advicematters MAGAZINE

MAY | 2024

- The power of **compound interest** and regular interest over time
- **Supercharge your Super** before the clock strikes EOFY!
- **Ease** your **tax season** stress
- Are the new **bitcoin ETFs** the **gamechanger** you've been waiting for?
- The worlds **trillion dollar** Stock Markets
- Who expects to **get richer** in 2024, by generation and gender
- How much can **client's earn** before paying taxes after **age 67** from 1 July
- Mercer periodic table of **annual investment returns**
- The potential estate complexities of **dying without a will**
- Countries with the most **billionaires 2024**
- Fostering **wellbeing** in the workplace
- Insurance recovery and **claims process**
- Regaining financial control **after a scam**
- The Mandie Case: the importance of a binding **death benefit** nomination
- Connecting an **adviser** with your **children**
- **Life in retirement** keeps getting more expensive
- The **Wealth Report 2024**

Do you know someone that might benefit from our advice?

For us, a referral from an existing client is very welcome because we see it as recognition for the quality of service and advice we strive so hard to achieve.

If you think that a member of your family or friends would benefit by spending some time talking with us about their financial plans, then please pass on our details. You can be confident that they will receive the same level of commitment and service that you have experienced.

What is your most valuable asset?

A YOUR **HOUSE?**

B YOUR **SUPERANNUATION?**

C YOUR **INCOME?**

The answer is c!

Without the ability to earn income we don't have the money to pay the bills and save for the future.

Financial security doesn't just mean accumulating wealth but also protecting it. Many people insure their house and car but forget about protecting their income. If you are sick or injured and cannot work, you may have savings or sick leave from your employer to keep you afloat. ***But after that...?***

Talk to us about protecting your most valuable asset

A warm welcome

Welcome to another edition of 'Advice Matters' Magazine

With the end of this financial year fast approaching thoughts of maximising tax-deductible expenses is at the forefront of many people's minds, a read of page seven may assist in clarifying those thoughts.

Moving on from taxation related matters, you may be interested to know that discussions about the financial and structural complexities of intergenerational wealth transfer are on the rise. With that in mind we have included an excellent article on pages 20 and 21.

For those of you who are not familiar, intergenerational wealth transfer refers to the process of passing assets, wealth, and financial resources from one generation to the next. Typically, this occurs from parents or grandparents to their children or grandchildren. As the older generation ages, they seek to ensure that their hard-earned wealth is preserved and continues to benefit their descendants.

Over the past two decades, wealth transfers in Australia have been substantial. The total value of wealth transferred during this period was approximately $1.5 trillion, with inheritances accounting for about 90% of this amount.

These transfers are expected to continue growing, potentially quadrupling in real terms by 2050 due to household wealth growth and an aging population.

Surprisingly, these wealth transfers have contributed to reducing some measures of relative wealth inequality in Australia.

Wealthier individuals receive more inheritances and gifts in absolute dollar terms. However, when measured against their existing wealth, those with less wealth experience a much larger boost from inheritances. In other words, wealth transfers tend to reduce the share of wealth held by the richest Australians.

While inherited wealth plays a role in intergenerational wealth persistence, it is only a modest contributor. Other factors, such as education, networks, values, and opportunities provided by parents, significantly influence relative wealth positions across generations.

Globally, a significant wealth transfer is underway. Referred to as the 'great wealth transfer,' approximately $68 trillion in assets is expected to shift from the estates of deceased baby boomers (those born between 1946 and 1964) to their heirs over the next 20-30 years. This transfer will shape the financial landscape for generations to come.

Intergenerational wealth transfer is a complex interplay of financial resources, family dynamics, and societal implications. As families navigate this process, understanding the balance between preserving wealth and fostering opportunities for the next generation becomes crucial and that is where finance advice plays a critical role.

Whilst it might sound like future generations will be the richest in history, they are also the ones most exposed to what is amounting to societal changing events in the form of artificial intelligence.

On November 30, 2022, OpenAI introduced ChatGPT, an AI chatbot capable of comprehending and answering a wide range of questions, making suggestions, researching, and writing essays, and even telling jokes. Many of these skills are currently performed by workers in various jobs worldwide. So, which occupations will face disruption due to generative AI?

OpenAI conducted a study to identify U.S. industries and jobs most "exposed" to large language models (LLMs) like ChatGPT. The term "exposed" refers to the potential economic impact, without distinguishing between labour-augmenting or labour-displacing effects. The results encompass both jobs where humans could optimise their work using AI and jobs that could be fully automated.

Here are some key findings from the study:

Accountants: AI can handle 100% of tasks associated with accounting.

Admin and Legal Assistants: These roles are also 100% exposed to AI.

Climate Change Policy Analysts: AI can assist with 100% of their tasks.

Reporters & Journalists: AI can fully replace their work.

Mathematicians: Both human and AI models can perform 100% of their tasks.

Tax Preparers: Human assistance is needed for 100% of their work.

Financial Analysts: AI can handle 100% of their tasks.

Writers & Authors: Human assistance is required for 100% of their work.

Web Designers: AI can assist with 100% of their tasks.

Additional Insights: repetitive tasks, data analysis, and routine decision-making jobs face the highest risk of exposure to AI. Industries related to information processing, such as IT, have a higher exposure to LLM-based artificial intelligence.

As AI continues to advance, it is crucial for workers to adapt and acquire new skills. While some jobs may be at risk, others will emerge to support and enhance AI-driven technologies. The future of work lies in striking a balance between human expertise and AI capabilities. In signing off, we hope that you find this edition of our magazine to be of real value and interest and please always feel welcome to contact us at any time if you have any questions.

The team at Future Wealth Planners

Future Wealth Planners Pty Ltd
Level 1, 176 Main Street, Osborne Park WA 6017
(P) 08 9207 3844 (E) clientservices@fwplanners.com.au (W) www.fwplanners.com.au

Contents

4 The power of compound interest and regular interest over time
6 Supercharge your Super before the clock strikes EOFY!
7 Ease your tax season stress
8 Are the new bitcoin ETFs the gamechanger you've been waiting for?
9 The worlds trillion dollar Stock Markets
10 Who expects to get richer in 2024, by generation and gender
11 How much can client's earn before paying taxes after age 67 from 1 July
12 Mercer periodic table of annual investment returns
14 The potential estate complexities of dying without a will
15 Countries with the most billionaires 2024
16 Fostering wellbeing in the workplace
17 Insurance recovery and claims process
18 Regaining financial control after a scam
19 The Mandie Case: the importance of a binding death benefit nomination
20 Connecting an adviser with your children
22 Life in retirement keeps getting more expensive
23 The Wealth Report 2024

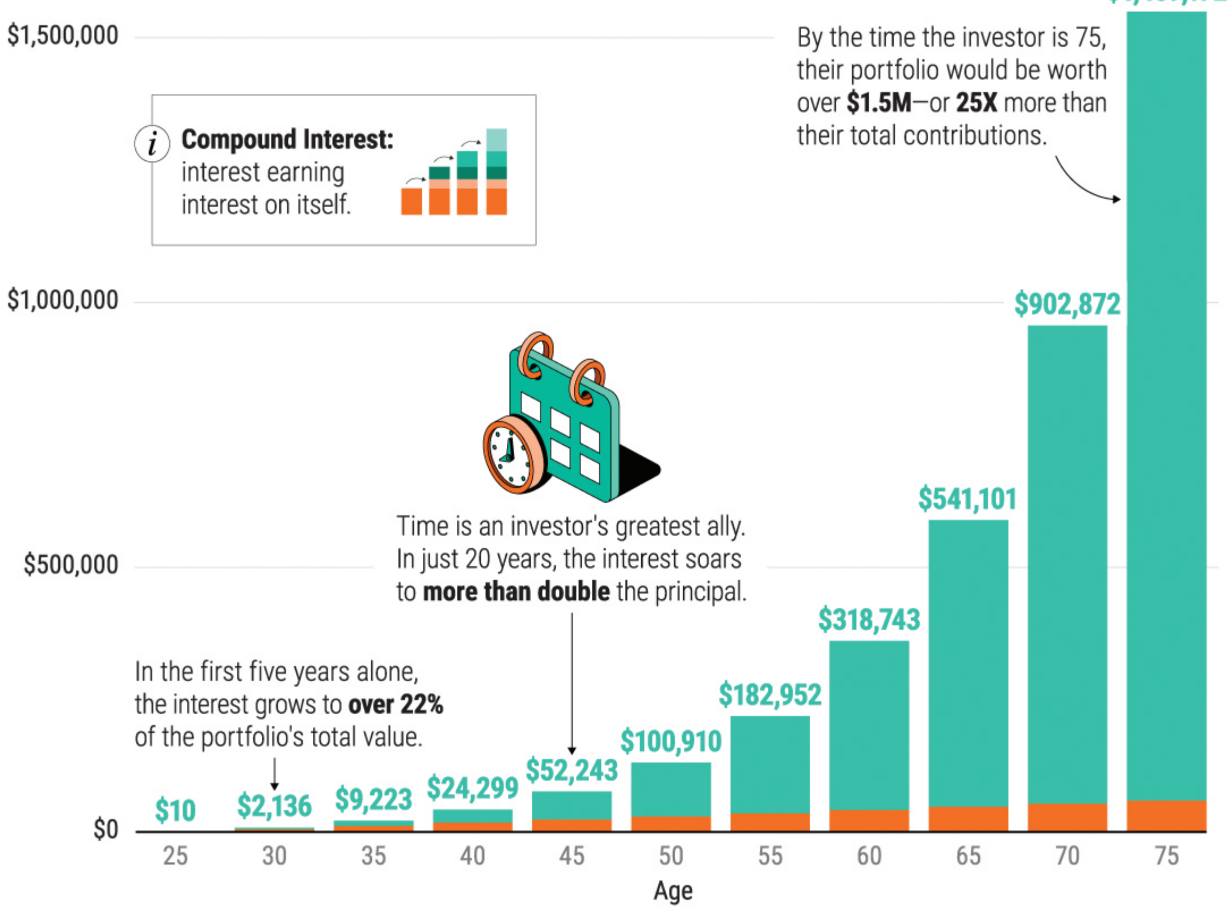
The Power of Compound Interest

AND REGULAR CONTRIBUTIONS OVER TIME

Below, we show how investing **$100** each month at a **10%** annual return can generate exponential results—thanks to the power of compounding interest over the long term.

