TechKnow Podcast - June 2025 – New financial year, new opportunities

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Transcript

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With the start of a new financial year now here, in many instances it's time to reset and look at what new opportunities this provides for clients. From changes to a range of thresholds, indexation of some payments, and new rules in some instances, there are a wide range of opportunities for you, as advisers, to discuss with your clients.

Hello, and welcome to this TechKnow podcast, brought to you by the BT Technical Services team. Before we begin, I'd like to acknowledge the traditional owners of the land on which we are recording today, the Gadigal People of the Eora Nation here in Sydney, and pay my respects to elders past, present and emerging.

My name is Bryan Ashenden, and I have the pleasure of leading the BT Technical Services team – a team of qualified individuals who are here to help you, as advisers, deliver strategies to clients that will make a difference to their future.

1 July brings with it a number of changes. This year we have seen indexation of the transfer balance cap and total super balance thresholds, as well as the indexation of a number of other thresholds and payments, and we will get to them momentarily. But one other change we have recently seen will not come into effect from 1 July as originally planned, but instead has been deferred to 1 November of this year, and that is in relation to changes to the way clients will need to contribute to the way they fund aged care and related costs. This deferral is important as it gives you more time to work through options with affected clients, both those in aged care already and those planning towards it, to see if they are better off under existing arrangements or those taking effect from 1 November.

To help look at the benefits of aged care discussions with clients, in the second half of this TechKnow podcast, Michael Tran from our BT Technical Services team will be in conversation with Maggie Goodwin from Forbes Grainger Financial Services, talking about aged care and ways to approach these discussions with clients.

But before we get to that, let's have a quick recap on what has changed from 1 July and what this might mean for clients.

The biggest changes are no doubt in the superannuation space, with indexation of the general transfer balance cap and the total super balance thresholds from 1 July 2025, with both lifting from $1.9M to the new thresholds of $2M.

From a retirement planning perspective, this creates an opportunity for clients to be able to get more money into the superannuation system if they have the means to do so. Whilst the contribution caps themselves haven't indexed, remaining at $120,000 per annum this year for non-concessional contributions, it does mean clients who had a total super balance at 30 June 2025 of between $1.9m and $2.0m will have the opportunity this financial year to make a non-concessional contribution of up to $120,000. And in line with the indexation of the total super balance threshold, the levels at which the bring forward opportunity to make either a 2 or 3 year contribution have also increased by $100,000.

And of course, once the money is in super and as clients consider retirement, the indexation of the general transfer balance cap means more money can potentially be transferred to pension phase. We have to say "potentially" as clients only gain some benefit from this indexation if they have not previously maximised their personal transfer balance cap position.

Other thresholds that indexed at 1 July were those relating to a client's ability to qualify for a government co-contribution, and small business CGT thresholds that govern how much could potentially be contributed under the small business CGT exemption option.

And whilst there were also a number of thresholds that did index, it's also important to remember there are some that don't and haven't indexed. This includes the thresholds for a spouse super contribution tax offset, the downsizer contribution limit, and the $500,000 level to utilise carry forward concessional contributions.

It would also be remiss not to mention Division 296 tax – whilst legislation to enact this is still yet to be introduced and passed through the new Parliament, it is still expected to have a 1 July 2025 start date, so may factor into retirement calculations for some clients.

1 July also resulted in the indexation of asset test thresholds for Centrelink payments. Whilst not indexation of the rates of payments themselves, the indexation of the asset test thresholds could result in increased payments for some recipients if their level of assets has remained consistent.

Finally, it is also important to be cautious of ensuring minimum payments are made from superannuation pension accounts each year. Recent comments from the ATO on when pensions start and stop now have the potential to result in more severe consequences in situations where pension requirements are not met. This perhaps has the potential to occur more often in the self managed super environment, where systems are perhaps not as robust as you see in the retail super environment.

Ok, it's time for a short break now, after which we will come back and listen to a discussion between Michael Tran from BT and Maggie Goodwin from Forbes Grainger Financial Services around client engagement on the important topic of aged care planning. So don't go anywhere, we will be back in less than a minute.

Welcome back to our Techknow podcast, and I'll now hand over to Michael Tran for a discussion around aged care.

Michael Tran (MT)

Thanks, Bryan. As mentioned, joining me today to discuss the important topic of aged care and different ways about introducing the concept to clients is Maggie Goodwin, welcome Maggie.

Maggie Goodwin (MG)

Thank you very much for having me Michael.

