Now&Next

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6

Staying one step ahead of cybercrime

Mind the gap: Will the super guarantee rate increase?

Jumping on the electric bandwagon

Count
Professional Partnerships, Trusted Advice

Welcome to the Autumn 2021 edition of Now & Next

With 2021 now in full swing, people are starting to feel more optimistic about a return to 'normality', as a COVID-19 vaccine rolls out across Australia. It's also an important time to think about your financial situation and some of the opportunities that are on the horizon.

Staying one step ahead of cybercrime

With some of the world's largest and most reputable organisations falling victim to cyber attacks, it's time to take a fresh look at what you're doing to protect your own personal and financial data. We also look at some of the biggest threats in 2021 and what you can do to be prepared.

Mind the gap: Will the super guarantee rate increase?

From 1 July 2021, the amount of super paid to you by your employer is legislated to increase. However, with the Federal Government reportedly reconsidering July's super guarantee increase, we look at the potential impact of leaving the rate unchanged – and what it could mean for your retirement.

Jumping on the electric bandwagon

As the number of EVs on the road reaches critical mass, and more governments and business invest in recharging infrastructure, the EV revolution is only set to accelerate. Electric vehicles aren't just popular with environmentalists – they've become share market darlings too. So what are the market forces driving the electric vehicle revolution, and what does it mean for consumers, investors and the planet?

Staying one step ahead of cybercrime

With some of the world's largest and most reputable organisations falling victim to cyber attacks, it's time to take a fresh look at what you're doing to protect your own personal and financial data.

SolarWinds may sound like something only an astronomer need worry about. But in 2020 it became better known as "the largest and most sophisticated [cyber] attack the world has ever seen", according to Microsoft President Brad Smith.[1]

Named after one of the companies whose software was hijacked, the SolarWinds attack is reported to have affected companies as large and secure as Microsoft, Cisco and Intel, as well as US government agencies including the Pentagon.

Closer to home, our financial services corporate regulator, the Australian Securities and Investments Commission (ASIC), recently fell victim to a software breach that also hit the Reserve Bank of New Zealand.[2]

High-profile attacks like these highlight the growing risks of cybercrime, and the importance of acting now to protect your data as well as your clients' information. Here are some of the most common threats you need to be aware of, and the steps you can take to protect yourself.

The biggest threats in 2021

Remote working

The threat

When COVID-19 took hold, many workplaces closed and sent their staff home to work. While some offices have since reopened, many Australian workers continue to work remotely without the benefit of on-site IT support, secure servers and hardened networks. That brings increased security risks.

What you can do about it

- If you or your staff are working from home, make sure everyone has enabled automatic software and security updates.
- Install reputable and reliable anti-virus programs and keep them up-to-date.
- Use strong 'passphrases' instead of passwords and use a different one for each website and app.
- Use a trusted and secure wi-fi source.
- Activate two-factor identification for employees accessing office systems.
- Use secure teleconferencing and messaging services, and be aware of services such as Zoom having possible security vulnerabilities.[3]

Pandemic-related phishing

The threat

Cybercriminals have taken advantage of the pandemic to send a higher volume of phishing emails to unsuspecting victims. Phishing emails entice users to click on a link, open an infected attachment, or enter passwords and other personal information in a web page disguised to appear legitimate. They include emails purporting to be from government agencies, workplace systems or software providers, as well as financial institutions.

What you can do about it

- Never open an email or click on a link sent from a source you can't verify.
- Look for emails where the sender's name doesn't appear to match their email address, and links that aren't what you expect – for example, a URL similar to the real web address of a company, but with some tell-tale differences.
- Be wary of ZIP files, which can be used to disguise ransom-ware and malware, Microsoft Office files, which can contain embedded macros, and PDFs, which can be used to create and run JavaScript.[4]
- Be careful of organisations asking you to update or confirm personal details like passwords or PINs in direct messages.
- Remember that most banks will never ask for your banking information by email or text message, or ask you to click on a link to sign into your online banking.

