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NAVIGATING THE CHALLENGES OF GLOBAL MARKETS MOVING TO T +1:

How a strategic approach can help market participants

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[1]Best Platform Overall, Investment Trends 2023 Platform Competitive Analysis and Benchmarking Report.

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NAVIGATING THE CHALLENGES OF GLOBAL MARKETS MOVING TO T +1:

How a strategic approach can help market participants

By Andrea Marani, CEO of FinClear Execution, Clearing and Settlement, FinClear

The imminent shift in settlement cycles by major North American markets from T+2 to T+1, scheduled for 28 May this year, is causing widespread concerns among Australian brokers and market participants.

The move to T1 is underway with hopes this change will increase efficiencies, reduce counterparty risk, optimise lower margin costs, deploy capital more effectively, enhance system security, as well as increasing liquidity and volumes. But with cash and equities exchanging poised to settle a single day after a trade is made this will push North American markets one full day ahead of Australia, which will remain on the old T+2 system.

As the world's financial landscape evolves, the misalignment between Australian and North American markets presents operational challenges and potential financial risks at a time when investors are increasing their exposure to global equities.

The move to T+1 settlement in the US and Canada introduces operational complexities for Australian brokers, wealth managers, and other market participants. The shortened settlement cycle leaves less time for error detection and correction. For firms lacking the necessary resources to process settlements in shortened timeframes, or for those that rely on manual processes and overnight batch processing, the move to T+1 could lead to an increase in the late settlement rate. The industry is already experiencing a 5% failure rate in settlement, costing billions of dollars. This figure will likely rise with the impending change.

One of the critical concerns is the impact on security deposits and risk management strategies. Currently, Australian brokers often use proceeds from local settlements to trade into the US and Canada. With the shift to T+1, this could result in brokers needing larger security deposits, affecting their ability to deploy capital elsewhere. This may lead to consolidation in the market, as smaller players find it challenging to meet increased collateral requirements.

And the financial repercussions extend beyond security deposits, with rising costs of capital and other fees expected to be passed on to customers. As a result, more traders may opt to access markets directly, bypassing traditional custodians and wealth platforms. This shift could prompt advisers to explore alternative trading platforms or broker dealers to access US markets, driven by cost considerations and the complexity introduced by the T+1 settlement change.

Regulatory considerations weigh heavily

The transition to T+1 settlement also raises regulatory considerations, necessitating changes to comply with new rules and regulations. Brokers will need to navigate potential regulatory hurdles to ensure a smooth transition to the accelerated settlement cycle.

We are actively advising our own clients on the implications of the T+1 shift and introducing new services to help them mitigate risks. To address the operational challenges, brokers and managers will need to settle faster and more efficiently than in the past. This involves having cash and stock readily accessible on the platform and leveraging technology, such as real-time international payments, using the NPP, and deposits – linked multi-currency accounts or wallets – to avoid the need to leave cash on account in the North American markets all the time.

FinClear's new products and services are specifically designed to address the challenges posed by T+1 settlement. This includes an internal FX desk for near-real-time international payments, routes into global markets for smaller brokers, and an integrated TradeCenter platform for real-time order placement and monitoring.

Relationships are key to navigate the T+1 global landscape. For us this has meant leveraging our extensive global relationships with leading US broker-dealers and global custodians to provide market participants with a single point of contact. This strategic approach streamlines processes and minimises touchpoints, offering a scalable solution for accessing T+1 markets.

The question of when or if Australia will realign its settlement cycle to match Wall Street remains unanswered. The ASX, actively consulting on the issue, has formed a working group involving key industry stakeholders to explore the impact and potential benefits of a shorter settlement cycle. While Australia faces challenges, including a delayed CHESS replacement program, we are confident in Australia's capabilities to adapt and align with global standards.

As global markets transition to T+1 settlement, Australian market participants must proactively address the challenges posed by the misalignment with North American markets. Our own strategic approach involves focusing on advising clients, introducing innovative technological solutions, and utilising our extensive global relationships to navigate the complexities of the evolving financial landscape.

While uncertainties remain, the financial industry's ability to adapt and embrace change will determine its resilience in the face of evolving global market dynamics.

