



# Tailor-Made Summer Newsletter

Wow! What a year! No doubt most of us will be looking forward to drawing a close on 2020 and welcoming in what we all hope is truly a NEW Year.

For those running late with their Christmas shopping we have included an article on shopping smarter and as social distancing rules relax we hope you find our article on "How to budget for your social life in retirement" timely. The workers are not forgotten with details on tax cuts coming your way.

In lieu of client gifts and cards the Wollongong team have been selecting a charity to make a donation to since 2006. We are continuing this wonderful tradition and the team has picked Lifeline "as their cause resonated with all of us especially as this year most people have found life quite challenging in many different ways and we never want any of our clients or anyone to feel alone".

Our Financial Services and Credit Guide has been updated for your information (Version 10.1) and is provided for you on our Website: <https://tmfs.com.au/fscg> (hard copies available).

From all of us here at Tailor-Made, we wish you a Merry Christmas and a Happy New Year!

P.S. Our office will be closed from Friday 25 December 2020 and will reopen on Monday 11 January 2021 (for urgent matters, please call Ben Hatcher Ph: 0402 687 635 or John Broughton Ph: 0422 070 725).

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# 5 ways to shop a little smarter this Christmas

If cash flow is looking a tad grim this year, here are some ideas to up the presents under the tree, noting it's the presence around it that really counts.

We don't need to list the events of 2020 to say it's been a big one, particularly as we approach the festive season, where many common face-to-face interactions will be limited to a phone or video call.

As we grapple with a slightly different-looking Christmas, the good news is many of us will go into it with a new-found appreciation of the presence of loved ones over the presents of the material kind.

In the meantime, if you're looking for some tips around managing the costs of gift giving, here are some ways you could potentially shop a little smarter, so your money goes a little further.

## Create a plan and write yourself a list

While we might love the sound of ripping through wrapping paper, much of this generosity is unplanned, with nearly 75% of Aussies indicating they don't budget for gifts<sup>i</sup>, which could lead to increased pressure on household budgets well into the new year.

While there's much to be said for the spur-of-the-moment splurge, more of our generosity could be planned, with a bit of time being spent thinking about what you might buy before hitting the shops.

As many events, such as Christmas, anniversaries and birthdays fall on the same day each year, it may also be somewhat easier planning for these occasions in advance.

## Buy in bulk and look at cheaper alternatives

Bulk buying multiple gifts that aren't intended for a specific occasion is a growing trend, with one in three of us doing it, providing a way to save both time and money<sup>ii</sup>.

Women (31%) are more likely than men (24%) to be wise to the blessings of bulk buying, however it's an even more popular trend among young families<sup>iii</sup>.

It also goes without saying to keep your finger on the pulse when it comes to sales. In the lead up to Christmas, there's Click Frenzy, Black Friday, Cyber Monday, Green Monday and Free Shipping Day, not to mention Boxing Day if you happen to be seeing someone after the 25th<sup>iv</sup>.

## Give the gift of time or skill

There's more to giving than things you can wrap – experiences matter too. Instead of another bottle of wine or a vanilla-scented candle, taking someone out for lunch, or providing a home-cooked meal, could be more up their alley.

In fact, given the choice, 61% of us would opt for quality time, with only 30% preferring cash or a tangible gift<sup>v</sup>. Intangible gifts are also particularly important for those aged 18 to 24, with more than half saying that an intangible gift such as time, an experience, or learning a new skill has had a more significant impact on shaping their life<sup>vi</sup>.

On top of that, if you're lucky enough to be going to someone else's place this Christmas and you've got skills in cooking, decorating or manicuring lawns, offering these services to help with the prep work may be a highly valuable commodity for those taking on the job of hosting.

## Pitch in as a group

Group giving can be a great way to reduce individual costs while harnessing the purchasing power of many to buy something that may be on the expensive side.

Whether it's colleagues, friends or family, 73% of us get together to give gifts<sup>vii</sup>. It also gives people a chance to play to their strengths and take a different role, whether it be providing gift suggestions, collecting the cash, purchasing the present, wrapping it, or writing the card.

