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Financial Solutions
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Aged care – make the right retirement living choice

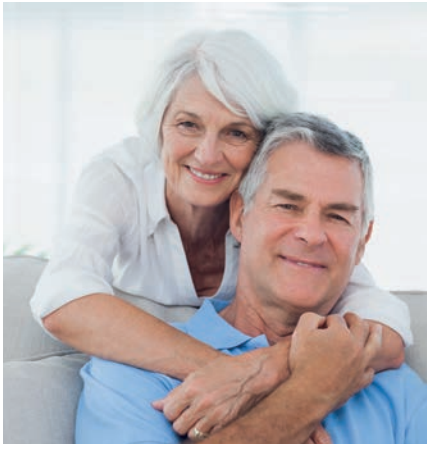
Many of us save and plan for retirement, with our main focus on ensuring we have enough money to live the type of lifestyle that we want. Although this is an important aspect of planning ahead, another key consideration is planning where we will live during our retirement.

The answer to this question will depend on a number of factors, the major one being your ability to live independently. Knowing what options are available will help you or your loved ones move into the next phase of retirement. By planning ahead, you can lessen the impact of a situation that can be emotional, stressful and uncertain.

There are three categories of retirement living:

Retirement villages

Retirement village living offers those 50 or over a convenient lifestyle and a community. They offer flexible services so, as your needs change, you can adjust the services that you receive. The services and costs vary. Sometimes upfront payments may be required as well as ongoing fees and exit fees.



Accommodation options may include independent living units and serviced apartments. Serviced apartments generally have one or two bedrooms and some daily living assistance.

Home and community care

If you prefer to stay in the comfort of your home, but require support, there are a number of services available. You can get assistance with domestic chores such as cleaning and laundry, personal care, meals, home maintenance and modification, nursing care and transport assistance. This help is available through Federal Government subsidised services or private businesses that offer home care services.

Costs for home support services and home care packages vary according to each provider but if the provider is approved to receive Commonwealth funding then there are limits on the amount they can charge. Before you can access these services, you need to be formally assessed.

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Residential aged care

If you can no longer live at home, perhaps due to illness or an emergency, residential aged care may be the next step. Living or staying in an aged care home provides 24-hour nursing care. The operation of aged care homes, including the maximum costs that you may have to pay, are regulated by the Australian Government.

If you are living in a retirement village but are then assessed as needing residential aged care, you may be able to move to aged care accommodation that is located in the same retirement village — making moving much easier. However, you may need to make a separate accommodation payment.

Don't leave it until it is too late

Don't wait until your health starts to fail, or when your mobility starts to deteriorate as there may be a waiting list. Wherever you choose to live, as you require more support the costs will increase. How you choose to fund your accommodation may affect your Centrelink entitlements so it is important that you understand the choices you are able to make. To find out more and plan for the complexities of aged care, give us a call.

New job resolutions

Birthdays and new years are great times for making lifestyle changes, however, for resolutions affecting your financial health, there's often no better time than when starting a new job.

Changes to your daily routine that come with a new job can help you put in place positive changes for your finances.

Check your pay cycle

While most companies pay monthly, it may be at a different time to what you're used to. Updating your direct debits and bill payments to reflect any change in pay dates is a good time to look at what you're actually paying for and whether savings can be found.

If your new job pays fortnightly, this is a great opportunity to modify your mortgage repayments.

Paying half your monthly mortgage as a fortnightly repayment lets you squeeze in one extra monthly repayment each year – potentially saving thousands in interest over the course of a loan.

Extra money

As job changes sometime come with a pay increase, there are also opportunities to save more while maintaining the lifestyle you've become accustomed to.

One of the most tax-effective investments is making additional concessional contributions into your super. Using your before-tax pay, it's usually taxed at just 15 per cent instead of your marginal tax rate. Those under 50 can contribute up to $30,000 a year (including your workplace contributions), while for those over 50 this rises to $35,000.

Insurance

As you move through your career, priorities change and with a mortgage and children comes the need to protect your income. Changing jobs is a chance to check your insurance – inside and outside of super – and make sure it matches your financial situation.

Paying half your monthly mortgage as a fortnightly repayment lets you squeeze in one extra monthly repayment each year – potentially saving thousands in interest over the course of a loan.

With many people predicted to have more than 10 jobs in their lifetime, having a super fund that can move with you from job to job and into retirement has never been more important.