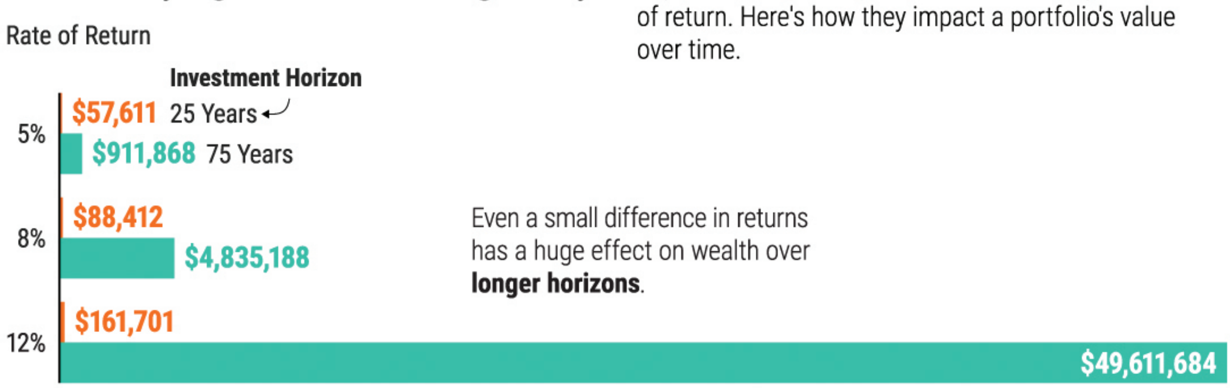
> " The first rule of compounding: Never interrupt it unnecessarily. "
> **—Charlie Munger**

Portfolio Value



The Two Key Ingredients to Growing Money

Key pillars for growing wealth are time and your rate of return. Here's how they impact a portfolio's value over time.



Source: Investor.gov

MARKETS IN A MINUTE

How Small Investments Make a Big Impact Over Time

Time is an investor's biggest ally, even if they start with just a modest portfolio.

The reason behind this is compounding interest, of course, thanks to its ability to magnify returns as interest earns interest on itself. With a fortune of $159 billion, Warren Buffett largely credits compound interest as a vital ingredient to his success - describing it like a snowball collecting snow as it rolls down a very long hill.

This graphic shows how compound interest can dramatically impact the value of an investor's portfolio over longer periods of time, based on data from Investor.gov.

Why Compound Interest is a Powerful Force

Below, we show how investing $100 each month, with a **10%** annual return starting at the age of 25 can generate outsized returns by simply staying the course:

Age	Total Contributions	Interest	Portfolio Value
25	$1,300	$10	$1,310
30	$7,300	$2,136	$9,436
35	$13,300	$9,223	$22,523
40	$19,300	$24,299	$43,599
45	$25,300	$52,243	$77,543
50	$31,300	$100,910	$132,210
55	$37,300	$182,952	$220,252
60	$43,300	$318,743	$362,043
65	$49,300	$541,101	$590,401
70	$55,300	$902,872	$958,172

Portfolio value is at end of each time period. All time periods are five years except for the first year (Age 25) which includes a $100 initial contribution. Interest is computed annually.

Portfolio value is at end of each time period. All time periods are five years except for the first year (Age 25) which includes a $100 initial contribution. Interest is computed annually.

As we can see, the portfolio grows at a relatively slow pace over the first five years.

But as the portfolio continues to grow, the interest earned begins to exceed the contributions in under 15 years. That's because interest is earned not only on the total contributions but on the accumulated interest itself. So by the age of 40, the total contributions are valued at $19,300 while the interest earned soars to $24,299.

Not only that, the interest earned soars to **double** the value of the investor's contributions over the next five years—reaching $52,243 compared to the $25,300 in principal.

By the time the investor is 75, the power of compound interest becomes even more eye-opening. While the investor's lifetime contributions totalled $61,300, the interest earned ballooned to **25 times** that value, reaching $1,489,172.

In this way, it shows that investing consistently over time can benefit investors who stick it through stock market ups and downs.

The Two Key Ingredients to Growing Money

Generally speaking, building wealth involves two key pillars: time and rate of return.

Below, we show how these key factors can impact portfolios based on varying time horizons using a hypothetical example. Importantly, just a small difference in returns can make a huge impact on a portfolio's end value:

Annual Return	Portfolio Value 25 Year Investment Horizon	Portfolio Value 25 Year Investment Horizon
5%	$57,611	$57,611
8%	$88,412	$88,412
12%	$161,701	$161,701

With this in mind, it's important to take into account investment fees which can erode the value of your investments.

Even the difference of 1% in investment fees adds up over time, especially over the long run. Say an investor paid 1% in fees, and had an after-fee return of 9%. If they had a $100 starting investment, contributed monthly over a 25-year time span, their portfolio would be worth over $102,000 at the end of the period.

By comparison, a 10% return would have made over $119,000. In other words, they lost roughly $17,000 on their investment because of fees.

Another important factor to keep in mind is inflation. In order to preserve the value of your portfolio, its important to choose investments that beat inflation, which has historically averaged around **3.3%.**

For perspective, since 1974 the S&P 500 has returned 12.5% on average annually (including reinvested dividends), 10-Year U.S. Treasury bonds have returned 6.6%, while real estate has averaged 5.6%. As we can see, each of these have outperformed inflation over longer horizons, with varying degrees of risk and return.

Source: https://www.visualcapitalist.com/how-small-investments-make-a-big-impact-over-time/

https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator

https://advisor.visualcapitalist.com/60-years-of-stock-market-cycles/

https://www.visualcapitalist.com/visualized-how-long-does-it-take-to-double-your-money/

https://advisor.visualcapitalist.com/complete-breakdown-of-sp-500-companies/

Supercharge your Super before the clock strikes EOFY!

EOFY can have a tendency of creeping up on you… The calendar ticks over to 1 June, suddenly, your inbox is bombarded with EOFY sales, and you're left thinking 'Where has this year gone, it feels like Christmas was only yesterday!'.

Then you remember the superannuation tasks you've been putting off.

If this sounds familiar, then keep reading for our top ten tips to making the most of your superannuation before EOFY.

Let's get started with - **Five ways to boost your Super with contributions**

1. Consider additional Concessional Contributions (Pre-Tax Contributions)

Why? Because these contributions are taxed at just 15%, potentially lowering your taxable income. It's like giving less to the taxman and more to future you!

You're allowed up to $27,500 annually, including your employer's 11% contribution. However, there is one exception to this…

2. Catch-up on Unused Concessional Contributions

If you haven't maxed out your concessional contributions from previous years, legislation now allows you to make 'catch-up' contributions if your super balance is under $500,000.

Look back up to five years to see if you've got unused caps you can access.

3. Take Advantage of Non-Concessional Contributions (After-Tax Contributions)

If you're a low- or middle-income earner, the government co-contribution scheme is a great way for you to contribute to superannuation personally AND get a little bonus top up from the government.

It's also a great way to add larger amounts to super, because you're allowed to contribute up to $110,000 per year (or $330,000 if you are eligible to 'bring forward' future contributions).

4. Sharing the Super love with Spouse Contributions

If your partner's income is on the lower side, contributing to their super could earn you a tax offset of up to $540.

It's a win-win: you help increase your family's total super savings while scoring a tax perk for yourself.

5. Or consider Contribution Splitting with your Significant Other

You may be able to split up to 85% of your concessional super contributions with your spouse.

This strategy can help even out your super balances, potentially reducing the tax paid on super pensions in the future. It's a smart move, especially if one of you is taking a career break or working part-time.

Now that we've covered off on making contributions to superannuation, let's keep the momentum going with a - Five Step Super Health Check

1. Check… that your Super is consolidated

Multiple accounts mean multiple fees, eating into your retirement savings. Use the ATO's online services to track down lost super and consolidate your accounts easily.

Important Note – Make sure to check your insurance status before completing any consolidation!

2. Check… how you are invested

Your super's investment strategy should match your risk tolerance and retirement goals. Are you too conservative? Or too aggressive?

EOFY is a perfect time to review your investment options. Adjusting your investment mix can significantly impact your super's growth over time.

3. Check… what insurance you have

Most super funds offer life, total and permanent disability, and income protection insurance. Review your insurance needs before EOFY to ensure you're adequately covered without eroding your super balance unnecessarily.

4. Check… to make sure you have a beneficiary nomination

Super isn't automatically covered by your Will, so nominate your beneficiaries to ensure your super goes to your loved ones as intended.

5. Check… your details to make sure they're up to date

This will ensure you're kept up to date with important information from your super fund.

By taking action on these ten tips, you can feel confident knowing that you've made those most of your super for the financial year, and that it's in tip top shape for the year ahead!

Alternatively, if you've gotten this far and are still stuck thinking about what happened to February (like seriously… does anyone actually remember February, or March for that matter?), then book in with a Financial Planner today and take the hassle out of your EOFY planning.

It's an investment your future self will thank you for!

Sources: https://www.ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds "Key Super Rates and Thresholds", Australian Tax Office (accessed 22 March 2024)

Ease your tax season stress

It's the same time every year but it seems that no matter how prepared investors are for June 30, when it comes to gathering up the necessary documentation to complete tax returns, this exercise creates more stress than it should.

This process can be made much easier if proper methods of record-keeping are put in place – and the best part is that once you have your system in place, it should work every year.

