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MARKET AND ECONOMIC OUTLOOK

By James Malliaros

The 2024 economic environment proved resilient, with robust growth and inflation moderating slower than anticipated. Price pressures eventually relented, allowing many of the world's major central banks to embark on interest rate cuts. Against this backdrop, equity markets delivered strong returns for the year, with leading indexes hitting multiple record highs.

Looking into 2025, the economic road ahead looks reasonably sound in the near term, led by the US. The recent US election outcome in Trump's favour further boosted 2025 growth expectations as a pro-business and pro-innovation government. Despite the strong rhetoric, the new Trump administration will likely ease its more aggressive stances on tariffs and immigration to avoid significant geopolitical turbulence. As such, the economic forecast is for 2025 to be another year of overcoming challenges, albeit against a backdrop of high US equity market valuations, US mega-cap share market dominance, and geopolitical uncertainty in many regions of the world.

With these dynamics in mind, the global economic landscape is as follows:

- **US:** Projected 2.0% GDP growth driven by the lagged effects of tight monetary policy. US economic data is outperforming other regions, signalling "US exceptionalism". The 2025 political landscape, with Republican control of Congress, presents a mixed bag: tax reforms and deregulation could stimulate growth, particularly in domestic and cyclical sectors. However, tariffs and immigration restrictions could trigger inflationary pressures, potentially forcing the Federal Reserve to raise rates even as the economy slows. This creates a complex and uncertain policy environment.

- **Global (ex-US):** Growth outside the US is expected to remain under pressure. Europe faces headwinds from trade policy uncertainty and existing tariffs. China is anticipated to experience significant challenges from US tariffs, a struggling property market, and deflationary pressures. Japan is a notable exception, with a wage-price spiral expected to anchor inflation expectations near the 2% target. This divergence in economic performance and policy responses across major economies is a key theme.
- **Risks:** Elevated equity valuations, particularly in the US, create vulnerability to negative surprises. Continued US dollar strength poses challenges for emerging markets. Sustained US Treasury yields above 4.5% could create a difficult environment for equities, diminishing their earnings yield advantage over bonds for much of the 21st century.

Against this economic backdrop, the outlook for the main asset classes for 2025 is as follows:

Australian Equities – opportunities amid caution:

- **Outlook:** Reasonable returns are anticipated in 2025. A modest recovery in GDP growth is expected, driven by real income growth (due to falling inflation and resilient wages), a strong labour market, and anticipated interest rate cuts by the Reserve Bank of Australia (RBA) as inflation returns to its target range. Continued government spending will also provide fiscal support.
- **Opportunities:** Several compelling opportunities are identified within the Australian market: a potential rebound in the resource sector; significant valuation dispersion across sectors (with banks appearing expensive and resources, energy, and healthcare looking inexpensive); and potential productivity gains driven by the adoption of artificial intelligence (AI).
- **Investment Case:** The Australian share market is considered attractive compared to its global peers for several reasons: valuations are more favourable (lower price-to-earnings ratio and higher dividend yield compared to the US); there's potential for Chinese stimulus measures to boost demand for Australian resource stocks; and the domestic economic backdrop is supportive, with anticipated lower interest rates, continued population growth, and a resilient economy.

Global Equities – can US large-cap dominance continue?

- **US Dominance:** US equities remain the primary driver of global market performance. This is supported by robust consumer spending, continued job growth, and diminishing interest rate risk as the Federal Reserve appears to be nearing the end of its tightening cycle. A second Trump presidency, coupled with Republican control of Congress, could provide further support for businesses through deregulation and tax cuts.
- **Valuations:** Despite the positive momentum, US equities are undeniably expensive compared to historical ranges in absolute terms and relative to other global markets.
- **Fundamentals:** While valuations are a concern, near-term fundamentals, including earnings and economic growth,

remain strong. The US appears to have an advantage in both near-term economic momentum and longer-term structural factors, such as the AI revolution, which drives higher earnings growth.

