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2H23 OUTLOOK:

Transitions take time and require patience

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2H23 OUTLOOK: Transitions take time and require patience

By Jason Todd CFA, Head of Wealth Management Investment Strategy, Macquarie Banking and Financial Services group

Global recession has been delayed but not denied: The surprise over the first six months of the year has not been the slowdown in economic activity. It has been the pace of the slowdown, which has been far more gradual than expected given the speed and magnitude of interest rate hikes across the developed world. However, monetary policy tightening works with long and variables lags, and we expect higher policy rates to eventually take their toll on activity levels, with a short and shallow global recession led by downturns across many key economies including Europe, UK and the US over the coming 12 months.

Macquarie forecast that Australia will avoid a recession, with positive contributions coming from a rebound in population growth and moderate fiscal support and as larger-than-expected commodity price gains are recycled. However, this is now a close call as the RBA appears resolute in its fight against inflation. The bad news is that recession or not, Australia is about to enter its weakest economic growth period since the GFC, with annual growth projected to fall from 3.7% in 2022 down to 1.3% in 2023 and to only 0.8% in 2024. Given the rebound in population growth this modest pace of growth may entail a "per capita" recession, with GDP per head declining in Australia.

Like many other economies, Australia has been cushioned from rate hikes by a large pot of excess savings built up throughout the global pandemic, as well as a resilient jobs market which has seen unemployment fall to 50-year lows. However, household incomes are now bearing the brunt of the rate hikes, with consumer spending already slowing sharply and the household savings rate slumping back below pre pandemic levels. This means that for many households and businesses, conditions will feel recessionary as cost-of-living pressures persist, the labour market weakens, and the RBA continues its hawkish policy stance – irrespective of the arrival of the new RBA Governor.

Sticky inflation pushes out a policy pivot: We think inflation will remain at uncomfortably high levels for many central banks, Australia's included, over the coming 12-18 months. This is likely to prevent a quick reversal in policy settings as central banks attempt to extinguish the last of any inflation embers in order to prevent a flare up that would then require additional tightening. As an example, we expect the US Federal Reserve to increase interest rates again in July despite recent positive news on declining US inflation.

been permanently dulled and increased transparency on the rates, inflation and growth outlook should quickly bring investors back from the sidelines.

Patience required before a new bull market starts: Heading into the year, our view was that 2023 would be a better year for markets and a worse year for economic growth vis-à-vis 2022 which was a good year for economic growth, but a poor year for markets. This expectation proved correct with strong gains coming from equities despite slowing economic growth, falling profit margins and the emergence of a number of unexpected headwinds such as US bank defaults.

> "We do not expect a deep or prolonged economic downturn in the global economy, but the prospect of a few more late-cycle cash rate increases over coming months does have the potential to deepen the economic downturn and even shift the consensus narrative from a 'soft' to a 'hard' economic landing.

We do not expect a deep or prolonged economic downturn in the global economy, but the prospect of a few more late-cycle cash rate increases over coming months does have the potential to deepen the economic downturn and even shift the consensus narrative from a 'soft' to a 'hard' economic landing.

As we look further out into 2024/25, a lack of imbalances, such as large inventory overhangs, bloated corporate balance sheets, an overleveraged consumer and/or excessive asset valuations suggests that rising policy rates should leave little permanent scarring for the global economy as it reverts back to more normalised interest rates, inflation and economic growth levels. In addition, sentiment towards risk assets (credit, equities and real estate in particular) does not appear to have

We are not surprised that markets have rallied through 1H23. While economic and earnings growth momentum has weakened, it has remained much better than expected across most developed economies. However, we also think central banks need a softening labour market to help bring services inflation down, and that they will eventually get what they desire if they are to restore their inflation fighting credibility.

At this stage we don't think the equity bear market that started in 1Q22 is over. The rally has been encouraging and illustrated a willingness for investors to return to risk assets. But the true test will come over the next six months, as growth momentum deteriorates and as policy rates remain stuck at or near peak levels. We think equity investors should avoid getting drawn into the current euphoria driving markets higher. While the rally may go longer (contingent on the resilience of economic growth and the path of inflation), we think the near-term risk-reward trade-off is poor with valuations not yet cheap enough to provide a floor into rising cyclical weakness.