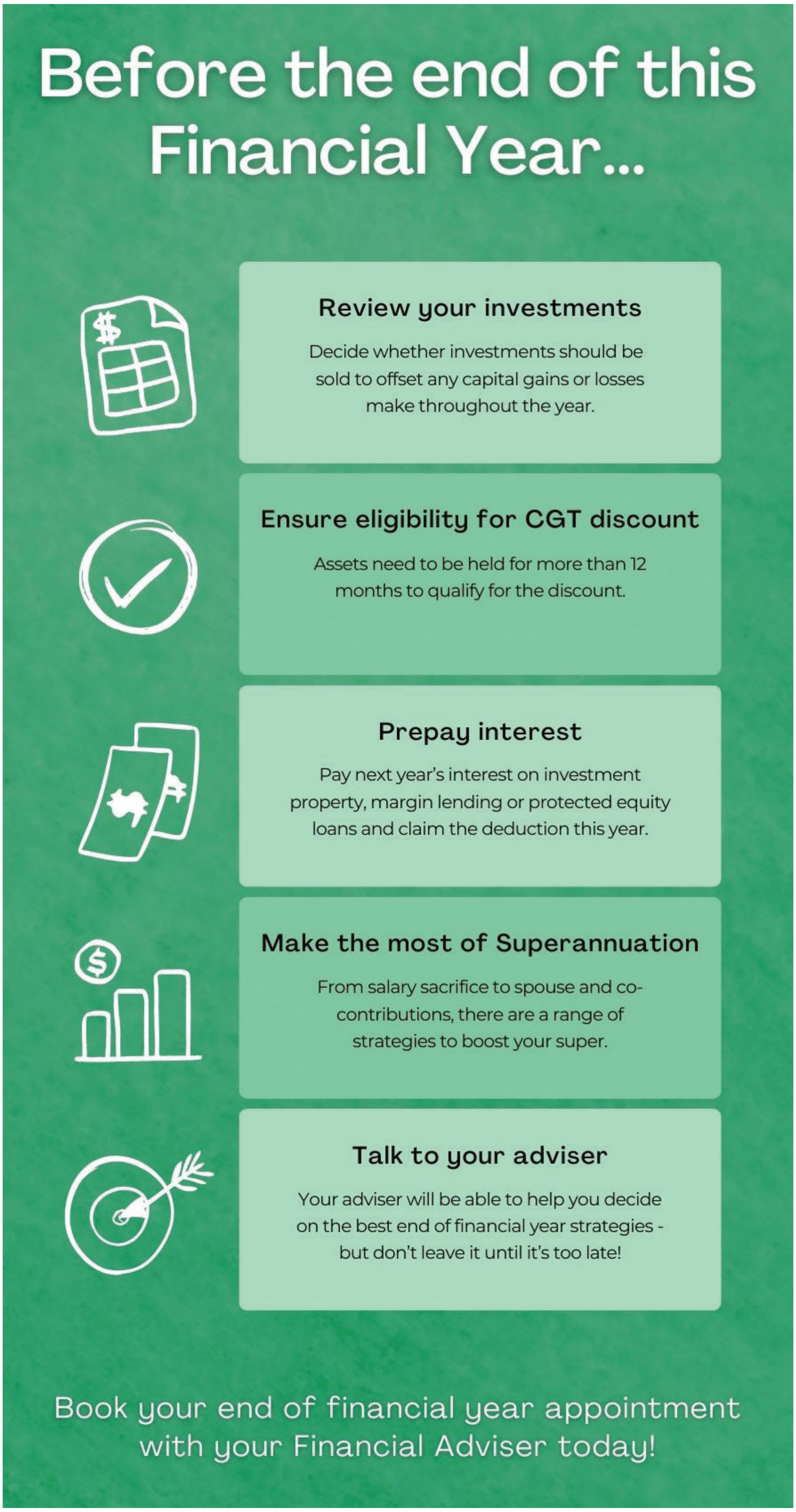
To make tax time easier this year, all you need are a few manila folders marked with the following:

- **Loan statements:** These statements are important for calculating, and subsequently deducting, the interest costs on your investment loan.
- **Invoices and receipts** for repairs, replacements and capital works: These costs may be claimed on your tax return.
- **Rates notices:** These notices detail the applicable rates charges on your property, and should be retained alongside your other records to be claimed as a tax-deductible expense.
- **Real estate statements:** These statements detail necessary information about your rental property income, the real estate agent's management costs, and perhaps even repairs undertaken on the property.
- **Insurance policies:** Keep these on hand at tax time as any premiums for building replacement, contents, or landlord insurance can be claimed as tax-deductible expenses.
- **Depreciation schedule:** Depreciation is a valuable means of generating tax deductions. Keep a depreciation schedule and include any depreciation on buildings or fittings in your tax return to help reduce your assessable income.

It also makes sense to keep this information together in a secure location. A good idea is to scan documentation and store the information electronically to minimise the piles of paperwork. Some mobile phone apps allow you to take a photo of a document and save it in various document formats. However, it is important to retain the hard copies.

Be aware that any records relating to deductions claimed for property expenses must be retained for at least five years in order to comply with the requirements of the Australian Taxation Office.

Take the extra time to set up your system this year and when the next June 30 rolls around you will be so glad you did.



Are the new bitcoin ETFs the gamechanger you've been waiting for?

Follow the time-tested investment approaches based on positive real returns and enduring economic rationale.

The recent regulatory approval and introduction of nearly a dozen spot bitcoin exchange-traded funds (ETFs) in the United States has been generating lots of noise in the global investment industry.

Until recently, US investors who wanted to buy and sell bitcoin had to either trade on cumbersome and costly cryptocurrency exchanges or purchase products that track bitcoin in less direct ways.

While spot bitcoin ETFs have been available in Australia since 2021, many in the cryptocurrency industry claim that the US Securities and Exchange Commission's long-awaited approval signals legitimacy and the arrival of crypto as a mainstream asset class that can now be more easily recommended by financial advisers.

Even though the ETF format is undoubtedly a more efficient method of accessing almost any asset, before rushing into these new bitcoin ETFs investors should follow time-tested best practices of assessing an asset's enduring investment merit and ability to generate positive real returns.

First, consider that when you invest in the share market or in bonds, you are essentially investing in the future earnings of a company or, in the case of bonds, a borrower's ability to pay back a debt obligation with interest.

On the other hand, most cryptocurrencies – unlike shares, bonds or even property – do not produce any cash flows for investors (dividends, interest payments or rent payments).

A second key factor is around valuations. To evaluate the investment case for any asset, one needs to assess its fair market value. This is often done by analysing its discounted future cash flows.

But cryptocurrencies don't generate any cash flow, so they cannot be objectively valued and therefore their trading prices are purely speculative.

When it comes to valuing, the best one can do is hazard a guess. And, as exciting as crypto may be, guessing is never good enough when it comes to long-term nest eggs.

A third consideration is that cryptos lack any proven industrial usage. In other words, unlike currencies issued by central banks and backed by governments, cryptocurrencies are not widely used for everyday commercial transactions, let alone for personal financial transactions.

The cryptocurrency industry is largely unregulated and accompanied by considerable risks including high rates of fraud and extreme volatility.

Over just the past three years, the price of bitcoin has increased by as much as 150% and declined by as much as 75%. But what is really interesting is that no one can explain why. And it's important to remember that to make up for a big percentage fall investors need an even bigger percentage gain just to break even. As an example, if you start with a $100 position and it drops by 75% to $25, it will take a 300% gain to get back to break even at $100.

It's also worth remembering that, depending on the source, there are somewhere between 8000 and 10,000 active cryptocurrencies. A similar number are regarded as inactive, which is really just a polite word for failed.

For most investors, adding cryptocurrency exposure to a portfolio would mean reducing allocations to traditional asset classes with demonstrated long-term investment credentials.

Investors who can't ignore their craving to speculate in cryptocurrencies would be well served viewing it as a satellite exposure only, leaving their core holdings invested in broad-based, diversified funds.

There is no doubt that some speculators have benefited from bitcoin's rise, but on the other side of the ledger, many investors have lost significant amounts of money. Over time, given the risk characteristics of cryptocurrency assets, it's likely many investors will fall into the latter category.

Any investment strategy based on catching lightning in a bottle is very high risk. For that reason, it's better for investors to shrug off the fear of missing out and not stray too far from the time-tested investment approaches based on positive real returns and enduring economic rationale.

Often the hardest part of creating wealth is not figuring out the most exciting investment portfolio, it's about remaining committed to a sound investment portfolio.

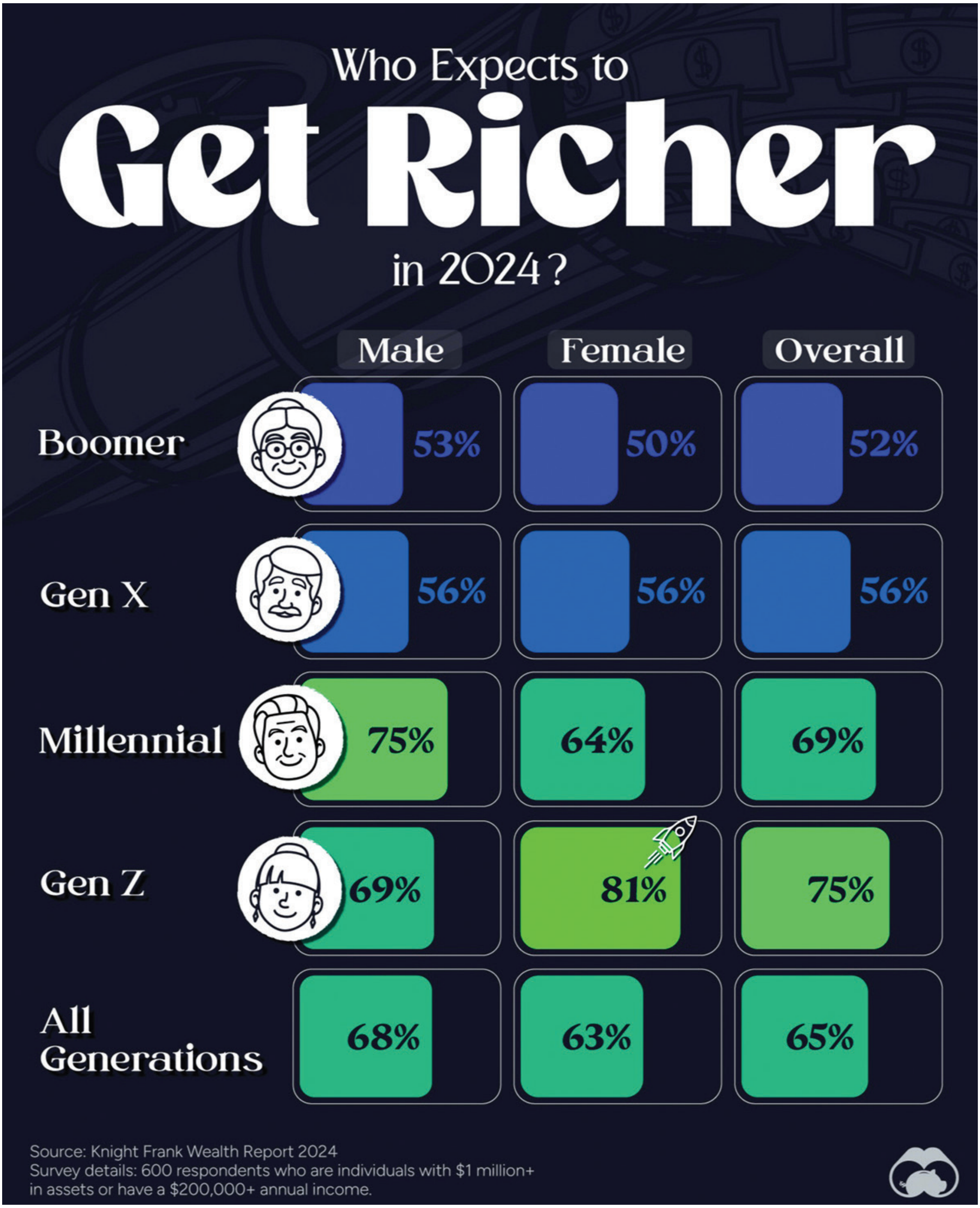
An iteration of this article was published in the Australian Financial Review.

