



Spring 2016 Update

Welcome to the Spring edition of the quarterly client newsletter from Your Life Now Financial Services. Your Life Now is a financial planning practice providing professional advice on superannuation, retirement planning, insurance and home loans.

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss the recent announcements from the government that they will pullback on significant changes to super that were outlined in the May budget. We also consider how our lives are changing with the advancement of technology and where we might be heading. Finally, is there something stopping you from achieving your financial goals? Our last article points out that we are hardwired to think about now but what does that mean for our future well being?

If you would like a PDF copy of this newsletter, please go to the “News and Resources” section of my website at yourlifenow.com.au. If you would like to discuss any of the issues raised in this newsletter, please don’t hesitate to contact us.

Best regards,
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Government pulls back on proposed changes to super

The government has made significant changes to several of its plans around super reform.

The government has announced changes to three key 2016 Federal Budget proposalsⁱ — the most significant being that it would not go forward with its proposal to introduce a \$500,000 lifetime cap on non-concessional (after-tax) super contributions.

In a nutshell the new proposals include:

- From 1 July 2017, the existing annual cap of \$180,000 on after-tax super contributions will be reduced to an annual cap of \$100,000. The proposed \$500,000 lifetime limit will be scrapped
- The commencement date for the proposed carry-forward arrangements for concessional (before-tax) contributions will be deferred to 1 July 2018
- Work test requirementsⁱⁱ will remain in place for those wanting to make contributions after age 65.

What the changes could mean for you?

The good news is that for the current financial year, the after-tax contributions limit will remain at \$180,000. This also means that the ability to contribute up to \$540,000 by using the bring-forward rules (where eligible) is still available until 30 June 2017.

There are however some proposed changes which could apply in future years. It's important to note that these proposals are not yet set in stone and the details

could change as legislation passes through parliament.

1. Lowering the after-tax super contributions cap

The government will not be proceeding with the proposed \$500,000 lifetime cap on non-concessional contributions announced in the 2016 Federal Budget.

Instead, the government has proposed that from 1 July 2017, an annual after-tax contributions cap of \$100,000 be put in place, replacing the current cap of \$180,000. Those under age 65 will still be able to bring forward three years' worth of after-tax contributions, up to \$300,000 using the bring-forward rules.

Further, the government has proposed that from 1 July 2017, individuals with a total super balance above \$1.6 million will no longer be eligible to make after-tax contributions.

2. Deferring the start date for before-tax arrangements

The government plans to defer the commencement date for the proposed carry-forward arrangements for concessional (before-tax) contributions.

Earlier in the year the government proposed that from 1 July 2018 individuals with a super balance of less than \$500,000 would be allowed to make additional before-tax contributions

where they hadn't reached their concessional contributions cap in previous years.

As a result of the new proposal, eligible individuals will only be able to start making additional before-tax contributions, where they hadn't reached their concessional contributions cap in previous years, from 1 July 2019.

3. Not proceeding with the removal of the work test

The government intends to keep work test requirements in place for those aged 65 to 74 wanting to make contributions to their super.

Previously the government had proposed that from 1 July 2017 individuals aged 65 to 74 would no longer need to meet work test requirementsⁱⁱ, whereby they must have worked for a set period of time in the financial year to be able to make voluntary super contributions.

Other things to note

At this stage, draft legislation has not yet been released, and available details are limited.

To find out more about how the government's latest proposals could affect you, talk to us.

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ⁱ <https://www.amp.com.au/news/2016/may/federal-budget-2016>

ⁱⁱ <https://www.amp.com.au/personal/support/faqs/work-test-for-over-65s>



Is that a driverless car in the next lane?

As technology forges ahead, we're all but chasing after it.

Life as we knew it in the 80s and 90s is now ancient history. Today, digital devices in Australia have made the way we communicate, socialise, work and behave just about unrecognisable.

The fact is Aussies are so screen-obsessed that we're walking and texting, talking and browsing, eating and researching, reading and driving—all at the same time.

Yes, not only are we glued to our devices more than 440 million times a day, 42% of us confess to doing so while driving.ⁱ So with the small screen overtaking the windscreen, we may be sharing the road with driverless cars already.

We've come a long way

In the late 1980s super-early adopters had to pay more than \$4,000ⁱⁱ for the convenience of a portable phone. Even though it weighed a tonne, at the time it represented a turning point in communications technology.