- **Concentration Risk:** A significant risk lies in the extreme concentration of market performance within a small group of technology giants known as the "Magnificent Seven" (MAG7): Apple, NVIDIA, Microsoft, Alphabet, Amazon, Meta, and Tesla. These companies represent a disproportionately large share of the benchmark index and have been responsible for a substantial portion of recent market returns. This concentration makes the market highly sensitive to the performance of these few companies.
- **Strategy:** Attractive options include small-cap companies currently trading at a 13% discount to large and mid-capitalisation companies and developed markets outside of the US, where valuations are also historically low relative to the benchmark.

Currency

The Australian Dollar (AUD) fell heavily against the US dollar due to stronger-than-expected payroll data out of the US, plus concerns about China and commodity prices, which weighed on the AUD. Late in 2024, Trump's tariff plans also further strengthened the USD. The AUD is now at a 5-year low, last reaching USD 0.61 at the start of the Pandemic in early 2020.

Summary

After strong share market returns in 2024, and now the 3rd years into a bull market, valuations seem stretched, particularly in the US with large cap technology stocks. With the chance of a global trade war and ongoing geopolitical issues, volatility could return to the markets in 2025.

While some analysts caution that sharemarkets are priced for near-perfection, the counterargument is that actual business performance appears to justify those valuations. When you also factor in central banks worldwide still cutting rates (including the RBA joining in) and Trump's policies ultimately supporting US shares, share markets could again surprise on the upside in 2025.



ADVISER PREDICTIONS FOR 2025

By Paul Nicol

Paul

Financial:

Healthcare stocks will bounce strongly & domestic energy prices skyrocket out of control.

Non-Financial:

The big double – the Swans to win the AFL premiership and the Storm to win the NRL premiership.

Amelia

Financial:

The A-REIT sector will be the best-performing sector on the ASX.

Non-Financial:

Geelong will make the AFL Grand Final.

Sam

Financial:

ResMed to hit \$50 a share by the end of 2025.

Non-Financial:

Geelong to win the 2025 Premiership.

Patrick

Financial:

Commonwealth Bank's share price drops below \$120 through the year.

Non-Financial:

A resolution to the ongoing PGA Tour & LIV golf saga.

James

Financial:

Small-cap companies outperform due to the multiple interest rate cuts expected in Australia.

Non-Financial:

The relationship between President Trump and Elon Musk will end in disaster over a disagreement on Electric Vehicle policy, resulting in Tesla shares tanking.

Adam

Financial:

The big four banks will underperform against the market.

Non-Financial:

Ferrari will win the F1 constructors championship with the arrival of Lewis Hamilton.



PAM: CLIENTS OF GFM SINCE 2022

By Amelia Paullo



I am a relative newcomer to GFM, having joined in July 2022. I had been with another SMSF advisor for the previous 11 years. However, I was becoming increasingly dissatisfied with their advice and the performance of my SMSF. When friends said they were following Amelia Paullo to GFM, I decided to follow suit, and it has been the best financial decision I have made. From the very start, the whole GFM team has welcomed me as an important client, and nothing is ever too much trouble.

When I started working as a primary teacher in the early 1970s, superannuation was not a priority. I had several years away from work when my two daughters were young. I did casual

and part-time work for many years after that, which meant my superannuation balance never amounted to much.

My husband Peter was an architect with his own practice and SMSF, which he looked after. Before he died in 2009, he occasionally sat me down and showed me what to do with the super fund. However, the saying 'if you don't use it, you lose it' was very true for me, and after his death, I quickly realised that looking after an SMSF was not one of my strengths. I investigated industry funds and SMSF advisors before deciding that an SMSF was the best option for me to roll our super funds into. By this time, I was teaching full-time before retiring in 2011. I then sold the family home in Mount Waverley and moved into a unit in Ashwood, where I still live.

When Peter died, our two daughters were quite independent and in their late 20s and early 30s. Sadly, though, Peter missed seeing our younger daughter marry and did not enjoy watching our two beautiful grandchildren grow up, now aged ten and eleven and a half.