Source: https://www.vanguard.com.au/personal/learn/smart-investing/etfs/investing-in-bitcoin-crypto-etfs


THE WORLD'S TRILLION DOLLAR
Stock Markets
U.S.
$52.6T
Magnificent Seven
$13.1T
China
$11.5T
Japan
$6.5T
India
$4.4T
Canada
$2.6T
UK
$3.1T
France
$3.2T
Saudi Arabia
$2.9T
Switzerland
$1.9T
Netherlands
$1.1T
Germany
$2.2T
S. Korea
$1.8T
Taiwan
$2.0T
Australia
$1.6T
Source: S&P Dow Jones Indices
As of Feb. 29, 2024

Who Expects to Get Richer in 2024, by Generation and Gender

The jury is still out on how the global economy is expected to perform in 2024, but as seen during the pandemic, economic turmoil sometimes provides opportunities for the wealthy.



We visualize the percentage of high net worth individual (HNWI) respondents who **expect their wealth to increase in 2024**, categorized by generation and gender, from the Knight Frank Next Gen Survey, accessible in their latest wealth report.

The survey covered 600 global HNWIs, who are individuals with more than $1 million in assets or make more than $200,000 a year, and then categorized their responses by gender and generation.

Affluent Gen Z Women Eye Financial Gains in 2024

At a glance, there's a very apparent generational difference in the expectations of getting richer in 2024.

About half (52%) of the surveyed **Baby Boomers** think their assets will grow, compared to Gen X (56%), Millennials, (69%), and Gen Z (75%).

Group	Male	Female	Overall
👴 Boomer	53%	50%	52%
👨‍🦳 Gen X	56%	56%	56%
🧑 Millennial	75%	64%	69%
🧒 Gen Z	69%	81%	75%
👪 All Generations	**68%**	**63%**	**65%**

Note: Percentage of respondents who said they expect their wealth will increase in 2024.

There's also a noticeable gender difference. Men tend to be more optimistic than women, with one glaring exception.

A staggering 81% of the surveyed high net worth Gen Z women expect to make hay this year, making them the most optimistic of all the groups.

This corroborates a trend where **Gen Z women** were also the most optimistic in retirement planning. As CNBC reports, a combination of newer avenues of financial resources, and an openness towards advice, has given them a more optimistic attitude than their older counterparts.

Meanwhile, American **Millennials** are expected to become the richest generation ever as a $90 trillion asset transfer between Boomer parents and Millennial children begins to take place over the next two decades.

A huge percentage of that wealth comes in the form of property assets accumulated by generations before them. This especially includes houses, whose prices have skyrocketed over the last two decades.

Source: https://www.visualcapitalist.com/who-expects-to-get-richer-in-2024-by-both-generation-and-gender/

https://www.visualcapitalist.com/the-rich-got-richer-during-covid-19-heres-how-american-billionaires-performed/

https://www.knightfrank.com/wealthreport

https://www.cnbc.com/2023/12/17/heres-why-gen-z-women-are-confident-theyll-be-ready-for-retirement.html

https://www.visualcapitalist.com/median-house-prices-vs-income-us/

How much can client's earn before paying taxes after age 67 from 1 July

For those who have reached age pension age, they can earn even more without paying tax.

If you are over 67, you get access to the ***https://www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/tax-offsets/seniors-and-pensioners-tax-offset*** on top of the Low Income Tax Offset (LITO). This reduces or eliminates the tax that would normally be liable to pay on some additional income.

Using the SAPTO benefit, the amount you can earn each year as a pensioner before having to pay tax, is:

$35,813 for single people,

$31,888 each for members of a couple or $63,776 combined.

The beauty of this benefit is that for clients in the Superannuation Pension phase any income drawn from a super fund income stream once over 60 is tax-free and non-assessable, meaning it doesn't count towards the above thresholds.

Based on an earnings rate of 5% this means that a couple could have over $637,500 in each of their names and not pay any tax (not even considering franking credits). But be careful as if you are investing in growth assets then triggering capital gains in the future may mean exceeding these thresholds whereas within the Superannuation the CGT on pension assets is NIL and 10-15% in accumulation.

Also, consider the tax position if you are likely:

- to receive an inheritance
- large capital gain on an asset held outside super
- to have one partner live significantly longer (they may end up with large amounts outside the super system)

Mercer

Mercer periodic table of annual i

	2014	2015	2016	2017	2018	2019	
Best	Global Listed Property (H) 23.34%	Global Minimum Volatility (UH) 19.03%	Global Small Caps (UH) 13.76%	Emerging Markets Equity (UH) 27.09%	Aust. Direct Property 9.68%	Int'l Equity (UH) 27.97%	Hedg Comp
	Global Listed Infrastructure (H) 23.19%	Aust. Direct Property 12.72%	Global Listed Infrastructure (H) 13.42%	Int'l Equity (H) 20.02%	Global Minimum Volatility (UH) 9.52%	Global Small Caps (UH) 26.97%	Int'l E
	Global Minimum Volatility (UH) 22.51%	Global Small Caps (UH) 12.61%	Aus. Small Caps 13.15%	Aus. Small Caps 20.02%	Australian Fixed Income 4.54%	Int'l Equity (H) 26.81%	Aus. S
	Int'l Equity (UH) 15.01%	Int'l Equity (UH) 11.80%	Australian Equity 11.77%	Global Listed Infrastructure (H) 15.95%	Emerging Market Debt 4.20%	Global Listed Infrastructure (H) 24.51%	Emerg Equity
	Australian Inflation Linked Bonds 14.16%	Aus. Small Caps 10.16%	Emerging Markets Equity (UH) 11.69%	Global Small Caps (UH) 14.04%	Australian Inflation Linked Bonds 3.56%	Global Minimum Volatility (UH) 24.15%	Austra Linked
	Int'l Equity (H) 12.55%	Global Listed Property (H) 5.17%	Aust. Direct Property 11.10%	Int'l Equity (UH) 13.38%	Global Sovereign Bond (H) 2.47%	Australian Equity 23.77%	Globa
	Global Small Caps (UH) 11.86%	Int'l Equity (H) 3.83%	Emerging Market Debt 10.44%	Aust. Direct Property 12.84%	Cash 1.92%	Global Listed Property (H) 22.29%	Globa (UH)
	Global Sovereign Bond (H) 11.16%	Global Sovereign Bond (H) 3.61%	Int'l Equity (H) 10.32%	Australian Equity 11.94%	Int'l Equity (UH) 1.52%	Aus. Small Caps 21.36%	Globa Bond
	Australian Fixed Income 9.81%	Australian Equity 2.80%	Global Minimum Volatility (UH) 8.68%	Hedge Fund Composite (H) 9.32%	Global Listed Infrastructure (H) -0.67%	Emerging Markets Equity (UH) 18.60%	Int'l E
	Global Credit (H) 9.26%	Australian Fixed Income 2.59%	Global Credit (H) 8.50%	Global Minimum Volatility (UH) 9.28%	Global Credit (H) -1.00%	Emerging Market Debt 13.64%	Austra Incom
	Aust. Direct Property 9.22%	Cash 2.33%	Int'l Equity (UH) 7.90%	Global Listed Property (H) 9.24%	Global Listed Property (H) -3.03%	Global Credit (H) 10.93%	Austra
	Emerging Markets Equity (UH) 6.93%	Global Credit (H) 2.03%	Hedge Fund Composite (H) 7.08%	Emerging Market Debt 6.66%	Australian Equity -3.06%	Hedge Fund Composite (H) 9.64%	Cash
	Hedge Fund Composite (H) 5.50%	Australian Inflation Linked Bonds 1.60%	Global Listed Property (H) 6.91%	Global Credit (H) 6.50%	Global Small Caps (UH) -3.88%	Australian Inflation Linked Bonds 8.48%	Aust. Prope
	Australian Equity 5.30%	Hedge Fund Composite (H) 0.94%	Global Sovereign Bond (H) 5.05%	Australian Inflation Linked Bonds 3.73%	Hedge Fund Composite (H) -4.90%	Australian Fixed Income 7.26%	Globa Volati
	Emerging Market Debt 3.07%	Global Listed Infrastructure (H) -1.81%	Australian Fixed Income 2.91%	Australian Fixed Income 3.66%	Emerging Markets Equity (UH) -5.08%	Global Sovereign Bond (H) 6.60%	Globa Infras
	Cash 2.69%	Emerging Markets Equity (UH) -4.30%	Cash 2.07%	Global Sovereign Bond (H) 2.78%	Int'l Equity (H) -7.58%	Aust. Direct Property 5.62%	Emerg Debt
Worst	Aus. Small Caps -3.81%	Emerging Market Debt -4.30%	Australian Inflation Linked Bonds 1.19%	Cash 1.75%	Aus. Small Caps -8.67%	Cash 1.50%	Globa Prope

UH = Unhedged returns H = Hedged returns
Data sources: Refinitiv Datastream; MSCI; HFR

* All indices are gross of fees with the exception of Hedge Funds which are reportec
For Hedge Funds the hedge pickup is approximated using 3 month interest rate di

index returns

2020	2021	2022	2023
e Fund osite (H) 11.25%	Global Listed Property (H) 29.75%	Aust. Direct Property 10.66%	Int'l Equity (UH) 23.23%
quity (H) 10.54%	Int'l Equity (UH) 29.58%	Cash 1.25%	Int'l Equity (H) 21.66%
mall Caps 9.19%	Int'l Equity (H) 23.88%	Australian Equity -1.77%	Global Small Caps (UH) 15.62%
ging Markets / (UH) 7.76%	Global Small Caps (UH) 23.31%	Global Minimum Volatility (UH) -2.74%	Australian Equity 12.13%
alian Inflation d Bonds 6.94%	Global Minimum Volatility (UH) 21.89%	Global Listed Infrastructure (H) -3.47%	Emerging Market Debt 12.01%
l Credit (H) 6.25%	Australian Equity 17.54%	Hedge Fund Composite (H) -4.34%	Australian Inflation Linked Bonds 9.27%
l Small Caps 6.09%	Global Listed Infrastructure (H) 17.29%	Emerging Market Debt -5.32%	Emerging Markets Equity (UH) 9.15%
l Sovereign (H) 5.88%	Aus. Small Caps 16.90%	Australian Fixed Income -9.71%	Global Listed Property (H) 9.05%
quity (UH) 5.72%	Aust. Direct Property 12.33%	Australian Inflation Linked Bonds -10.60%	Aus. Small Caps 7.82%
alian Fixed ne 4.47%	Hedge Fund Composite (H) 10.13%	Global Small Caps (UH) -12.49%	Global Minimum Volatility (UH) 7.47%
alian Equity 1.73%	Emerging Markets Equity (UH) 3.44%	Int'l Equity (UH) -12.52%	Global Credit (H) 7.32%
0.37%	Australian Inflation Linked Bonds 1.12%	Global Sovereign Bond (H) -13.87%	Hedge Fund Composite (H) 6.75%
Direct rty -2.64%	Cash 0.03%	Emerging Markets Equity (UH) -14.33%	Australian Fixed Income 5.06%
l Minimum lity (UH) -5.92%	Global Credit (H) -0.63%	Global Credit (H) -15.06%	Global Sovereign Bond (H) 4.61%
l Listed tructure (H) -6.30%	Global Sovereign Bond (H) -2.36%	Int'l Equity (H) -18.06%	Cash 3.89%
ging Market -6.44%	Australian Fixed Income -2.87%	Aus. Small Caps -18.38%	Global Listed Infrastructure (H) 0.10%
l Listed rty (H) -12.90%	Emerging Market Debt -3.15%	Global Listed Property (H) -23.46%	Aust. Direct Property -7.16%

