April 2024

In this edition to keep you informed and inspired…

- Monthly Market Update *March 2024*
- Prepare for Life *Autumn 2024*
  - Tax changes
  - How will you use your super?
  - Anti-Aging

We look forward to hearing from you if you have any questions.

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MONTHLY MARKET UPDATE

March 2024

How the different asset classes have fared:

(As of 31 March 2024)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash[1]	1.82	1.51	2.08	4.19	1.09	2.15	1.09	0.37
Australian Bonds[2]	2.39	-0.03	-1.46	1.34	0.98	4.83	0.98	1.09
International Bonds[3]		-0.68	-3.25	1.87	-0.63	5.20	-0.63	0.83
Australian Shares[4]	8.50	9.52	9.52	14.98	5.45	14.59	5.45	3.13
Int. Shares Unhedged[5]	13.52	14.15	14.48	28.71	13.98	20.05	13.98	2.99
Int. Shares Hedged[6]	10.46	11.18	8.67	24.99	10.01	20.14	10.01	3.28
Emerging Markets Unhedged[7]	6.07	3.28	-0.80	9.62	6.28	8.64	6.28	1.98
Listed Infrastructure Unhedged[8]	9.25	5.09	7.96	4.32	5.28	10.80	5.28	3.37
Australian Listed Property[9]	10.74	6.72	11.52	35.36	16.16	35.34	16.16	9.56
Int. Listed Property Unhedged[10]	7.07	2.09	5.21	9.00	2.72	11.96	2.72	2.37
Gold Bullion Unhedged[11]	5.48	11.32	9.41	11.53	7.01	17.92	7.01	8.57
Oil Unhedged[12]	-10.27	-0.84	24.43	20.22	18.29	-3.90	18.29	7.33

1 S&P/ASX Bank Bill TR AUD, 2 Vanguard Australian Fixed Interest Index, 3 Vanguard Global Aggregate Bd Hdg ETF, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD, 11 LMBA Gold Price AM USD, 12 S&P GSCI Crude Oil TR

Source: Centrepoint Research Team, Morningstar Direct

Key Themes:

- **Equity Markets continue to make gains**: US and Australian stock markets continue to hit record levels, driven by a resilient economy and expectations of nearing rate cuts.
- **Fixed Income had a quiet month but continues an upward trajectory**: Both international and Australian bond prices rise marginally as investors await further hints from Central Banks.
- **Australian Dollar mostly flat**: The Australian Dollar ended the month slightly up by 0.7%.
- **Commodity Prices outperform**: Oil prices rose due to geopolitical unrest and supply cuts, whilst gold rallies on hopes of imminent rate cuts.

International Equities:

Led by the US, international markets experienced their fifth-consecutive month of gains, rising by 2.99%. This closed off the first quarter of 2024 with a return of 13.98% making it the best quarterly start to the year since 2019. All three major US equity indices (S&P 500, Dow Jones and Nasdaq) all reached new highs in March off the back of growing investor optimism that the US Federal Reserve will cut rates three times over the course of the year, delivering a soft landing which will support corporate performance and earnings. The recent rally was once again led by technology stocks, with the star performer NVIDIA now accounting for over 24% of the S&P500's quarterly return. Notably in March, small caps managed to keep up with the larger names, highlighting a broader rally from an increasingly positive macroeconomic outlook.

Elsewhere, Europe performed well in March with countries such as the United Kingdom posting positive performance for the month as investors appear to be on the hunt for discounted markets in the hope that we have turned a corner on a global scale. There were also notable movements in Japan where the BOJ (Bank of Japan) increased interest rates for the first time in 17 years. This led to the Japanese Yen falling to all time lows providing a boost to equities. Value stocks were also favoured in March across every region.

Australian Equities

Closely following global equities, the Australian stock market returned a healthy 3.13% in March which closed off a strong first quarter of 2024. Despite overall gains the Australian market experienced volatility, peaking in the start of the month and then slumping before rebounding in the final stages. Like global markets, much of the monthly return was driven by improving sentiment surrounding central bank rate cuts and the likelihood of avoiding a severe economic downturn.