While we do not expect equity markets to retest their 4Q22 lows, investors should remain cautious of chasing the rally when macroeconomic uncertainty is elevated and the cushion for downside is thin. Equity portfolios should be stress tested to ensure they are not overly exposed into areas that might come under cyclical pressures (via falling sales, declining pricing power and rising wage/input costs) or which cannot sustain a valuation premium into rising risk aversion. We came into 2023 expecting Australian equities to underperform global equities and we see no compelling reasons to reverse this call as we move into 2H23.

However, the outlook for sovereign bonds looks increasingly appealing as interest rates near peak levels. We believe there is a short window to lock in yields before economic risks force them lower. While cash (deposit) rates are currently appealing vis- à -vis bonds, the short duration nature of cash opens investors up to reinvestment risk in the future relative to bonds. Now is an opportune time to benefit from the much longer dated yields available in the safe-haven government bond markets.

Wealth creation is a long game: Economic and financial market transitions take time. The economic downturn has been a slow train coming, but it will arrive. Macquarie believes the downturn will be a short disruption, with the economy recovering by 2H24 and markets likely in advance of this.

For now, patience is needed as the adjustment across asset markets will proceed at varying speeds. When uncertainty is high, there is always the temptation to sit on large pots of excess cash. However, over the long term, trying to time markets has proven to be a costly strategy versus being fully invested and well-diversified. Rather, and despite some downside risk, we think averaging into risk assets to take advantage of lower valuations and rising return expectations is better than trying to time the bottom.

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Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return
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CPD EVENTS

Stay on top of your CPD with these SIAA-accredited CPD events. Webinars are FREE for Practitioner and Affiliate members and employees of Principal Members.

Market Integrity Rules webinar

Thursday 10 August
1.00pm to 2.00pm AET

Hefty penalties issued to market participants seem to be on the increase and it is incumbent upon participants to ensure they comply with the rules. Amanda Mark and Andrew Tait will discuss pre and post trade transparency; crossings; bucket accounts; pre-arranged trading; buy backs and trades with price improvements, breach penalties and more.

Professional standards CPD:
0.5 Professionalism and ethics
0.5 Regulatory compliance and consumer protection

ASIC RG146:
1.0 Generic Knowledge

Cost:
Members FREE | Non-members $55

AMANDA MARK
Co-Founder and Managing Director, MIntegrity

ANDREW TAIT
Co-Founder and Managing Director, MIntegrity

Portfolio construction – Constructing for alpha webinar

Wednesday 23 August
1.00pm to 2.00pm AET

Whilst it is generally acknowledged that asset allocation does much of the 'heavy lifting' for investment returns, the addition of thematic exposures can often deliver additional alpha and diversification benefits either. Understanding some strategies for augmenting portfolios can both boost risk adjusted investment return and satisfy client preferences.

Professional standards CPD:
1.0 Technical competence

ASIC RG146:
1.0 Generic Knowledge

Cost:
Members FREE | Non-members $55

ANDREW FLEMING MSIAA
Senior Investment Adviser, Morgans Tynan Partners

Have you considered the ROI of pursuing an MBA? webinar

Tuesday 5 September
4.00pm to 4.30pm AET

Discover exclusive MBA scholarships available to SIAA members, providing significant financial benefits. This concise 30-minute webinar delves into the ROI of pursuing your MBA and helps determine if it's a wise financial decision for both members and your clients. Scholarships valued at over $17,000 are available.

Cost: FREE

MAT JACOBSON
President & Founder, Ducere Education

Embracing megatrends and advisers' essential tools webinar

Wednesday 13 September
1.00pm to 2.00pm AET

Renowned Market Strategist, Jessica Amir, and moomoo CEO Toby Wong will discuss investment opportunities amid the current market chaos and explore the free institutional tools moomoo offers retail clients. They will also explore the essential tools financial advisers are using to navigate trends successfully.

Professional standards CPD:
1.0 Technical competence

ASIC RG146:
1.0 Generic Knowledge

Cost:
Members FREE | Non-members $55

JESSICA AMIR
Market Strategist, moomoo

TOBY WONG
CEO & CIO, moomoo

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CPD EVENTS

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Estate planning webinar

Wednesday 27 September
1.00pm to 2.00pm AET

Whilst it is tempting to simply refer a client to a lawyer for the preparation of a will, the structuring for succession is more involved. Kym Bailey will identify the components of succession planning and discuss the various transfer mechanisms along with the associated tax implications.