Market Indices*

Aus. Small Caps
S&P/ASX Small Ordinaries

Aust. Direct Property
MSCI/Mercer Australia Core Wholesale Monthly PFI

Australian Equity
S&P/ASX 300

Australian Fixed Income
Bloomberg AusBond Composite 0+ year

Australian Inflation Linked Bonds
Bloomberg AusBond Infl Govt 0+ year (month end)

Cash
Bloomberg AusBond Bank Bill

Emerging Market Debt
JP Morgan GBI EM Global Diversified Composite

Emerging Markets Equity (UH)
MSCI Emerging Markets

Global Credit (H)
Bloomberg Barclays Global Credit

Global Listed Infrastructure (H)
FTSE Global Core Infrastructure 50/50 Hedged

Global Listed Property (H)
FTSE EPRA/NAREIT Developed Hedged AUD

Global Minimum Volatility (UH)
MSCI World Minimum Volatility

Global Small Caps (UH)
MSCI World Small Cap

Global Sovereign Bond (H)
FTSE WGBI Non Australia

Hedge Fund Composite (H)
HFRI Diversified Hedge Fund Index

Int'l Equity (H)
MSCI World ex Australia 100% Hedged

Int'l Equity (UH)
MSCI World ex Australia

l after fees as provided by Hedge Fund Research (HFR).
fferentials. All performance is represented in AUD, unless otherwise stated.

The potential estate complexities of dying without a will

Having a legally valid will can go a long way to avoiding disputes over the division of your assets.

What did the artist Picasso, musicians Bob Marley and Aretha Franklin, and billionaire entrepreneur Howard Hughes have in common?

If you're thinking they had amassed large fortunes before their deaths, you would be correct. But another key fact is that they all died without a valid will.

Picasso died in 1973 with an estate, including an extensive collection of artworks, later appraised at US$250 million. The eccentric Hughes passed away in 1976, leaving an estimated US$1.5 billion. His fortune was eventually split between hundreds of people after years of legal battles.

The estates of the musicians were lower, but still sizeable: Marley (US$30 million) and Franklin (US$18 million).

In each case, their estates needed to be settled in court after challenges by family members, former spouses, and other parties.

The importance of inheritance planning

Inheritance planning, unlike business succession planning, is an area that's rarely discussed at the family level.

Most families regard subjects such as death and the future division of wealth as unpleasant, and potentially sensitive when multiple heirs are involved.

But there's a lot to be said for having open discussions within your family about the intended treatment of assets and future inheritances.

Beyond accumulating wealth over time, one of the most important aspects of estate planning is determining in a legally valid will how you intend to have your accumulated wealth distributed after your death.

Dying without a will can potentially be treacherous, and costly, if your intended beneficiaries need to contest how your assets are divided.

And consider that the next 20 to 30 years will see the biggest transfer of family assets in history as many members of the so-called "Baby Boomer" generation (people born just after the end of World War II through to 1964) die, in most cases with the intention of leaving their accumulated wealth to their children and other heirs.

Assets will include homes, investment properties, unspent superannuation money, direct shares, life insurance payouts, and a wide range of other financial and non-financial assets.

Why you need a will

Creating a valid will, and specifically documenting how you want your assets to be managed and divided between your nominated beneficiaries after your death, should be a key step in the inheritance planning process.

Dying without a will (intestate) will invariably create complications, because your estate will be passed over to the state or territory in which you live to administer.

This can result in your assets not being distributed to your surviving family members in the way you would have preferred.

Residential real estate and superannuation, which combined make up more than three quarters of total household assets, are the largest components of most financial legacies.

Federal Treasury estimates that assuming there's no change in how most retirees draw down their superannuation balances, superannuation death benefit payouts will increase from around $17 billion to just under $130 billion by 2059.

Ensuring that any super you have left over at the time of your death is distributed according to your wishes requires you to complete a binding death benefit nomination form provided by your super fund.

It's important to be aware of any potential tax implications. For example, while superannuation distributed to a surviving spouse or dependent children as a lump sum is generally tax free, non-dependents (including adult children) may be required to pay tax on amounts they receive.

That comes down to how much of your super is made up from pre-tax and after-tax contributions.

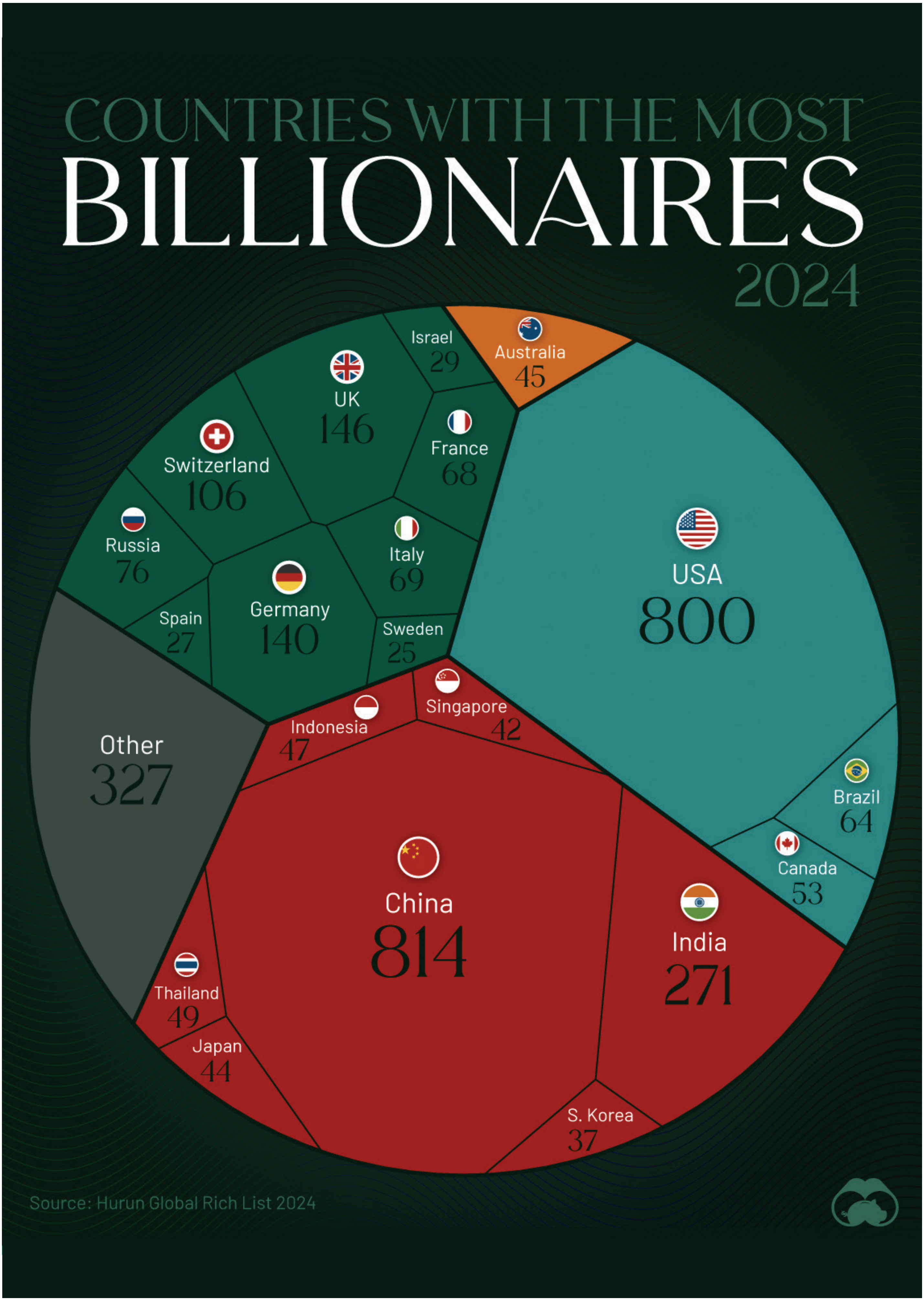
Capital gains tax does not apply if someone inherits direct shares or other financial securities, but tax may apply if they later dispose of them.

Any unapplied capital losses that could be used to offset capital gains tax cannot be transferred to beneficiaries.

Estate planning can be complex. Consulting a licensed financial adviser to help you and your intended beneficiaries map out an inheritance framework that also identifies issues such as potential tax liabilities is a prudent step.

Source: https://www.vanguard.com.au/personal/learn/smart-investing/life-events/dying-without-a-will

https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022


COUNTRIES WITH THE MOST
BILLIONAIRES
2024
Israel 29
Australia 45
UK 146
France 68
Switzerland 106
Russia 76
Italy 69
USA 800
Spain 27
Germany 140
Sweden 25
Singapore 42
Indonesia 47
Other 327
Brazil 64
Canada 53
China 814
India 271
Thailand 49
Japan 44
S. Korea 37
Source: Hurun Global Rich List 2024

Fostering wellbeing in the workplace

Roger was an auditor at a large multi-national consulting firm. He was a conscientious worker; confident, capable and always positive. But Roger's cheerful smile concealed a private burden.

For years, Roger had struggled with depression and anxiety. Yet each day, he put on a brave face at work while sadness and apprehension shadowed him.

According to Beyond Blue, nearly half of us will experience mental health concerns in our lifetime. A 2019 inquiry by the Australian Productivity Commission found that mental ill-health costs Australian businesses up to $180 billion per year through lost productivity.

During the COVID-19 pandemic, the number of people experiencing stress and anxiety related health issues increased dramatically, often resulting from isolation and remote work arrangements.

As Roger's private battle worsened, it began to overwhelm him. He became forgetful, struggled to concentrate and missed deadlines. Such physical symptoms left him feeling even more depressed, and undermined his self-esteem, leaving him with a sense of hopelessness.

Mary-Ann, Roger 's manager realised something was amiss when Roger made a rookie mistake on a simple task. She decided to check-in with him over coffee.

Businesses nowadays have a greater awareness of employee mental health and its impacts, than in the past. Nevertheless, many people, fearing judgement and discrimination, continue to suffer in silence.

Relaxed in the neutrality of a café, Roger cautiously confided that he'd been struggling with feelings of anxiety and despondency for some time but had been too afraid to speak up.

Mary-Ann listened patiently, gently encouraging him to talk about his struggles.