Real estate was the greatest contributor to performance in March with the S&P/ASX 200 A-REIT returning an impressive 9.56%. Further signs of cooling inflation and hints of central bank rate cuts in the near future provided a boost to the real estate market as median prices rose by 1.6% over Q1 2024, up from 1.4% in Q4 2024. Energy also performed well for the month off the back of rising oil prices caused by the prospect of continued OPEC+ supply cuts and ongoing attacks on Russia's energy infrastructure. Aside from Real Estate, performance over the month was broad with all but one sector finishing in the green. Communication services was the outlier and was the only sector to see a negative return over the month, likely due to idiosyncratic issues rather than any broader theme.

Domestic and International Fixed Income

Throughout February international fixed income retreated by 0.83% led by the US where 10 year treasury bonds marginally declined over the month. Persistent inflation figures meant that there were no new surprises in March and ultimately it was a less volatile period, lending itself for a buy and hold strategy for fixed income investors. It is still important to note that the US yield curve remains inverted (a key recession indicator). Over the last two years we have experienced central banks act in unison to combat rising inflation, however for the first time we are starting to see divergence in the market. This was highlighted in March where the Swiss central bank cut rates, whilst Japan hiked rates. Corporate credit performed well over the month, spurred on by a positive outlook for company earnings and supported by a surge of new credit issuance into the market.

Australian fixed income outperformed international fixed income in March returning 1.09%. This was caused by the RBA switching to a more neutral stance in terms of interest rates, although the RBA is not yet hinting at rate cuts, the removal of their hawkish stance was enough to improve investor sentiment. Similar to the global theme, credit also performed well over the month supported by a high level of credit issuance.

Australian Dollar

The Australian Dollar gained almost 2.5% against the US Dollar in the early stages of the month before reversing and ultimately settling at 0.652 just slightly above the levels we saw at the start of the month. The reversal we saw came after hotter than expected data in the US suggesting to investors that the Federal reserve could delay or reduce the number of rate cuts over the year.

With the Japanese Yen (JPY) reaching all-time lows following the recent rate hike it is no surprise that the Australian Dollar strengthened against JPY. Overall, the Australian Dollar did not make any drastic movements, despite some volatility over the course of the month, AUD ended the month at levels not far from the start across most currency pairs.

Commodities – Gold and Oil

Commodities were amongst the best performing assets in March, with both energy and metals outperforming the broader market. Oil returned 7.33% over the month caused by tighter supply (OPEC+ pledging to further cut output), a resilient global economy and geopolitical uncertainty (particularly in Russia where Ukraine have attacked key energy infrastructure). Gold similarly had an impressive month returning 8.57% stemming from the hope of rate cuts in the near future. Gold tends to fare well in a low-rate environment and is also supported by a weakening dollar.

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Prepare for Life

Autumn 2024

IN THIS ISSUE

Tax changes
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TAX CHANGES – *what it will mean to me?*

Prime Minister Anthony Albanese has announced changes to address ongoing cost of living pressures with all 13.6 million Australian taxpayers receiving a tax cut from 1 July 2024, compared to the tax they paid in 2023-24.[i]

Now is the time to assess what it means to your hip pocket and what implications it may have for end of financial year planning as a result of the new rules, due from 1 July 2024.

The Federal Government has recently announced changes to the third stage of a series of tax reforms introduced by the previous Coalition government almost six years ago which were designed to deliver tax cuts to most, simplify the tax system and protect middle income earners from tax bracket creep.

The proposed changes

The new rules will see the current lowest tax rate reduced from 19 per cent to 16 per cent and the 32.5 per cent marginal tax rate reduced to 30 per cent for individuals earning between $45,001 and $135,000.

The current 37 per cent marginal tax rate will be retained for those earning between $135,001 and $190,000, while the existing 45 per cent rate will now apply to income earners with taxable incomes exceeding $190,000.

In addition, the low-income threshold for Medicare levy purposes will be increased for the current financial year (2023-24).

A single taxpayer with a taxable income of $190,000 paid $59,967 tax in 2023-24. Under the revised rules, they will now pay $55,438 tax, a tax cut of $4,529. While still a reduction in tax paid, this compares with the $7,575 tax cut received if the original Stage 3 tax cuts had proceeded.

On the other hand, low-income earners will receive a bigger tax cut under the revised rules.

