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Market update...

A word from Dr. Shane Oliver, Chief Economist, AMP Capital

Share markets tumbled again over the last week as markets moved to anticipate even more aggressive rate hikes from central banks after the release of higher than expected US inflation data. Last week seen global shares down around 6% and Australian shares are down by around 7%. The fall in the Australian share market was led by IT stocks which have been under pressures all year but also resources, retailers and financials as worries increased about the economic outlook. The rising risk of global recession also led to falls in oil, metal and iron ore prices. Bond yields generally rose to new highs with the Australian 10-year bond yield rising above 4% for the first time since 2014.

From their all-time highs last year or early this year US shares have now fallen 24%, global shares have fallen 21% and Australian shares have fallen 15.5%. As has been the case all year the key drivers of the fall in shares remain: high and still rising inflation flowing from pandemic distortions to supply and demand made worse by the war in Ukraine and Chinese lockdowns; central banks stepping up the pace of interest rate hikes; and the rising risk that this will trigger a recession.

Outlook for investment markets: Shares are likely to see continued short term volatility as central banks continue to tighten to combat high inflation, the war in Ukraine continues and fears of recession remain high. However, we see shares providing reasonable returns on a 6-12 month horizon as valuations have improved, global growth ultimately picks up again and inflationary pressures ease through next year allowing central banks to ease up on the monetary policy brakes.

https://www.ampcapital.com/au/en/insights-hub/articles/2022/june/market-update-1706221

1

INTEREST RATES

The RBA has hiked the cash rate to now sit at 0.85%, increased rates are ahead

2

ASX (LOCAL MARKET)

The market has seen a very turbulent month with -9.85% dropping locally.

3

HOWS THE $AUD?

The AUD is has seen some volatility recently, dropping to $0.69

Superannuation work test change...

From July 1, 2022 there will be a significant change in who can add money into superannuation. The 'work test' will be abolished meaning anyone prior to turning age 75 can now contribute into superannuation without having to meet a work test.

Pay-rise for Super

July 1 will also see another change with your super as the employer guarantee payment will increase by 0.5% to a new total of 10.5% of your earnings. Keep an eye on your super accounts comes July for increased payments.

Against the odds

The Socceroos have done it! Qualifying for their 5th consecutive FIFA World Cup after a tense penalty shoutout against Peru! A strong group awaits Australia in November as they will face France, Tunisia and Denmark.

Time for a laugh...

It was an emotional wedding.
Even the cake was in tiers...

EOFY IS HERE...

Last minute tips before we see off the financial year. Are you ready?

1. Add to your super - and claim a tax deduction

If you contribute some of your after-tax income or savings into super, you may be eligible to claim a tax deduction. This means you'll reduce your taxable income for this financial year – and potentially pay less tax. And at the same time, you'll be boosting your super balance.

2. Boost your spouse's super and reduce your tax

If your spouse is not working or earns a low income, you may want to consider making an after-tax contribution into their super account. This strategy could potentially benefit you both: your spouse's super account gets a boost and you may qualify for a tax offset of up to $540.

3. Get a super top-up from the Government

If you earn less than $56,112 in the 2021/22 financial year, and at least 10% is from your job or a business, you may want to consider making an after-tax super contribution. If you do, the Government may make a 'co-contribution' of up to $500 into your super account.

4. Have you worked from home? Know what you can claim...

The Government has established a temporary 'short-cut' method to claim home office expenses as a tax deduction. For the period from 1 July 2021 to 30 June 2022, you can claim a deduction of 80 cents per hour for each hour worked at home. This covers all work from home expenses such as phone expenses, internet expenses, electricity and gas for heating, cooling and lighting, and the decline in value (depreciation) of equipment and furniture.

5. Pre-pay investment property expenses

If you have an investment property, you can maximise this year's tax bill by paying in advance for expenses such as strata fees, insurance or necessary repairs on your property, or properties. This reduces the amount you can claim next financial year, but tax savings are always best served up front, if you have the cash to deploy today.

6. Consider self-education expenses

You are are entitled to claim the cost of self-education to increase your skills, or boost your income earning capacity in your current job. These might include purchases of books, magazines, journals and newspapers relevant to your work.

7. Instant asset write off for small businesses

The instant asset write-off concession allows small businesses with an aggregated turnover of less than $500m to claim an immediate deduction for assets less than $150,000. This concession is valid for new and second-hand assets and can be used for more than one asset. The thresholds have changed recently, seek advice prior to completing transaction.

8. Other deductions to explore...

Charitable donations: Giving generously not only helps others in need, but can count as a deduction.

Income protection insurance: If you pay premiums to an insurer in case you lose your income, the cost of these premiums can be included on your tax return. This only counts for a dedicated income protection policy, and not for income protection that's included in your life insurance or similar policy.