Harnessing opportunities in high-quality fixed income through a low cost vehicle

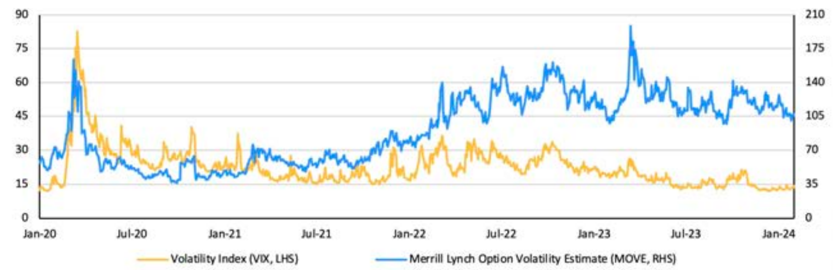
By Jonathan Liang, CFA, Head of Asia ex-Japan Investment Specialists, Global Fixed Income, Currency & Commodities Group (GFICC), J.P. Morgan Asset Management

Opportunities abound for fixed income, but volatility persists

Slowing growth and enduring disinflation trends have prompted central banks to consider recalibrating their current restrictive stance in interest rates to extend the economic cycle. This presents a broadly constructive backdrop for fixed income in 2024. With yields across a wide range of fixed income sectors hovering near decade highs, it could be opportune to lock in elevated yields.

Nevertheless, with the US likely in the late stage of the current economic cycle, it is important for investors to maintain a quality bias. Moreover, while volatility in the equity markets appear largely muted, volatility in the rates market has continued to stay elevated, likely reflecting lingering uncertainty about the outlook for monetary policy. After all, central bank guidance for lower interest rates is at best tentative as long as actual inflation remains well above target. While broader trends point to lower inflation, loosening financial conditions and emerging supply side constraints on account of rising geopolitical risks could lead to unexpected upticks in inflation. This would invariably delay the timing of any policy normalisation and trigger periodic repricing in rate markets.

The Merrill Lynch Option Volatility Estimate (MOVE) index – a gauge of volatility in the rates market – remains elevated, while the Volatility Index (VIX) – a gauge of the underlying volatility of the S&P 500 – has fallen to cycle lows.



Source: Bloomberg, J.P. Morgan Asset Management. Data as of 31.01.2024.

Active markets call for active strategies, even for ETFs

Given the current market environment, passive fixed income ETFs may not be the most optimal way to engage bond opportunities, even if the current backdrop remains broadly constructive. While passive ETFs can provide broad fixed income exposure through a diversified bond index at minimal cost, this could be at the price of genuine diversification, risk mitigation and return enhancement.

For one, unlike their equity counterpart, the composition of bond indices is driven by the largest debt issuers – not necessarily the highest quality issuers. This means a passive ETF will automatically drift towards the largest issuers over time irrespective of the quality of their balance sheets. By contrast, an actively managed fixed income ETF can shift allocation towards higher-quality issuers and away from those that could be at risk of rating downgrades. Such dynamic allocation can help mitigate risks and buoy returns in times of economic or market stress.

Moreover, while passive investments leave investors vulnerable to the changing characteristics of fixed income indices and prevailing market behaviour, active ETFs can tap into opportunities presented by these events. These strategies can capitalise on numerous factors that impact bond prices and move markets, including economic and market cycles, central bank actions and regulations for institutional investors. For example, an active strategy can adjust interest rate exposure and sector allocation through the economic cycle, enabling investors to shift exposure to cheaper securities and underweight expensive ones while maintaining a stable bond beta.

On a practical note, active ETFs offer daily transparency as it pertains to the underlying portfolios and tend to have lower management fees. These instruments are highly liquid and share the same primary market mechanism as passive ETFs. In addition, as they trade on the same stock exchanges in the secondary market as their passive peers, investors are able to buy and sell active ETFs throughout the day, providing real-time price discovery. Not only does this improve liquidity, it also allows investors to monitor the values of their active portfolios more closely, a material benefit in times of market stress.

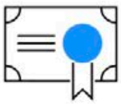
Tap into an actively managed high-quality bond portfolio with an ETF wrapper

Indeed, active management will play an important role in harnessing fixed income opportunities amid a broadly constructive backdrop. Staying active and flexible are equally instrumental

"Given the current market environment, passive fixed income ETFs may not be the most optimal way to engage bond opportunities, even if the current backdrop remains broadly constructive.

