and businesses.

Many people, confined to their homes during lockdown, have been under high levels of stress, while spending more time online.

A top United Nations official recently warned that during the COVID-19 pandemic, the sending of malicious emails had risen by 600%, including attacks against health care organisations and medical research facilities.

Fake COVID-19 websites have been set up to raise 'donations' or promise to provide health information, but instead of doing so, it downloads onto the user's computer malicious software. Brazen cyber criminals even call people while impersonating officials such as the Australian Taxation Office (**ATO**) or other government departments to demand payment.

Older Australians are a key target, with approximately 70% of Australians using the internet multiple times a day, according to a national survey by the Government's Office of the eSafety Commissioner.

While highly aware of the importance of internet security and privacy, its research found that 40% of the eight million Australians aged over 50 either had contact details stolen, experienced a virus attack, or had been the victim of a scam.

How you can protect yourself from online scams

Digital technology has become an essential part of everyday life – all it takes is implementing some basic security tips to maximise your online safety and enjoyment.

Password protection

Never use the same password across different sites or share passwords with other people. If a site is hacked, your password could be used to gain broader access to other sites. Software such as LastPass or 1Password can store and encrypt all your passwords so you don't have to remember them. It's also worth switching on two-factor authentication if offered. This provides another layer of security, such as a text sent to your phone with a unique code.

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We hope you enjoy our latest edition of Money Matters.

Please contact our office if you would like to discuss anything in this edition.

Vicki Hagley AFP, Dip FP
Authorised Representative

Keep your computer and anti-virus software up-to-date

The nature of cyber crime is always changing, making it crucial to keep your computer's operating system and anti-virus software updated. This is to ensure that your computer's security is not compromised due to outdated software, as new viruses and malicious softwares are constantly emerging.

Be wary of fake emails

So-called 'phishing' scams are one of the most popular online scams. These emails pretend to be from a friend, professional or institution such as a bank, and may ask you to confirm personal or financial details or to click on a malicious link. Most of the time, real organisations will never ask for personal details over email. Also look out for small inconsistencies in phishing emails such as spelling errors and suspicious email addresses which do not appear to be from the organisation. Always scan any email attachments with anti-virus software before opening them.

There's no such thing as free money

A classic email scam is to offer some form of free money – such as lost super, an inheritance, or a lottery win. The catch is you'll be asked to pay something upfront, send personal details, or click on a malicious link that will allow cyber criminals to do their work. Remember if it's too good to be true, it almost certainly is.

Online safety is critical to building one's confidence required to make the most of digital technology. Taking the time to learn more can help improve the quality of one's day-to-day digital experience while remaining secure from cyber crime.