Professional standards CPD:
0.5 Tax (financial) advice
0.5 Technical competence

ASIC RG146:
1.0 Generic Knowledge

Cost:
Members FREE | Non-members $55

KYM BAILEY
Technical Services Manager, JBWere

Introduction to stockbroking workshop

Tuesday 10 October
11.00am to 1.15pm AET

This workshop provides an overview of the critical role that stockbrokers play both in retail and institutional markets. A high-level view of stockbroking and financial advisory operations including order taking, transaction and settlement will provide insight into the different systems involved and allow for a discussion of the different business models in stockbroking today.

Professional Standards CPD Area:
1.0 Regulatory compliance and consumer protection
0.5 Technical competence
0.5 Professionalism and ethics

ASIC RG146:
2.0 Generic Knowledge

Cost:
Practitioner members $100
Organisation Members $150
Non-members $200

RUSSELL MCKIMM

Market manipulation and other prohibited conduct workshop

Tuesday 17 October
10.00am to 12.15pm AET

This workshop focuses on the prohibition on creating or maintaining an artificial price for trading in various financial products, including shares and futures, and will benefit all who wish to gain an understanding of markets and the consequences of breaching obligations. Designed to suit the needs of financial market professionals from the front and back office, this is a great opportunity to brush up on your obligations, learn how to protect yourself and understand the difference between manipulation and ordinary market forces.

Professional Standards CPD Area:
1.0 Regulatory compliance and consumer protection
1.0 Professionalism and ethics

ASIC RG146:
2.0 Generic Knowledge

Cost:
Practitioner members $100
Organisation Members $150
Non-members $200

PROFESSOR MICHAEL ADAMS

A day in the life of a trade workshop

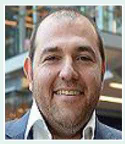
Wednesday 18 October
11.00am to 1.15pm AET

An excellent refresher for experienced staff and perfect for those in auxiliary roles (eg legal, IT, HR and other supporting roles associated with stockbroking), this workshop delves deep into the day of a life of a trade. You will walk away with a solid understanding of client onboarding processes, the process of share and derivative trades from order placement through to execution to settlement, sponsorship/HINS, CHESS messaging, registries and more.

Professional Standards CPD Area:
Regulatory compliance and consumer protection 1.0 hour
Technical competence 1.0 hour

ASIC Knowledge Area:
Generic knowledge 2.0 hours

Cost:
Practitioner members $100
Organisation Members $150
Non-members $200



ROB TALEVSKI
CEO, Webull Securities

*For workshops register four or more before one week prior and receive a **$50pp discount** (organisation and non-members).*

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Above and beyond: how client experience is key to building women’s wealth

Provided by Netwealth

Netwealth’s latest research shows that many women are considering using a financial adviser, but building an attractive offering goes beyond just the advice itself to the types of conversations professionals have and digital tools they use.

Key takeaways

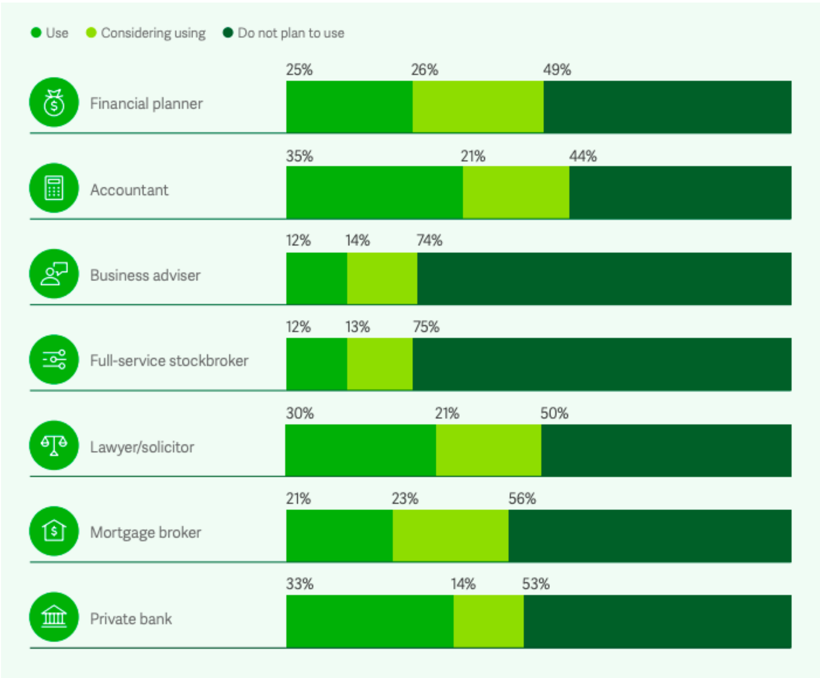
- ✓ Client service is as important as the advice itself
- ✓ Female clients are looking for either a coach or to outsource entirely
- ✓ Digital offerings are a chance to shine, especially to younger clients

When it comes to financial advice, women are in clear need of more tailored services to help them build and manage their wealth.

