inTouch

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Make your tax cut work for you

You may pay less tax when tax cuts take effect from 1 July. While the tax savings will depend on your circumstances, it's important to think about the best way to use them.

For some of us, the savings may be needed to meet regular household expenses and manage cost of living increases. But if you have capacity, there are ways you may be able to use the tax savings to improve your financial position, such as reducing debt, investing or boosting your super.

The key is to make a conscious decision to put the tax savings to work in a way that suits you.

Who benefits from the changes?

The Government estimates approximately 13.6 million Australian taxpayers will pay less tax when the 'Stage 3 tax cuts' commence from 1 July. The table on this page illustrates the potential tax savings at different taxable incomes. To estimate your tax savings, check out the calculator in the taxcuts.gov.au website.

Taxable income	Tax payable in 2023/24	Tax payable from 1 July 2024	Tax saving
$40,000	$4,367	$3,713	$654
$80,000	$18,067	$16,388	$1,679
$120,000	$31,867	$29,188	$2,679
$160,000	$47,467	$43,738	$3,729
$200,000	$64,667	$60,138	$4,529

Note: Calculations based on Government calculator at taxcuts.gov.au and takes into account the Low income tax offset and Medicare levy.

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Smart ways to use your tax savings

There are many options to consider if you'd like to put your tax savings to work.

You may want to make additional mortgage repayments, where you can effectively 'earn' the loan interest rate tax-free.

Another option is investing in your own name, such as in term deposits, shares or managed investments. This could suit when planning for certain goals where you may need to access the money before you retire, like children's education.

You could also consider contributing to super, where there may be significant tax and other benefits. For instance:

- you may be able to arrange for your employer to contribute some of your pre-tax salary into super, via 'salary sacrifice' (see the case study)
- you may be able to claim personal super contributions as a tax deduction
- if you're a lower income earner and make personal contributions, you may be eligible for a Government co-contribution of up to $500, and
- if you contribute on behalf of a low-income spouse, you may be eligible for a tax offset of up to $540.

But remember, there are caps on how much you can contribute to super and additional tax and penalties may apply if you exceed the caps. Also, you can't access the money until you retire or meet other conditions.

Case Study

Using your tax cut to boost your super with salary sacrifice

Horace, aged 55, earns a taxable income of $120,000 and his tax savings in 2024/25 will be $2,679. He wants to boost his retirement savings using super.

His financial adviser works out that even though his tax savings will be $2,679 after tax, he could salary sacrifice as much as $3,940 before tax and still receive the same after-tax income in 2024/25. This is because salary sacrifice contributions are made with pre-tax dollars.

His super fund will deduct 15% tax from the amount he salary sacrifices, which will reduce the contribution to $3,349. But this is still $670 more than the tax saving of $2,679 he would have received as additional take-home pay if he didn't salary sacrifice.

How you can benefit?

We can help you work out how you could beneficially use your tax cut from 1 July to achieve your short, medium and longer term goals.

Music, maestro!

It's never too late to learn a musical instrument. And, as well as picking up a new skill, learning a musical instrument can have a whole host of other benefits too.

As children, many of us will have experienced the joy – and frustration – of attempting to learn a musical instrument.

Whether that experience involved struggling to get a violin to produce anything more than a shrill screech or taking a starring role in a school production with the triangle will depend on a number of factors – and the reality is that, for the majority of us, playing a musical instrument isn't something that sticks.

Research from the Australia Council for the Arts[1] shows that just one in ten Australians play a musical instrument, with those numbers peaking between the ages of 15 and 24, with 28% of people in that age group creating music (including singing and writing, as well as playing).

As adults, however, learning a musical instrument can be hugely appealing. As well as living out daydreams of headlining a stadium gig or performing at the Opera House, learning a musical instrument later in life can have significant physical, social and psychological benefits.

A study in England supported by Exeter University[2] also shows that playing a musical instrument – particularly the piano – is linked to improved memory and executive function (the ability to solve complex tasks). Continuing to play into later life, meanwhile, provides an even greater benefit.

The Journal of Neuroscience has found that playing a musical instrument can improve neuroplasticity[3] (the ability of the brain to reorganise and adapt in response to new experiences). Research has also found that adults who take part in group music-making sessions experience a reduction in stress, anxiety, and depression.