A single taxpayer with a taxable income of $40,000 who paid $4,367 in tax in 2023-24, would have received no benefit from the original Stage 3 tax plan, but will now receive a tax cut of $654 under the revised rules.

Implications for investment strategies

For high-income earners, the key take-away from the government's new changes to the tax rules is you will now receive a lower amount of after-tax income than you may have been expecting from 1 July 2024.

This reduction makes it sensible to revisit any investment strategies you had planned to take advantage from your larger tax cut to ensure they still stack up.

For example, the smaller tax cut for some may impact the effectiveness of property investment.

Investment strategies such as negative gearing into property or shares, however, may become more attractive. Particularly for investors close to the new tax thresholds and looking for opportunities to avoid moving onto a higher tax rate.

Timing expenditure and contributions

Investors considering repairs or maintenance for an existing investment property should revisit when these activities are undertaken. Depending on your circumstances, this expenditure may be more suitable in the current financial year given the difference in tax rates starting 1 July 2024.

Selling an asset liable for CGT also needs to be reviewed to determine the most appropriate financial year for the best tax outcome.

Other investment strategies that may need to be revisited include those involving making contributions into your super account.

If you are considering bringing forward tax-deductible personal super contributions, making carry-forward concessional contributions, or salary sacrificing additional amounts before 30 June, you should seek advice to ensure the timing of your strategy still makes sense.

If you would help with reviewing your investment strategies or superannuation contributions in light of the new rules, contact us today.

i https://treasury.gov.au/sites/default/files/2024-01/tax-cuts-government-fact-sheet.pdf

How will you use your super?

We spend decades watching our super balances grow but for those thinking about retirement in the next few years, it can be confusing to work out how best to use your super.

Here are some of the considerations for the popular options.

Easing into retirement

You can keep working and receive regular payments from your super when you have reached your super preservation age (55 to 60, depending on your date of birth) and are under 65.

Using a transition-to-retirement income stream allows you to reduce your working hours while maintaining your income. To take advantage of this option you must use a minimum 4 per cent and a maximum 10 per cent of your super account balance each financial year.

A transition-to-retirement strategy is not for everyone, and the rules are complex. It is important to get independent financial advice to make sure it works for you.

PROS

- Allows you to ease into retirement by working less but receiving the same income, using the transition-to-retirement income stream to top up your salary.
- If there is spare cash each week or month, you can make extra contributions to boost your super, perhaps by salary sacrifice if it suits you.
- There are tax benefits. If you are above 60, the transition-to-retirement pension payments are tax-free (although the earnings in the fund will continue to be taxed).

CONS

- For people between 55 to 59, the taxable portion of the transition-to-retirement pension payments is taxed at your marginal tax rate, however you will receive a 15 per cent tax offset.
- Withdrawing money from super reduces the amount you have later for when you retire.
- It may affect Centrelink entitlements

Taking a retirement pension

This is the most common type of retirement income stream. It provides a regular income once you retire and you can take as much as you like as long as you don't exceed the lifetime limit, known as the transfer balance cap.

PROS

- While there is a minimum amount you must withdraw each year, there is no maximum.
- There is flexibility – you can receive pension payments weekly, fortnightly, monthly or even annually.
- You can still choose to return to work and it won't affect income stream you have already commenced.

CONS

- The account-based pension may affect your Centrelink entitlements
- There is a risk that the amount in your super to draw on might not last as long as you do
- The amount you can use for your pension is limited by the transfer balance cap.

Withdrawing a lump sum

You can choose to take your super as a lump sum or a combination of pension and lump sum payments, once you have met the working and age rules.

PROS

- Gives you a chance to pay off any debts to help relieve any financial pressures.
- Allows you to make an investment outside super in a property, for example.
- Pay little or no tax if you are 60 and older.

CONS

- If you are using the lump sum to invest, you may pay more tax
- Reducing your super balance now, means less for later
- Receiving a lot of money at once may encourage you to spend more than is wise

Access to SMSF funds

There are a number of additional issues to consider for those with self-managed super funds (SMSFs). For example, you will need to carefully check your Trust Deed for any rules or restrictions for accessing your super and consider how your fund can meet pension requirements if it holds large assets that are not cash, such as a property. It essential to consult a financial planner to understand your circumstances.

