Now&Next

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2

Making a sea change or tree change after the bushfires

Make your donation count

Has property turned the corner?

Welcome to the Autumn edition of Now & Next

For many Australians, the transition out the warmer months often provides welcome relief from scorching hot days and muggy, sleepless nights. After the devastating bushfires that ravaged the country this summer, it's also a time to reflect on how natural disasters can impact on your financial position.

Making a sea change or tree change after the bushfires

This summer's horrific fires, followed by flash flooding, have highlighted the threat faced by many Australians living next to the bush or ocean. If you're one of the many Australians dreaming of an idyllic home by the sea or among the trees, it's important to do your homework before you relocate – especially if you're moving to a bushfire-exposed area.

Make your donation count

While the devastation on the back of this summer's bushfire disaster caused widespread grief, it also brought out the best in people as hundreds of millions of dollars was donated to charities and fire brigades. However, it's important to know that your donation makes the difference you intended – and this article explains some important ways to ensure that your donation is going where you intended and with maximum impact.

Has property turned the corner?

Has the Australian property market turned the corner? In a word, yes – but not in every state, and not to the same extent everywhere. With capital city property values bouncing back, we take a closer look at the factors driving prices higher and consider some of the trends across regions and property types that could make all the difference between a successful investment and a loss-making money pit.

Making a sea change or tree change after the bushfires

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This summer's horrific fires, followed by flash flooding, have highlighted the threat faced by many Australians living next to the bush or ocean. So, with thousands of properties destroyed in the past few months, you may be re-thinking your retirement plans to move out of a city.

Upping sticks is a major life decision, especially in the light of possible bushfire or flood risk. However, recent statistics show that many baby boomers are still choosing to make their home in Australia's coastal or hinterland regions[1].

If you're dreaming of a sea change or tree change, this year's fires and floods don't mean you have to abandon your plans – but think carefully about the issues and be prepared. Here are five questions to ask yourself before you relocate.

1 What's the right location for you?

Think clearly about the right location – not only the recreational opportunities it offers and the people who will become your new neighbours, but also its proximity to regional centres and transport connections. In this year's bushfires, many people found themselves trapped without services in communities with only one main road in or out, as was the case in Mallacoota. Remember that rural fire services may sometimes need to prioritise resources in the face of a large-scale emergency, and that isolated houses may not always be as well defended as those in a town centre.

2 How can you prepare for the risks?

If the property you have your heart set on is in an area prone to bushfire, there's a lot you can do to help manage the risk – from clearing a buffer zone, to installing water tanks, sprinklers and a pump with an independent generator. If you're building a new home, there are even more options to protect yourself with the latest in fire-resistant design and technologies. A good place to start is by reading your state fire authority's guide to preparing your home and building in a bushfire zone.

You should also have an emergency plan in place, so you know exactly what to do in the event of a bushfire or flood. This should include your evacuation route, taking into account which roads out of the property have the best access to safety. Once you make the move, you'll also want to have strong insurance cover to safeguard your home and belongings.

3 Have you visited the area in different seasons?

Before you commit to a particular destination, aim to visit it first at different times of the year – or you may be surprised when the weather changes. For instance, a north coast town's mild winters and sunny springs could become hot and humid in summer, when the risk of fire is at its greatest.

4 Can you access all the services you might need?

When you're healthy and active, it's hard to imagine having health or mobility issues. But as you get older, chances are you'll need more access to hospitals, medical centres and specialists. If you move somewhere remote, these services might be far away, which is even more important in times of emergency when people with limited mobility are particularly at risk.

5 Have you weighed up the numbers?

While selling your city home might allow you to buy your dream home in a regional area, think carefully before you dive in. Cheaper property prices in the country are a drawcard for many retirees – as it can free up money for you to spend on things like travelling or investing. If you're looking to downsize to free up some capital, you may be eligible to make a one-time contribution to superannuation of up to $300,000 per individual, where the return on these funds would be tax free, providing a valuable source of retirement income.

However, the fact is that regional areas tend to carry a higher cost of living – so you'll need to do the maths and make sure it's worth it. And remember, if the change doesn't work out for you, it might be hard to sell up and re-enter the property market somewhere else.

Get the right advice

Moving somewhere new can be a life-changing experience, but it could also have a significant impact on your finances. We can help you crunch the numbers and tailor a financial plan to see you through the move successfully.

1 Australian Bureau of Statistics, *3235.0 - Regional Population by Age and Sex, Australia*, 2018.

Make your donation count

Australians have come together in the wake of this year's bushfire disaster, donating half a billion dollars to bushfire brigades and charities. But how do you make sure your donation makes the difference you intend?

