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May 2020 Newsletter

As COVID-19 continues to dominate the headlines, this month we have included some helpful information for those of you working from home.

Working from home? Read on for the latest tax information



With so many people now working from home it's a good time to review the key rules for claiming deductions associated with working from home. After all, working from home will potentially be the new norm for many people for at least 3 months in the current income year and, quite possibly, 3 months in the next income year.

The 'Golden Rules'

There are 4 overarching principles which we refer to as the 'golden rules' for deductibility. For an expense to be deductible, a taxpayer must:

- Have incurred the expense
- Not have had the expense reimbursed by your employer or anyone else
- Have incurred the expense in gaining or producing assessable income
- Have evidence of the expense which usually includes substantiation of expenses.

So what expenses are deductible when working from home?

In working out what is deductible, it is important to distinguish between two different categories of expenses – operating expenses (sometimes referred to as running costs) and occupancy expenses (sometimes referred to as home office expenses).

Operating Expenses

The work-related portion of the following operating expenses may be legitimately claimed:

1. Depreciation of home office furniture, fittings and equipment such as computers and desks
2. The cost of heating, cooling, lighting and cleaning your home to the extent that the cost exceeds the amount normally spent if not working from home
3. The cost of repairing home office furniture and fittings
4. Home telephone calls
5. Internet access charges
6. Printer and printer cartridges

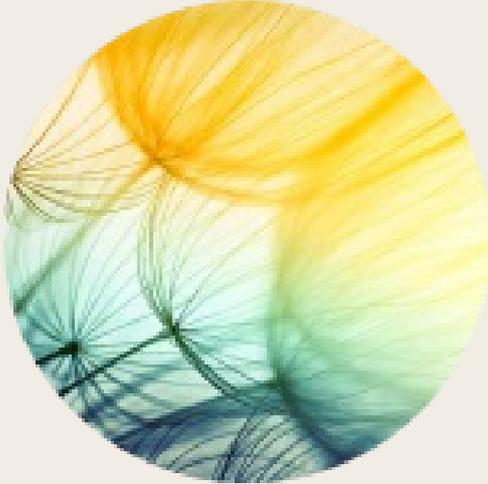
For the depreciation of items listed in point 1, if the amount is less than \$300, an immediate deduction for the work-related portion can be claimed; otherwise it must be written off over the effective life of the asset.

How do I calculate depreciation and running costs?

The ATO applies some useful administrative rules to allow either a reasonable portion based on a reasonable test of the actual expenses incurred or a flat rate of 80 cents per hour (this rate was recently lifted from 52 cents per hour as a COVID-19 support measure).

To continue reading this article please go to <https://infocusadvisory.com.au/working-from-home-deductions/>

Help for retirees and pensioners



There are a number of measures in place designed to support pensioners and retirees through the COVID-19 crisis.

Social security deeming rates reduced

On top of the deeming rate changes made at the time of the first package, the Government will reduce the deeming rates by a further 0.25% to reflect the latest rate reductions by the RBA. As of 1 May 2020, the lower deeming rate will be 0.25% and the upper deeming rate will be 2.25%.

Pension minimum drawdown rate reduced by 50%

The minimum annual payment for account-based and similar pensions is calculated as a percentage of the account balance as at 1 July each year. The government has announced that the minimum annual payment will be reduced by 50% for 2019-20 and 2020-21. This measure will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets. If you

have sufficient cash resources this would mean that fewer assets would need to be sold in your superannuation account now during this time of stock market volatility. Please make sure you contact your financial adviser if you have questions about this option.

Further \$750 payment for pensioners

In addition to the \$750 stimulus payment for pensioners announced on 12 March 2020, the Government will provide a further \$750 payment to social security and veteran income support recipients and eligible concession card holders, except for those who are receiving an income support payment that is eligible to receive the Coronavirus supplement.