MT

Maggie currently performs dual roles as a Paraplanner and Client Services Manager at Forbes Grainger Financial Services. She has a keen interest in aged care and how to broach the topic with clients. She's worked in financial planning for approximately 20 years, holds an Advanced Diploma in Financial Planning, a Diploma in Paraplanning, and an accreditation in the area of aged care. We'll jump straight into the questions, Maggie. Why do you see aged care as such an important topic to raise with clients?

MG

Look, I believe it is a very important topic to raise with clients. There's an ageing population, the legislation that's changing in November is going to mean that the client who can afford to pay for aged care is going to actually have to pay more. So there's more planning, and obviously looking into the client's situation to be able to afford those costs of the clients that are going into aged care.

MT

Really good points that you make there. I think it's something that a lot of advisers need to be made aware of if they're not already, but the aged care changes, which were initially meant to start at the start of this financial year, have actually been delayed till 1 November to give providers a bit more time to adjust. But it also gives advisers a bit of time to adjust to the new rules as well. With the Code of Ethics that advisers have to comply with, standard number six does request advisers to take into account broad and long term effects and the likely circumstances of clients. So I think aged care is certainly something that they would want to look at. On the topic of aged care, how do you raise it? What gets clients' interest in this important area?

MG

Look, we usually bring it up at review time with the client, so it's an organic sort of approach to the conversation. The client will usually talk about their parents, what they're going through in life, how that's affecting them. So in turn, that brings it back to their client situation and how that affects them, so it's of quite high importance for them because it starts them having that conversation about how they're going to preserve money for the future and how it may affect them in the future.

MT

Would you say that a lot of the time it will come up as a result of health issues that pop up from their elderly parents, maybe they've had a fall or they've had to be hospitalised? Do you also perhaps see some cases where clients have looked at the fees associated…

they've seen a really high accommodation cost that they think they need to pay upfront and perhaps they're concerned about that as well?

MG

The fee situation definitely comes up in conversation all the time. I think people just look at the cost, the accommodation cost, what needs to be paid upfront and usually with the RAD and they do worry about the affordability of something like that… instead of being in an investment where there's growth and interest on that.

MT

It's typically an area that’s really showing an adviser’s value as well when helping clients manage that type of cost and their expectations going into it. You mentioned before that you would generally broach the topic organically with clients, particularly those that are around retirement phase. Who would you target? Would it typically be those that are entering into retirement and kind of starting that discussion with them, so managing their expectations to really think well, they've looked at a sum that they want to invest for their retirement income, but perhaps they haven't really thought about the aged care costs element? Or would you say that those clients are probably going to have elderly parents and that's really who you're talking about during meetings. You're not really talking about aged care with the clients that you're providing the retirement advice to, but to their parents?

MG

Generally at the moment, a lot of our conversations are with the clients and it is in relation to their parents. So we've got clients at the baby boomer stage who haven't quite got to the retirement stage, which is the 50 to 60 year olds, I think which is probably our main clientele. So, yeah, it's really generally about health problems with the parents that has triggered the conversations.

MT

And what would you say about a split between clients who come in, perhaps a bit too late or reactively as compared to perhaps those where you could actually plan a little bit more? So where you're really bringing it up prospectively?

MG

OK. So the majority of the clients, it is usually last minute. It's obviously when there was a health issue. You're dealing with the children, you're dealing with the partner of the person that's gone into care, so you're generally a support and guidance for the client who's going into care.

MT

And have you seen any unfortunate situations where clients have been impacted because of their poor planning around this?

MG

Look, generally we haven't. But cases where that could happen is where a client has to sell assets that have triggered a high capital gain and obviously the tax liability with the client or another possibility could be that a client's gone into care and the partner hasn't realised that the home is exempt and have sold the home… they're possibilities where something like that could happen, but we haven't actually seen it.

MT

That's very surprising. I think at least for us on the hotline, we come across a lot of cases where they've taken action before coming in to see an adviser, that have sold the home already, but it's good to get your view as well… what you're seeing in practise. I think the earlier you can really bring up the topic with clients, the better… the more options you'll have as a result. And yeah, you mentioned that as well.

What are some of the common misconceptions you see clients hold on the topic of aged care?

MG

Look, it is definitely the cost. I think a lot of people think it's very, very expensive. They don't understand why they have to pay the accommodation costs. Generally that is what comes up all the time. People are really worried about the RAD or the accommodation costs that comes associated with that.