eSafety Commissioner launches free cybersecurity courses for senior Australians

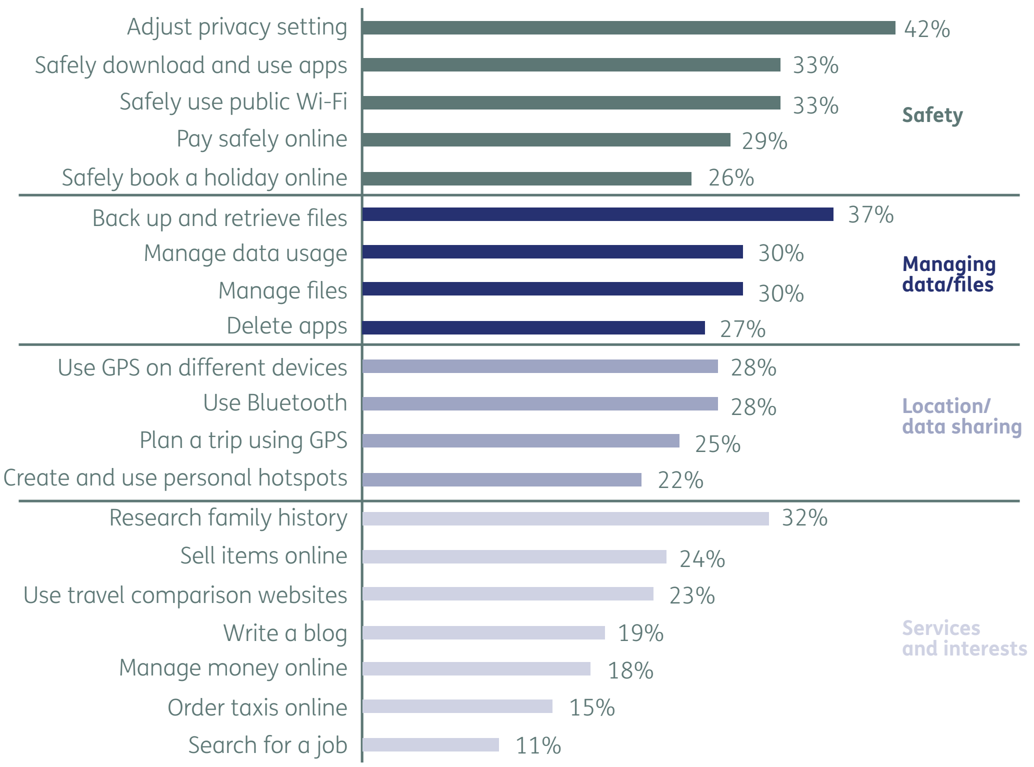
The Federal Government's eSafety Commissioner has launched a series of free daytime webinars to help senior Australians stay safe online.

The 'Be Connected' courses will take place throughout 2020 and will help seniors build basic skills required for video chats, telehealth, online shopping and banking while avoiding common online risks.

"With the Federal Government urging people aged over 70 to stay at home and limit face-to-face contact, the internet can be a lifeline," Senator Richard Colbeck said. "But many Australians in this age group are not always confident using digital technology."

The webinars form part of the Government's $47 million Digital Literacy for Older Australians initiative that was launched in 2017.

Percentage of people aged 50 years and over



Bookings for courses can be made at: https://beconnected.esafety.gov.au/bookings or by calling 1300 795 897.

Superannuation changes a plus for older Australians

With the start of a new financial year, Australians now have more opportunities and greater flexibility when it comes to superannuation. New laws were introduced on 1 July 2020 allowing more people to make superannuation contributions without having to meet a work test. Spouse super contribution rules have also been expanded.

What are the changes?

Before 1 July 2020, as soon as you reached 65 years of age, you were required to meet a work test before making any voluntary superannuation contributions. To satisfy this work test, 40 hours or more of gainful employment had to be performed within a 30 day period. Now, the work test rules do not apply unless you are 67 or older on the day of contribution allowing more individuals to make personal contributions to boost their retirement savings.

The second change relates to spouse contributions. Spouse contributions are a great way to grow the value of your spouse's superannuation balance and, if your spouse earns a low or no income, you may be able to claim a tax offset of up to $540.

Previously, to receive a spouse contribution, the eligible spouse had to be under 70. From 1 July 2020, the spouse age has increased to under 75 years of age with those 65 and 66 no longer needing to meet a work test.

Finally, the maximum non-concessional contribution (contributions where no tax deduction is claimed) has been proposed to increase from $100,000 to $300,000 for those aged 65 and 66 providing more opportunities to accumulate wealth in the superannuation system. Restrictions apply to those with a total superannuation balance approaching $1.6 million. At the time of writing, this change had not yet become law however it is anticipated that the relevant legislation will be finalised soon.

Who will benefit?

Retirees looking to increase their savings in the superannuation system will now have two extra years to contribute without having to be gainfully employed. Contributing on behalf of your spouse has also been made easier and, for those who receive a windfall in retirement such as an inheritance or the sale of a substantial asset, this might be a great opportunity to contribute larger amounts into super as potentially significant tax benefits may be available.