This second \$750 payment will be made automatically from 13 July 2020 to around 5 million income support recipients and eligible concession card holders. Around half of those that benefit are pensioners. Payment of the first \$750 payment commenced on the 31 March 2020 to people who will have been on one of the eligible payments any time between 12 March 2020 and 13 April 2020.

Option to apply for a part pension

If you are over Age Pension age and have not been eligible for a Pension due to your asset value being too high, with the current market correction you may find you are eligible to apply for a Part Pension. This may also entitle you to other Government Payments announced in the Stimulus. Please contact your financial adviser to discuss your circumstances.

Managing your super fund and investment performance

Market volatility is nothing new and the temptation to sell out during

significant market corrections is always there. Each person's circumstances will be unique so if you have questions regarding what action you should or shouldn't take regarding your investment portfolio, this is definitely a conversation to have with your adviser. However, it is our overall investment philosophy that during times of volatility it's more important than ever to refer to your investment strategy and your stick with your plan.

As you know this email is in no way a substitute for a face to face meeting or phone call so if you have any issues you would like to discuss with us please do not hesitate to contact us on 1300 466 637.



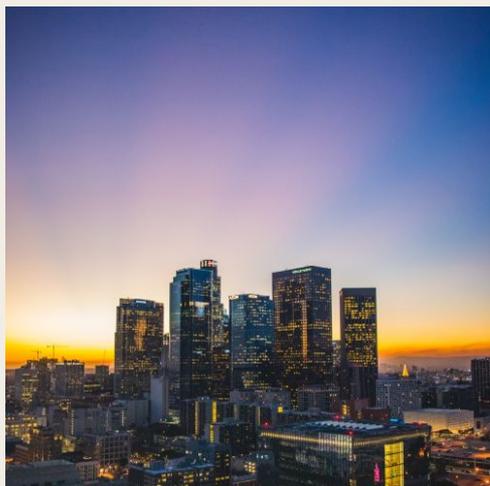
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Economic Update - May 2020



Within this month's update, we share with you a snapshot of economic occurrences both nationally and from around the globe.

The recovery begins?

- Equities bounce back strongly in April as unprecedented fiscal and monetary stimulus applied
- Economies in early stages of starting to re-open as the COVID-19 rates of infection have slowed
- Oil prices face turbulent times and demand falls dramatically absorbing OPEC production cuts

We hope you find this month's Economic Update as informative as always. If you have any feedback or would like to discuss any aspect of this report, please contact our team.

The Big Picture

After a really tough month for stock markets in March, the bounce back in April gave investors a chance to catch their breath.

Of course, it is possible a new low will be formed at some time in the future but the news on COVID-19 is starting to get better.

It was quite rational for markets to have fallen as sharply as they did in March. After all, no one knew the extent of the devastation that the virus would cause. As soon as governments and central banks responded with stimuli, lock-downs and social distancing, markets realised that they had sold off too much.

We think the major markets are still cheap based on reported earnings but volatility and fear are elevated. As a result, the rate of price appreciation going forward over the longer term versus what we think of as fair pricing might be slower than what we experienced in April.

There have been so many stimulus packages and healthcare innovations, it is an impossible task to report all. And new changes are coming through with such speed that any attempted comprehensive report would rapidly be out of date. In the space of a month, global sentiment seems to have gone from doom and gloom in markets to 'it's not that bad' after all.

We think the important take-away is that almost all major countries are rapidly responding to the challenges – unlike in the wake of the GFC in 2008 and 2009. Health authorities and scientists are seemingly working tirelessly to develop vaccines and provide cures. We think we are in safe hands! But Trump did take issue with the World Health Organisation (WHO) over their early responses (or lack thereof) to the onset of the crisis.

There are questions about whether or not people who have experienced a COVID-19 illness can be re-infected. As finance experts, we have nothing to offer on that question but we do take this uncertainty into account.

To continue reading please visit <https://www.infocus.com.au/news/economic-update-may-2020/>

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