

## Get insurance while you're still bulletproof

According to research by TAL insurance, the cost of personal insurance soars after the age of 35. This is also the time in our lives that you may be going through significant change such as marriage, children, a bigger mortgage and more responsibilities.

In the previous 5 years to 2017, TAL paid out insurance claims to the sum of \$66m to people aged up to 35, but this figure soared for those aged 35 – 46 to a total payout sum of \$152m.

From our experience, it's wise to get a personal insurance

cover in place before you turn 35. If you are approaching your 35th birthday now is the ideal time to think about this, but it is important to stress that an appropriate insurance plan is wise at any age.

Your financial adviser can share the technical expertise and experience required to make sure you're properly covered.

**INSURANCE: GET INSURANCE WHILST YOU'RE STILL BULLETPROOF**

**THINK YOU'RE BULLETPROOF?**  
What would happen if you lost your ability to earn an income due to illness, injury or death?

TRAVEL  
MORTGAGE  
DEBT  
EMPLOYMENT  
CHILDREN  
MEDICAL COSTS

Get an appropriate insurance plan in place to give you the peace of mind you can continue to enjoy your current lifestyle.

Source: IOOF

**Speak to your financial adviser today to discuss your insurance needs.**



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# What changes to the social security means test rules for lifetime income streams could mean for you

In February of this year the Government passed new law that changes the means testing rules for certain lifetime retirement income streams (super and non-super lifetime pensions and annuities). This commenced from July 2019.

These new rules are designed to encourage the use of certain lifetime income streams which feature payments for life, irrespective of how long a person may live, and reducing access to capital over life expectancy. These new rules can provide what can be attractive means testing outcomes for investors.

It is important to understand that the new rules only apply to an investment in a lifetime income stream made on or after 1 July 2019. The new rules do not apply to account-based pensions or term income streams (including term annuities). Also, for any lifetime income stream investment made before 1 July 2019 the previous rules (known as the "deduction amount" rules) will continue to apply and these rules can also provide attractive outcomes.

## What are the changes under the social security income test?

The new rules will assess 60% of payments from lifetime income streams under the income test. For example, where

a lifetime income pays income of \$5,000 p.a., \$3,000 p.a. will be assessed under the income test.

This may be more or less than the income derived from alternate investments but is generally seen as an attractive treatment.

## What are the changes under the social security assets test?

The changes to the assets test for lifetime income streams may also generally be seen as attractive and can, for assets test affected clients, improve Age Pension eligibility.

For lifetime income streams that commence on or after 1 July 2019 the new rules will generally assess:

- 60% of the purchase price of the lifetime income stream until age 84, subject to a minimum of 5 years; and
- 30% of the purchase price thereafter.

This concessional assessment can be attractive compared to alternate investment structures where 100% of any asset is assessable. Where your Age Pension is being reduced because of the assets test, an investment in a lifetime income stream subject to this assessment could immediately improve your Age Pension eligibility.

To find out more about the changes to the means testing of lifetime income streams, and potential impacts on your personal circumstances, contact your financial adviser.

Source: Challenger



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# How social media is affecting your spending

Social media use has been linked to our mood, self-esteem and even sleep. Research shows that it can also be linked to our spending.

For example, one study found that social networks, particularly Facebook and Instagram, can motivate impulsive buying behaviours. They also act as a source of inspiration that may trigger buying.<sup>1</sup>

But how does social media affect our spending?

## Advertising

Sites like Facebook and Instagram have evolved from just being platforms for social networking and photo sharing. They are now powerful advertising tools. We only need to look at our social media feeds to realise how businesses use targeted advertising to try to expose us to their products or services. Targeted posts are effective at getting us to spend because they're often developed based on our demographics and even our behaviours.

## Fear of missing out

Social media creates a tendency among users to compare their lifestyle with those of others. This comparison can cause a fear of missing out or FOMO.

A study found that one in two teens and one in four adults in Australia experience FOMO because of their social media use<sup>2</sup>. Our anxiety about missing out often leads us to buy and consume just to fulfil the urge to keep up with everyone else.

## Encouraging imitation

Images of products or aspirational lifestyles posted on social media by people we respect or admire might influence us to spend unnecessarily or indulgently. This happens when we look to them for cues or guidance when we don't know how to act and simply copy what they're doing. Psychologists call this social proofing<sup>3</sup>.

## Seamless shopping experience

Social media platforms also encourage spending by providing a seamless shopping experience.

For example, Facebook enables retailers to sell on the platform itself, and Instagram lets them add links to products and services mentioned in their posts so users can purchase them online.

This makes it extremely easy to spend. In a survey of Australian university students' spending habits, 43 per cent of respondents cited the seamless in-platform shopping experience on Instagram and Facebook as a major trigger for how much they spent via social media<sup>4</sup>.

## Being smart with spending

Social media can help us make better choices by exposing us to more products and services and enabling us to learn about other people's experiences using them. But it can also influence us to spend unnecessarily or impulsively.

By setting financial goals, you can make smart choices with your money. Your professional financial adviser can help you get started by creating a plan and budget to help you secure your financial future.

Source: IOOF

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