neo news
Financial Solutions
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The Government's stimulus package in response to the Coronavirus

In response to the economic impact of the Coronavirus, the Government has announced a number of initiatives to help individuals and businesses at this uncertain time. The changes include accessing some of your super if you're in financial stress and changes to social security benefits. Below is an overview of the initiatives and changes that may help you.

Superannuation initiatives

Early access to super

A further $10,000 can be accessed from 1 July 2020 until 24 September 2020.

You may be eligible for early access to your super if you are either:

- unemployed
- eligible for a Jobseeker payment, Youth Allowance payment for job seekers, Parenting Payment, special benefit or farm household allowance.

You may also be eligible if (on or after 1 January 2020) you:

- were made redundant
- had your working hours reduced by 20% or more
- are a sole trader and your business was suspended or you experienced a reduction in business turnover of 20% or more.

These payments are tax-free and not treated as income under the Centrelink income test.

How to apply for a lump sum compassionate payment?

1. **Apply directly to the Australian Taxation Office (ATO)** through your myGov account via the myGov website (www.mygov.au). You'll need to have a myGov account set up and linked to your ATO account.
2. If eligible, the ATO will issue a 'determination notice' to you and will also provide a copy to your super fund, authorising them to release your super and make a payment to you.
3. Your super fund will then automatically pay the lump sum from your super account to your nominated bank account via Direct Credit. You do not need to inform them to do this.

For more information, please refer to the Government's website at **treasury.gov.au/coronavirus/households**

Minimum pension payments

To help you if you're a retiree, the minimum pension payments you are required to withdraw from your account-based pension or similar product will be reduced by 50% as follows:

Age	Default minimum drawdown rates (%)	Reduced by 50% in 2019/20 and 2020/21 income years (%)
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 and older	14	7

If you're interested in discussing this option, please contact us.

Social security payments and changes

Lump sum payments

You may be eligible to receive up to two, separate, tax-free $750 lump sum payments if you receive one or more Centrelink payments or concession cards as shown in the table below.

A single person may receive up to $1,500 and couples may receive up to $3,000 from the first and second payments.

You do not need to apply for these payments, Centrelink will automatically allocate this to you depending on your eligibility.

Eligible for up to 2 x $750 lump sums	If you receive one of the payments below you are likely to receive the first lump sum and receive the Coronavirus Supplement rather than the second lump sum
• Age pension • Disability support pension • Carer Payment • Widow B Pension • ABSTUDY (Living Allowance) • Austudy • Bereavement Allowance • Newstart Allowance • Family Tax Benefit (includes Double Orphan Pension) • Carer Allowance • Pensioner Concession Card holders • Commonwealth Seniors Health Card holders • Veterans Service Pension; Veteran Income Support Supplement • Veteran Compensation Payments (includes lump sum payments) • War Widow pension, and Veteran Payment • DVA PCC holders • Disability Pensioners at the temporary special rate • DVA income support pensioners at $0 rate • DVA Gold Card holders	• Parenting Payment • Wife Pension • Jobseeker Payment • Youth Allowance Jobseeker • Partner Allowance • Sickness Allowance • Special Benefit • Widow Allowance • Farm Household Allowance

Note: The payments will not be treated as income for Social Security, DVA and Farm Household Allowance purposes.

Coronavirus Supplement

From 27 April 2020, if you are eligible (see column two in the table above) you will be **automatically** paid the Coronavirus Supplement. The Coronavirus Supplement is a taxable $550 fortnightly payment for six months.