Identity theft

The threat

Cybercriminals are attracted to a range of personal information – everything from your name and date of birth to your tax file number and online account login details. Once they've harvested your details, they can use them to create fake documents and apply for loans, benefits or even real ID documents.

What you can do about it

- Limit what you share online about yourself and your family.
- Stay on 'private'.
- Don't accept friend requests from strangers.
- If you notice unusual purchases on your bank statements or receive statements for loans and credit cards you haven't applied for, contact your bank immediately.

[1] Itnews, SolarWinds hack was 'largest and most sophisticated attack' ever: Microsoft, 15 February 2021.

[2] Australian Financial Review, ASIC says it was hit by cyber-attack, 25 January 2021.

[3] CPO, Why Enterprises Should Have Serious Concerns About the Security Shortcomings of Video Conferencing Platforms, 3 February 2021.

[4] Kaspersky, Top 4 dangerous file attachments, 2019.

Mind the gap:
Will the super guarantee rate increase?

With the Federal Government reportedly reconsidering July's super guarantee increase, we look at the potential impact of leaving the rate unchanged – and what it could mean for your retirement.

From 1 July 2021, the amount of super paid to you by your employer is legislated to increase.

Currently, the compulsory contribution rate is 9.5 per cent. But from the start of the next financial year this is expected to increase to 10 per cent – and then incrementally rise by half a per cent each year. By 2025, the super guarantee will peak at 12 per cent.

The increase is to help more Australians to earn enough super to help fund a more comfortable retirement, while also taking pressure off the government-paid age pension.

It's not the first time the super guarantee rate has increased – the last change was in 2014. But in the wake of the COVID-19 pandemic, which has seen businesses struggle and left many Australians unemployed, the government has hinted it might freeze the upcoming super increase.

> Super is a long-term investment. So, over time, raising the super-guarantee rate can have a significant impact on your future retirement savings.

What a rate increase could mean for you

Super is a long-term investment. So, over time, raising the super-guarantee rate can have a significant impact on your future retirement savings. Let's look at two examples.

Belinda is 35 years old, earns $75,000 a year and has a super balance of $102,000.[5] If the super guarantee rate rises to 12 per cent, her balance by retirement could reach more than $781,000. That's almost $83,000 more than if the rate stayed at 9.5 per cent.[6]

For Belinda, the super-guarantee increase could be the difference between living a 'modest' lifestyle in retirement, or a 'comfortable' lifestyle, as defined by the Association of Superannuation Funds of Australia's Retirement Standard.

At 55 years old, Mark is closer to retirement age. He earns $100,000 a year and has $330,000[7] in his super account. If the super guarantee increases to 12 per cent, and he retires within the next 10 years, his balance could be almost $22,000 higher than if the rate stayed at 9.5 per cent.[8]

What if the increase doesn't happen?

It's clear that increasing the super rate could make a big positive difference to super balances – particularly for those who still have a long time until retirement.

And it's not like we don't need it – many Australians are already falling well short when it comes to their super. For example, the average balance in 2020 for a 50-year-old man was $130,066 – almost $126,00 short of the balance needed for a comfortable retirement. For women, the gap is even larger.[9]

What's more, during the height of the COVID-19 pandemic in 2020, the government introduced an early-access super scheme to help struggling Australians. Around 2.5 million people withdrew up to $20,000 in funds, with many completely cleaning out their super accounts. For those who withdrew super, any plan to freeze the super guarantee increase could put them further behind in their savings – and result in worse financial outcomes in retirement.

[5] The Association of Superannuation Funds of Australia, Super Balance Detective – ASFA Super Guru, 2021

[6] Industry Super Australia, Your Super Guarantee » Industry Super, 2021

[7] The Association of Superannuation Funds of Australia, Super Balance Detective – ASFA Super Guru, 2021

[8] Industry Super Australia, Your Super Guarantee » Industry Super, 2021

[9] Ellie McLaughlin, Canstar (4 February 2020), Here's how much super Aussies need in their accounts right now to retire comfortably, accessed 17 February 2021

What to do if the super guarantee doesn't increase

Even if July's legislated rise doesn't go ahead, there are some things you can do to ensure your retirement savings keep growing.