This year's bushfire disaster has been met with incredible compassion, kindness and generosity, as Australians across the country rush to help those in need. But it has also raised some important questions.

With so many charities appealing for help, how do you ensure your donation goes to the right cause? How can you make every dollar count, without being eroded by tax or administrative overheads? And if you are one of the increasing number of affluent Australians seeking to make a lasting difference, how do you go about creating an enduring legacy for the future?

Check before you donate

Before you donate, it's important to do some basic checks to ensure your money will be used as you intend:

1. Check that the charity is registered with the Australian Charities and Not-for-profits Commission (ACNC). Most registered charities display the Registered Charity Tick on their website – which means they must keep good records, comply with governance standards, and report to the ACNC each year.
2. If you are donating to an overseas aid organisation, check it's a member of Australian Council for International Development (ACID), which sets out a code of conduct for members to follow.
3. Ensure that you are donating at your chosen charity's official website or authorised point of representation. You can check the ACCC's Scam Watch site and make a report if you suspect that you have been approached by a scammer pretending to represent a charity.

> For a donation to be tax deductible, it must be made to an organisation endorsed as a deductible gift recipient (DGR), and must be a genuine gift, with no benefit for you.

Driving your dollar further

Here are two key ways to maximise the impact of your donation.

1 Choose a deductible gift recipient

The less tax you pay, the more you have to donate – so it can make sense to ensure your gift is tax deductible.

For a donation to be tax deductible, it must be made to an organisation endorsed as a deductible gift recipient (DGR), and must be a genuine gift, with no benefit for you. You can search a list of DGRs on the government's ANB Lookup site.

Don't forget to keep a receipt and remember that some popular expressions of generosity aren't tax deductible – including buying tickets to a charity event or raffle, buying an item at a charity auction or participating in a crowd-funded appeal.

2 Check the overheads

If you are making a significant donation, consider choosing a charity with low overheads and fund-raising costs, so that more of your money is used as you intend. Many charities publish expense ratios or administration costs on their websites or in their annual reports.

Remember that running a charity does cost money, and the more complex or geographically dispersed their work, the higher their administration costs are likely to be. However, if you are choosing between two charities that do similar work, a lower expense ratio may indicate a more efficient operation or a higher level of volunteers and sponsorships – helping to drive your charitable dollar further.

Leaving a lasting legacy

One of the most effective ways to support causes that you care about is to create a trust so you can continue to have a lasting impact, even when you're no longer around.

You can set up a testamentary charitable trust in your Will using specific assets or a portion or your estate, with a life of up to 80 years. You can also set up a trust while still living using a charitable trust deed. Administered by a trustee, your capital is invested to create an ongoing income that can be distributed according to the guidelines set out in the trust deed. You specify the causes that are to benefit from your trust's distributions, as well as the frequency of the distributions.

Charitable trusts are generally exempt from tax on the income and capital gains generated by the investment portfolio, helping to ensure your legacy makes a lasting impact. And because beneficiaries don't have to be registered deductible gift recipients, you have more flexibility in using your money to support the causes that matter most to you.

A charitable trust enables you to share the experience of giving with your family and establish a tradition of social responsibility for future generations. It can operate as an enduring memorial in your name or be used to honour the name of a family member.

How we can help

As generous givers, many Australians are looking beyond occasional charitable donations towards more strategic and structured giving.

As your wealth grows, you may be considering a legacy approach to your giving. We can help you consider your options in the context of your overall financial goals and can help you put cost-effective plans in place.

Has property turned the corner?

With capital city property values bouncing back, we take a closer look at the factors driving prices higher, and consider some of the trends across regions and property types that could make all the difference between a successful investment and a loss-making money pit.

Has the Australian property market turned the corner? In a word, yes – but not in every state, and not to the same extent everywhere.

Here are the headline numbers. According to CoreLogic's Home Property Value Index, dwelling prices across the country increased 4% in the December quarter, led by Sydney with a 6.2% rise and Melbourne with 6.1%.

That saw Melbourne prices climb to within 2.3% of their pre-slump peak, while Brisbane and Adelaide have regained almost all their lost ground. Meanwhile, Hobart and Canberra have reached new highs.

Yet some markets are still in the downward phase of the cycle, with prices either flat or falling. Darwin dwelling prices continued their long decline, losing 1.4% over the quarter, to record a total fall of 31.8% over the last 12 years. And while the Perth market is beginning to show signs of bottoming out, dwelling prices in the west were still down 0.1% over the quarter and 9.7% over the year.

So what does this all mean for property investors? And how do you go about finding a winning investment?

