MST ADVISORS
Financial Business & Tax Advisory Services

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Market St. Market Mix

ABOUT THIS NEWSLETTER

Welcome to the MST Advisors bi-monthly newsletter, keeping you on top of the issues, news and changes you need to know. Should you require further information on any of the topics covered, please contact us via the details below.

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Your super: A scammer's new target

In a recent media release, the Australian Securities and Investments Commission (ASIC) warned about a new scam doing the rounds. Scammers attempt, through cold calls to superannuation savers, to extract personal and super fund details by offering incentives in the form of gift cards, competitions or mobile phones. Some induce victims to create an account on their 'comparison website' to legitimise themselves and their advice.

Rosie's story:

When you get those phone calls in the evening, you know, around dinner time, you're immediately suspicious. But Steve rang mid-morning saying he represented a well-known investment firm.

He said that his area of expertise was superannuation, and that it would only take a moment for him to explain what he could do for me. He then guided me through the steps for creating an account on his website.

Naturally, I was cautious, but Steve reassured me it was just a comparison site, and I wasn't signing up to anything.

He showed me how to compare my super fund's returns with others, and the website seemed so legit that I felt a bit silly for initially having doubts. I listened to what he had to say, and it all made sense.

Gerry's story:

The first I knew about all this was when Rosie called asking me to transfer her super into an alternative fund.

A bit of background; Rosie has been a client since we first set up a retirement plan and savings strategy for her, twenty-odd years ago. As her lifestyle changed over time, we reviewed and tweaked her portfolio, and she was on track for a comfortable, self-funded retirement.

Rosie is an intelligent woman. She may not be a superannuation expert – that's my job – but we've had some quite detailed conversations about her retirement and savings portfolios. So when she asked me to facilitate her roll-over to this other fund, well, to say I was concerned was an understatement.

Scammers pose as financial planners or investment managers. Traditionally, they have targeted individuals searching online using words like, 'safe', 'superannuation or 'long-term'.

Recently, they've gone to the next level and begun cold calling.

Rosie:

When I phoned Gerry, he seemed reluctant to organise my roll-over. He asked me for the details of the fund I was rolling into and said he'd get back to me.

I thought he was just a bit miffed that I was talking to someone else.

Gerry:

Alarm bells were going off in my head. I asked Rosie to sit tight for a day while I researched the fund.

I contacted the company this Steve fellow claimed to represent and asked them a few questions.

Of course, neither Steve nor the fund existed.

Then I checked whether the fund had a USI (unique superannuation identifier). Nothing for that either.

I rang Rosie.

Rosie:

I was shocked, I mean, Steve sounded so genuine – and the website! Wow. What a close call!

Gerry told me to report the scam to Scamwatch. They contacted me and said this kind of thing was increasingly common and recommended I join the 'Do-not-call register'.

Lesson learned. I've had a great working relationship with Gerry for years, there's a reason for that!

I'm due for my annual review next month – Coffee's on me!

If you suspect a scammer has called you, ASIC recommends you:

• hang up immediately,

• contact your superannuation fund and bank and block withdrawals,

• join the Do-not-call register.

Above all, never accept financial advice from someone you don't know, if in doubt, speak to your financial adviser – seriously, if the fund is legitimate, they'll know about it!


A house is a place to live,
not an investment.

Navigating the reality of divorce after 50

Adjusting to life after divorce, particularly later in life, is akin to navigating through some of life's most challenging events, psychologists say. It's a journey comparable to coping with loss, relocation, major illness or injury, or job loss.

While these upheavals are often beyond our control, how we choose to manage them greatly impacts our recovery.

Is grey divorce on the rise?

Unfortunately, yes. Despite overall divorce rates declining since the 1990s, both the age at divorce and the rate of divorces among couples in long-term marriages are on the rise.

According to data from Australian Seniors and the ABS, 32% of divorces now occur after the age of 50.

What are some of the key financial impacts of divorce?