According to the 681 women Netwealth surveyed for the *Women as the New Face of Wealth* report, 25 per cent of women use a financial planner, which is slightly less than other mainstream service providers such as accountants (35 per cent use), private banks (33 per cent), and lawyers (30 per cent).

At the same time, the appetite and need for more advice is clearly there – 26 per cent of all women surveyed are considering using a financial planner. In some specific ages and life stages, this desire for the services of wealth professionals is even more pronounced, such as Gen Z and Gen Y women (37 and 30 per cent are considering, respectively), those who are employed (30 per cent considering) and running a business (48 per cent considering).

Which of the following do use for your personal/business financial advice?



However, to truly appeal to women, it's important to look beyond just the advice offered to the service provided.

When asked what is important to them, 81 per cent of women who use an adviser today say it's the client experience and the service of an advice firm, which is about the same as the percentage who value the actual quality of advice provided (84 per cent) and the overall value for money (81 per cent). Also, around seven in ten women expect their advice firm to be an educator, provide a personalised service, to have strong digital and technology capabilities and to offer a breadth of services.

Satisfied clients

Broadly, advisers are meeting the needs of female clients, with around seven in ten who receive advice today indicating they are satisfied with many aspects of the offer, including value for many, quality of advice, client experience, breadth and personalisation of service. Gen Y women are less impressed, although still largely satisfied.

Despite the majority being satisfied, there is still room for the savvy adviser to build on the client experience they offer to women, whether that's to increase satisfaction among existing clients, target those that are unsatisfied with their current adviser, or those who are looking to start using one.

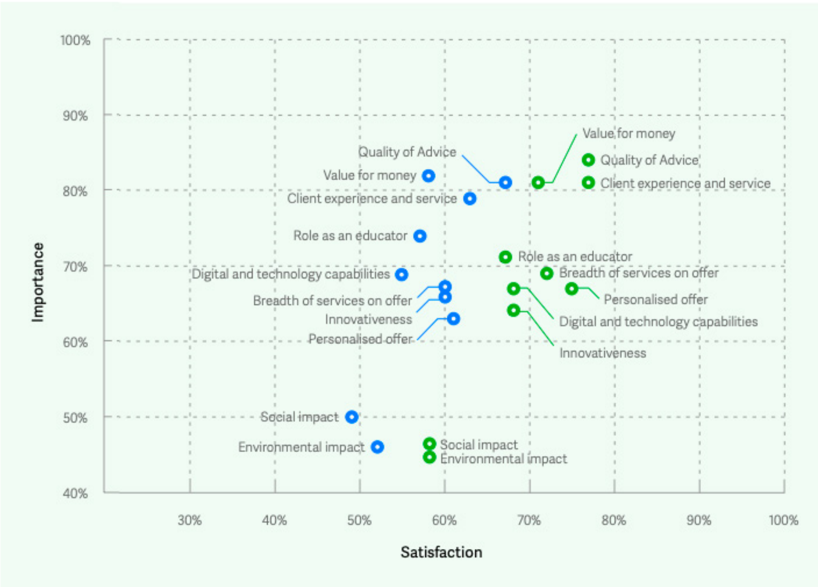
Here are some things to consider.