The process of choosing the best approach for your retirement income can be daunting so let us walk you through the options and advise on the most appropriate strategies.

If you'd like to take time off in the future, contact us today to ensure that taking a break from earning an income won't impact your future financial security.

Evidence-based ways to hold back the hands of time

You can't stop the clock, so the saying goes, but humanity has spent a long time trying to slow down or even reverse the effects of aging. Unfortunately, many of the measures taken actually shortened, rather than lengthened the live spans of those trying them.

Even today it can be hard to distinguish those measures that work from those that may not work and avoid those that may be downright dangerous! Fortunately, science- based public health research has some of the answers, so for some medically backed ways to stay healthy as you age- read on.

Anti-aging practices included the Egyptian queen Cleopatra bathing in donkey's milk, 16th century French courtesans drinking suspended particles of gold, and the Spanish explorer Juan Ponce de Leon's infamous quest for the legendary fountain of youth.

Today the quest continues…

The quest for the fountain of youth has not ceased - it's just taken other forms in today's society. The anti-ageing market is ever expanding and expected to be more than $119.6 billion globally.[i]

The truth is, aging is natural. Our bodies aren't meant to stop aging entirely. But the good news is that there are some tried and true, medically proven ways to stave off many of the problems associated with aging and, in some cases, slow down the aging process. While none of these are groundbreaking discoveries, it's worth keeping in mind that you don't have to spend all your money or waking hours to stay healthy as you age.

Tips for living well and living long:

MOVE IT!

That treadmill at the gym may not be a time machine but it can play a part in slowing down the clock. In fact, research showed that those who ran a minimum of 30-40 minutes, five days a week, had an almost nine-year "biological aging advantage" over those who lived a more sedentary lifestyle."[ii] Doctors call physical exercise a "polypill" because it can prevent and treat many of the chronic diseases associated with aging and it's never too late to start getting the benefits from regular exercise. Even a daily walk can do wonders!

STRESS LESS

It's no secret that being in a constant state of stress is wearying and can make you feel older than your biological age, but recently scientists confirmed that exposure to stress can cause inflammation and damage to DNA in cells, which in turn can accelerate aging.[iii] The good news is this can be reversed using stress busting techniques such as mindfulness meditation, breathing exercises and progressive muscle relaxation which can lead to improvements in various biological markers associated with aging.

NOURISH YOURSELF

While there is plenty of hype around the plethora of "superfoods" that are touted to possess anti-aging qualities there is no one food that will significantly impact the aging process and turn back the clock. However, the food and drink we put in our bodies day after day does make a difference to our health as we age. Research from the worlds "Blue Zones" – areas where people tend to reach the age of 100 – demonstrate the benefits of a relatively plant-focused diet consisting largely of vegetables, fruits, grains, and legumes.[iv]

MAINTAIN A POSITIVE MINDSET AND EMBRACE AGING

Finally, it's also worth considering that as we can't beat the clock, we might as well accept, if not embrace, the gifts that come with age (wisdom and a longer-term perspective come to mind!).

And moving through life with a positive mindset about the aging process might also give you more days to enjoy. A study recently confirmed that those with a positive view of growing older lived seven years longer than those who complained about it.[v]

All in all, life is to be lived to the fullest and it's precious because it's finite. Do what makes you feel healthy and gives you joy now and that will also help you to enjoy life in the future.

Note: You should always consult with a licensed physician before starting an exercise program, or changing your diet.

i https://www.globenewswire.com/en/news-release/2022/03/29/2412093/0/en/Anti-aging-Market-Size-to-Worth-Around-US-119-6-Bn-by-2030.html

ii https://news.byu.edu/news/high-levels-exercise-linked-nine-years-less-aging-cellular-level

iii https://www.healthline.com/health-news/stress-can-increase-your-biological-age#How-stress-ages-the-body

iv https://www.everydayhealth.com/diet-nutrition/the-blue-zone-diet-a-complete-scientific-guide/

v https://pubmed.ncbi.nlm.nih.gov/12150226/#:~:text=This%20research%20found%20that%20older,positive%20self%2Dperceptions%20of%20aging.

We hope you enjoyed our latest edition of Prepare for Life.

Please contact our office if you would like to discuss anything in this edition.

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