Case study

Samira is 66 years of age and retired six years ago when she was made redundant. She recently sold her investment property and now has $150,000 available to invest after repaying debt and meeting a range of planned expenses. The property has been a sound investment for Samira and she has made a capital gain (after the allowable 50% discount) of $100,000.

Prior to the 1 July 2020 changes, Samira would not have had the opportunity to make a personal contribution to superannuation as she is retired and over 65. However, from 1 July this year, superannuation contributions can be made allowing Samira to boost her retirement savings and potentially reduce her overall tax for the year by $10,750 by claiming a tax deduction for some of her contributions.

Strategy summary:

Samira makes a personal contribution to her superannuation fund of $150,000 with $50,000 being claimed as a tax deduction as she is eligible to use her unused concessional cap from previous years. The other $100,000 is classified as a non-concessional (after tax) contribution with no tax going into the super fund or when withdrawn. She can make this contribution in the 2020-21 year as she is 66 and a work test does not have to be met under the new rules.

	Before changes	After changes
Capital gain	$100,000	$100,000
Super contribution - deductible	$0	($50,000)
Taxable income	$100,000	$50,000
Income tax and Medicare Levy	$25,717	$7,467
Contributions tax (15%)	$0	$7,500
Total tax	**$25,717**	**$14,967**
Samira's tax saving due to ability to make a super contribution at 66		$10,750

As shown in Samira's situation above, substantial benefits may be obtained for those aged 65 and 66 due to the changes in superannuation rules from 1 July 2020.

Contact our office today to speak to your adviser if you have questions about your financial position.

Where to invest in the market?

The coronavirus pandemic has changed the way we live and sent the share market on a wild ride. While the market outlook remains volatile, some sectors stand to benefit from the changes.

The Australian share market fell by more than one-third in a matter of weeks as the coronavirus pandemic forced the Government to impose a lockdown in many states, which effectively resulted in almost shutting down the economy in March and April.

While the market has since rebounded, the effects will be long-lasting, creating new winners and losers and altering our way of life permanently.

Many traditional businesses in sectors suffering structural decline, or that are vulnerable to technological disruption, are likely to fall by the wayside. Despite this uncertain environment, other companies and sectors are poised to take advantage of these new trends – the key is identifying the winners and avoiding the losers.

New payment services, online communications surge

The ASX and Standard & Poor's launched Australia's first technology index in February amid rising interest. The sector played an even stronger role helping people navigate the coronavirus pandemic.

The retail sector was struggling before the pandemic but a sharp rise in online shopping during the crisis suggests a lower-cost growth channel for those companies able to adapt.

Footwear company Accent Group recently said it is now reviewing the location, size and format of its store network after surging online sales pointed to a longer-term consumer shift away from traditional shopping centres.

Many retailers have also shifted exclusively to contactless payments, highlighting the potential of new payment technology companies. ATM withdrawals fell by 30% in April, according to Reserve Bank of Australia (**RBA**) data, amid concerns that viruses could remain attached to bank notes.

The potential of the payments sector was underlined in May when Chinese tech giant Tencent took a substantial stake in Australian buy-now-pay-later company Afterpay.

The enforced lockdown also forced employees to work from home, propelling the take-up of new office technology. Use of online communication technologies such as Zoom and Microsoft Teams surged, and now the usage of such technologies looks set to become an entrenched part of standard work practices.

Infrastructure: a mixed future

Quality infrastructure investments, backed by long-term contracts or regulation, tend to produce stable cash flows through a range of economic conditions. However, the impact of coronavirus has had more widespread impact.

Airports have been hard hit by border closures and bans on international travel, which may remain in place for years. Even toll roads were affected by the downturn as people travelled infrequently during lockdown.

The situation is now changing as the economy opens up and a new tailwind could benefit the sector as more people choose to drive rather than catch crowded public transport. Conversely, more people may continue working from home, depressing revenue.