Other ways you could play to a group scenario this Christmas is Secret Santa. It may be an obvious one, but if in the past you've all bought each other a present, this provides a way for everyone to buy just one present for a member of the group, with the specifics of the arrangement up to you.

## Regift it – nearly half of us do

Admit it, you've probably done it. About two in five Aussies have regifted at one point or another, with those aged 25 to 39 the second most serial regifters, only after young families<sup>viii</sup>.

Whether we don't like what we've been given, or ethically choose to reduce waste and lengthen an item's lifespan, regifting is an increasingly acceptable approach.

Remember, true Christmas cheer – the kind that'll last into the new year – has rarely been accomplished on the back of riches of the financial kind. After all, the gift of time is your most precious resource.

i, ii, iii, v, vi, vii, viii Financial Planning Association of Australia - 'Gifts that Give' 2019 research report - pages 5, 11, 11, 9, 9, 12, 10

iv Finder - Australian sale events in 2020

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# How to budget for your social life in retirement

Have you considered what's on the agenda, such as how often you see yourself eating out and whether you want to travel domestically or afar?

If you're in or approaching retirement, you may be prioritising things such as living costs, utility bills, health care and even potentially helping the kids out with their future financial goals.

With many Australians looking at a retirement (which in reality, could span a few decades), another thing to give some thought to is keeping some money aside for your own recreation and social life.

## What activities are on your to-do list?

Think about what you enjoy doing, what you're likely to want to do more of, or even get into with more time on your hands.

- **Eating out** - restaurants, beach barbecues, picnics, food fairs
- **Travel** - interstate breaks, overseas holidays, road trips, caravanning
- **Entertainment** - cinemas, concerts, events, stage shows
- **Sport** - golf, tennis, cycling, yoga, Pilates
- **Hobbies** - fishing, sailing, photography, drawing, woodwork
- **Volunteering** - hospitals, soup kitchens, animal shelters

- **Club associations** - Rotary, Leagues, Surf Life Saving
- **Tournaments** - trivia, bridge, chess.

## How can you budget for the things you enjoy?

If you need a guide, the Association of Superannuation Funds of Australia (ASFA) benchmarks the annual budget needed to fund a comfortable and modest standard of living in retirement, with figures based on an assumption people own their home outright and are relatively healthy.

According to June 2020 figures, individuals and couples around age 65, looking to retire today, would need an annual budget of \$43,687 and \$61,909 respectively to fund a comfortable lifestyle, or \$27,902 and \$40,380 respectively to live a modest lifestyle<sup>i</sup>.

According to ASFA, a comfortable retirement lifestyle would enable an older, healthy retiree to be involved in a broad range of leisure and recreational activities, whereas a modest retirement lifestyle would enable an older healthy retiree to afford more basic activities<sup>ii</sup>.

## How much are you likely to spend on recreation anyway?

According to research, singles and couples (aged 65 to 85) living a comfortable lifestyle in retirement would spend about \$184 and \$277 of their weekly budget respectively on leisure and recreation<sup>iii</sup>.

This takes into account a broad range of recreational activities, including<sup>iv</sup>:

- Lunches and dinners out
- Domestic and international holidays
- Movies, plays, sports and day trips
- Things like streaming services
- Club memberships.

## Making your money go further for the fun stuff

- Make use of your Senior's Card for transport concessions and other discounts
- If going overseas isn't in your budget, you could consider a road trip interstate
- Pack a rug, food basket and esky, and head to the park or beach for a picnic
- Swap a visit to the day spa with a DIY manicure and candle-lit bubble bath
- Have the troops over for a poker night or take turns hosting dinner parties
- Find cheap accommodation on Airbnb or consider listing your own place to earn money while you're away.

*Talk to us if you'd like to check you're on track for an active and satisfying retirement*

i, ii ASFA Retirement Standard table 1

iii, iv ASFA Retirement Standard - Detailed budget breakdowns - June quarter 2020 page 4

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# Majority of working Aussies to benefit from personal income tax cuts

Tax cuts proposed in the recent Federal Budget were passed in parliament on Friday 9 October, and you might see some of the benefits before Christmas.