Features of the JPMorgan Global Bond Active ETF (JPGB)

Quality bond investing

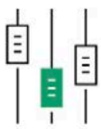


Focusing on IG fixed income securities, the strategy tends to exhibit lower volatility relative to single-sector fixed income or equity portfolios.

Globally diversified

With exposure to a broad range of IG fixed income securities, the portfolio is diversified across sectors and markets. This helps the strategy achieve strong risk-adjusted returns.

Active management with multiple levers



The strategy adopts a flexible approach to harness opportunities across different sources of alpha within the IG universe, spanning countries, sectors, issuers, duration and currencies.

Source: J.P. Morgan Asset Management.

in managing credit and duration[1] risks that could emerge on a back of a highly fluid macro-outlook. Restrictive monetary policy and slowing growth further underscores the importance of a quality-focused approach when investing in fixed income, as these assets typically exhibit higher credit rating, better liquidity and relatively lower default risk.

To that end, the JPMorgan Global Bond Active ETF (Cboe: JPGB) employs a quality-biased investment strategy to construct a high-quality portfolio that primarily seeks exposure to (at least 80%[2]) investment-grade (IG) bonds across the globe. The strategy actively shifts its allocation towards areas with stronger fundamental outlook, while actively managing duration[1] and currency risks through a disciplined yet dynamic risk management approach[3].

At J.P. Morgan Asset Management, we strive to construct stronger bond portfolios with robust risk management[3]. We manage over AU$4.5 trillion in assets, with around AU$1.1 trillion in fixed income[4]. Our fixed income solutions span the risk spectrum and are underpinned by the deep resources and rigorous research of a truly global platform. Our actively managed ETFs can also tap into the full resources of our global network, allowing investors to access outcome-oriented fixed income solutions through long-established investment strategies.

1 Duration is a measure of the sensitivity of the price (the value of the principal) of a fixed income investment to a change in interest rates and is expressed as number of years.
2 Please refer to the fund's offering documents for further details on its objectives. The manager seeks to achieve its stated objectives and there is no guarantee they will be met.
3 The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk.
4 Source: J.P. Morgan Asset Management, data as of 31.12.2023. USD/AUD spot rate as of 31.12.2023.

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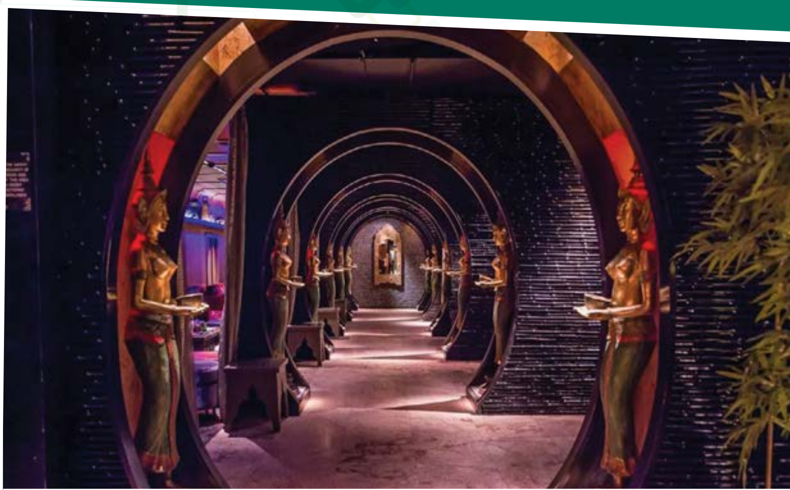

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The good, the bad and the ugly this Reporting Season

By Grady Wulff, Third Party Platform

Reporting season came and went for February 2024 with some key themes, trends and surprising results that caused mixed reactions among brokers and investors for the first half of FY24. Across the board, there were more broker downgrades of companies than upgrades as less than half of Aussie listed companies that reported beat expectations.

Some key names surprised the market some for good and some for disappointing results as outlined below.