Salary-sacrifice into your super

One effective way to top up your super account is through salary-sacrificing.

You can ask your employer to put some of your pre-tax income straight into your super, in addition to what's already paid as part of the super guarantee. Not only will this help you build your nest egg, but these contributions are generally taxed at just 15% – which may be lower than your marginal tax rate.

But be aware, the maximum you can contribute as salary sacrifice contributions depends on your age – with stiff penalties if you exceed the contributions cap.

Make a personal contribution

You can also make a non-concessional (after-tax) contribution directly into your super account – for example, as a lump sum amount from a bonus or inheritance.

By investing a lump sum payment into super, you'll benefit from the 15% tax rate on any investment earnings it makes – which is generally less than you'd pay for investments outside super. You can also share the love and boost your spouse's super balance with non-concessional contributions.

As with salary sacrifice, limits apply to the amounts you can contribute as non-concessional and spouse contributions. So, check with your financial adviser to make sure you stay under the caps.

Downsizer contributions

If you're over 65 years old and have owned your home for at least 10 years, you might be able to contribute up to $300,000 into your super account if you decide to sell your home and move into a smaller property, providing you meet the full list of criteria.

Speak with us to learn more

If you're not sure if you'll have enough money to retire comfortably, it's a good idea to speak with us. Super regulations are complex, but we can help you navigate the rules, to achieve financial freedom, now and in the future.

Jumping on the electric bandwagon

Electric vehicles aren't just popular with environmentalists – they've become sharemarket darlings too. So what are the market forces driving the electric vehicle revolution, and what does it mean for consumers, investors and the planet?

7 January 2021 was a red-letter day on global financial markets, when Elon Musk passed Jeff Bezos to become the world's richest person.[10] The next day, Tesla's market capitalisation surged even higher to over US$800 billion – more than most of the world's biggest carmakers combined.[11] It was an extraordinary achievement for the man at the forefront of the global electric vehicle revolution.

Yet while Tesla is an electric vehicle (EV) pioneer, it isn't alone. Industry giants like Ford and General Motors are rapidly catching up, with a succession of new models set to be released over the next few years.

General Motors has pledged to produce 30 new global EVs by 2025, and to stop making petrol-powered passenger cars, vans and SUVs entirely 10 years later.[12] Ford has promised to make electric vehicles affordable to the masses, with a range of cars, vans and pick-up trucks slated to cost between $28,000 and $100,000.[13]

As the number of EVs on the road reaches critical mass, and more governments and business invest in recharging infrastructure, the EV revolution is only set to accelerate.

[10] CNBC, Elon Musk is now the richest person in the world, passing Jeff Bezos, 8 January 2021

[11] Reuters, Tesla market value crosses $800 billion for the first time, 9 January 2021

[12] General Motors, Our Path to an All-Electric Future

[13] Drive, Ford's bold plan to make electric cars affordable, 9 November 2020

> EVs have become increasingly attractive thanks to improved batteries and greater availability of charging infrastructure.

Businesses, consumers and governments get on board

Lying behind this rapid change in direction is a surge in sales, as consumers jump on the electric bandwagon. In 2019, 2.1 million EVs were purchased globally – up two thirds from 2 years earlier.[14] EV sales jumped 80% in the US in 2018 – one of the world's strongest markets, alongside China and Europe. While COVID-19 has impacted more recent growth, EVs have become increasingly attractive thanks to improved batteries and greater availability of charging infrastructure. Bloomberg New Energy Finance predicts that by 2040, EV sales will make up nearly 60% of the global automotive market.[15]

Helping to fuel this growing popularity are new government regulations and subsidies as they seek to reduce carbon emissions. Recent developments include the introduction of new EU emission standards, US President Joe Biden's pledge to switch the American government vehicle fleet to EVs, and several countries announcing plans to phase out the sale of new petrol and diesel cars within the next 10 to 20 years, including the UK, France, Norway and the Netherlands.