Superannuation is typically regarded as part of the assets in any pre-divorce financial settlement. Understanding that superannuation can be divided without the need for fund withdrawals or meeting specific conditions is crucial if no prior agreement has been reached with your partner. While splitting it isn't obligatory, ensuring its inclusion in the settlement is vital due to its significant role in overall wealth. However, dividing it can substantially diminish what was once a solid nest egg, potentially impacting retirement plans.

Aside from the emotional toll of asset division, the process can be difficult. Factors like investment properties, primary residences, or self-managed super funds (SMSFs) with less liquid assets—such as business holdings, real estate, closed funds, or art—can further complicate matters.

Selling assets without proper advice can trigger capital gains, while shifting assets from tax shelters like superannuation or trusts can result in hefty tax liabilities.

Centrelink entitlements and thresholds will also alter with your changed circumstances.

Seeking the professional advice of more than just a lawyer is the smartest thing to do.

Divorce is also expensive

Many shared expenses, such as utilities, become the sole responsibility of each party post-divorce.

For instance, while the average monthly living expenses for an Australian couple total around $4,118 ($2,059 per person), for a single person living alone, it's estimated at $2,835. In essence, each individual spends roughly 70% of what a couple would spend.

After divorce, with each person potentially having only half of their assets but needing around 70% of their income to cover living expenses, budgets become tight.

So, how can you rebuild financial stability post-divorce?

• Ensure you have updated your superannuation death nominations. You may want to change your beneficiaries or lock in a binding nomination if you don't have one.

• Review your Will and confirm it reflects your current situation. If something were to happen, ensure that the right people inherit your assets.

• Consider strategies to rebuild or manage retirement savings, investments, and income. For instance, a recontribution strategy can help you reduce potential tax on any inheritance by converting taxable amounts into tax-free amounts.

• Revise your budget and expectations for retirement. Consider taking on different levels of risk.

• Be sure to seek advice on Centrelink entitlements. Thresholds can differ, and you might be entitled to benefits you weren't entitled to pre-divorce.

• Evaluate debt. Consider how much, if any, debt you should take on to re-enter the property market or rebuild assets.

In other words, review your financial plan and seek professional advice. A qualified financial adviser can help you learn to take control of your finances and plan your future.

Remember, the benefits of compounding mean that the sooner you start, the better off you'll be!


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There is an inverse relationship between investment performance and time spent watching financial news.

5 Step Super Health Check

Ensuring the health of your superannuation is paramount for securing your financial future. Just like an annual physical examination, conducting a regular “Super Health Check” can help you optimise your retirement savings and protect your financial well-being.

By following these five simple steps, you can take control of your superannuation and ensure it aligns with your goals and circumstances.

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?

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 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.

Being proactive about monitoring and managing your superannuation is essential for securing your financial future. By taking the necessary steps to optimise your retirement savings, you can significantly enhance your financial security.

Don’t delay; start your Super Health Check today!


Forecasting is
for the
weather.

5 Psychological Traps Hurting Your Investments

Market trends aren't the only factors affecting your investment portfolio—behavioural biases can significantly impact your returns.

These psychological tendencies, like confirmation bias and herd mentality, often lead to poor investment decisions.

Behavioural biases are mental shortcuts or blind spots that can mislead us, even when our choices seem rational.

Understanding the most common biases and their impact on our investment decision-making is crucial for achieving the best possible returns.

1. Confirmation Bias

Confirmation bias means that we seek out information that confirms existing beliefs or investment decisions while ignoring contradictory evidence. This can lead to a lack of diversification and increased risk exposure. For example, a person who holds significant shares in a company might ignore all negative news about that company.

2. Overconfidence Bias

This bias leads investors to overestimate their ability to predict the market or pick winning shares. It can result in excessive trading, higher transaction costs, and lower returns.

3. Loss Aversion

People always feel the pain of losses more acutely than the pleasure of gains. As a result, investors may hold onto losing investments for too long in the hope that they will rebound rather than cutting their losses and reallocating their capital.