Electricity and gas network owners, such as Spark Infrastructure and AusNet Services, have the benefit of providing an essential service that consumers can't turn off, even during a downturn. Tariffs are generally regulated to rise each year.

Electricity demand only fell marginally during the crisis as some manufacturers shut down, but that was partly offset by higher residential usage, according to research house Morningstar.

Cash and other defensive assets

While cash and term deposits are offering miniscule returns under 1%, they shouldn't be discounted as an investment. Cash is the ultimate safe harbour in volatile times and provides the firepower to take advantage of short-term downturns in the share market.

Blue-chip dividends provide much higher levels of tax-effective income, but they have a higher risk profile than cash and term deposits. Several large companies, including Australia's big banks, have cut or deferred their dividends in the wake of the pandemic.

When risk is high, diversification plays an even more important role in portfolios. Staying focused on one's long term goals is also crucial as changes in market sentiment can quickly change the fortunes of individual stocks and sectors.

Speak to your financial adviser today to make sure your investment portfolio is working for you.

Life insurance: essential ongoing support in the face of coronavirus

Insurance is critical to protect against risk – even multi-faceted risks that few see coming.

When the World Health Organisation officially declared COVID-19 a pandemic on March 11, the health risks were at the forefront of everyone's minds, but it quickly became apparent that the economic fallout would be just as severe.

Unfortunately, the potentially deadly combination of health and financial risks have not been shared equally across the population.

Coronavirus risk defined by jobs, income and age

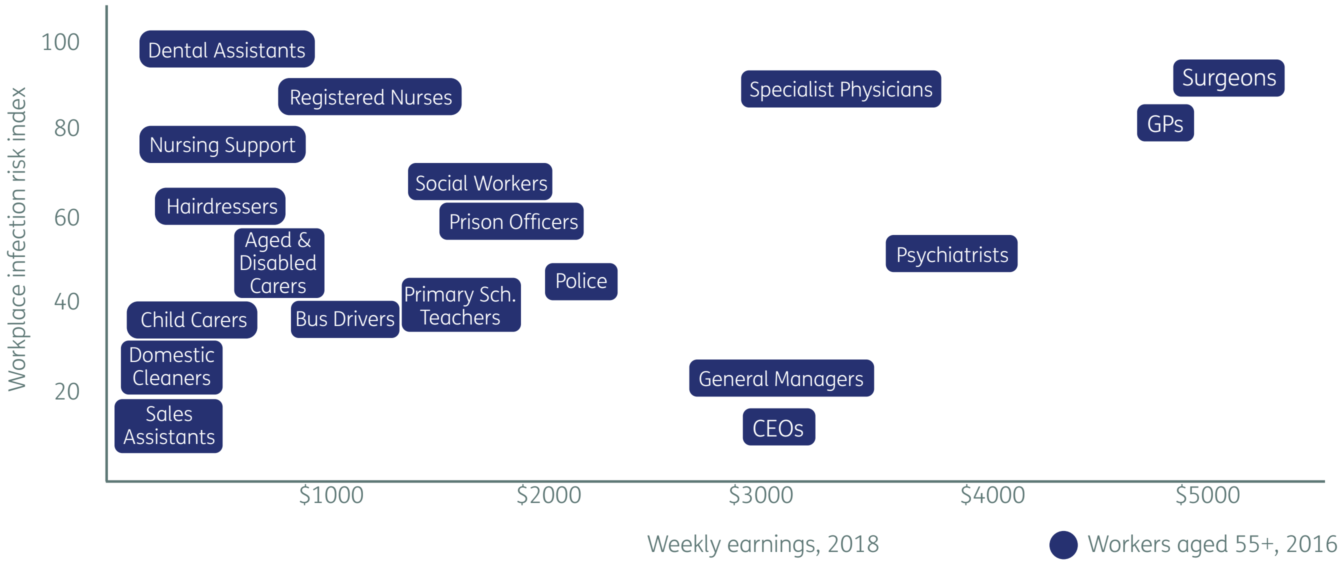
The world has been on a steep learning curve about the nature of COVID-19.