Expectations were high for James Hardie Industries (ASX:JHX) to extend its long growth run into Q3FY24, and the company produced further strong results that beat expectations in Q3 including record adjusted net income of US$179.9m, up 39%, adjusted diluted EPS of US$0.41/share, up 41% and record nine months operating cash flow up 73% to US$749.5m. Investors sold out of JHX with its share price plunging 5% possibly on the company's outlook statement outlining that data indicates James Hardie's largest market, North America, will decline 4% to 6% in CY24 indicating slowing growth over the year ahead.

The big banks have experienced the peak of Net Interest Margins and are now collectively in the easing profits territory due to increased switching of home loans, more market competition,

> "Across the board, there were more broker downgrades of companies than upgrades as less than half of Aussie listed companies that reported beat expectations.

and the outlook for interest rate cuts. Many investors use the big four as stable investments in their portfolios which is still the case, however, the big banks may now be past their peak in terms of growing investment value in the current macro environment.

Healthcare saw a varied mix of results this reporting season, but for global leading hearing implant manufacturer, Cochlear (ASX:COH), the growth runway is going from strength to strength and so too is its share price which is sitting around a record high over $330/share this week. So just how strong was the first half for Cochlear? Sales revenue increased 25% or 20% in constant currency to $1.113bn driven by strong demand for the company's implants and sound processor upgrades. Cochlear experienced strong market growth across both developed and emerging markets as well as all age segments. Services revenue increased 35% over the half or 29% in constant currency driven by strong upgrade demand for the newly released Cochlear Nucleus 8 Sound Processor. A 35% increase in net profit was realised to $191m, and the underlying net profit margin was 17%. Not only this, but Cochlear paid out 68% of underlying net profit in dividends through a $2/share interim dividend. If that wasn't impressive enough, FY24 underlying net profit guidance range was upgraded by Cochlear on Feb 8th to $385-$400m, signalling a 26%-31% increase on FY23. Demand for hearing devices and services seems to be growing year-on-year which bodes well for Cochlear.

For the retailers, two key names that Bell Potter holds a respective buy rating on, beat expectations for 1H24 and have kicked off the second half with strong results so far. Accent Group (ASX:AX1) beat Bell Potter expectations for gross margins, inventory, net debt and dividends as well as the first seven weeks of 2H24 starting on an encouraging note. With exclusive brand partnerships with globally winning brands like Hoka, Accent Group is poised for resilience even during the times of slowed consumer spend.

And for leading fashion jewellery retailer, Lovisa (ASX:LOV), a beat was reported across most metrics and the second half of FY24 has started with key achievements including strong gross margins and an interim dividend beat. For the half, revenue rose 18%, gross margins came in at 80.7%, cash ended the half at $58.5m which was a significant beat to Bell Potter's expectations of $24m, and the fashion jewellery retailer declared a 50cps dividend, which was also a strong beat. For the first seven weeks of the 2H24 total sales are up almost 20% on new store growth and the current store network is sitting at 860 stores worldwide, which was significantly strengthened by the opening of the company's first store in China during the first half. While retailer performance across the board is traditionally determined by consumer spend and fluctuations in market conditions, retailers like Lovisa and Accent Group which target very niche audiences, have proven resilient against the headwinds of slowing consumer spend in the discretionary space.

> “Cost management is key to weathering the current high interest rate, slowing economic growth environment across every sector as margin pressure and even contraction is a noticeable trend this reporting season so far...

The clear themes that emerged from this reporting season are as follows:

- China is hurting some results while surprising others with resilience – take BHP as the former and A2 Milk as the latter examples of for and against exposure to China depending on the segment.
- The big banks may be boring and past their peak, but investors and some brokers see opportunity in the stability offered through having a big name like Westpac in their portfolios.
- Cost management is key to weathering the current high interest rate, slowing economic growth environment across every sector as margin pressure and even contraction is a noticeable trend this reporting season so far, and boy have investors punished those companies that are failing to execute stringent cost management strategies. Cost management was also a key differentiating factor between beats and misses this reporting season.
- Dividends are the key to winning over investors or prompting a mass exodus of shareholders. Whether it's a cut from record dividends or a slight rise in the payout to investors, we've seen share prices move drastically over the last few weeks on the back of changes to corporate dividends in the first half.