1. Personalise your language

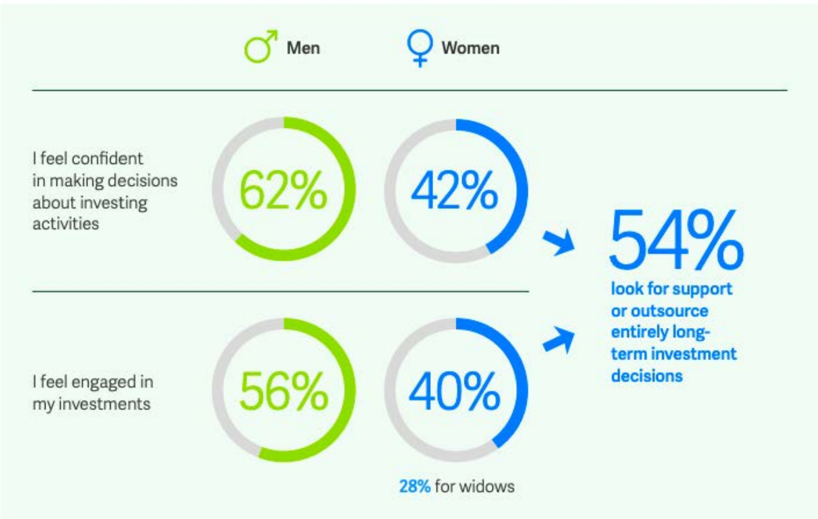
To begin to deliver a tailored service, it's important for advice practices to be careful about the conversations they have with women, and to avoid making assumptions based on deep-seated gender biases.

According to a US-based survey conducted by BCG in 2020, 30 per cent of women who were receiving advice reported their advice relationship manager had spoken to them differently because of their gender. An example of where this might inadvertently happen is when advising a married couple. In this case, it's important for advisers to keep these conversations equal, talk to both people, and personalise the service to both parties.

Service features of an advice firm – Importance vs. Satisfaction



Confidence and engagement in investment activities by gender

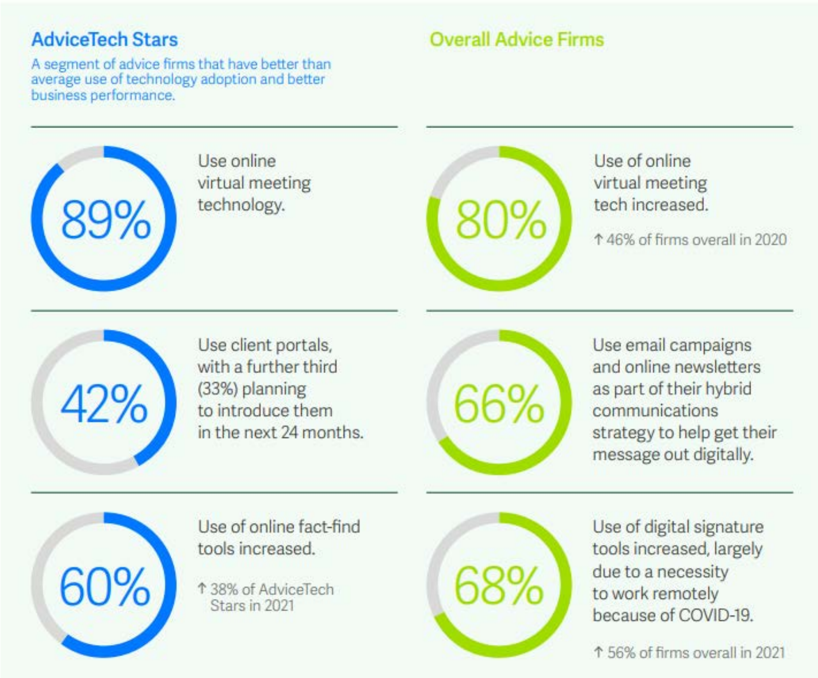


2. Determine whether to coach or control

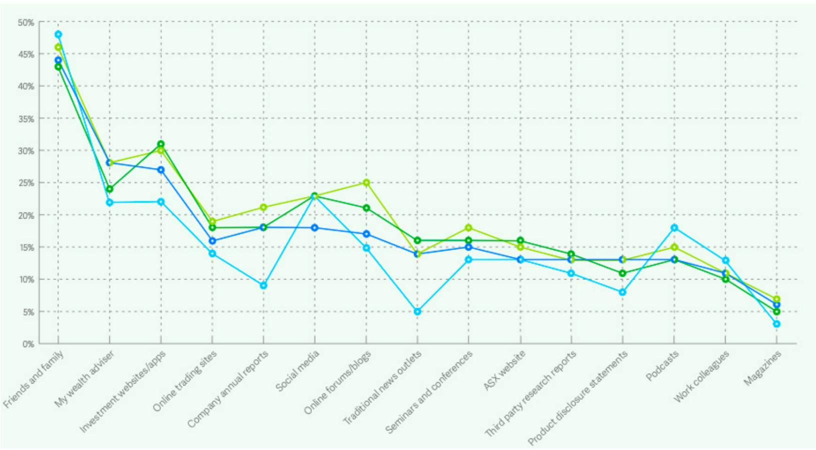
You need to decide whether your female client wants a coaching or an outsourcing relationship. In this case, the numbers show it's impossible to guess one way or the other – respondents were roughly evenly divided between those who partially rely on their adviser to explain things or provide information or high-level ideas (51 per cent), and those who see their adviser as a critical source of support who they outsource mostly everything to (49 per cent).