> Identifying your goals and doing the numbers upfront will help you set clear criteria as you go searching for the right property.

The power of micro-markets

The first and most obvious point is that the property market cycle continues to turn – but that different cities and regions are still at very different points in the cycle.

Helping to drive the market higher are record low interest rates (with money markets divided on whether there will be more cuts to come in 2020)[1], APRA's relaxation of the tighter lending rules introduced in the wake of the Hayne Royal Commission, and Australia's relatively robust jobs performance, with unemployment edging down to 5.1% in December 2019.

But perhaps the most important trend underlying the market's expansion is our rapidly rising population, driven largely by migration. At 1.6% a year, our population growth rate is among the highest in the OECD[2] – and housing construction is struggling to keep up with demand.[3] Much of that growth has been concentrated in a few major cities, especially Sydney, Melbourne and Brisbane, which together accounted for 67% of Australia's population growth in 2018, helping to explain the unevenness in property markets across the country.[4]

Even within cities, jobs and population growth tend to be concentrated in particular localities. It's the reason real estate analysts talk about 'micro-markets' for both locations and property types. For example, at the height of the Sydney property slump in 2018, when prices were falling 9.9% across the city and analysts were talking about an oversupply of new apartments,[5] apartment prices actually rose more than 12% in a few in-demand Sydney enclaves, including Crows Nest, Elizabeth Bay and North Bondi.[6]

1 As at 22 January, cash rate futures indicated a 58% chance of rate cut in February, according to the ASX RBA Rate Indicator.

2 World Bank, Population growth: OECD members, 2018.

3 RBA, Housing and the Economy, 2019.

4 ABS, Regional Population Growth, Australia, Release 3218.0.

5 Macrobusiness, CoreLogic: Sydney and Melbourne face two years oversupply, 2019.

6 Australian Financial Review, The Sydney and Melbourne suburbs defying the property downturn, 2019.

Five steps to property success

1

Start with a strategy

Are you chasing capital growth or a high rental yield? How much, and over what time frame? And do you plan to improve the value of your property with renovations, or would you prefer a turn-key investment?

Identifying your goals and doing the numbers upfront will help you set clear criteria as you go searching for the right property.

2

Get the data

Property market data has never been more plentiful and easy to access – from capital growth rates to rental yields and in-depth suburb profiles. Well-known providers include Corelogic, realestate.com.au and Domain, but a quick Google search will uncover many more, some free, some subscription based.

3

Choose your micro-market

Now you're ready to choose a location and property type that matches your objectives – whether it's a fast growing area with strong buyer demand, or an established suburb with high rental yields.

Remember that locations with high yields may have low rates of capital growth and vice versa, since a lower price means a higher yield as a proportion of the purchase price. For example, at 6.2%, regional WA had some of the highest yields in the country in 2019 – but they were helped along by an 11.8% fall in dwelling values.

4

Arrange your finances

One of the potential attractions of property as an asset class is that it is relatively easy to borrow against, at what are currently very low rates. However, gearing can multiply losses as well as gains, and rates can change over time, so it's important to choose a level of gearing you are comfortable with and can sustain over time.

Remember to keep a financial buffer ready in case of rate rises, vacancies, repairs and other unexpected events. Ideally, you will do a detailed cash flow projection, taking into account rents, expenses, loan repayments and tax deductions.

5

Talk to us

We can help you determine the numbers before you invest, with a plan that's perfectly aligned to your long-term financial goals. That way you can take advantage of the benefits of property investment and avoid the pitfalls, confident that you have professional advice on your side.

The numbers

As of 14 January 2020, fires this season have burnt an estimated

18.6 million hectares

which equates to around 2.5% of the total size of Australia[1]

The cost of dealing with the bushfires is expected to exceed the

$4.4 billion

of the 2009 Black Saturday fires[2]

The national unemployment rate sits at

5.1%

with 12,981,600 people currently employed in Australia[3]

77%

of Australians haven't switched health insurance funds in the last five years[4]

Superannuation assets total over

$2.9 trillion[5]

60,280

cases of coronavirus have been discovered, resulting in 1,367 fatalities to date, with another 8,243 still in a serious or critical condition[6]

CONTACT YOUR COUNT ADVISER AT:

1 Busselton Mail, It was a line of fire coming at us, February 2020
2 The Guardian, Economic impact of Australia's bushfires, January 2020
3 ABS, Labour Force Australia, December 2019
4 Finder, Health Insurance Statistics 2019
5 Superannuation.asn.au, Superannuation Statistics, December 2019
6 https://www.worldometers.info/coronavirus/