Learning to play a musical instrument can also give a sense of purpose and accomplishment. The intricate finger movements and coordination required to play musical instruments can help improve fine motor skills.

Is it possible to learn a musical instrument later in life?

Absolutely. However, the notion that it is easier to learn new skills as a child is correct. Research[4] has found that children experience a rapid increase in gamma-aminobutyric acid (GABA) when they take part in visual training and this learning carries on even after that training is over. In adults, on the other hand, GABA levels remained unchanged.

How to get started

So, you've decided to take up a musical instrument – but how do you choose which one to play?

Here are some things to consider.

- What suits where you live? If you live on an acreage in a rural area, a drum kit could be great. Less so if you're surrounded by neighbours in the city.
- What sort of music do you enjoy and which musical pieces would you like to play? You'll find it easier if you're learning songs or tracks you know and enjoy.
- How much money do you want to spend on an instrument? Second-hand instruments are great, however, some are easier to find than others.
- Do you want lessons or would you rather teach yourself? If it's the former, who's teaching locally?
- If you're considering playing a musical instrument to widen social circles, which groups operate locally?

There are a huge number of websites and apps that offer free music lessons, so take time to explore what the internet has to offer and see what might fit your learning style.

The importance of practice

While everyone is different, it's estimated[5] that it takes 1-3 hours of study and practice every day for 10-15 years to master an instrument. Don't let that put you off, however, because the reality is that any musical instrument is a lifelong learning experience – one that only a few truly perfect – and you can very quickly make noticeable and fulfilling progress.

Sources: [1]https://creative.gov.au/wp-content/uploads/2021/08/NAPS-Artform-Fact-Sheets_Music.pdf [2]https://news.exeter.ac.uk/faculty-of-health-and-life-sciences/playing-an-instrument-linked-to-better-brain-health-in-older-adults [3]https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5619060/ [4]https://www.cell.com/current-biology/fulltext/S0960-9822(22)01629-3 [5]https://leadingmusicians.com/music-mastery/how-long-does-it-take-to-master-an-instrument/

Do I need life insurance once I retire?

Getting older means you can finally start to enjoy your life's work. But just because you've hung up your employment boots, life can still throw some unexpected curveballs at your retirement goals, so it's worth being prepared.

Am I still eligible for life insurance when I retire?

Yes, you can take out life insurance as long as you meet the age requirements set by the insurer. Most policies allow you to apply all the way up to age 65. Generally, this means you can still apply for cover after leaving the workforce or withdrawing your super, so there's plenty of time to start looking out for the people you've worked hard to provide for (including yourself).

What can life insurance do for my retirement?

Life is still full of surprises after you retire. That's good news if you're the adventurous type but it's worth having a Plan B in case you pass away or your physical health doesn't hold up. Keep in mind that you'll no longer be earning a steady income during retirement so you'll need to ration your super carefully – large financial setbacks like an injury or illness could interrupt your hard-earned plans to travel or enjoy a comfortable lifestyle after decades of working. Your surviving partner or spouse's living situation could also change if you weren't around to support them emotionally, physically, or financially.

It's also worth thinking about any dependants that still rely on you. The recent pandemic saw an increase in "Boomerang Kids" (adults forced to move back in with their parents after losing their job), which could mean that financially independent children aren't as independent as they seemed. If you'd like to be able to help your kids or grandkids during uncertain times, then life insurance could provide a good safety net for them if you were to suddenly pass away later in life.

Should I review my policy as I get closer to retirement?

It's worth considering. People's needs tend to change as they get older or stop working so your policy should generally reflect any new plans or financial circumstances. For example, your existing benefit amount might be too high or too low for your retirement goals. To avoid paying for cover you don't need or being under-insured, your level of cover could reflect things like:

- your age and health
- your financial position, including debts, assets, mortgages, and how much superannuation you have
- the number of dependants you'd like to consider (spouse, children, grandchildren, or even siblings)
- any other insurance policies or payments that you and your family can rely on (inheritance, funeral insurance, or the Age Pension).

You can always reach out for a chat if you'd like to adjust or review your policy. Until then, enjoy your countdown to retirement!

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Thinking ahead? Let's talk about strategies for creating a positive financial future.

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