

Insights and investment solutions magazine

Winter 2023

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Welcome

Welcome to the latest JP Wealth Management newsletter, the Winter Edition.

We trust that you are safe, well and warm as we experience another cold winter in Melbourne and kick off the 2024 Financial Year.

As I write this newsletter it marks the end of our stay at our offices in Bridge Road Richmond. As you all know this has been the location for over 20 years.

The time has come for a change and our new offices at Industry Lanes, Level 6, 459 Church Street, Richmond VIC, 3121 will be our location by the time you receive this newsletter.

We look forward to welcoming you at our new offices.

Enclosed along with our newsletter are additional details for you to read which explains all the details relating to parking and very convenient public transport access.

Lastly, on behalf of the team, best wishes and we look forward to seeing you at our new office.



JP Wealth Management
Brendan Shannan
Director
brendans@johnsonpartners.com.au
<https://www.jpwealth.com.au>

Sowing the seeds for a happy retirement



The thought of retirement is an enticing one for many of us. Imagine throwing off the shackles of the workforce and being able to do whatever you want, whenever you want. But why wait until you are retired to do the things you love?

Retirement is a time where we finally have the space to do what we want to do with our lives, whether that's travel, developing and learning new skills, taking up hobbies or just enjoying the company of those we care about.

The problem with waiting until we are retired is we are postponing engaging in things that could be making us happy right now. Exploring what gives us joy now and developing those skills will make for a much easier transition as you wave goodbye to your working years.

Something to retire to

Retirement represents a big shift in the way we live our lives and it's not uncommon for that adjustment to be a little challenging. For many, our jobs give us a profound sense of identity and define how we perceive ourselves, so our sense of self can suffer when we leave the workforce. There is also often a gap in our lives where work used to be.

That's why rather than looking forward to retiring from something, 'have something to retire to' is a common piece of advice to encourage people to think about what they want their life to look like when they leave the workforce.

Think about what defines you now and satisfies you outside of work, and putting in place a plan of how that may play out in retirement can be a good idea.

Start today to do the things you love

While it can be hard to carve out time while you are still in the workforce, it's possible to take small steps and set aside dedicated time each week or commit to activities that won't take a lot of your time.

If you are keen to travel when you retire, consider signing up for a short course in the language of the country you are keen on visiting to get prepared for the trip of your dreams.

Or if you want to finally write that novel you've been mulling over for years, set aside a little time now to draft a framework

and get a head start. Who knows by the time you retire you may be on your second novel!

Keen to do more exercise? Join a gym now and get into a routine - even if you only manage to get there a couple of times a week it's a good start.

It takes a while to develop new habits and skills so starting to pick up the things you want to explore in retirement now sets you up for a smoother transition when you have more time to devote to these activities. Starting now also gives you a chance to try things out and see if they are something you want to commit time and energy to.

Fostering connections with those you care about

While spending time doing things you love makes for a happy and satisfying retirement, another important factor is being around people you enjoy being with.

Think about the people you enjoy spending time with and foster those friendships right now. Not only will it make for an easier transition when you retire, it will also bring you joy and the benefits of those relationships right now. There is always room in your life for making new friends too!

The best laid plans can change

It's important to be open minded in your plan of how you see your retirement unfolding. Remember that not everyone retires on their own terms. Some need to retire sooner than expected or in a different manner than expected due to ill health, caring for a family member or because of a decision or situation in the workplace.

On that basis it's important to live well now – enjoy your present life and embrace the things that make you happy as you'll also be setting yourself up to enjoy retirement – whether it's just around the corner or still a way off.

Getting your bounce back

Life is pretty frantic, and it is common to feel like it's a struggle to keep up the pace. In fact, feeling exhausted is so common that it has its own acronym, TATT, which stands for "tired all the time".

While it's somewhat comforting to know you're not alone, it's certainly not a nice feeling, so let's look at some of the best ways to get some bounce back into your step.

Watch what you take on

One of the first and most obvious things is to look at your busy lifestyle and see if something has to give.

Don't be afraid to decline invitations if you are feeling overcommitted, in particular say no to the things that are a drain on you physically or emotionally. No one can be busy 100% of the time and it's important to ensure you have a little downtime to just do sweet nothing - even if you need to schedule it into your calendar!

As you manage your time think about what is most important to you and prioritise things that make you happy and give you energy.

Catching some zzzz's

Of course, the most powerful downtime, is getting a good night's sleep. If you are not a great sleeper making some small tweaks to your evening routine can help. Anything you can do to wind down, be it having a hot bath or reading a book, is great for getting in the right zone for a restful night's sleep.

Avoiding screen time for an hour or two before bed is beneficial as the blue light from laptops and phones is known to trick your brain into thinking it's still daytime. This reduces hormones like melatonin, which help you relax and get deep sleep.

And while caffeine may be your friend if you are feeling a little lacklustre, it's not ideal to have caffeine after 3-4pm if you want to have a good night's sleep.