Since retirement, I have filled my days going to the gym, bushwalking, gardening, reading, socialising with friends and family and volunteering at a not-for-profit café that supports coffee growers in Timor Leste. There have also been many trips to Sydney in the last eighteen months since my daughter, her husband and my grandchildren moved there. I have had several overseas trips, the most recent of which was a walking tour on the Japanese island of Kyushu. I have also travelled extensively within Australia, most of which have been walking holidays.

Given my experience with my previous Financial Advisors, I wanted to make sure I got it right this time. From my first meeting with Amelia, everything was explained clearly, and reasons were given for the recommendations made. Moving from the previous adviser was much work for Amelia and the GFM team. However, the GFM team worked diligently to ensure the transition occurred seamlessly. I appreciate the quarterly statements and meetings with Amelia. I also appreciate the advice about my finances. The quarterly lunches and evenings at Riversdale Golf Club are a great way to learn about financial matters, and the social events are a great way to meet fellow clients with GFM.

I have been impressed by the personal attention I receive whether I ring or visit the office. Everyone is so welcoming, from the ladies at reception to Amelia, Witi, Rebecca, Annie, Karen, Mai, and the rest of the team. I am confident that the advice I receive is tailored to my needs and that all decisions are made by the whole team, who have a wealth of financial knowledge.

When speaking to friends and family about superannuation, I refer to GFM positively. I am now confident that my SMSF is in the best shape possible and that I have the financial security to continue enjoying my retired life.



STAFF PROFILE:
MELANY MCLENNAN
By Paul Nicol

Melany joined GFM in 2014, initially working in our SMSF team as an administrator while juggling her family responsibilities and full-time work. It was evident from her first day of employment that Melany was destined for a leadership role within the GFM team.



After her first year of employment, Melany joined our accounting team, GFM Gruchy. Melany undertook project responsibility for ensuring GFM provided a full in-house SMSF tax and compliance service.

After spending approximately three years in the GFM Gruchy team and successfully implementing SMSF accounting to our service offering, Melany moved back into the Financial Planning side of the business, gradually taking over responsibility for the day-to-day running of the company, including HR responsibilities, project coordination, overseeing our ever-growing compliance requirements and more recently ensuring best practice cyber security.

Melany is incredibly hard-working, dynamic, and an incredible problem solver. She is an essential member of the GFM team and a major contributor to the success of our business.

Here's a quick Q and A with Melany McLennan.

1. How long have you worked at GFM?

I have been with GFM for 10 years, and my time here has flown. I put this down to my varying roles at GFM, the industry's dynamic nature, the growth in the GFM business, and the relationships I have built with our team and GFM's business partners over the years.

2. What does your job involve?

I have various operational, strategic, and leadership responsibilities, including managing the SMSF Administration and Reception teams. I am also responsible for ensuring compliance with industry regulations, assisting with business efficiencies, and enhancing client experiences.

3. What do you like to do when you aren't working?

I enjoy quality time with family and friends. I also enjoy outdoor activities that distract me from a computer, such as golf, watching our son play footy, or walking.

4. What is the one thing you can't live without?

As I draw strength, happiness, balance, and motivation from my family and friends, I can't see myself living without them. Oh, and, of course, good coffee!

5. If you could meet anyone, dead or alive, who would it be and why?

I would probably choose Barack Obama, as I have always been fascinated by his leadership style. I would probably be tongue-tied if I were lucky to meet him.

6. Favourite book?

Unfortunately, I find myself reading less for enjoyment based on the sheer volume of work-related literature I need to get through. However, I remember "Zen and the Art of Motorcycle Maintenance" being one of my favourite books when I was younger.

7. Favourite movie or TV show?

I prefer TV series to movies, and I am currently enjoying Yellowstone.

8. What's something interesting about you that people may not know?

Having lived in nine countries over my lifetime so far, I would like to round that number to ten (once I retire).