What we know so far is that certain pre-existing and chronic diseases raise one's risk of getting COVID-19 substantially. This puts many older Australians at risk, given 70% of community-dwelling men aged in their 70s suffer from diabetes, respiratory, and heart disease, according to the Concord Health and Ageing in Men Project (**CHAMP**).

Jobs that require close physical contact, such as health care workers, are also disproportionally held by older workers and women. For example, about 50,000 registered nurses and 40,000 aged care workers and disability carers are aged 55 and over, according to a new report by the ARC Centre of Excellence in Population Ageing Research (**CEPAR**).

"Another feature is that occupations with greater risk of infection are often low-wage – such workers tend to have fewer alternatives and are more likely to be on casual contracts with no paid leave entitlements (e.g., to self-isolate)," the report said.

Infection risk and earnings: Higher risks common among low-wage and older workers



Note: Frequency of exposure to infection and physical proximity to others are based on typical jobs from US 0*NET database, corresponded to Australian data on employment by occupation at 4-digital level. These do not necessarily reflect COVID-19 infection rates. The workplace infection risk index is the product of frequency and proximity scores, scaled to 100. Source: Author's analysis of 0*NET (2020), DESE (2020), ABS (2019, 2020).

Meanwhile, many people who have already lost their jobs are younger workers in casual positions. Job losses have been highest in the Accommodation and Food sector (33%), followed by Arts and Recreation (27%), according to Australian Bureau of Statistics (**ABS**) data.

While lockdown restrictions are slowly being eased and the economy is re-opening, the economic and health risks remain real for many people. Insurance will have a crucial role to play in managing these risks.

Why life insurance is still effective

The sudden onset of a global pandemic has raised many questions about life insurance, prompting the industry to underline its ongoing commitment to frontline health workers despite the higher COVID-19 health risks they face.

Insurers who are part of the Financial Services Council (**FSC**) Life Insurance Code of Practice (the Code) have pledged to not decline life insurance applications, not to charge higher premiums, and not to apply a COVID-19 pandemic risk exclusion that carves out benefits. The decision benefits doctors, nurses and hospital staff, as well as police, pharmacists, paramedics, and aged care workers.

The life insurance industry has also taken steps to ensure that total and permanent disability (TPD) cover remains in place.

If people lose their job, are stood down, or have reduced working hours because of COVID-19, their TPD cover will remain unchanged until 1 January, 2021.

Under normal circumstances, the amount paid out by a TPD policy is assessed on the likelihood of whether a person will ever work again, which is related to their recent work arrangements. Potential TPD payout changes typically happen 3 to 12 months following new work arrangements, depending on the policy.

More than 7.5 million Australians are estimated to have TPD insurance policies attached to their super funds, according to Australian Prudential Regulation Authority (**APRA**). However, many remain unaware of the terms and exclusions of such life insurance coverage. Rather than relying on automatic group insurance that may not offer value, a financial adviser can help tailor an effective life insurance policy to meet your personal needs and risks.

If you have concerns about your life insurance policy, contact our office today to speak with your financial adviser.

Why your wealth is more than just your investments

When market conditions are tough and stress levels are high, it's important not to lose sight of the bigger picture.

There's far more to life than money, yet most of us need money to lead the life we want. So, when the value of investment portfolios plummet, it's easy to despair.

Markets have been on a wild ride recently as the coronavirus pandemic prompted the Australian share market to lose more than one-third of its value in just over four weeks to March 23. Equities have since rebounded strongly but many people remain worried about the future as the economy enters a recession.

In times like these, it's important not to lose perspective. While markets are volatile and stress levels are elevated, other aspects of wealth are often underplayed despite having a huge impact.