Stress less to recharge your batteries

Winding down can be easier said than done, however - often we don't even realise how stressed we are until it gets to a point where it creates a problem for us.

Being in a constantly anxious state is draining. Our body is sending messages to put us on high alert - the fight or flight response - which is fine for short periods of time, but when it's constant our batteries get drained pretty quickly.

Simple practices like deep breathing and progressive muscle relaxation can be very effective in reducing stress and improving energy and don't have to take a lot of time or effort.

The right fuel for sustained energy

No amount of relaxation or rest is going to help, if we are not giving our bodies the best fuel for energy. We can't expect to perform at our peak if we are running on fumes, which is where a balanced diet and hydration are key. Sugar in particular, is a culprit in giving you a burst of energy and then a crash, so instead of reaching for that chocolate bar mid-afternoon, try a handful of nuts or a banana for an energy boost.

Another easy tweak is to make sure you are drinking enough water. Just putting a jug in easy reach on your desk can be enough to have you humming along through the day.

Get your body moving for an energy boost

The last thing you probably feel like doing if you feel exhausted is hit the gym or go out for a brisk walk, but getting your blood pumping and your heart beating fast is a great way to shake off the cobwebs and boost your energy. It's important to listen to your body and pace yourself but expanding energy is a great way to create more energy!

Life is to be lived and making some tweaks to your lifestyle and routine might just help you get that boost you need to enjoy life to the fullest.

Note: It's important to also consider that chronic tiredness can have a medical cause, so be sure and see your doctor if you have any concerns about your overall health.



Will these super changes affect you?

As our superannuation balances grow larger, it makes more sense than ever to keep track of the many rules changes that have recently happened or are coming up soon.

So, check out these latest changes in case they affect you.

Super bonus for workers

For employees, the new financial year kicks off with an increase in the Superannuation Guarantee paid by employers. It is now 11 per cent of eligible wages.

This rate will increase by 0.5 per cent each year until it reaches 12 per cent in 2025.ⁱ

The Australian Tax Office will also be cracking down on employers who don't pay on time or at all.

Minimum pension drawdown increased

A COVID-19 measure to reduce the minimum drawdown required on super pensions will end on 1 July 2023.

Investors receiving super pensions and annuities must withdraw a minimum amount each year. The federal government reduced this amount by 50 per cent over the last four financial years to help those wanting to protect their capital as the markets recovered from the chaos of the pandemic.

You can find out more by visiting the ATO's minimum pension standards.

Transfer balance cap to be lifted

The maximum amount of capital that can be transferred to your super pension will increase to \$1.9 million from 1 July 2023.ⁱⁱ

The transfer balance cap limits the total amount of super that can be transferred into a tax-free pension account. This is a lifetime limit.

The cap is indexed and began at \$1.6 million when it was introduced in 2017. Increases in the cap are tied to CPI movements.

Extra tax for large balances

Investors with super balances of \$3 million or more will lose the benefit of super tax breaks on earnings.

From 1 July 2025, taxes on future earnings will be 30 per cent instead of 15 per cent although they will continue to benefit from more generous tax breaks on earnings from the funds below the \$3 million threshold

Other recent changes

A number of changes announced in both federal budgets last year have also been slowly introduced over the past 12 months.

In one major change, the minimum age was lowered for those able to invest some of the proceeds of the sale of their homes into super, known as a 'downsizer contribution'.

From 1 January 2023, if you are aged 55 or older, you can now contribute to your super up to \$300,000 (or \$600,000 for a couple) from the sale of their home.

The home must be in Australia and owned by you for at least 10 years.

Another significant reform for many has been the removal of the work test for those under 75, who can now make or receive personal super contributions and salary sacrificed contributions. (Although the ATO notes that you may still need to meet the work test to claim a personal super contribution deduction.)

Previously if you were under 75, you could only make or receive voluntary contributions to super if you worked at least 40 hours over a 30-day period.

While caps have been lifted and programs expanded, at least one scheme has not changed. The Low Income Super Tax Offset (LISTO) threshold remains at \$37,000. LISTO is a government payment to super funds of up to \$500 to help low-income earners save for retirement.

If you earn \$37,000 or less a year you may be eligible a LISTO payment. You don't need to do anything other than to ensure your super fund has your tax file number.

Finally, a project that may pay off down the track, the Federal Budget included continued funding for a superannuation consumer advocate to help improve investors' outcomes.

Expert advice is important to help navigate these changes over the coming year.

Call us for more information.

ⁱ <https://www.ato.gov.au/Business/Small-business-newsroom/Lodging-and-paying/The-super-guarantee-rate-is-increasing/>

ⁱⁱ <https://www.ato.gov.au/Individuals/Super/Withdrawing-and-using-your-super/Transfer-balance-cap/>



JP WEALTH MANAGEMENT

Level 2, 649 Bridge Road Richmond VIC 3121 **P** 03 9421 4488

E admin@johnsonpartners.com.au **W** <https://www.jpwealth.com.au>