9. What do you like most about working in Financial Services?

It is extremely satisfying to see the meaningful impact good-value financial planning and wealth management can have on people's lives. I enjoy the ever-changing landscape of the financial planning industry and ensuring that GFM remains at the forefront of industry best practices.



SEQUENCING RISK, INVESTING FOR INCOME IN RETIREMENT & SMSFS

By Patrick Malcolm

Our superannuation system is based on Australians building up funds during their working lives and then drawing down on them in retirement. For young accumulators, when the level of savings is small, maximising returns matters the most as you can weather market fluctuations over the long term. However, as your accumulated funds grow larger as you approach retirement, there is a greater focus on the short term because unfavourable market conditions can lead to catastrophic results.

If you experience poor investment returns immediately before or in the early stages of retirement, your portfolio may not recover even when the market eventually rebounds. It can lead to actions that individuals would prefer to avoid – working longer, reducing expenditures or needing to increase investment risk to achieve higher growth.

Sequencing risk is the risk of experiencing poor investment returns at the wrong time. Sequencing risk is one of retirees' biggest financial risks because it is a major cause of longevity risk: the risk of outliving one's savings.

An example:

As you will see from the example below, sequencing risk can potentially make a large difference in how long your savings will last in retirement.

Investor A and Investor B start retirement with an opening balance of \$691,527. Both withdraw an annual income of 5%

of the opening balance (approximately \$35,000), adjusted for 3% per annum inflation. Both portfolios generate the same investment returns – however, the pattern of these returns is reversed. So, investor A's portfolio will deliver three consecutive negative returns early in the period. In contrast, investor B's portfolio will deliver negative returns at the end of the period.

Age	Investor A		Investor B	
	Annual Return (%)	Year-end Value (\$)	Annual Return (%)	Year-end Value (\$)
65		\$ 691,527		\$ 691,527
66	-12	\$ 578,117	29	\$ 838,850
67	-21	\$ 428,577	18	\$ 947,819
68	-14	\$ 337,030	25	\$ 1,138,922
69	22	\$ 365,082	-6	\$ 1,035,071
70	10	\$ 358,782	15	\$ 1,145,578
71	4	\$ 331,447	8	\$ 1,193,934
72	11	\$ 322,079	27	\$ 1,193,934
73	3	\$ 287,941	-2	\$ 1,392,912
74	-5	\$ 231,933	15	\$ 1,551,478
75	21	\$ 226,051	19	\$ 1,792,573
76	17	\$ 210,113	33	\$ 2,322,320
77	5	\$ 170,363	11	\$ 2,524,649
78	-10	\$ 108,959	-10	\$ 2,227,816
79	11	\$ 64,583	5	\$ 2,285,892
80	33	\$ 16,336	17	\$ 2,613,303
81	19		21	\$ 3,096,915
82	15		-3	\$ 2,950,187
83	-2		3	\$ 2,979,829
84	27		11	\$ 3,242,271
85	8		4	\$ 3,308,907
86	15		10	\$ 3,571,104
87	-6		22	\$ 4,278,273
88	25		-14	\$ 3,622,339
89	18		-21	\$ 2,807,738
90	29		-12	\$ 2,408,958

In this example, the pattern of returns has made a big difference. Regular withdrawals and a string of poor investment returns early on mean Investor A has less time to recover. This is because the portfolio has less capital to rebound in value. Unfortunately, Investor A will have his funds depleted by age 80. Investor B will continue to accumulate wealth in retirement despite making the same annual withdrawals as Investor A. This is because Investor B had the better fortune of starting his retirement when the markets delivered three consecutive years of positive, double-digit returns.

What are the solutions?

Various solutions have been suggested to manage sequencing risk. Unfortunately, there is no "silver bullet", and sequencing risk can never be eliminated because returns are unpredictable.

Ultimately, prevention is the best cure for the problem. A proactive strategy is required for retirement savings. Those accumulating for retirement should try to contribute more to their superannuation and build a larger balance to withstand volatility better as they approach retirement.

Individuals can hope to retire when markets are rising. However, hope is not a strategy to hinge a successful retirement.