Financial wealth is just one component of wellbeing

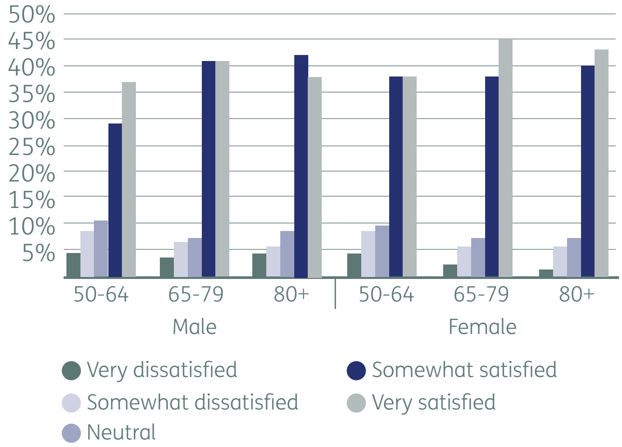
Money is just one component of a well-rounded life. Without love, family, friends, and good health, a large investment portfolio or bank balance can seem hollow.

A 2016 survey by National Seniors Australia found older Australians' life satisfaction was most strongly associated with their perceived social wellbeing and how often they experienced social isolation.

"While issues of health and wealth are important to older Australians' life satisfaction, it is in fact their social lives, specifically how satisfied they are with this aspect of their lives and the extent to which they feel isolated from family and the wider community, that is most influential on overall life satisfaction," the report found.

The study also found that absolute levels of wealth – such as household income – were not a great indicator of life satisfaction. Rather, comparing themselves to a previous financial position or others in their social networks had a greater influence.

Proportions of respondents who endorsed different levels of life satisfaction by age, group and gender



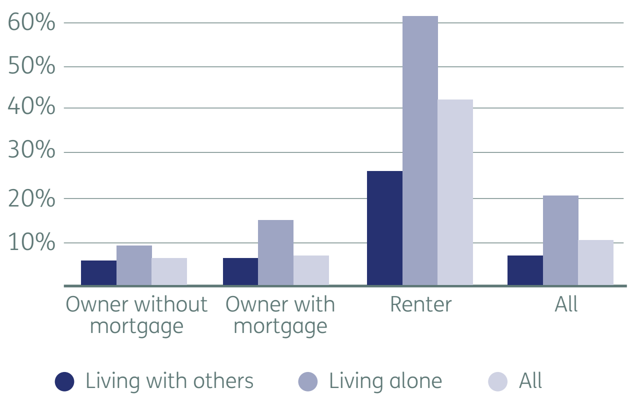
The value of home ownership

The family home is often the most valuable asset Australians will ever own. The median residential dwelling in Sydney was still valued at more than $885,000 and more than $686,000 in Melbourne at the end of May, despite the impact of the coronavirus lockdown on property markets, according to research house CoreLogic.

The family home is worth even more in retirement than its valuation on paper. The reason is simple: retirees spend less on housing as they pay down their mortgage, while renters pay more as housing costs tend to rise.

The typical homeowner aged over 65 spends just 5% of their income on housing, compared to renters who spend nearly 30%, according to the Grattan Institute.

Nearly half of renting pensioners are in poverty after housing costs are taken into account
Poverty rate after including imputed rent, age 65+



Note: Poverty rate is the proportion of people age 65+ who have equivalised disposable household income (plus imputed rent) below 50% of population-wide media.

Source: CEPAR (2019) calculations based ABS SIH data.

Government subsidies also favour home ownership.

For example, the Age Pension excludes the often substantial value of the family home from the means test. Unfortunately for those who don't own a home, the value of rent assistance subsidy is far lower by comparison.

The Age Pension acts as an investment buffer

Nearly two-thirds of retirees receive government assistance, such as the Age Pension, as their main income source to meet everyday living costs, according to Australian Securities and Investments Commission (**ASIC**). However, the Age Pension also acts as a safety net for many retirees with higher levels of wealth.