Get financial advice

A financial adviser can help with a new budget based on your new salary along with investment strategies to ensure your new job gives you a boost today, and in the future.

Superannuation

With many people predicted to have more than 10 jobs in their lifetime, having a super fund that can move with you from job to job and into retirement has never been more important. After all, losing track of just one super fund can cost you thousands in retirement.

Not all super funds can do this though, and once you've done your homework to find the fund that best suits your investment profile and insurance needs at the right cost – it's often a good idea to stick with it.

This gives you peace of mind throughout your working life that your retirement savings won't get lost and you won't be paying unnecessary tax and fees when the time finally comes to retire.

There are other considerations, too, when looking at your super arrangements between jobs.

Most plans have different default insurance. If you roll your super from one fund to another, your existing insurance will usually lapse when you do so, while your new fund may not provide the cover you need or expect.

Moving from one fund to another may trigger a capital gains tax liability up to 15 per cent on your investment earnings inside super. Staying with the same fund however can mean your super is tax free when you retire.

Tax isn't the only cost when moving between funds. There are transaction costs associated with selling and buying underlying investments, which you need to be mindful of when transferring to a new super plan.

If you're a 'Choice' member – that is, you've actively chosen where you want your super invested, changing funds may mean your previous options are no longer available, and this could have significant impact on the growth of your super.

If you roll your super from one fund to another, your existing insurance will usually lapse when you do so, while your new fund may not provide the cover you need or expect.

For help with your super, savings and more, contact us today.

What’s happening to oil

From 2011 to 2014, crude oil traded between US$80 and US$110 per barrel and this helped lead to a large increase in the supply of shale oil from North America.

Add to this a slowdown in China, a resurgence in supply from Iraq and Iran, combined with oil producing countries pumping more oil in order to maintain revenues, has all led to a precipitous decline in the price of oil.

The oil price has now dropped $85 from June 2014, ie 81 per cent in little over 18 months. The price is now below the GFC lows when it reached a low of just over $40 a barrel and is back to 2003 levels. Adjusted for inflation the price is even lower.

This large fall in the price of oil raises a number of questions. The first is whether the fall in oil prices is over.

Short term oil price

In the short term the oil price could go lower as Iranian production comes on stream and if Chinese growth slows further.

In the past oil has often got stuck in a trading range from 5 to 10 years, so it is quite feasible that oil stays at these lower levels for an extended period.

What has happened to oil has also occurred to a number of other commodities such as coal and iron ore. Oil is very different to other base commodities as it tends to be used up quickly and it is more difficult to stockpile substantial amounts.

The interesting thing about oil is that demand has not actually declined, in fact, demand is increasing and the lower price is likely to engender further increases in demand. Its vital role in transport also makes it very different to other commodities.

Potentially, demand could get hit if the world, and particularly China, goes into a recession, but the balance of probabilities is that this will not occur. Low rates combined with the positive impact from low oil prices will tend to be stimulating for the world economy, especially for countries such as the US, Japan and Europe. Thus, if demand holds up, the supply side will be the determining factor as to where oil prices go.

At current prices a lot of oil production is uneconomic and if the price remains around current levels for a substantial period then much of this production will be shut down. This is exactly what the low-cost producers are hoping for, but the price has to be low for long enough.

Lower prices will impact the financing of the junk bond market in energy debt – which could make it a lot harder to finance these projects in the future. It will also make energy companies more reluctant to get involved in projects, such as shale oil – for example BHP has written-off around $20 billion in this space so far.

Another implication of the ultra-low fossil fuel prices is the impact upon renewable energy – most of these projects are uneconomic without government subsidies.

Impact on energy shares

As for the price of energy shares, they have fallen substantially over the last year and look cheap on a number of multiples.

If oil prices stay down they are unlikely to rally much, but due to their leverage, and their cost cutting any increase in the oil price could lead to a significant rally in these stocks.

With regard to other stocks, transport stocks, airline stocks and consumer expenditure stocks are all beneficiaries of the lower oil prices. In terms of emerging markets and importing countries such as Taiwan and South Korea, they will benefit from lower oil prices, whilst exporters such as Venezuela, Russia, Libya and Iraq will be losers.

In conclusion, the lower oil price will be positive for world economic growth, but will have a mixed impact upon countries and stocks depending on how they are positioned.

NEO Financial Solutions Pty Ltd
90 Edward Street
Perth WA 6000
Phone: 08 9227 1472
Email: admin@neofs.com.au