Retirees can adjust their spending if their savings dramatically fall in value; however, this is a reactive strategy and it is not particularly useful if living and medical expenses are increasing year after year.

One strategy is to increase low-risk assets, such as fixed-interest exposure, as you approach retirement. However, greater exposure to fixed interest will unlikely keep pace with inflation. This will result in a retiree drawing down their savings even faster than expected, accelerating the risk of portfolio ruin.

Retirees, therefore, seem to be caught between a rock and a hard place. A high allocation to fixed interest reduces sequencing risk. However, it is unlikely to match inflation, at least in present market conditions, leading to greater withdrawals from savings. Conversely, a high allocation to equities will provide a good inflation hedge but with the volatility of exposure to market-linked investments.

Having a high level of diversification does help, but poor performance can still occur even with greater diversification.

Keeping sufficient assets (up to two years of expenditures) in liquid assets avoids the need to cash out investments after a significant market fall before markets have had time to recover. However this does not protect from risk on the balance of the portfolio.

The problem with unitised super funds

The very vast majority of large super funds operate using a unitised system. When you contribute, switch your investment option or change your mix of investment options, you are, in effect, buying and selling units. As such, your investment will be affected by the prices that apply on the date the transaction is made. Unit prices go up or down depending on the value of the investments within each investment option.

This structure suits large financial institutions for a variety of reasons. The accounting and member benefit tracking are much simpler than the available alternatives. It's also much easier to build costs into the unit price. However, we believe these unitised funds can be problematic for investors in the pension phase. The problem is best explained as follows:

An investor puts \$100,000 into a unitised fund with a \$1 unit price, meaning they 'own' 100,000 units. Suppose that after several years the unit price has increased to \$2. Their 100,000 units are worth \$200,000. If the investor wanted to pay themselves \$10,000, they would need to sell 5,000 units whilst the unit price was \$2.

But suppose that the price of the units has fallen to 75 cents. If the investor wanted to pay themselves \$10,000 income, they now need to sell 13,333.33 units.

Under this scenario, units are walking out the door as income.

Effectively, wherever investors are exposed to a market moving in the wrong direction, this problem will occur.

You effectively run a small business when you are entirely in the pension phase. With any small business, cash flow is king. A business earns income, pays its expenses and then distributes what is left to the owners via salary or other distributions. Given this, unitised funds aren't good for pension investors. Large super funds using a unitised structure make no income distributions because the income is hidden in the unit price.

Ultimately, the actual pension income paid to an investor is heavily influenced by asset price movements.

The benefits of an SMSF

An SMSF can be a powerful tool for generating income in retirement, offering flexibility and control.

SMSFs allow you to invest in a wide range of assets. For a retiree in the pension phase, this could include direct Australian shares, listed investment companies, property trusts (both listed and unlisted), and more conservative investments such as fixed interest and cash.

Through an SMSF, a well-constructed, diversified, lower-risk portfolio with an additional objective of delivering higher income can increase the success rate of retirement.

In an SMSF, we advocate paying out dividends when in the pension phase so that investments don't have to be sold to fund ongoing payments, avoiding the issues with a unitised super fund. A buffer can be held in cash, and when investments need to be sold to fund a payment, a decision can be made around the most appropriate investment to sell rather than selling all of the underlying assets in a unitised super fund.

In the current investment climate, a bespoke portfolio that produces income above 5% per annum can be created via an SMSF. A higher income level can help reduce the likelihood of drawing down on capital at the worst possible time.



YOUNGER PEOPLE GRAVITATE TOWARDS SMSFS

By Witi Suma

Whilst SMSFs are traditionally set up by older Australians, there has been significant growth lately in the number of funds established by younger investors, with 38.5% of new SMSF entrants aged between 35 and 44 during the September 2024 quarter.

Many young people hold a significant amount of their wealth in super, with their balances steadily growing over their working life, reflecting the benefits of long-term compounding. The steady increase of the superannuation guarantee rate over the years, which is set to increase to 12% from July 2025, has enabled the younger workforce to accumulate larger super balances at a younger age when compared to previous generations.