The best way to determine your client's needs is to simply ask their preferred relationship style.

Selected use of AdviceTech by wealth firms



Where do you typically go for information advice about investing (of those that look for it)?



3. Upping the digital ante

Another key element of superior experience for female clients is digital capabilities. Generally, women are tech savvy, with 20 per cent saying they're tech early adopters, and another 46 per cent understanding technologies and happy to try them if someone else has first. Unsurprisingly, this is higher for Gen Y and Z women, with 80 per cent rating themselves as either early tech adopters or understanders.

However, to stand out to this segment, wealth firms need to double-down on their digital experience. While an online and social media presence is good, digital needs to encompass the actual advice offering itself, including services like online fact-finds, client portals, digital document vaults, and online calculators.

Encouragingly, advice firms are doing well on the digital adoption front – according to *Netwealth's 2022 Advice Tech Report*, 80 per cent of firms hold meetings online, 66 per cent use email newsletters in communications, and 68 per cent use digital signature tools to remove friction.

4. Becoming an educator

Many women's tendency towards conservatism can lead to lack of diversification – something which advisers can educate them about. One in three (31 per cent) of women are very conservative and avoid exposure to risky assets, while a further 26 per cent are conservative and want to invest for guaranteed returns and minimal exposure to risky assets.

It follows, therefore, that female investors favour the familiar, with 64 per cent of women preferring to invest in more commonly known and available investments. This skews their portfolio to asset classes such as Australian equities (17 per cent currently invest in them), term deposits (15 per cent), residential property (14 per cent) and cash (23 per cent).

Advisers can look to educate their clients more to help them understand the benefits of diversification, proper asset allocation and the variety of asset classes available to them to help meet their short and long-term investing goals, particularly for older women.

There's also room to increase education around responsible investing. Currently, only a quarter of women surveyed hold responsible investments in their portfolio. However, over half of women say they care deeply about environmental issues (59 per cent) and social issues (54 per cent). And 67 per cent of those who don't currently have responsible investments would consider doing so if they didn't need to pay more, sacrifice returns, and the investment made a quantifiable difference to the environment or society.

A strong client experience is important in attracting the significant proportion of women looking for financial advice. Honest conversations, personalisation and a strong digital presence are good places to start when going beyond the basics in advising female clients.

[1] https://www.bcg.com/publications/2020/managing-next-decade-women-wealth

What are thematic ETFs and how do they work?

By Regina Liu, APAC Head of Investment Specialists, International Equities Group, J.P. Morgan Asset Management

What are thematic ETFs?

Thematic exchange-traded funds (ETFs) have become popular in recent years[1]. The demand is partly due to the rapidly increasing interest in key themes such as disruptive technology, healthcare, demographic changes, urbanisation and environment, social and governance (ESG) investing.

Thematic ETFs are focused on asset classes that are positioned to make the most of these megatrends and themes[2]. Additionally, ETFs are transparent and present exposure to liquid and tradeable holdings without the pressure of picking each single winning holding and market-timing, as well as access to assets such as listed infrastructure.

How do they work?

Much of the demand for thematic ETFs has been met by passive strategies, which track benchmarks that are specially constructed to give a broad exposure to a particular theme[1]. The indices are compiled using rules-based stock selection that aims to create an economic linkage to the selected theme.

Thematic equity indices tend to focus on what are often referred to as pure-play stocks – companies whose activities lie within the scope of a particular theme. For example, in a clean energy index, only companies heavily involved in the generation of renewable energy may be included. They may exclude companies that play a role in energy transition, such as those enabling electrification, including electric-vehicle charging.

Thematic equity indices are also often weighted by market cap, or by a simple equal-weighting construction. The growing number of thematic ETFs and the relatively small number of pure-play stocks can result in many funds chasing the same stocks and investing in highly crowded positions.