4. Anchoring Bias

Investors often fixate on a particular piece of information, such as the price at which they bought a stock, and use it as a reference point for future decisions. This can prevent them from adjusting their strategies in response to new information or changing market conditions.

5. Herding Behaviour

Herding behaviour occurs when individuals follow the actions of others instead of making independent decisions. This behaviour can lead to exaggerated market movements driven by mass sentiment rather than fundamentals.

How can we overcome behavioural biases?

The good news is that you can manage your behavioural biases and minimise their impact on your portfolio.

1. Awareness

Becoming aware of behavioural biases is the first step. This awareness can help you identify triggers that lead to biased thinking, enhance self-reflection to question your instincts and reactions, and improve your ability to regulate emotional responses like fear and greed, which often drive biased decisions.

2. Stick to a plan

Create a clear investment plan based on your goals and risk tolerance. Regularly review this plan to stay on track and avoid impulsive decisions.

3. Get different opinions

Don't rely on just one source of information. Seek out different perspectives and understand the reasoning behind recommendations. This helps you see the bigger picture.

4. Review regularly

Schedule regular reviews of your investment portfolio to ensure your investments are aligned with your goals and adjust for any changes in the market or your life.

Investing can be challenging, especially when dealing with behavioural biases. This is where a Financial Adviser can be incredibly valuable.

Advisers provide expertise and objectivity, helping you navigate and overcome these biases. They guide you through a disciplined investment process, regularly review your portfolio, and offer diverse perspectives to ensure better decision-making.

Don't leave your financial future to chance—work with a Financial Adviser to confidently navigate the complexities of investing and achieve your long-term goals.

Is FORO ruining your retirement?

FORO – the fear of running out.

I'd never heard the expression until I met Mark and Susan. Of course I'd heard of FOMO, the fear of missing out, but never FORO.

As the newly-retired couple sat across from me, explaining how they were so afraid of running out of savings that they were not enjoying the retirement they'd worked so diligently for, I grasped the meaning of FORO immediately.

They rarely went out for dinner, bought anything new or – heaven forbid – took a holiday. After a lifetime of saving hard, paying off a mortgage and raising a family, Mark and Susan were naturally frugal, but FORO had left them feeling vulnerable and afraid of the future.

After two decades as a financial planner, I'd come across this situation before, although, it is unfortunately becoming more common.

Mark and Susan had never sought financial advice before and weren't sure what I could do to help, but came to see me because they didn't know where else to turn.

When I assured them that there was plenty I could do to help, they visibly relaxed.

I explained that the key to overcoming FORO was having a well-structured financial plan. After I outlined my 5-step strategy, they were eager to proceed.

The steps we took were as follows:

1. Conduct a financial assessment

By thoroughly assessing their current financial position (superannuation, savings, investment and social security entitlement), I formulated a picture of where they were at, and their future cash flow projections.

2. Establish a sensible strategy

Working together, we identified essential living expenses and discretionary expenses, then allocated funding that balanced financial security with lifestyle goals.

Next, we determined a retirement investment portfolio with a sensible withdrawal rate to support their retirement plans.

3. Create an emergency buffer

In my experience, the what if factor is a major concern for retirees. What if…I become ill? What if…the fridge breaks down? What if… the car dies?

These questions, and more, play on peoples' minds to the point where they fall back into a FORO mind set.

To ease their anxiety, I recommended they include a contingency fund in their portfolio to ensure that unplanned expenses were covered. That way, if something unexpected pops up, their retirement lifestyle strategy remains on track.

4. Enjoy the early years

FORO had been holding Mark and Susan back for too long. I explained that hobbies, travel and social activities are crucial to mental well-being. So once we had established a responsible financial plan, I showed them how they could afford to spend, sensibly, and enjoy themselves. I especially encouraged them to make the most of their early retirement years, while they were fit and energetic.