Surprised by her empathy, Roger admitted that he'd been feeling so overwhelmed in group settings that he'd become withdrawn and was unable to contribute to team meetings. He'd even been avoiding social events with colleagues and friends.

In recent years, there has been a shift in attitudes towards mental health in the workplace. Factors such as education, support groups, regulatory policy changes and organisational culture have contributed.

Mary-Ann assured Roger that she would fully support him in seeking assistance, and together they would develop a work design to accommodate his needs, including flexible hours and regular one-on-one check-ins.

She explained that their organisational policy authorised her to assess Roger's specific needs in relation to:

- his tasks, responsibilities and the people and teams he interacted with,
- his levels of frustration, stress and boredom,
- appropriate breaks and fatigue recovery,
- enabling his sense of control and flexibility over his workload,
- implementing policies and procedures for responding to bullying, stress and harassment.

With Roger's approval, Mary-Ann facilitated a meeting between him and Jack, the company's HR Workplace Health and Safety Manager. Jack provided Roger with information around the company's mental health policy and external counselling services.

Roger began seeing a professional counsellor. This, combined with the support and resources provided by the company, saw Roger become more confident and able to cope; his smiling face was no longer a façade.

Mental health touches every facet of your life, from your work – how you work and how you feel about work – as well as your life outside of work.

For Roger, his gradual recovery has been a positive transition that has pervaded not only his work life, but his home and social life as well.

Roger considers himself a work in progress, but he also says that every day is a better day because he's no longer fighting his battles alone.

Mental health does not discriminate. It can affect anyone regardless of age, gender, ethnicity or other factors.

Organisations like **Beyond Blue** and **Lifeline** can provide assistance if you're feeling as though life is getting on top of you. Additionally, they provide advice to employers wishing to ensure their workplaces are supportive environments.

If you're feeling unsettled at work, or you're struggling to cope, reach out to your HR department or your manager for guidance.

Update: Since regaining control of his personal well-being, Roger has undertaken the company's newly created role of Mental Wellness Officer (MWO). He has not relinquished his former duties, but in his capacity as MWO, he provides direction and help to others in the organisation struggling with workplace mental health.

Sources: www.beyondblue.org.au Key facts – mental health at work (Copyright 2022)

www.worksafe.vic.gov.au Causes of workplace mental injury (Reviewed 30 July 2022)

www.lifeline.org.au Website

Insurance recovery and claims process

After disaster hits

Commence claim

First step is contacting your insurer and you can do this, even if you don't know the full-extent of damage.

Make safe

If your property has been damaged, your insurer will arrange emergency works as soon as it is safe to do so to minimise any hazards and prevent further damage. This can include removing loose debris, isolating damaged solar panels or electrical circuits and installing a roof tarp.

Assessing the damage

An insurance assessor (or claims adjuster) will inspect the damage to your property. Specialist reports may be required to determine aspects of your claim, for example Hydrologists may be required to determine the cause of water inundation and Engineers may be required to consider any structural damage.

Claim decision

This is a key claim milestone where your Insurer will confirm what you are covered for. The nature of a claim will determine how long it takes to make a claim decision, for example where specialist reports are required the decision process will generally take longer

Scope of Work (or Statement of Work)

The Scope of Work is the written report that sets out the repair or rebuild work to be performed and end products that are expected to be used. It's important to read the report and let your insurer know if changes are required.

The initial scope of works may need to be reassessed after repairs have started or if further damage is uncovered – and that is ok, revision of the scope of works is a normal part of the process.

Repair / replace or cash settlement

Repair or replace

Once your Scope of Work has been agreed, it's time to repair or replace the damaged property. If your insurer is managing the repair/rebuild, they will appoint a builder, arrange the contracts and notify you of the construction schedule. Your insurer will also manage local council approvals as required.

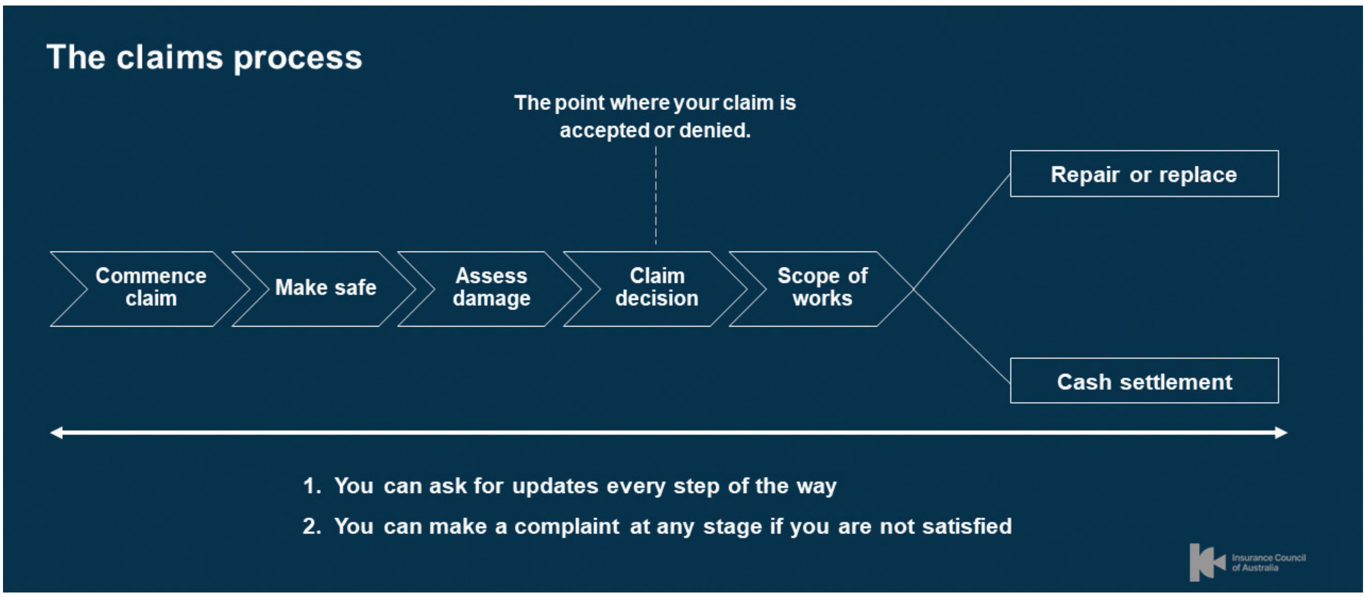
Cash settlement

Alternatively, you may take a cash settlement to manage the repair or rebuilding work yourself. It's important that you comply with council regulations and buildings codes, as well as using a licensed builder. If you fail to do this, your home may not be insurable in the future.

Feedback / complaints

If you are unhappy with the handling of your insurance claim, you can lodge a complaint with your insurer. Your insurer has a dedicated dispute resolution process to resolve your concerns. And as AFCA will highlight, if you need further assistance, you can contact the Australian Financial Complaints Authority.

Source: https://insurancecouncil.com.au/resource/insurance-recovery-process/



Regaining financial control after a scam

A year before retirement, Sharon's superannuation plan was on track, and she was imagining her post-work life. With savings of $34,000 at the bank, she was looking to park it somewhere it could earn better interest while rates were rising.

Considering herself reasonably savvy with money, she began investigating her options.

After hearing about someone who'd made a fortune with cryptocurrency, Sharon was intrigued and decided to look into it.

Sharon researched crypto-companies and compared what was on offer. When eventually she made her decision, she believed she'd chosen the right investment – how wrong could she be!

Within hours Sharon realised she'd been scammed.

Shocked and feeling ill, she reported it to ScamWatch, but over the following days the self-blame settled in.

How could she be so gullible? So naïve?

What was she thinking?! How could she have fallen for such an obvious fraud?

Who knew that financial shame was a thing? But there it was in the form of an empty bank account.

Deeply embarrassed, her financial security shattered, Sharon lay awake every night berating herself; through her foolishness she'd lost all her cash savings! She became withdrawn, declined social events and refused to unburden herself, even to close friends.

Finally, in desperation, she decided to speak with a counsellor. Sharon discovered organisations like Beyond Blue, ScamWatch and Lifeline offered advice and emotional support. She chose one that felt right for her.

Initially, it was difficult to open up and acknowledge her mistake, but the counsellor explained that part of her recovery was confronting her feelings head-on and realising that victims came from all cultures, backgrounds and levels of education. Feelings of humiliation and shame were normal, although unjustified, as the crooks were highly skilled criminals with access to the latest technology.

Heartened by the counsellor's words, Sharon learned to stop blaming herself and confided in her daughter Louise.

What a relief that was! Louise was gentle and supportive, and introduced Sharon to her friend Jarrod, a financial adviser.

Throughout Jarrod's career, he'd assisted innumerable people who'd fallen victim to scams. Most felt insecure and vulnerable, so his approach was to assist them with practical advice around getting their finances back on track.

He believed that Sharon would benefit from a temporary, part-time job. She could rebuild her cash savings, and staying busy would distract her from her worries and help her move on.

When discussing her interests and skills, Sharon mentioned she loved animals so Jarrod suggested she consider pet-minding or dog-walking, adding that he could setup the necessary insurance.

Then, Jarrod explained, that while her superannuation was on target, there was a difference between investing for retirement and investing for wealth.

Retirement investing was about saving to fund an income stream that met post-work lifestyle goals. Complying retirement funds offered tax advantages and focused on generating returns.

Conversely, investing for wealth involved accumulating assets beyond what is needed to provide retirement income.

For Sharon, financial security was critical, so Jarrod considered her risk tolerance and structured a tax-efficient portfolio of growth assets to support capital appreciation and wealth accumulation.

It also meant that Sharon could leave something behind for Louise – a legacy she hadn't felt was important, until she realised how financially exposed the scam had left her.

Sharon's recovery wasn't without its challenges. It took time and sacrifice, but along the way she developed a greater sense of independence and resilience.

She delayed retirement by a year, so she could recoup her lost savings and contribute the money from her new side hustle to her wealth portfolio.

In the end, Sharon's Dog Minding and Walking Service continued well after Sharon's retirement, for the sheer enjoyment she derived from hanging out with dogs.

Sources: www.affordanything.com Surviving a $35k credit card scam…foreclosure (29 November 2023)

www.beyondblue.org.au (Website 2022)

www.lifeline.org.au (Website 2024)

www.scamwatch.gov.au (Website no date visible)

The Mandie Case: the importance of a binding death benefit nomination

Binding death benefit nominations provide certainty for people establishing their superannuation and estate plans. They help ensure that upon the member's death, any super benefits are paid according to the member's wishes, and are not left to the trustee's discretion.

The recent Federal Court decision in the Mandie case1 demonstrates that if there is no binding death benefit nomination, then the only condition is that the trustee's decision to pay the benefits is fair and reasonable. The trustee will have the unfettered discretion to pay the benefits as it deems appropriate. This means that the trustee:

- is only bound by the superannuation fund trust deed
- is not bound by any supplementary direction whether it be the deceased's will or a settlement agreement.