With these large balances, young people are now finding themselves in a position where having an SMSF is becoming a viable and attractive option as they seek greater control over their wealth. Furthermore, high property prices and interest rates have made it challenging for young individuals to enter the housing market, encouraging them to consider other areas to invest their money to build wealth for the future and, eventually, their retirement.

What is the attraction of SMSFs?

Regardless of age, the advantages of an SMSF over APRA (i.e. retail & industry) super funds are many, including:

- Control – as the fund's trustee, you decide where your funds are invested, how much to invest in each asset, and when to invest (or divest).

- Wider investment choice – an SMSF allows you to invest in assets such as direct property, unlisted shares, and private companies; it also allows you to transfer in your own listed shares.
- Transparency – you can see what companies you're invested in at any given time, monitor their performance, and identify your fund's expenses.
- Tax efficiency – in an SMSF, you can reduce or eliminate capital gains tax if selling an asset in the retirement phase; you can have excess imputation credits refunded.
- Estate planning – as a member, you can nominate in what form your surviving spouse can receive your death benefits and be able to undertake "re-contribution" strategies easily and quickly; SMSFs offer non-lapsing binding nominations (as opposed to 3-year lapsing nominations that most APRA funds provide).
- Flexibility – you can respond to market conditions as they change by adjusting your portfolio relatively quickly; a member can also establish multiple retirement phase accounts in an SMSF, which can't be done within an APRA fund.

How much can I start an SMSF with?

ASIC had recently lowered the suggested minimum starting balance from \$500,000 to \$200,000 following independent research conducted by the actuarial firm Rice Warner. This latest guidance may have contributed to the rising numbers of younger members establishing funds. However, deciding to set up an SMSF once your balance reaches \$200,000 is simplistic, as many other factors need to be considered. For example, do you have the willingness, time, and skills to manage your SMSF actively? Do you have access to the right advice to help run the fund? Starting with such a low balance is generally not cost-effective unless you intend to build up your super balance over the coming years. Considering the ongoing annual costs to run an SMSF, we believe a starting balance of closer to \$500,000 is more suitable from a cost perspective.

Before setting up an SMSF, it's important to remember that as the trustee, you are responsible for making the investment decisions and complying with the super laws, such as keeping records and fulfilling other legal obligations. For this reason, engaging the services of SMSF Specialist Advisers such as GFM is particularly valuable in helping with the compliance and administration functions. We offer a fully-integrated SMSF administration, accounting and investment management service under one roof to assist trustees in managing their funds efficiently and effectively.

Conclusion:

The SMSF sector has recently seen a growing number of young people set up their own funds, many of whom have built up a sizeable super balance and now recognise the benefits of setting up an SMSF. Assuming that it is appropriate for your needs, setting up an SMSF earlier in life gives you many more years to take advantage of the benefits this type of fund offers, not to mention more time to build up your balance to make way for a comfortable retirement. The decision to establish an SMSF is a major one requiring careful consideration. However, for those willing to embrace the responsibilities that come with it and engage the services of expert advisers to guide them, an SMSF is an option well worth considering earlier in life. Speak to us if you'd like to discuss.



TRANSFER BALANCE CAP INCREASE TO \$2 MILLION

By Rebecca Dhillon

Following the release of quarterly Consumer Price Index data last month, barring any legislative change that might arise from the upcoming Federal Budget, the Transfer Balance Cap (TBC) is set to increase to \$2 million from July 1 2025.

The TBC limits the total amount of superannuation benefits that can be transferred into the retirement (pension) phase. No tax payable on investment earnings nor capital gains tax (upon selling an investment) applies to the asset supporting the retirement phase. The increase on July 1 2025, will follow previous increases on July 1 2021 (to \$1.7 million) and July 1 2023 (to \$1.9 million).