With consumers and governments driving demand, businesses are investing rapidly – including energy companies looking to pivot into new technologies. Bloomberg New Energy Finance projects that 12 million public EV charging points will be needed globally by 2040, up from fewer than one million today, requiring an overall investment of about $111 billion.[16] That has seen companies like Shell and BP buy stakes in charging networks, as they seek to diversify from oil.

The appeal for consumers

So why are EV sales surging around the world? One of the biggest drawcards is cost. While still relatively expensive to buy, EVs are cheaper to 'fuel' and cheaper to maintain than traditional petrol cars. And EVs themselves are also becoming more affordable, largely thanks to the plummeting cost of EV batteries, down around 43% since 2016.

In the past, sales were limited by 'range anxiety' – the worry that even a fully charged electric car would run dry long before a petrol-driven car with a full tank. But this is becoming less of a concern, with EVs now on the market in Australia that can run for 500 kilometres on a single charge.[17]

Good news for the planet?

Underlying all of these changes is the global push to reduce carbon emissions. And there is no doubt that EVs are an important step towards a net zero emissions future. Yet that doesn't mean they are cost-free for the environment. There are still questions over how 'green' the current EV batteries really are, given their use of elements like lithium and nickel, both of which have been associated with severe mining pollution and other environmental concerns.

And ultimately EVs are only as carbon-free as the energy grids that power them. Which means that, unless we can replace coal-fired power stations with renewables as we electrify our vehicle fleet, the environment is still impacted.

What does it mean for investors?

For investors, the EV revolution presents both opportunities and risks. The huge investment already underway in EVs and charging infrastructure has the potential to generate significant returns for investors over several decades – provided they can identify the right investment vehicles. Yet there are also risks for those who remain exposed to traditional energy sectors, including the possibility of stranded assets.

Already, Australia's largest superannuation funds are divesting from fossil fuels as they seek to reduce risk and honour their commitment to achieving net zero by 2050.[18] And there are signs that individual investors are beginning to do the same, with a record US$20.9 billion flows into US sustainable funds in the first half of 2020.[19]

If you'd like to learn more about responsible investment options, speak with us to find out more.

[14] International Energy Agency, Global EV Outlook 2020

[15] Forbes, Plugging into the future: The electric vehicle market outlook, 2020

[16] Bloomberg Green, Electric Car Charging Stations Are Finally About To Take Off, 2020

[17] NRMA, Your questions answered – Electric Cars in Australia, 2021

[18] Business Insider, Australian super funds are quietly divesting from fossil fuels – but activists say they should convince companies to do better instead, 1 February 2021

[19] CNBC, Sustainable investing is surging, 5 November 2020

The numbers

Experts predict as many as

200,000

people a day receive a COVID-19 vaccine in Australia.[20]

Australia's unemployment rate decreased to

6.4%

in January 2021 [21]

Full-time adult average weekly total earnings are

$1,767.20 [22]

Annually,

the CPI rose 0.9%

in the December Quarter. Six capital cities saw annual rises ranging from 0.8% in Sydney and Hobart, to 1.3% in Melbourne. Darwin was flat and Perth recorded a fall of 0.1% [23]

After falling a record 12.5% in June quarter, household spending rebounded in September quarter,

rising 7.9% [24]

CONTACT YOUR COUNT ADVISER AT:

[20] ABC News, Australia's COVID-19 vaccine rollout, February 2021

[21] ABS, Labour Force Australia January 2021

[22] ABS, Average Weekly Earnings, Australia, February 2021

[23] ABS, Consumer Price Index, January 2021

[24] ABS, Australian National Accounts, February 2021