If you are interested in learning more about margin lending, clearing, wholesale and institutional broking solutions for your business, please contact Martyn Johnston, Marty.Johnston@thirdpartyplatform.com.au.

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.

Meeting the evolving advice needs of HNW investors

Wednesday 13 March from 1.00pm to 2.00pm AEDT

Praemium's Matt Van Dijk will discuss the latest research on the evolving advice needs of HNW investors, the growing demand for alternatives, their expectations for advice and wealth transfer support and their increasing adoption of endowment-inspired strategies.

Professional Standards CPD: CPD: Client care and practice 1.0 hour
ASIC Knowledge Area: Specialist knowledge – Financial planning 1.0 hour

Cost:
Member FREE
Non-member $75

MATT VAN DIJK
Praemium

A day in the life of a trade workshop

Tuesday 26 March from 11.00 to 1.15pm AEDT

Attendees 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: Regulatory compliance and consumer protection 1.0 hour | Technical competence 1.0 hour
ASIC Knowledge Area: Generic knowledge 2.0 hours

Cost:
Practitioner member $100
Organisation member $150
Student Affiliate member $50
Non-member $200

ROB TALEVSKI
CEO, Webull Securities

AFCA's new rules about wholesale advice

Wednesday 27 March from 1.00 to 2.00pm AEDT

AFCA consulted on proposed amendments to the AFCA Rules and Operational Guidelines in 2023, including on how it would deal with complaints from wholesale clients. ASIC has now approved changes to the Rules. Shail Singh, Lead Ombudsman, Investments and Advice at AFCA will outline how the new Rules will treat complaints from wholesale clients.

Professional Standards CPD: Regulatory compliance and consumer protection 0.5 hour | Client care and practice 0.5 hour
ASIC Knowledge Area: 1.0 Generic knowledge

Cost:
Member FREE
Non-member $75

SHAIL SINGH
AFCA

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Is history about to repeat as the Magnificent 7 drive the tech sector to dot.com highs?

Wednesday 10 April from 1.00 to 2.00pm AEST

Wednesday 10 April from 1.00 to 2.00pm AET
The technology sector has now eclipsed its all-time high relative to the S&P 500, exceeding its dot.com bubble highs. So, this begs the question, will history repeat itself? Is this a bubble and what is the risk of another tech wreck?

Professional Standards CPD: Technical competence 1.0 hour
ASIC Knowledge Area:
Specialist knowledge – Securities 1.0 hour

Cost:
Member FREE
Non-member $75

ALAN PULLEN
Magellan

Wholesale clients: The do's and don'ts

Wednesday 17 April from 1.00 to 2.00pm AEST

By attending this webinar you gain a greater understanding of the needs of these sophisticated clients and their requirements from regulators, particularly relating to ongoing monitoring and the documents issued to clients.

Professional Standards CPD: Professionalism and ethics 1.0 hour
ASIC Knowledge Area:
Specialist knowledge – Financial planning 1.0 hour

Cost:
Member FREE
Non-member $75

JAMES DICKSON
OCG Consulting

Deceased Estate – an adviser's perspective

Wednesday 24 April from 11.00 to 1.15pm AEST

JBWere's Kym Bailey will provide a comprehensive guide to dealing with a deceased client's estate in terms of their investment portfolio, tax, succession and non-estate considerations.

Professional Standards CPD: Technical competence 1.0 hour
ASIC Knowledge Area:
Specialist knowledge – Financial planning 1.0 hour

Cost:
Member FREE
Non-member $75

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Internationalisation of market businesses in Australia

By James Dickson, Managing Director, Oceanic Consulting Group

The growing demand from Australian clients for investment advisers to extend their services beyond domestic equity holdings to include international equities poses significant implications for businesses in the financial sector. Here's a closer look at what this means for your firm and how you can adapt to meet these evolving needs.

Responding to client demands

Australian brokers have long facilitated trades in international markets for their clients, but the landscape is evolving rapidly. While basic offerings suffice for sporadic trades or straightforward portfolios, they fall short for brokers accustomed to more direct market engagement.

Scaling international equities services

To effectively support clients in international equities at scale, brokers must move beyond simplistic "execution-only" services. Existing options often involve opaque arrangements, sometimes necessitating the referral of client relationships to competitors. To compete seriously in this area, brokers must treat their international equities businesses with the same rigor as their domestic operations.