While the higher cap will not benefit individuals who have already maximised their TBC, the increase will benefit individuals who:

- Are yet to start a retirement phase pension
- Have not fully utilised their personal TBC and want to transfer additional funds to the retirement phase of superannuation

Individuals who have not yet commenced a retirement-phase pension

For individuals who commence their first-ever retirement phase pension on or after July 1 2025, their personal TBC will be \$2 million.

Individuals who have had a Transfer Balance amount of \$1.9 million or more

For individuals who have had a Transfer Balance amount recorded with ATO at or above \$1.9 million at any point before July 1 2025, there will be no increase to their personal TBC.

It should be noted that it does not matter when an individual's Transfer Balance Account is reached or exceeds the general TBC. Once you have met or exceeded the TBC, you are excluded from any future increases in the general TBC applying to you. This applies even if your Transfer Balance Account balance later falls below the general TBC.

Individuals with an existing TBC who have not exceeded the general TBC

For individuals who already have an amount recorded in their Transfer Balance Account but have never reached or exceeded the TBC, their personal TBC calculation is a little more complicated.

The increase in the general TBC will apply proportionately to an individual's highest-ever Transfer Balance Account balance, resulting in each TBC being different and specific to them. Hence, the term "personal TBC".

The following formula is used to determine an individual's personal TBC:

Personal TBC for 1 July 2024 + unused cap % x increase to the general TBC (\$100,000)

Whereby:

- The unused cap percentage is the highest-ever Transfer Balance Account balance at the end of any day before the indexation occurred, divided by the individual's personal TBC at the time (which is currently \$1.9 million), rounded down to the nearest whole number.
- The number provided by this formula will then be added to the individual's existing TBC to give an individual their personal TBC.

Given the complexity of calculating an individual's TBC, it is important to check your TBC before commencing a retirement phase pension. This can be done in several ways:

- Via the ATO section of the MyGov portal
- Requesting the information from your accountant
- Calling the ATO

Indexation of the TBC provides opportunities for individuals to maximise the amount of funds they can hold in the tax-free pension phase. Please get in touch with your adviser if you would like to explore further how these changes can benefit your circumstances.



AGED CARE REFORMS

By Karen Maher

On November 25 2024, new legislation was passed introducing a new Aged Care Act, set to take effect from July 1 2025. This legislation aims to enhance support for older Australians receiving care at home and in residential aged care.

The reforms followed public consultations on draft legislation in December 2023 and recommendations from the Aged Care Taskforce Report, released in March 2024. They are designed to improve industry sustainability while managing the expected rise in government spending on aged care.

In the last edition of Trade Secrets, we outlined key changes to residential aged care. Below, we summarise the Home Care Packages and Commonwealth Home Support Program changes.

Support at Home Program

The Support at Home program will replace the Home Care Packages program starting July 1 2025, while the Commonwealth Home Support Program (CHSP) will transition into the new program from July 1 2027.

The process of applying for the Support at Home program remains the same as for a Home Care Package. The first step is to register with My Aged Care. Once registered, you will be referred for an assessment. Assessments are done in person, at your home. Following this, you will receive a letter informing you of what support you are eligible for and your priority for allocation.

If you are on the National Priority System waiting for a Home Care Package, you will automatically get a Support at Home classification when a place is available. You won't need a new assessment unless your needs change.

The new Support at Home program provides services under the following classifications:

- **Clinical care** (e.g. nursing care, occupational therapy)
- **Maintaining independence** (e.g. help with showering, dressing and taking medication)
- **Everyday living activities** (e.g. cleaning, gardening, shopping and meal preparation).

Under this structure, the current four levels of Home Care Packages will be replaced with 10 funding classifications – eight for ongoing care and two for short-term support.

Funding

- The government will fully fund clinical care services.
- Services related to maintaining independence and everyday living activities will require a financial contribution from recipients based on their financial means.

Recipients will receive a quarterly budget to allocate towards needed services. Any unused funds can be carried over to the next quarter, up to a maximum of \$1,000 or 10% of the quarterly budget, whichever is greater.