These days around 80% of Australians carry a smartphoneⁱ and these

affordable mini computers are keeping us connected around the clock.

A vicious cycle

Our fixation with logging on is feeding a growing fear of missing out which feeds the fixation with logging on. And on it goes.

Australians look at their smartphones more than 440 million times a day collectively—an average of 30 times a day or 56 times for younger adults.ⁱ And according to a 2015 survey most of us are doing it everywhere—on public transport 88% of people are connecting, at work it's 92% and 88% of us even go online when talking with friends.ⁱ

And with a rising 340,000 terabytes of data being downloaded every month in Australia, and one third of the population checking their devices within five minutes of waking up in the morning,ⁱ it may be safe to say we're becoming screen obsessed.

It's not just the younger generation...

It's true that older people have generally been slower to adopt online devices compared to younger age groups but

that's changing. 95% of all users, young and old, are using their smartphones to take photos, including selfiesⁱ. And more than 25% of people over age 55 are using smartphones to connect via social media. That's an increase of 45% since 2014.

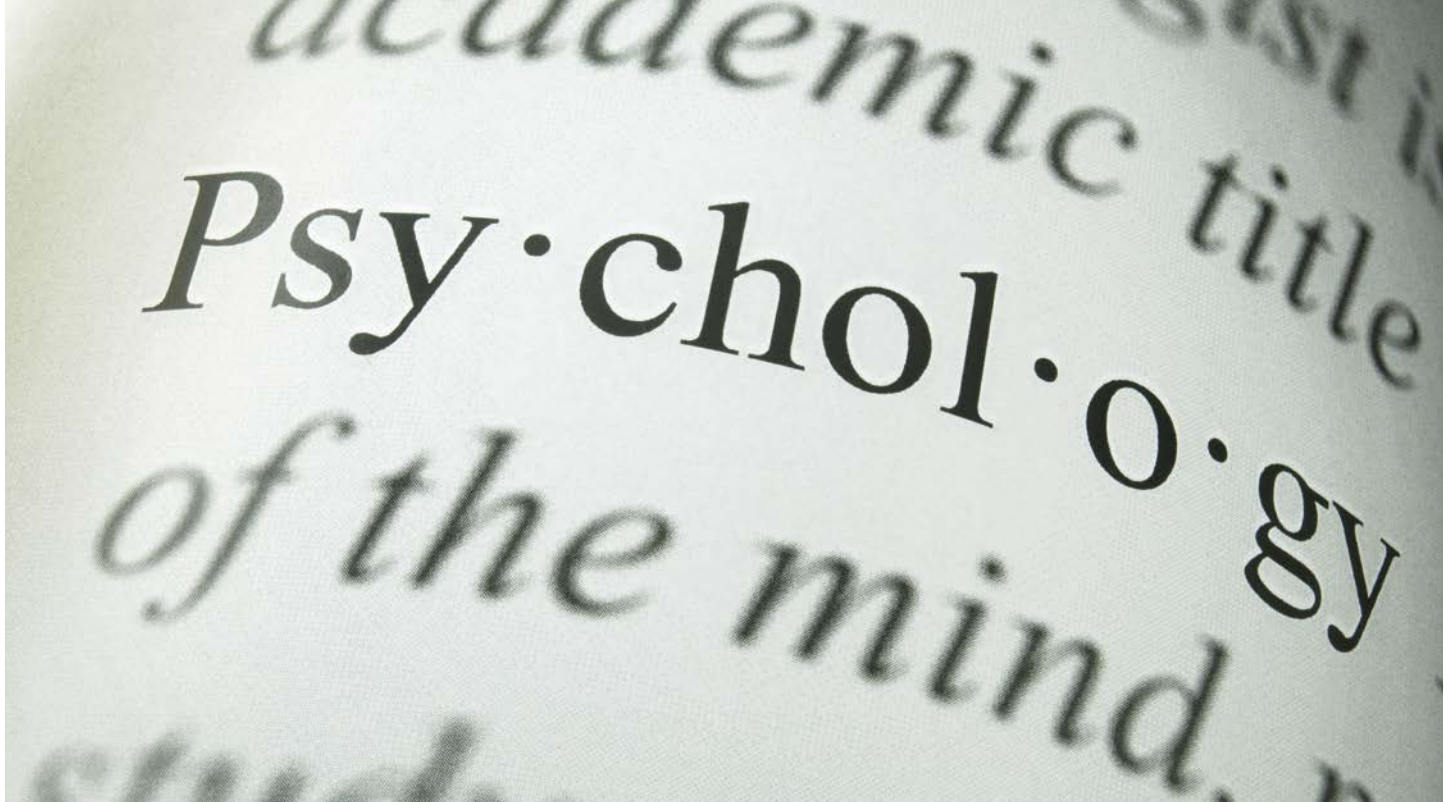
What's to come?