Key considerations

To play seriously, brokers need to think about their international equities business, as completely as they do their Australian equities business, including:

- **Execution** – how will you route order flow to execute in offshore markets?
- **Custodial relationships** – our individual ownership structure in Australia stands out as an exception in 2024, do you and your clients understand custody and where your assets will be sitting? What is the counterparty risk of these relationships?
- **Data sourcing and governance** – In Australia, the landscape for collecting and understanding data is relatively simplistic. Have you considered how you will source data, from what vendors and how that will be managed and curated?
- **Corporate action monitoring** – Global corporate actions are managed differently to Australia. The flows of funds are often delayed, custodians are risk adverse, and advisers and clients need to understand when their holdings may be impacted by an action. How will you understand and manage this?
- **Risk and compliance** – As you do with your Australian equities allocation, how will your firm monitor client portfolios, concentrate risk, data quality etc?
- **Costs** – costs can escalate quickly. Depending on your business model, you may need to consider multiple vendors of data, backup market reference data sets and various research providers. We have seen costs such as these increase at buy side clients by up to 300% in the last few years – have you considered the implications on your business model and ways to manage this?

Working through these questions (and more) represents a relatively daunting prospect for firms and has led many to simply abstain from the space. Our view is that firms who do not start to move forward will be left behind.

1. Execution

There are plenty of partners, in market today, who we have no doubt fulfill your transactional needs. Their offerings focus on routing orders through existing broker dealers and comingling order flow with other brokers and advisers. Although this will meet the needs of plenty of firms, we foresee risk, in brokers understanding where client stocks are held, how flow is managed (and sold) and in some cases, surprising hidden costs embedded in contracts that restrict the future movement of client accounts. What may appear to be a relatively benign and simplistic decision on the surface, may have consequences for your clients as you grow, and it is important to consider the move thoughtfully and thoroughly.

2. Custodial relationships

Global custodians run businesses at enormous scale, to make their businesses viable. Regardless of the size of a broker's Australian operations and international equity holdings, it is almost certain they will need to conform with, and adhere to (not dictate), the rules of global custodians in holding, settling, and transferring client holdings in offshore markets. This complexity is incremental to many onshore operations and has several facets, particularly relating to non-standard settlements, transfers and how client holdings are managed and potentially lent to others.

Brokers need to carefully consider the risks, but also the revenue opportunities, available through foreign exchange fees, stock lending arrangements (particularly for mid-cap and smaller cap stocks in the US) and how stock is netted and settled, and how that revenue is shared with the broker and client.

3. Data sourcing and governance

Multiple markets and multiple asset classes means more market reference data is required to run portfolios, analysis, and modelling. More data vendors, more complexity in specifying requirements, and more reliance on third parties for core components of your business quickly compounds complexity and cost. Not all data sets are made equal (and many are the same but badged different ways by different vendors), data quality varies across markets and asset classes and certain indicators (e.g. ESG ratings) need to be considered with a grain of salt.

It's important brokers build a data sourcing and governance strategy now, or risk running cost-out programs in 5-years' time, to untangle complex, immature, and costly relationships.

4. Corporate action monitoring

Global corporate action management is complex. There are different rules for each jurisdiction and historic market data is notoriously unreliable. We have seen (and supported) significant remediation programs run here, in Australia, even in our relatively simplistic corporate actions environment – brokers need to be alive to the risks of global corporate actions on their client portfolios. It's imperative to not immediately trust single reference points and understand rules around funding and how their custodians will behave in certain scenarios.

We have been discussing with our clients the need to source cleansed and enriched data from specialist vendors, who can fill gaps and normalise data formats for cleaner and simpler ingestion to broker systems.

5. Risk and compliance

Like Australian broking operations, there is an expectation that stockbrokers understand the risk in their business. This includes international flow.

Brokers need to consider how to manage risks and remain compliant, through the value chain, from origination (eg. AML/CTF obligations) through to receipt and execution of trades for international markets including how that may relate to clients' advice (whether that be individual or general) and how books and records are maintained.