As such, active strategies are becoming increasingly popular as investors recognise their greater flexibility and the added value they can deliver over and above passive strategies.

Why employ an active approach?

An active approach has much more embedded flexibility in the construction of the ETF portfolio[1,2]. Active thematic ETFs often have a much broader investment universe, such as the MSCI All Country World Index, which can give access to the full opportunity set of a theme.

Additionally, active portfolio managers can implement investment ideas without being limited to the stock selection and rebalancing rhythms set by index providers. Passive ETFs usually rebalance only every three months and so cannot adapt to changing market conditions as quickly.

Another advantage to active thematic managers is their ability to take a much more granular approach to portfolio construction and give more weight to companies they believe can provide the most impactful and effective exposure to the selected theme, from across the market rather than limited to certain sectors or types of stock.

An active approach to sustainability solutions

An active manager can apply a much broader approach to the theme and select companies from different sectors[2]. They can also position the portfolio towards different sub-themes and companies depending on the current market dynamics.

According to Trackinsight's Global ETF Survey 2022, nearly 40% of investors are keen to invest in sustainable ETFs[3]. Consumers, companies and policymakers are increasingly backing sustainability, and this is creating a powerful investment opportunity[2].

Already, there are active ETFs that combine artificial and human intelligence to target the optimal thematic exposure to sustainability themes.

For example, the climate challenge is driving business changes. Greenhouse gases come from a wide variety of areas – energy in industry, buildings, transportation, and agriculture – and present opportunities across the broad spectrum. These include companies in electricity, water and renewables infrastructure and sustainable food or clean water production.

Rapid urbanisation is shaping a new generation of cities and this is presenting opportunities in companies that are developing less carbon-intense forms of construction, including energy efficiency of buildings, as well as investments to upgrade digital infrastructure to improve productivity.

Conclusion

Given the breadth of the investment universe, when looking to invest in a theme or megatrend, it is important to understand the overall objective – is it simply to have a broad exposure or is the objective to be exposed to

> "According to Trackinsight's Global ETF Survey 2022, nearly 40% of investors are keen to invest in sustainable ETFs3. Consumers, companies and policymakers are increasingly backing sustainability, and this is creating a powerful investment opportunity2.

the theme but with the added ability to respond to market conditions and unearth hidden opportunities? In this case, selecting a manager that has access to a network of global research analysts and the capabilities to support deep thematic research across markets and sectors is essential[2].

J.P. Morgan Asset Management's actively managed ETFs tap into the full resources of our global research network, allowing investors to access outcome-oriented solutions through a range of long-established investment strategies. The JPMorgan Climate Change Solutions (T3MP) and the JPMorgan Sustainable Infrastructure (JPSI) active ETFs can provide opportunities for investing in innovation that drives growth and shapes a better world.

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Diversification does not guarantee investment return and does not eliminate the risk of loss.

1. Source: "Thematic ETFs: An active investment approach", J.P. Morgan Asset Management, 09.12.2022
2. For illustrative purposes only based on current market conditions, subject to change from time to time. Not all investments are suitable for all investors. Exact allocation of portfolio depends on each individual's circumstance and market conditions.
3. Source: "Global ETF Survey 2022", Trackinsight, as of end-3Q 2022.

Source – JPMorgan Asset Management (Australia) Limited ABN 55 143 832 080, AFSL No. 376919

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Material ID: 096l231905045922

Global emerging markets year in review 2022-2023

By Amit Goel, Portfolio Manager,
Fidelity Global Emerging Markets Fund

Global emerging markets (EM) have been volatile over the past 12 months with events such as the Russia–Ukraine conflict and Covid-19 lockdowns in China causing turbulence. In late 2022/early 2023, we saw some encouraging signs after China's surprise reopening and some favourable global economic trends.

Unfortunately, this was short-lived, and sentiment reversed again following concerns over tighter financial conditions indicated by the US Federal Reserve (Fed) and the solvency of notable US regional banks. Rising geopolitical tensions between the US and China, and apprehension from China's slow recovery, further soured market sentiment.

Volatility is likely to remain, but despite this, we believe there are better times ahead for EM. As developed markets (DM) wrestle with recession concerns, many EM countries find themselves relatively well positioned thanks to healthier finances, proactive central banks, and significantly cheaper equity markets by comparison.