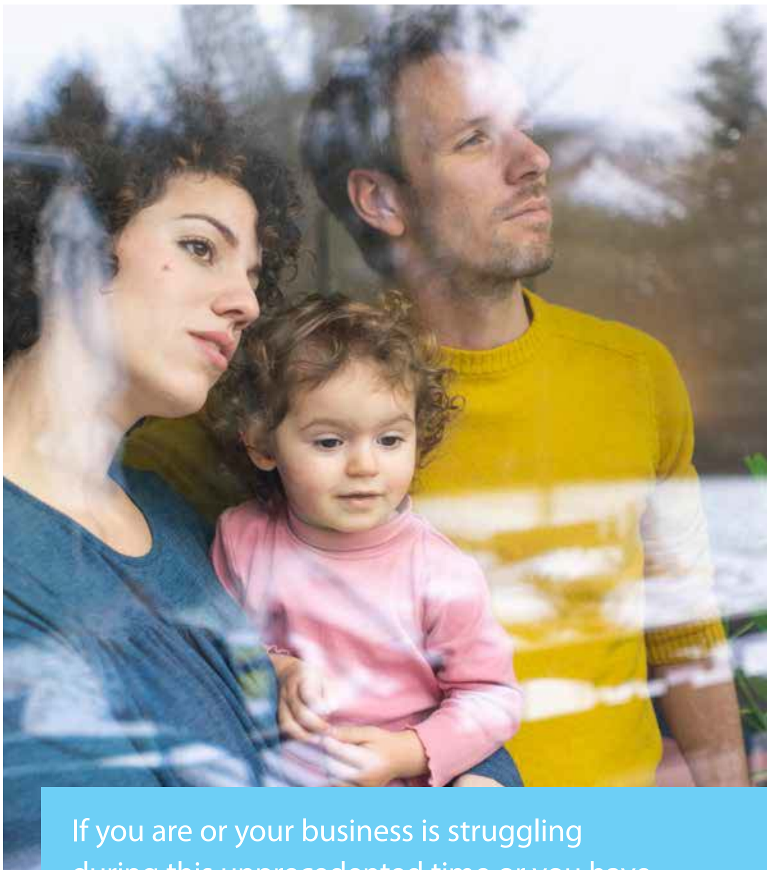
Other income support during the six-month period:

- Waiving the asset test for Jobseeker Payment, Youth Allowance Jobseeker, and Parenting Payment.
- The income test will continue to apply to the other payments you receive.
- The one-week ordinary waiting period, liquid assets waiting period, seasonal work preclusion period and newly arrived residents waiting period will not apply during this period. These waiting periods will also be waived if you are currently within these waiting periods.
- Income maintenance periods and compensation preclusion periods will continue to apply as payments received by an individual are treated as income.

If you wish to make an application please go online to your myGov account or phone Centrelink.

More information

For more information, including help for businesses, please refer to the Government's website at **treasury.gov.au/coronavirus/households**.



If you are or your business is struggling during this unprecedented time or you have any questions, please contact us.

The electric car revolution

Vehicles powered by fossil fuels are one of the major contributors to global warming and air pollution.

With transportation the third-largest source of greenhouse gas emissions in Australia[1], one way of reducing your carbon footprint, living more sustainably and saving money, could be through the purchase of an electric vehicle (EV).

Previously occupying a niche luxury market dominated by Nissan and Telsa, EVs are growing in popularity and are set to become more mainstream with manufacturers such as Hyundai, Kia and Mini releasing more affordable options later this year.

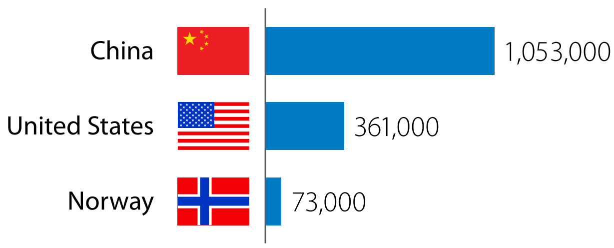
Besides price, other barriers to ownership such as recharging are being addressed with innovations and improvements to the electronic EV charging network. In this article we examine the rise of the EV and the role it will play in a green transport furutre.

The global growth of electric cars

Over the past ten years, electric car popularity has grown steadily and at the beginning of 2019 there were 5.6 million on the road across the world. [2]

As the graphic below highlights, China leads the way in terms of total EV sales with 45% of the market, closely followed by Europe and the US.