5. Schedule regular reviews

The final step in the process was my ongoing commitment to Mark and Susan. Retirement planning is not a set-and-forget strategy; it's a journey through every stage of life – physical retirement being one of those stages.

By regularly reviewing their financial position, I helped Mark and Susan monitor their spending and investment performance, and made portfolio adjustments that kept them in control of their retirement plan.

Last week I bumped into the couple on the street. They were glowing with excitement and told me they'd just booked a Pacific cruise.

Of course, I was thrilled for them – it was a big tick off the bucket list! But when Susan said they'd turned FORO into FOMO and were living their best lives, well, I'll just say it was one of those moments when I absolutely love my job!


Infrequent splurges
bring the greatest
happiness

Quarterly Economic Update: April – June 2024

The economy continues to slow, with inflation remaining sticky, the new federal budget making waves, and global events that may have a significant impact.

Uncertainty at home and abroad

The current outlook indicates uncertainty both domestically and internationally, making it unlikely that inflation will reach the target range of 2-3 per cent in the near future.

May forecasts suggested that inflation would return to the target range by the second half of 2025 and reach the midpoint by 2026. However, recent indicators point to weak economic activity, such as slow GDP growth, an increase in the unemployment rate, sluggish wage growth, and uncertain consumption growth.

Advanced economies are experiencing a slowdown in growth, although there are signs of improvement in the Chinese and US economies, along with increased commodity prices. Nevertheless, geopolitical uncertainties remain high, which could potentially disrupt supply chains.

The Federal Budget focuses on social matters

Treasurer Jim Chalmers presented the 2024-2025 Federal Budget on May 14, 2024. The government aimed to alleviate the cost of living without worsening inflation.

Key announcements included:

• tax relief for everyone

• cost of living support in the form of energy rebates, an increase in Commonwealth Rental Assistance, and funding for social and affordable housing over the next decade

• Investment in the government's Future Made in Australia initiative, emphasising clean energy and critical minerals

Interest rates remain steady, but the pain may not be over

The Reserve Bank of Australia (RBA) kept interest rates on hold and the cash rate steady at 4.35 per cent throughout the quarter.

At the June RBA board meeting, Governor Michele Bullock stated that the board has not dismissed the possibility of further rate hikes.

Interest rates will stay at this level until the RBA's next board meeting in early August.

Inflation persists, despite slowing

Inflation remains persistent, with the RBA predicting that it will take some time to consistently stay within the target range of 2-3 per cent.

Although inflation has decreased significantly since its peak in 2022, the rate of decline has slowed. At the same time, economic growth has been limited as households cut back on non-essential spending due to income constraints.

What are we spending on?

Households are continuing to limit their spending on non-essential items. Spending on discretionary goods has shown a slow increase, rising by only 0.6 per cent over the year. On the other hand, spending on non-discretionary goods and services has risen by 5.8 per cent, mainly due to higher fuel and food costs. Household spending on health has significantly increased, showing a 15.7 per cent rise compared to this time last year. Health spending made the largest contribution to the overall 3.4 per cent rise in household spending in April.

China lifts Aussie beef bans

China has lifted bans on most beef and other exporters. The bans began in 2020 when China suspended beef exports from eight processors and imposed official and unofficial trade barriers on barley, coal, lobster, wood, and wine, costing exporters $20 billion Australian dollars ($13 billion) a year.

These measures were viewed as politically motivated actions to penalise Australia, although China claimed they were related to trade issues. With the lifting of these bans, less than $1 billion worth of Australian exports are still being impeded. This marks a significant reduction from the previous $13 billion impact on Australian exporters.

Trump down but not out

Donald Trump's conviction on 34 felony counts of falsifying business records has not stopped his campaign for President. As the November election looms closer, economists have expressed concerns about Trump's campaign promise to impose a 10 per cent tariff on all US imports.

If implemented, this and other trade policies could trigger another round of trade wars, disrupt international trade, and impact global growth.