Fee structure

Service providers will set prices within government-defined caps, with contributions determined as a percentage of the service cost, depending on a recipient's financial situation:

Personal situation	Maintaining independence	Everyday living
Full Pensioner	5%	17.5%
Part pensioner and Commonwealth Seniors Health Card holders	Between 5% and 50% depending on income and assets	Between 17.5% and 80% depending on income and assets
Self-Funded Retiree	50%	80%

Details of specific contribution amounts (based on means-tested income and asset assessments) will be outlined in the Rules supporting the legislation.

Transition for existing Home Care Package recipients

- From July 1 2025, current Home Care Package recipients will transition to the Support at Home program.
- They will retain their unspent funding balances and receive a budget equivalent to their approved package at the assessment time.
- The '**no worse off**' principle applies to recipients who receive or are assessed for a Home Care Package on or before September 12 2024. Under this principle, contributions will remain the same or be a lower amount.
- If a new assessment is undertaken and a higher level of funding is required, it will be allocated under the new Support at Home classification.

Commonwealth Home Support Program (CHSP)

The CHSP will continue to provide entry level support, such as transportation, meals and social support for older Australians until its full transition to the Support at Home program from July 1 2027.

- CHSP fees are not means-tested, but providers must follow government guidelines to ensure affordability.

- Recipients may be asked to pay the difference between the actual cost of the service and the government subsidy. However, access to services cannot be denied due to inability to pay.

This transition marks a significant shift in aged care funding and service delivery, aiming to create a more sustainable and accessible system for older Australians.



10-YEAR TEAM DINNER

By Mai Davies

On Friday, February 7, we celebrated at Grazia to acknowledge those team members who have been with the company for over 10 years.

With a team of 31 staff, it is remarkable that 13 have reached this milestone – a testament to our organisation’s strong culture and commitment. This year, we proudly welcome Melany McLennan to the 10-Year Club and look forward to others joining in the next few years.

This is our 14th annual celebration. The team members are:

Melany McLennan.....	10 Years
Rebecca Dhillon	11 Years
Ivan Yeung	14 Years
Jacqui Umali.....	17 Years
Andrew Goldman	17 Years
Annie An	19 Years
James Malliaros.....	23 years
Patrick Malcolm	23 years
Lorraine Miller.....	24 years
Paul Nicol.....	26 years
Witi Suma	28 years
Mai Davies.....	40 years
Phil Gruchy.....	47 years



GFM PODCASTS

By Mai Davies

We are excited to share our second Podcast, recorded on Wednesday, November 20, 2024. You can listen on Apple Podcasts and Spotify or watch the full episode on YouTube.

In this episode, Managing Partner Paul Nicol was joined by Ellerston JAADE Investment Directors David Leslie and Jayne Shaw to explore private asset investing. Together, they took a deep dive into the Ellerston JAADE Fund, which has just passed its 5th anniversary since inception, producing extremely impressive results. They discuss key portfolio positions, emerging investment opportunities and the broader landscape of private equity investing.

We hope you enjoy the Podcast and feedback is always appreciated.

Click on the links below to listen:

- GFM website**
<https://www.gfmwealth.com.au/news-info/podcasts/>
- Spotify**
<https://open.spotify.com/episode/3mFna7En7A4yaInfg84LGW?si=LvJGiaVxTeeYZMpaYvfSmw>
- Apple Podcasts**
<https://podcasts.apple.com/au/podcast/meet-the-manager-ellerston-jaade-private-assets-fund/id1782019551?i=1000680403039>
- Watch on YouTube**
<https://youtu.be/AzjL7WDMwJg>



CHRISTMAS CARDS AND CHARITABLE DONATIONS

By Mai Davies

For 26 years, we have donated a comparable amount to charities instead of sending Christmas cards.

This year, we had three nominated charities and donated to each.

- The 2024 money has been donated to the following charities as nominated by our clients:
- Australian Wildlife Conservancy
 - Door Of Hope Australia
 - The Corner Store Network

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