Top 3 markets by total EV sales in 2018



Source: Electrive website 'Number of plug-in cars climbs to 5.6M worldwide' February 2019.

Norway remains the global leader with 46% market share.[3] This position is supported by a number of Government incentives including placing a high stamp duty on internal combustion vehicles and exempting EVs from both stamp duty and their GST equivalent of value-added tax (VAT).

They also provide their owners with a total exemption from road tolls, free car ferry travel, free recharge sites, free parking and access to bus lanes for all EV drivers.

Globally, electric cars are gaining momentum. UK Prime Minister Boris Johnson recently announced his intent to ban the sale of petrol and diesel cars from 2035 and China is rolling out initiatives to wean the country off fossil fuel-powered cars. As a result, EV sales are set to hit nearly 5.5 million units by 2025.

In Australia, while sales of electric cars tripled in 2019, that figure only amounted to 6718 vehicles compared to over one million sales of fossil-fueled vehicles.

The benefits of going electric

The most obvious benefit of going electric is cutting down on fossil fuel use to reduce your carbon footprint. The average new car emits 182 grams of carbon dioxide per kilometre, with older vehicles emitting even more.[4]

EVs have no exhaust emissions meaning they don't directly pollute the air. Of course, you need to consider the source of your electricity in the first place. If you use 'green' or renewable electricity to charge your car, or if you have a home-based solar-powered charging station, you'll be minimising your carbon footprint.

1 Climate Council website, 'Transport emissions: driving down car pollution in cities', September 2017.
2 Electrive website, 'Number of plug-in cars climbs to 5.6M worldwide', February 2019.
3 The Conversation website, 'Electric car sales tripled last year. Here's what we can do to keep them growing', February 2020.
4 Emissions Australian Government website, 'Green Vehicle Guide'.

Cost-wise, EVs are more economical to run. Even charging from the main power grid, a fully-charged car will cost you around a third of the price of a tank of fossil fuel.

And then there's maintenance. As EVs have significantly less moving parts than a traditional petrol or diesel car, the cost of servicing is also greatly reduced. No exhaust systems, starter motors, fuel injection systems or radiators means less maintenance and fewer service bills. Battery packs are expensive, however, and may need replacing during the lifecycle of the vehicle.

When it comes to registration and stamp duty, there are also benefits depending on which state you live in. In the ACT, new EVs pay zero stamp duty and are eligible for a 20% registration discount. In Victoria, EVs have a $100 annual registration discount, while in Victoria and Queensland you'll benefit from a reduced rate of stamp duty [5]

While running costs of an EV are much less than a petrol or diesel car, it's worth noting that, at present, the costs of an EV are significantly higher. If you buy a brand new EV you won't be left with much change from $50,000 and when a comparable fossil-fueled car is around half the price, you've got to be in it for the greater good - and the long term.

How far will it go?

The biggest practical stumbling block for many people in relation to EVs is refueling. When driving a petrol or diesel car, it's easy to get a tank full of fuel in a matter of minutes and be on your way.

This is known as 'range anxiety' and it's often cited by people as a major reason for why they decide not to purchase an EV. Depending on where you live and how far you travel, an EV requires more forethought and planning – at least for now.

When it comes to public charging infrastructure in Australia, there's been a dramatic upward trend. The International Energy Agency reports that the number of public charging stations increased by 143% between June 2018 and July 2019 and there are now almost 800 across Australia.[6]

Another benefit is safety. EVs are less likely to roll thanks to their lower centre of gravity. Their body construction and durability makes them a safe option in a collision and they are also less likely to catch fire.

If you want to do your bit for the global environment, an electric vehicle is certainly worth considering.

5 Tesla website, 'Vehicle & energy incentives'.
6 Electric Vehicle Council, 'State of electric vehicles', August 2019.

Fight or flight? When 'black swan' event happen

When unsettling events such as the coronavirus (COVID-19) outbreak and market volatility dominate the news, it's natural for investors to question and second-guess their investment strategy. As hard as it is to do nothing, it will serve investors best not to flap about in disarray, focus on the facts and remain calm.