Like a firm's Australian equity business, consideration needs to be given to portfolio risk parameters, such as concentrated client exposure, how hedged (or unhedged) forex risk will impact a portfolio and the reliability of market data available to your advisers.

6. Cost

Market participants in Australia are experiencing extraordinary increases in costs of multi asset class market reference data. Although not perfect, we take for granted the relatively high quality and general availability of Australian market data. This is not necessarily true of other markets.

OCG has witnessed some buy-side firms experience a 300% increase in market reference data costs in recent years, with whole teams dedicated to market data strategy and acquisition.

Where brokers are considering running model or discretionary international portfolios, or thinking about comprehensive client reporting, consideration is required not only for sourcing data from multiple vendors but cleansing requirements relevant to corporate actions. Running these portfolios in house, without clearly defined strategies for market reference data management, can quickly see costs get out of hand, while market reference data remains unreliable.

Conclusion

Australian brokers cannot afford to ignore the growing demand for international equities services. As domestic asset values face distortion from heavy allocations by Super Funds, diversification becomes increasingly crucial for sophisticated clients. While entering this space may seem daunting, firms that fail to adapt risk being left behind.

How OCG can help

Navigating this evolving landscape requires strategic planning and expertise. OCG has the research, technology partnerships, and experience to support Australian brokers in expanding their international equities offerings. Reach out to understand how we can assist in developing and executing your firm's strategy in this critical area.

Super contributions boost confirmed

By Darin Tyson-Chan, Editor, *selfmanagedsuper*

Australians received some good news in late February with the release of the average weekly ordinary times earnings (AWOTE) figures – a measure that determines whether the superannuation contributions caps will increase due to the indexation measure built into the system.

Specifically, AWOTE experienced an increase of 4.5 per cent in the 12 months to November 2023, well above the 0.07 per cent jump required to trigger another round of contributions cap indexation on 1 July 2024.

It means from this date the yearly concessional contributions cap will increase from its current level of $27,500 to $30,000. Further, the way the retirement savings framework is designed, this rise will also result in a higher non-concessional contributions cap as well.

The mechanics of the system sees the non-concessional contributions cap represent four times the amount of the concessional contributions cap. This means a person's annual non-concessional cap will be $120,000 when the new financial year commences.

As such, the contributions made under the non-concessional bring-forward provisions shift to $240,000 for an allowable two-year bring-forward strategy and $360,000 for an allowable three-year bring-forward strategy.

All of the above is pretty straightforward, but we'd all be a little naïve to think there would not be some complexity attached to the changes.

To this end, the first thing to note is the latest consumer price index figure was not sufficient to have any additional indexation applied to the general transfer balance cap, so this threshold has remained at its current level of $1.9 million.

This threshold also dictates the eligibility of individuals to make non-concessional contributions, so with the parameters currently in place, namely if a person's total super balance is $1.9 million or more, they will be unable to channel money into their superannuation fund by way of a non-concessional contribution.

The general transfer balance cap also plays a part in determining the extent to which a person can bring forward their non-concessional

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Currently, an individual with a total super balance of less than $1.68 million can use the full non-concessional bring-forward contribution amount of $330,000. Come the new financial year, a total super balance of $1.66 million will put them in this category as this is determined by subtracting the non-concessional cap from the general transfer balance cap and will allow them a bring-forward contribution amount of $360,000 in a single year.

Similarly, effective 1 July 2024, a person with a total super balance falling between $1.78 million and $1.66 million will be able to bring forward $240,000 worth of non-concessional contributions. This changes from the current rules that allow individuals with a total super balance between $1.79 million and $1.68 million to bring forward non-concessional contributions of $220,000 in one year.

Further, the new income year will see fund members with a total super balance between $1.9 million and $1.78 million only able to make a non-concessional contribution of $120,000 in one year.

Currently, individuals are restricted to making a non-concessional contribution of $110,000 in a single year if their total super balance is between $1.9 million and $1.79 million.

As you can see, the triggering of the indexation measure pertaining to the concessional contributions caps is a win as it allows superannuants to allocate more money to their retirement savings vehicles. But should they want to implement slightly more sophisticated contribution strategies, they will need to be aware of all the moving parts contained in the superannuation system, which are not always easy to navigate.

Did somebody suggest there are too many thresholds to obey?

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