MT

Would you say the misconception comes from not realising that it's actually refunded – or at least whatever hasn't been eaten away by any other aged care cost – is refunded to their surviving partner if they have one, or their estate? Or is it moreso that you don't actually have to pay that large lump sum… you will pay the interest instead?

MG

Yep, I think it's a little bit of both. I think one – it's quite a large lump sum, and two – I think a lot of the children and the partners feel like that money should be invested elsewhere rather than with the aged care facility.

MT

I see. That's a really good point you raise there. Perhaps the children don't really see the mechanics or the number crunching behind it, you know, you are paying such a high interest rate. And typically when you are paying that RAD or deposit, potentially a client who wasn't receiving any age pension might start receiving some age pension as a result, because the RAD is an exempt asset. Yeah, that's really good insight into what clients think and the benefits of advice that an adviser can provide.

Do you see many clients thinking about residential age care as a last resort? Are they often exploring other options… staying with their adult children to provide them with care where they can? Is it really just something that they're trying to put off as much as possible?

MG

The experiences we have had is that it is a last resort and it's not really the going into care with the family, it's more them wanting to stay in their homes. Obviously that's where they've grown their families and that's their comfort, and the familiarity of being at home so they don't really want to go into care. So we've actually had a… it actually wasn't a client, it was a really good family friend where a parent went into care and lasted four weeks. Absolutely refused to stay there… 92, lots of falls and went back into the family home, so she was lucky because they had a lot of support, but it's not always the case.

MT

Yeah, having that familiar environment, having your own space rather than perhaps sharing a room or having common areas in the aged care facility. Also, probably being part of your community, having your neighbours, familiar faces, compared to just staying in that facility… it is really something that a lot of older Australians don't want to do.

And when do you think is an appropriate life stage to bring up the topic of aged care with clients? Do you see it as an opportunity prior to retirement? I think you did say really those that are entering into retirement phase. Is there any merit at all raising it with clients who are pre-retirees? Perhaps allowing you to manage their expectations about the cost? Or that they might need to save a bit more in retirement?

MG

Generally it is just at the first stage of retirement. Look, it wouldn't hurt to bring it up earlier, but I feel like pre-retirees have got other interests and objectives that they're trying to fulfil, like mortgages and saving for retirement. So basically we do bring it up around retirement, at the first stage of the three stages of retirement. So about 10 to 15 years out of the possibility of going into aged care. Usually it's when they're still active and having those conversations in relation to estate planning and then they can talk to their children about what's going on, where they would like to stay… what sort of facilities they may like to go into if that does occur. It's not really a conversation clients like to talk about because obviously it's a long time away, but all those sort of conversations should be happening around the first stage of retirement.

MT

I think that's a pretty good call there. As you say, where it's further in terms of the distance in their mindset, they're probably not going to be too committed. Perhaps just a really good conversation starter, making clients somewhat aware that residential aged care exists. But really going into the details, really going into their preferences as you say – their goals and what they expect – are probably a better conversation to have for people who are closer to retirement.

That's all we have time for today. Lots of insights and many ideas for you to think about. Thank you so much for your time and sharing your perspectives, Maggie.

MG

Thank you Michael. Appreciate it.

MT

I'll now hand it back to you, Bryan.

BA

Thanks Michael and also thanks to you Maggie. From your conversation it is clear that the earlier conversations can be had around aged care planning, the more informed clients will be and the more myths that can be dispelled, making decision making easier and clearer for clients.

Staying on the topic of changes to aged care, in our next BT Academy webinar scheduled for midday Australian Eastern Time on 16 July 2025, Michael Tran will be back to discuss the topic of Support at Home programs. With the government recently announcing that the aged care reforms will be delayed until 1 November 2025, this not only provides more time for facility providers to prepare their clients and for the Government to also finalise subordinate legislation, the real benefit is giving you as advisers more time to address this topic with your clients. In this next BT Academy webinar, Michael will focus on the proposed changes that we know so far regarding Home Care Packages, which will be renamed to the Support at Home program and he will cover:

- Eligibility for subsidised in-home care
- Outline the steps involved to become a Support at Home participant
- Identify the amount of financial support that can be received as well as the costs paid by participants, and
- Review the new means test and some strategies that may reduce a participants individual contributions

To register, simply head to www.bt.com.au/professional and navigate to the BT Academy Events and Webinars page. At the same time, you can also explore our previous webinars which are all available on demand and if delivered within last 12 months will qualify for CPD.

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Thanks for joining us today, and until next time, bye for now.