Overview

The case involved an appeal to the Federal Court from the Superannuation Complaints Tribunal (SCT) regarding the payment of death benefits from a super fund. The SCT hears complaints in relation to public super funds (not SMSFs), but the rules regarding binding death benefit nominations work in the same way.

The court held that in the absence of a binding death benefit nomination, the trustee was under no obligation to consider Mandie's will or any other agreement. The trustee of the superannuation fund was bound only by superannuation law and the trust deed.

Binding death benefit nominations

A binding death benefit nomination is a written direction to the fund's trustee detailing how, on the member's death, the relevant death benefits are to be paid, whether to dependants or the legal personal representative.

If the binding death benefit nomination is valid and in effect at the time of the member's death, then the trustee must comply with the binding nomination and pay the benefit to the nominated beneficiaries2.

A valid binding death benefit nomination generally remains in effect for three years from the date it is first signed, last amended or confirmed.

The facts of the case

MANDIE'S CIRCUMSTANCES AND WISHES AT THE TIME OF HIS DEATH

Mandie died in 2011 and was survived by his three adult children: two sons and a daughter. According to super law and his fund's trust deed, each child was a 'dependant'.

When Mandie died, he had in place:

- a life insurance policy in his superannuation fund which provided for the payment of benefits to his nominated beneficiaries.
- a will for his estate under which his daughter, Evelyn, was one of the executors.

The super fund made provision for a binding death benefit nomination; however Mandie had not made such a nomination.

In 1995, Mandie and his sons had entered into a formal settlement agreement and payout to resolve a dispute between them in relation to the contributions of each to the family business. The settlement agreement limited his sons from receiving any future entitlements from his estate by terms that stated that neither of Mr Mandie's adult sons "have any further rights against [him] or [his wife] or their respective estates…" The settlement agreement also provided for fixed sums to be paid under his will to his grandchildren and the residue of his estate to be paid to his daughter.

Before Mandie passed away, he was a member of the BRW Rich 200 list and his wealth in May 2011 was estimated at $289 million3.

THE DEATH BENEFIT PAYMENT UNDER MANDIE'S SUPERANNUATION POLICY

In Mandie's superannuation policy, he had nominated his spouse as his beneficiary, however she had predeceased him. He had made no other nominations.

Rule 11.10 of Mandie's fund trust deed permitted the trustee in the absence of a binding death benefit nomination to pay the death benefit in the following way:

"… the Trustee must pay or apply a Member's Death Benefit to or for the benefit of such one or more, as determined by the Trustee, of:

a. the Dependants of the deceased Member;

b. the Legal Personal Representative of the deceased Member; …"

The trustee resolved to equally divide Mandie's death benefit between his three surviving dependants, being his two sons and his daughter.

The dispute

As an executor of his estate, Evelyn applied to the SCT to challenge the trustee's decision.

She challenged the trustee's decision, arguing that:

- the earlier settlement agreement between Mandie and his sons expressly limited the sons from deriving any benefit from Mandie's estate.
- in the absence of a binding death benefit nomination, the death benefits should be paid to her father's estate (in effect, to her as the father's legal personal representative).

It was argued that although the settlement agreement did not specifically deal with his superannuation, Mandie's wish was to exclude his sons from any interest in his or his wife's estate and this was clear from the settlement agreement. Mandie's daughter argued it was implied by the settlement agreement that her brothers should not receive a benefit from the superannuation policy.

However, the trustee maintained that usual practice when no binding death benefit nomination is made, is to:

- first, pay the death benefit to the member's dependants as a priority.
- secondly, if there are no dependants, then pay the death benefits to the member's legal personal representative.

The outcome

The SCT found in the trustee's favour. The SCT in handing down its decision, held that the trustee had discretion to make the payment and the decision need only to be made on grounds that were fair and reasonable in the circumstances. The SCT noted that:

- superannuation is not an asset of the estate, and the trustee is not bound to follow the directions of a will, even if superannuation is specifically mentioned in the will
- although the trustee will look to a deceased member's will and any other document which purports to identify the wishes of a deceased member to assist in determining the wishes of the member, the role of the trustee in the distribution of a death benefit is not to resolve any perceived or real issues in a deceased member's estate.
- the trustee must decide the distribution of a death benefit unless a binding death benefit nomination was in force, which in Mandie's case, there was not.
- in general, a trustee only pays the death benefits to the legal personal representative if there are no dependants or if there was such a direction in a binding death benefit nomination.
- while Mandie may have been of an age where he could have received the benefit directly, the benefit remained in the superannuation system at the time of his death and subject to a decision of the trustee.

The SCT concluded that since there was no evidence to support a greater claim on the benefit by any of the adult children it was fair for the trustee to decide to pay the benefit, in equal shares, to Mandie's adult children as non-financial dependants.

On appeal to the Federal Court, the SCT's decision was affirmed, therefore the executors were unsuccessful in their challenge.

What does the case mean for estate planning and superannuation?

The significance of this case was well stated by the SCT:

"Firstly, superannuation is not an asset of the estate, and a trustee is not bound to follow the directions of a will. Even if superannuation is specifically mentioned in a will, it does not make it an asset subject to the terms of the will."

The Mandie case highlights that as superannuation is not an asset of an estate, if someone wants to direct the specific payment of superannuation benefits, then they must have in place a binding death benefit nomination or a death benefit agreement.

For those who are planning their estates and superannuation, it is critical to make appropriate death benefit arrangements in order to ensure the wishes of the member are fulfilled.

[1] Stock (as Executor of the Will of Mandie, Deceased) v N.M. Superannuation Proprietary Limited [2015] FCA 612.

[2] Regulations 6.17A and 6.22 of the Superannuation Industry (Supervision) Regulations 1994 (Cth).

[3] Business Review Weekly, David Mandie, 26 May 2011<http://www.brw.com.au/Page/Uuid/bf0b0094-76de-11e0-a222- 69e61b0725c3>

Connecting an adviser with yo

How parents and advisers can work together to manage intergenerational wealth transfers.

We're told our time horizon shrinks as we age. This makes sense, because the closer we get to retirement, the less time we have left to accumulate wealth. And the nearer we come to having to eventually draw down on that wealth.

But retirement often throws up a whole new set of priorities. Instead of our own time horizon, we're now thinking about our children's time horizon; and, as they may have their own families, even their children's time horizon.

Suddenly, the priority is not just to make your wealth last, but to preserve it for the next generation. And that's where the real power of advice lies: its ability to transform families by building intergenerational wealth.

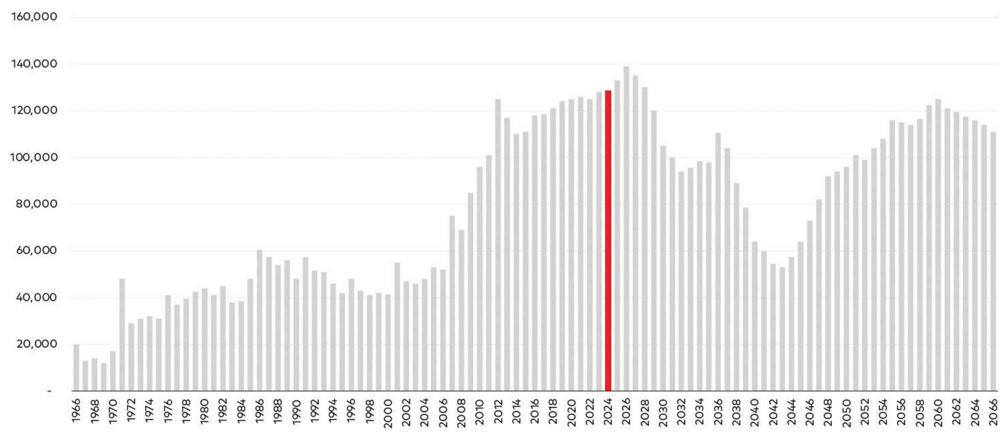
The intergenerational wealth opportunity

Australia is nearing the crest of a retirement wave. As the baby boomer generation looks to pass on wealth, those in receipt of it will likely need guidance.

For the emerging generation of wealth builders, what were once reasonably straightforward considerations around saving and budgeting may suddenly become more substantial.

Figure 1: We have gone from an accumulation system to decumulation

Australians moving into retirement by year



Source: August 2021 Census - Australians turning 55 by year, Australian Bureau of Statistics.

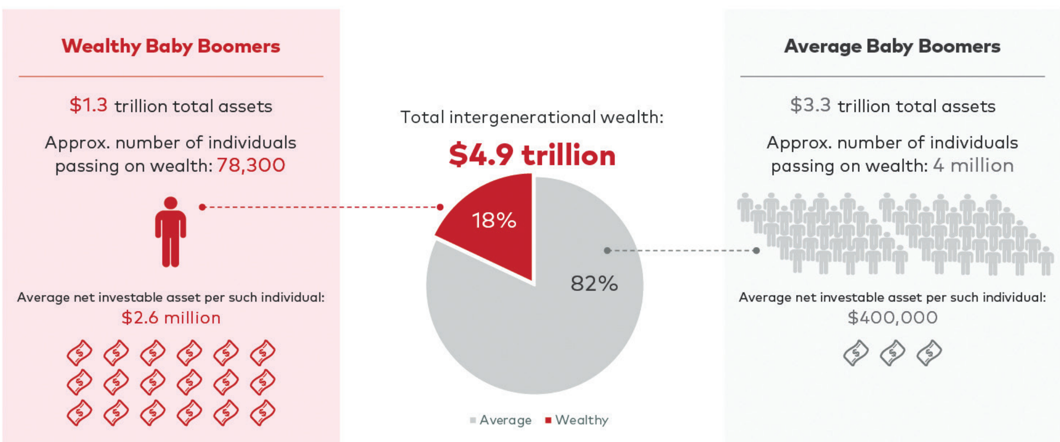
And for both the younger and older generations, conversations around estate planning, inheritance, business succession, the family home, tax issues, and aged care can open an emotional can of worms.

Building trust with both cohorts is essential before these conversations can take place. Putting the time in now is worth it given the potential size of the opportunity.

Estimating wealth in aggregate is notoriously difficult, especially when you factor in businesses, home contents, non-superannuation investments and non-financial assets. But with some modelling, we can get a reasonable idea of the wealth set to change hands.

According to CoreData Research, the baby boomer generation holds around $4.9 trillion in total assets. This wealth is held by over 4 million baby boomers, including a small group of wealthy "baby boomers" with $1.3 trillion in assets.

Figure 2: The size of the opportunity: 2% of baby boomers are high net worth baby boomers, while 1% of total population are high net worth investors.



Source: CoreData modelling (updated November 2023).

our children

How this wealth gets passed on could be the biggest financial change in Australia's history. It could also be the biggest opportunity in advice that has ever existed.