The reason is that the Age Pension is means tested: as retirement savings increase, Age Pension payments naturally fall. But the reverse is also true: as retirement savings decrease – through either expenditure over time or because of a market crash – Age Pension payments naturally rise.

Some older Australians will begin retirement fully self-funded but qualify for Age Pension payments as they draw down on their savings.

The Age Pension can be a valuable component of a retirement plan because it effectively acts as a government-backed perpetual lifetime annuity, which has a value that rises in line with inflation.

New government benefits and subsidies

The economic downturn caused by the coronavirus pandemic has spurred the Government to support the affected businesses, jobs and sectors.

Such support initiatives include a temporary JobKeeper Payment for businesses that employ people, a range of higher income support payments such as the JobSeeker Payment, two automatic $750 Economic Support Payments, and two rounds of early access to super.

Retirees have also been given the choice to take a reduced drawdown rate for account-based pensions, so there is no need to sell investment assets when markets are particularly weak.

This avoids locking in investment losses and may provide portfolios a greater chance of recovering.

These initiatives are likely to give investors and retirees extra confidence that they can live their lives, even when markets go through a bout of weakness.

If you have questions about your financial position or your eligibility for the Age Pension, contact our office today to speak with your financial adviser.

Investment markets rebound after pandemic's economic fallout

Markets have surged despite the coronavirus pandemic sending most major economies into recession.

Investment markets have rallied strongly on the back of central bank support and renewed optimism about the pace of economic recovery in the wake of the coronavirus pandemic.

However, markets remain volatile as most major economies battle recessions, rising unemployment, and ongoing uncertainty about a potential second wave of the virus.

The initial rapid coronavirus outbreak stripped about one-third of the value from global share markets, as economies were locked down to stop the virus from spreading, and potentially overwhelming healthcare systems.

However, a wave of central bank stimulus has since propelled markets higher, with the US S&P 500 climbing back to near record highs. The US Federal Reserve has led central bank stimulus efforts by buying up an ever-expanding range of assets, including individual corporate bonds and exchange-traded funds, to pump cash into the economy.

Governments have also turned to strong fiscal policy in an effort to re-ignite economic growth. In it's initial phase, the Australian government's JobKeeper program is providing about $70 billion to businesses to keep their staff employed until September with more funds to follow further to the Government announcing an extension of the program until March 2021.

The RBA has acknowledged that the depth of the downturn may not be as dire as initially expected with some signs that hours worked stabilised in early May and a pick-up in some forms of consumer spending. However, considerable uncertainty remains.

Australian residential property prices posted their first month-on-month decline since June last year with a 0.4% fall, according to CoreLogic. The decline was less than expected given tight restrictions on open home inspections and in-person auctions, which have now been eased across most states and territories.

Nonetheless, banks have approved repayment deferrals across more than 480,000 mortgages by mid-June according to the Australian Banking Association, which suggests caution is warranted, particularly given rising unemployment.

Australia's unemployment rate now stands at 6.2% and could still quickly rise to 10%, according to the RBA. The central bank has held official interest rates at 0.25% and provided added economic stimulus by purchasing $50 billion of government bonds and supplying banks with a term funding facility.

The Australian dollar has also been on a wild ride, hitting a low of US57.4c at the height of the pandemic in mid-March before briefly climbing back above US70c in early June, making it one of the best performing currencies in the world. Those gains were largely driven by surging iron ore demand from China after the bulk of mining operations were shut down in Brazil to curb the spread of COVID-19.

Uncertainty about the ongoing impact of the pandemic prompted the Chinese government to abandon its annual economic growth target for the first time since the practice began in 1994. Tensions between Australia and its key trading partner related to trade conditions and how the pandemic was handled present another key risk for investors.

The pandemic has created significant volatility and uncertainty, underlining the ongoing need to invest in well-constructed and diversified portfolios that are positioned to meet your long-term goals.

If you would like further information on investments or your account, please contact our office to speak with your adviser.

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