The government has brought forward tax cuts originally planned for 1 July 2022 and backdated them to 1 July 2020. Plus, low and middle-income earners are still able to benefit from existing tax offsets.

## Has my marginal tax rate changed?

The upper thresholds have increased for some tax brackets, as highlighted in the table below.

Marginal tax rate*%	Original threshold income range \$ pre-budget	New threshold income range \$ 2020/21
0	0 - 18,200	0 - 18,200
19	18,201 - <b>37,000</b>	18,201 - <b>45,000</b>
32.5	37,001 - <b>90,000</b>	45,001 - <b>120,000</b>
37	90,001 - 180,000	120,001 - 180,000
45	> 180,000	> 180,000

(\*excluding 2 % Medicare Levy)  
Source: <https://www.amp.com.au/insights/grow-my-wealth/2020-21-federal-budget-roundup>

## Can I benefit from the tax offsets?

If you earn up to \$126,000 per year, you may be eligible for the low and middle income tax offset (LMITO). This was previously introduced as a temporary measure and scheduled to end when the 1 July 2022 tax cuts kicked off. But the good news is that despite bringing forward these tax cuts, the government has kept the LMITO for the 2020–21 financial year<sup>1</sup>.

And, if you earn less than \$66,667 per year, you may be eligible for an additional tax offset called the low income tax offset (LITO). As part of this package of tax cuts, this tax offset was increased from \$450 to \$700.

## How much will I save from the tax cuts?

The below table<sup>ii</sup> shows indicative tax cuts, based on the legislative changes for an individual in 2020–21, to the tax rates, thresholds, and offsets that were applicable for 2020–21 (before these changes):

Taxable income	Tax payable 2020-21 (before Budget announcement)	Tax payable 2020-21 (Now legislated)	Tax reduction
\$30,000	\$2,142	\$1,887	<b>\$255</b>
\$40,000	\$4,467	\$3,887	<b>\$580</b>
\$50,000	\$7,467	\$6,387	<b>\$1,080</b>
\$90,000	\$21,517	\$20,437	<b>\$1,080</b>
\$100,000	\$25,717	\$24,187	<b>\$1,530</b>
\$110,000	\$29,917	\$27,937	<b>\$1,980</b>
\$120,000	\$34,117	\$31,687	<b>\$2,430</b>
\$150,000	\$49,897	\$47,467	<b>\$2,430</b>
\$180,000	\$57,697	\$55,267	<b>\$2,430</b>
\$200,000	\$67,097	\$64,667	<b>\$2,430</b>

Source: Lower Taxes Budget 2020-21 fact sheet (extract) – Individual below Age Pension age

## When will I receive the new tax savings?

Your take-home pay should reflect the new rates before Christmas.

The Australian Taxation Office (ATO) has given employers until 16 November

to make changes to payroll processes and systems<sup>iii</sup>.

As you'll have already paid personal income tax at the original rate since 1 July this year, you'll receive your entitlement to the reduced tax payable for the entire 2020–21 income year when you lodge your income tax return.

## Where to go for more information

The good news is that most working Aussies will be taxed less this financial year, and if you want to get an idea of how much better off you might personally be, try the government's Budget calculator.

If you find yourself with a little extra in the bank over the coming months, consider ways you can make the most of it:

- Think about starting an emergency or rainy day fund, so you can feel more financially prepared.
- With 1 in 6 people struggling with credit card debt, paying off a bit extra each month can help reduce the amount of interest you pay.
- Give your super a boost by making additional contributions. This may be an especially good idea if you've withdrawn some super through the government's early access scheme this year.

*If you have any questions about the tax cuts or managing your money, please don't hesitate to give us a call.*

i JobMaker Plan - bringing forward the Personal Income Tax Plan  
ii AMP TapIn Flash, Personal income tax now law, October 9 2020/14  
iii <https://www.ato.gov.au/Rates/Tax-tables/6>  
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