What is a 'black swan' event?

A 'black swan' is an unpredictable event that is beyond what is normally expected of a situation and has (potentially) severe consequences. Black swan events are characterised by their extreme rarity and their severe impact. In recent weeks the global economy has been faced with two black swan events – the ongoing coronavirus and the unexpected Russian assault on oil prices, sparking volatility in markets and anxiety in investors.

In our opinion, both these situations will resolve themselves in time. However, the big debate across the country, and the globe, is around the issue of the medium-term economic impact and where-to-from-here? The reality is that periods of short-term volatility are inevitable and shocks to sharemarkets are not unusual. Even so, these types of events create uncertainty and often leave investors with the urge to do something.

Focusing on valuations is key

It is too early to assess whether the coronavirus outbreak will have a long-lasting negative impact on the global economy, but we believe immediate evidence points to a short-term impact (assuming health officials are successful at containing the outbreak).

If the impact is short-term, price declines have created buying opportunities and some asset classes have emerged as attractive to us. Warren Buffett, chairman and CEO of Berkshire Hathaway, has recently said "you don't buy or sell a business based on today's headlines. If the market gives you a chance to buy something you like and you can buy it even cheaper, then it's your good luck."

Oil price wars adding fuel to the fire

The second black swan event (which was most prevalent in the markets on Monday 9 March 2020) was the surprise and significant fall in oil prices. The decline was mainly caused by the inability of the OPEC+ alliance/cartel to agree to cut production, following the global slow down brought about by the Coronavirus. Instead, two of the largest oil-producing countries (Russia and Saudi Arabia) increased output, which led to a complete oversupply of oil, resulting in the significant drop in the oil price.

In our opinion, the dramatic move in the oil price is a short-term occurrence and we foresee prices returning to a more normalised level once coronavirus pressures have declined and growth fears start to abate.

When is the right time to buy assets?

Anyone that proclaims they know the perfect time to buy is likely lying or has been very lucky.

Our approach is to focus on probabilities: we change our positioning according to how extreme an asset is priced. In other words, we may buy an asset if we find it is attractively priced; if its price falls, we may buy more because—all else equal—it would have grown more attractive. We buy when we are being rewarded for the risk of taking on that investment.

What portfolio changes have been made?

The current volatility has, once again, highlighted the importance of effective portfolio management, asset class diversification and pricing in risk to protect capital.

Heading into this period of volatility, we had been positioning our portfolios away from the most expensive asset classes and markets, favouring better priced investments and cash. However, since the market volatility began in late February, we have seen rapid and meaningful declines in Australian and global sharemarkets. We have seen indiscriminate selling, with all global equity sectors recording losses regardless of their underlying fundamentals. With these declines, we have taken the opportunity to increase the portfolios' exposure to growth by adding to Australian and global sharemarkets, most notably global energy shares, which have seen dramatic price declines.

Considering taking flight?

There are always reasons not to invest, however, take a moment to reflect over the past 100 years. We've been through two world wars, over a dozen recessions, a financial crisis, and a Great Depression, to name a few. Put in this context, the coronavirus fears are likely to eventually pass. We have seen governments and central banks around the world responding to the coronavirus impacts on the economy through massive spending programs and lower interest rates.

While the consideration to move assets to cash is an understandable response to recession fears, we believe that investors should stay focused on their long-term financial goals and remain calm.

Over the past decade, we have seen a steady rise in global sharemarkets; most notably, we have seen the longest rise in U.S shares in history. It is important to remember that there are times when markets can and do fall, and that market declines are a normal part of the business cycle. While market weakness is uncomfortable, it is important to keep a focus on the long term, rather than be distracted by short term events.

We are closely monitoring markets and the portfolios to ensure that we take opportunities to buy good assets at cheaper prices. [7]

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