Banks and IT are top performers

Notably, the financials sector, particularly banks, have fared well. In EM, most countries have banks with strong liability franchises and a well-diversified depositor base which is stickier in nature. In addition, their funding costs are low, due to a higher proportion of funds coming from both current accounts (predominantly business accounts) and savings accounts. This means banks can be much choosier when deciding whom to lend to, and can focus on quality customers who are less likely to default.

Additionally, we believe that the risk of contagion from DM banks to their EM counterparts is limited, and EM are typically well positioned from healthy balance sheets and good levels of assets quality.

The IT sector also emerged as a standout performer after battling strong macroeconomic and geopolitical headwinds in 2022. The sector received renewed impetus as signs of further easing in US inflation raised hopes that the Fed may pause its monetary policy tightening cycle. Developments around artificial intelligence also lifted sentiment higher.

Emerging markets remain strong

Medium- to long-term fundamentals are reasonable today compared to the past, which leads us to believe that EM are well-placed to provide positive returns. At a time when there is a cost-of-living crisis in DM, EM economies have been ahead of the curve in raising rates. When the Fed has pivoted, EM central banks have had a lot of room to cut rates.

The growth profile of EM is also strong. For example, in India, ongoing investment into infrastructure and manufacturing is supporting the country's rate of growth and in Korea and Taiwan, technology companies have already gone through an inventory destocking cycle which is expected to normalise going forward. Furthermore, EM valuations are much more reasonable, with regional equities trading at a discount to DM that is close to 20-year highs.

Preservation age nuances

By Darin Tyson-Chan, Editor, *selfmanagedsuper*

The 2024 financial year began on 1 July, heralding many changes to the superannuation landscape. In my last column I touched on one being the increase in the compulsory superannuation guarantee employers must pay from 10.5 per cent to 11 per cent, but this is not the only one of which individuals need to be mindful.

Another significant development for the new income year is the increase in the preservation age from 59 to 60. A person's preservation age is the age by which they can qualify to access their superannuation benefits if they meet one of the definitions of retirement. Achieving this milestone and threshold also allows a person to commence a transition-to-retirement income stream.

The preservation age applying to an individual has over time been determined by the date of their birth. To this end, the superannuation rules dictate people born before 1 July 1960 have a preservation age of 55, those born between 1 July 1960 and 30 June 1961 have a preservation age of 56, those born between 1 July 1961 and 30 June 1962 have a preservation age of 57, those born between 1 July 1962 and 30 June 1963 have a preservation age of 58, those born between 1 July 1963 and 30 June 1964 have a preservation age of 59 and, finally, a person born after 1 July 1964 has a preservation age of 60.

There is, however, a slight catch to this increasing scale. Superannuants who turned 59 during the 2023 financial year are not completely in the clear when it comes to satisfying this threshold from a taxation perspective. While they technically reached their preservation age in the previous income year, they will still not be able to enjoy the full benefits of doing so until they turn 60.

For example, if an individual turned 59 in 2022/23, has met a condition of release such as retirement and decided to access their superannuation benefits as a lump sum rather than an income stream, the tax treatment of that lump sum will be different to someone who is already 60 or older.

Firstly, a person who is 60 or over and decides to draw down a lump sum from their super fund will see their tax-free component and their taxable component that has already been taxed escape any further impost of this nature.

Conversely, a person who turned 59 in the 2023 income year and is yet to turn 60 will only have zero tax charged on the initial $235,000 of the lump sum, with the remainder to be taxed at 15 per cent.

The treatment of the taxable component yet to be taxed will be different for individuals in these two demographic cohorts.

The person who has already turned 60 will have the first $1.705 million of this component of their super benefits taxed at 15 per cent, with the balance having a tax rate of 45 per cent applied to it.

In contrast, an individual who turned 59 in the last financial year and is yet to reach age 60 will have

> "... nothing is really straightforward in the superannuation environment and even when it would appear a particular threshold has been satisfied allowing an individual to unlock their super savings, certain specific rules still apply.

their untaxed taxable portion of their retirement savings benefits have a tax rate of 15 per cent applied to the first $235,000 of this pool, one of 30 per cent charged to any amounts between $235,000 and $1.705 million, and 45 per cent applied to any monies above the second band.

This illustrates nothing is really straightforward in the superannuation environment and even when it would appear a particular threshold has been satisfied allowing an individual to unlock their super savings, certain specific rules still apply.

It's a great argument to seek professional financial advice when formulating a superannuation strategy, particularly when a significant life-cycle change takes place.

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