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Complete Financial Planning Newsletter

IMPORTANT INFO:

- One of the new processes the government has installed on us, is ensuring that clients are signing up each year to continue to be a client of ours for the next 12 months. The document we have created to comply with this legislation is called an Annual Fee Engagement form. You will have signed at least one of these documents and most likely your second one too. In July 2021 the government also increased this requirement by not only making you sign an agreement with us, but also signing confirmation to the product provider (super/pension/investment account) that the fee you have agreed to pay is coming out of.
- This form is called a Fee Consent form and varies for each provider. There is a requirement that we need these forms to be signed prior to the end date of our 'old' agreement. (Meaning the form you signed last year) So going forward, in the essence of time – if for some reason your review is delayed and we cannot see you for your review in that month, these forms will be emailed to you via DocuSign, to ensure we can get them signed and processed before the old agreement expires. We aim to email you to let you know if we do need to do this, so please just keep an eye out for any DocuSign documents in your inbox 😊 And if you are unsure – don't hesitate to get in touch.
- ***Reminder: Please remember to let us know of any personal details that need to be updated when we contact you before your review. If there have been no changes, please also let us know that the details we hold are current.***

ARTICLE FOR THIS MONTH:

Title: Federal Budget 2022-2023 Highlights

Easing the cost-of-living and investing in small businesses

The government handed down the 2022-23 Federal Budget. Our FirstTech team has unpacked the Budget proposals and summarised
their insights and analysis, including potential impacts to your clients' advice strategies.

Some of the proposals include:

- **Superannuation**
  The 50% reduction to the minimum drawdown rate for pension accounts has been extended another 12 months to 30 June 2023. This will give retirees more flexibility with their pension payments amid ongoing volatility in financial markets.

- **Tax changes**
  There will be a one-off tax offset of $420 for low and middle-income earners to help ease the cost of living. This will be combined with the current LMITO offset for the 2021-22 financial year.

- **Social security**
  The government will provide a once-off Cost-of-Living Payment of $250 in April 2022 to eligible recipients of income support payments and eligible concession card holders.

Title: Quarterly Economic Update March 2022

Robust domestic economic growth

Australia is rebounding from the pandemic, with domestic economic growth forecast to reach 3.5 per cent this financial year. Some analysts predict it might be even stronger, possibly reaching as high as 4 per cent.

Driven by Government spending

Much of this is due to the lingering impact of the Federal Government's massive $343 billion health and economic pandemic support packages, as well as further spending in response to recent floods in New South Wales and Queensland.

The Government is also spending some $18 billion on infrastructure, mostly rail and road improvements, in an attempt to boost productivity and efficiencies throughout the economy, particularly in the regions.

Tightening geo-political tensions in Asia and around the world has prompted the Government to earmark as much spending again on strategic defence measures, including a new naval submarine base on the east coast.

Spurred by higher commodity prices

The sudden, and largely unexpected, war in Ukraine has prompted a spike in oil prices as a shadow falls over the continued supply of Russian oil and gas to Western Europe. While prices will ease with the arrival of the Northern summer, they are expected to remain stubbornly high.

The war, along with continued supply interruptions due to the pandemic's lingering impact on world trade, means prices for key commodities such as iron ore, coal, and wheat will remain high for the foreseeable future.

For Australia, this is, on balance, good news, meaning the price we are paid for key exports will remain strong, driving both domestic profits and Government tax revenue higher.

Employment is exploding

In line with this strong level of economic growth, domestic unemployment is set to fall to 3.75 per cent in the coming months, its lowest level in some 50 years.

Meanwhile, whole sectors, such as the aged care and child-minding sectors and a number of agricultural sectors, are reporting desperate staff shortages, prompting calls to lift migration levels and allow more temporary workers into the country.

Nonetheless, low wage growth continues to dog the economy. While the Government is forecasting quarterly wage growth of 3.25 per cent by the middle of next year, this is still below the expected inflation rate, meaning most Australians will face little relief from higher living costs.

Which should push the share market higher

Nonetheless, the continued strength of Government spending, combined with prevailing strong terms of trade, should boost profits across the board, leading to higher returns for investors.

Despite some clouds on the horizon

As always, there are clouds on the horizon. The United States was already facing inflationary pressures, and the impact of the Ukraine war on oil prices is likely to push the US inflation rate higher still, possibly touching 7.9 per cent this year.

The US Federal Reserve has started to pull monetary policy back in with a series of interest rate hikes, fanning fears that the US economy may fall into recession later this year.

The US is not alone. The Australian Federal Treasury expects global trade bottlenecks (the war in Ukraine and higher oil and food prices) to prompt an uptick in the local inflation rate above the Reserve Bank's preferred inflation band of 2.5 to 3 per cent.

Rising inflation is, in turn, spurring fears of a domestic interest rate hike, with many analysts expecting the cash rate to increase by one full percentage point, which could cause home loan rates to rise across the country.