Building trust across generations

We know it's critical for advisers to reach Australians at a younger stage of life. But there's a lot of groundwork that needs to be done before an adviser can start advising your children.

Talking to other people's children about money is a delicate matter. Wealth transfers and inheritance planning are not regular topics of conversation at the family level. Understandably, many families find subjects such as death and the future division of wealth as unpleasant and potentially sensitive, especially when multiple heirs are involved.

Building trust across generations helps facilitate open discussions about the intended treatment of assets, as well as the 'who', 'how' and 'when' of transferring wealth. This requires talking to both generations, not just the older one.

So, how should advisers ideally approach intergenerational wealth transfers with you and your children?

Advisers may have a strong, long-standing relationship with you, but that doesn't mean they can automatically win trust from your children.

Here are some important considerations for advisers when engaging clients across the generational divide:

- **Younger clients describe themselves through their investments:** Younger generations want to invest in things they feel good about. They're looking for advice to ensure their investments align with their values.
- **Building a client value proposition:** The value advisers provide to you doesn't necessarily matter to your children. Advisers need to demonstrate the value and utility of their advice to your children.
- **Focus on the tech stack:** Millennials and zoomers are technology-first generations. Advisers should meet them where they are when it comes to harnessing technology in their interactions and advice delivery.

Technology is no substitute for real human connection, but in the right context it can help advisers engage on a deeper level, communicate the full value of their advice, and make certain tasks quicker and easier.

When it comes to ensuring investments are sufficiently diversified, staying informed about the markets, modelling different scenarios, and monitoring investments, a significant proportion of clients prefer technology to be involved.

For trust and confidence, feeling listened to, and knowing their goals are understood, clients overwhelmingly prefer human delivery.

Figure 3: Investors prefer emotional and financial planning services to be delivered by humans

Investor stated preferences (top 10 preferred for human delivery)

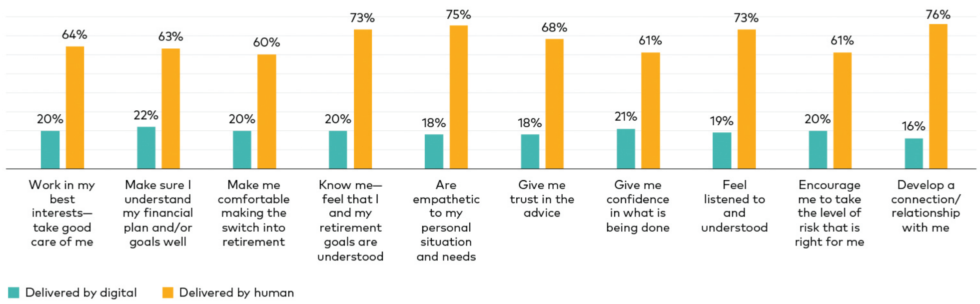
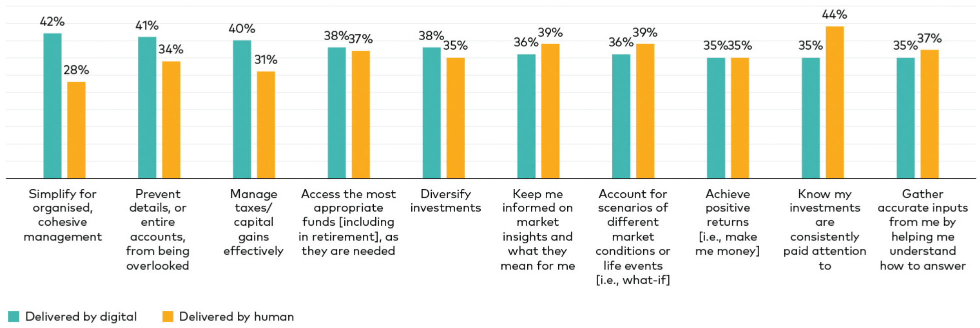


Figure 4: Investors have highest preference for digital services for portfolio outcomes and functional tasks



Notes: Quantitative research conducted by Vanguard in July 2021. In this figure, all 1,518 clients answered the question. They were presented with the micro-interactions and asked to rate whether they preferred that service to be delivered by a human or a digital adviser. The ratings were presented on an 11-point scale, where 0 meant "Completely delivered by a human" and 10 meant "Completely delivered by a digital service." Clients were considered to prefer human delivery if their rating was between 0 and 4 and digital delivery of the service if their rating was between 6 and 10. Sources: Vanguard and Escalent, 2021.

Source: https://www.vanguard.com.au/personal/learn/smart-investing/life-events/connecting-an-adviser-with-your-children

Life in retirement keeps getting more expensive

The latest rise in the Age Pension rate still falls short of what many people may need to have a modest lifestyle in retirement.

Around 2.58 million Australians received a 1.78% government Age Pension payment boost on March 20 as part of Centrelink's twice-yearly indexation review.

They included the 1.76 million people who receive a full Age Pension, according to Department of Social Services December 2023 quarterly data, and a further 806,670 who qualify for part pension payments based on them having passed either Centrelink's "income" or "assets" pension means tests, or both.

The raise means the full Age Pension rate for singles has risen by $19.60 to $1,116.30 per fortnight, and for couples by $14.70 to $841.40 per fortnight each. These amounts equate to $29,023.80 and $43,752.80 per year, respectively.

Yet, with cost-of-living pressures continuing to mount, receiving only the full Age Pension without the benefit of other sources of regular income means that even having a modest lifestyle in retirement may be out of reach for many Australians.

Retirement costs have spiked

December 2023 quarterly data released by the Association of Superannuation Funds of Australia (ASFA) shows that rises in everyday living expenses had pushed up the amounts needed to fund a good standard of living in retirement to record levels.

Falling inflation levels should help to reduce some of these living costs, but certainly not all of them.

Weekly budgets for various households and living standards for those aged around 65 (December quarter 2023, national)

Household	Single Modest	Couple Modest	Single Comfortable	Couple Comfortable
Housing - ongoing only	$118.48	$133.61	$139.37	$145.49
Energy	$40.68	$54.64	$51.54	$63.92
Food	$109.64	$203.27	$141.76	$246.38
Clothing	$21.16	$40.21	$28.26	$52.63
Household goods & services	$39.40	$46.25	$85.24	$105.69
Health	$55.53	$107.50	$112.94	$211.63
Transport	$109.57	$116.71	$179.02	$193.91
Leisure	$113.03	$117.47	$221.33	$332.71
Communications	$18.29	$20.61	$22.88	$29.78
Total per week	$625.78	$900.27	$982.34	$1,382.15
Total per year	$32,666	$46,994	$51,278	$72,148

Source: ASFA

The annual cost for a single person aged between 65 and 84 to have a modest lifestyle in retirement was $32,665.66. This is about 12.5% above the new full Age Pension rate.

ASFA defines a modest retirement lifestyle income as one that enables retirees to afford basic health insurance and infrequent exercise, leisure and social activities with family and friends.

For couples, ASFA found that $46,994.28 per year was needed to have a modest retirement. This level is only about 7.4% above the new full Age Pension rate for couples.

Under the Age Pension income test, singles can also earn up to $204 per fortnight ($5,304 per year) and couples $360 per fortnight ($9,360 per year) before their fortnightly full Age Pension payments are reduced based on every dollar earned above these amounts.

But to have a comfortable retirement, which ASFA defines as being able to maintain a good standard of living without major spending restrictions, the association has calculated that single retirees will need an annual income of $51,278.30 and couples $72,148.19.

These levels are significantly above the full Age Pension rates and are much more likely to be achieved by individuals and couples who are able to generate higher account-based pension income from their accumulated retirement savings balances and other income-producing assets.

In doing so, they are more likely to fall outside of both the income test and assets test boundaries to actually qualify for the Age Pension (at least during the early phase of their retirement until their pension drawdowns over time bring them within Centrelink's limits for receiving a full or part Age Pension).

The benefits of good retirement planning

The 2023 thematic review of the retirement income covenant by the Australian Prudential Regulation Authority (APRA) and the Australian Securities & Investments Commission (ASIC) into how super trustees are helping members enhance retirement outcomes concluded that more needs to be done to improve superannuation member outcomes in retirement.

Longevity risk – the risk of outliving savings – is a key concern for retirees in deciding how to draw down their superannuation during retirement.

"Most people rely on the Government for protection against longevity risk through the Age Pension, which provides a safety net for retirees who outlive their savings," according to the Intergenerational Report 2023.

"Well-designed superannuation retirement products can assist retirees to make decisions to help smooth consumption over retirement – aligning income needs with expenditure needs – and draw down on their balances efficiently. This would also enable decision making early in retirement."

Preparing well ahead for life in retirement is key. A good starting point for many Australians should be to seek out professional financial advice, especially in the context of retirement spending and understanding how the Age Pension may play an important role.

Source: https://www.vanguard.com.au/personal/learn/smart-investing/retirement/expensive-life-in-retirement

https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/distribution/dist-dga-d3fc019c-0b4d-401a-937a-fde9591ad46a/details?q=

https://www.servicesaustralia.gov.au/income-test-for-age-pension?context=22526

https://www.servicesaustralia.gov.au/assets-test-for-age-pension?context=22526#a1

https://download.asic.gov.au/media/z3shktv1/rep766_published-18-july-2023.pdf

THE WEALTH REPORT

Knight Frank

The Wealth Report 2024 in one minute...

4.2%
Wealth creation returns
Worldwide the number of UHNWIs* rose 4.2% through 2023

28.1%
Wealth prospects
The number of wealthy individuals globally is expected to increase by 28.1% over the five years to 2028

81%
Generational Shifts
81% of affluent female Gen-Z's expect to grow their wealth this year

11%
Becoming more diverse
Women make up around 11% of global UHNWIs up from 8% less than a decade ago

3.1%
Prime property soft landing
The average value of luxury residential property increased by 3.1% in 2023, with Manila (26%) leading and Dubai (16%) in second place

US$12.9m
The 1% club
European hubs lead the "1% club" ranking led by Monaco, where US$12.9 million is the threshold**

19%
Commercial property appeals
With 19% of UHNWIs planning to invest in commercial real estate in 2024, living sectors tops the wish list

65%
ESG in the spotlight
Some 65% of UHNWIs are actively trying to reduce their personal carbon footprint

11%
Luxury collectibles on pause
Art (11%) was the only luxury asset to reach double-digit growth in 2023 with rare whisky (-9%) the weakest performer

10%
The year ahead
Auckland (10%) leads our prime price forecast, while Sydney (12%) is the frontrunner in rental forecast for 2024

For more information contact liam.bailey@knightfrank.com

*Ultra High Net Worth Individual (someone with more than US$30 million in net assets) **The amount of wealth needed to enter the ranks of the wealthiest 1% of the population

FUTURE WEALTH
PLANNERS