There seems to be no end in sight. Technology is changing at exciting and sometimes overwhelming rates.

We've seen a rapid evolution in the development and sophistication of like televisions, watches, fitness monitors and touchscreen kitchen splashbacks. And for some of us, the fact that the car no longer needs a key has been a revelation. But with car manufacturers now moving on from keyless ignition to driverless vehicles, it's likely we'll have even more time to fixate on our screens.

ⁱ Deloitte Mobile Consumer Survey 2015.

ⁱⁱ The Australian Mobile Telecommunications Association.



What's your biggest obstacle to financial success?

Science reveals how our human-hardwiring can get in the way and cost us much more than we think.

As humans we have changed a lot over time. Vast periods of time have seen us adapt and evolve—from hunting for food to ordering online and as our behaviour has changed, our brains have developed.

But even though we no longer live in caves, some of our ancient hardwiring still prevails and designs behaviour. Behavioural science shines a light on the whys and wherefores of human behaviour and shows how, unless we consciously override our hardwiring and put deliberate strategies in place, many of us may pay dearly and live less-than-optimal lives.

We're hardwired for now

It's been said that failing to plan is tantamount to planning to fail. And when it comes to financial success, a plan that enables you to enjoy your current lifestyle and reach your longer term goals often means the difference between a comfortable successful life and the opposite.

But planning can be an issue for many people.

We discount the future

As scienceⁱ shows, we're hardwired to act in the present moment with little thought of what tomorrow may bring. We naturally put things off and more than that: we discount

the importance of our own futures and fool ourselves into thinking an immediate reward is more valuable than a larger future benefit.ⁱⁱ

When we were cave people, acting for the moment made sense. We lived for today and dealt with tomorrow if and when it arrived. In fact, our survival hinged on the ability to act quickly and make the most of the present. Life was unpredictable and, as one example, the threat of available food being taken was easily avoidable—simply act now and eat.

These days, focussing on the moment is something science has shown we are still hardwired to do, but it's often at the expense of a comfortable future. In this day and age when living day to day or pay cheque to pay cheque can leave us high and dry, our hardwiring is one of the biggest obstacles to effective financial decision making.

It may be part of being human but the implications that discounting the future can have on our own financial lives can be profoundly negative.

We can override our hardwiring

Behavioural science helps us understand how our own behaviour can work against us and set us up to live futures which are unpredictable and unstable. But the insights from behavioural science can also help empower us to make more effective financial decisions.

With an awareness of our hardwired tendency to discount the future and put off important financial decisions we can take a conscious and rational approach and override our natural short-sightedness.

By setting and achieving goals you can promote positive financial behaviour. The act of consciously setting goals can help you imagine your own future more vividly and in turn, help you act more effectively and realistically in your own best interests.

Regularly tracking and reviewing goals can help remind you of your future. It can overpower the subconscious hardwiring that works against the need to plan ahead by reinforcing a logical state of mind.

What you can do

Even if your human hardwiring is presenting challenges for you, you can achieve your goals and be better off.

As the new financial year dawns, give yourself the future you deserve. Don't give in to the tendency to put things off and come and meet with us so we can chat about putting plans in place—this time next year you could be in a much stronger financial position.

ⁱ Thaler, Richard T, (1991). Some Empirical Evidence on Dynamic Inconsistency.
ⁱⁱ Such behavioural science concepts which challenge the assumption of human rationality prevailing in modern economic theory, well documented by experts such as Daniel Kahneman, Israeli-American psychologist noted for his work on the psychology of judgment and decision-making and behavioral economics which he was awarded the 2002 Nobel Memorial Prize in Economic Sciences.