

AUSTRALIANS REVEAL INCOME TAX SAVING INTENTIONS

'Super Top Up' bottom of the list

30 November 2020: Despite many Australians withdrawing their super early due to the Coronavirus crisis, very few intend to use the income tax cuts that were introduced in this year's Federal Budget towards rebuilding their super/ retirement savings, according to new research by Colonial First State (CFS).

The CFS research of 2,000 Australians found:

- While 16 per cent of respondents confirmed withdrawing their super early, only 6 per cent intend to top up their super using their tax savings.
- Saving was the most popular goal (57 per cent), while almost a quarter (22 per cent) said they planned to spend their tax saving.
- Nearly one-in-five (17 per cent) Australians said they will direct the extra money towards mortgage repayments and 16 per cent will invest in the stock market.
- Men appear to be willing to take bigger risks: The intention to invest in the stock market was higher among men compared to women (20 per cent vs 11 per cent).

With more than 11 million Australians set to get a tax cut backdated to July 1 this year, Colonial First State General Manager Kelly Power said the extra money would provide a much-needed boost to the economy as well as Australians' hip pockets.

"For many Australians hit hard by the Coronavirus-led recession, the personal income tax cuts brought forward by the government in this year's Federal Budget have been well received, alongside a range of other measures, as much needed support.

"We know that a lot of Australians have been doing it tough and the focus for many has been on navigating the current uncertainty. As we begin to emerge on the other side of the pandemic, with infection rates falling and the economy re-starting, it's important to start thinking about the future, including protecting and rebuilding wealth.

"Whether Australians decide to save or spend, it's about being savvy about what you use the extra cash for. A little can go a long way and if used wisely, the income tax cuts can provide an additional boost to your overall financial position."

Where are the tax cuts going?

Saving was the most popular goal and young people are more likely to save the gains generated from income tax cuts announced in the Federal Budget than their older counterparts. 66 per cent of Australians aged 18-34 said they planned to save some or all of the tax cut (versus 57 per cent of Australians overall).

When it comes to where Australians plan to keep their cash, a general savings account was the most popular choice (52 per cent) followed by a special savings account to prepare for a big purchase like home or for an emergency (18 per cent). Almost a quarter

of women said they would put their money in a special savings account versus 14 per cent of men.

Among those who intend to spend their tax cut (22 per cent), the majority of respondents (33 per cent) said they would put the extra cash towards essentials like bills, groceries and insurance. This was followed by shopping on discretionary items such as clothing, electronics, and accessories (24 per cent) and a holiday (13 per cent).

With festive season round the corner, almost 10 per cent have also planned to use it for Christmas shopping such as décor, gifts and food.

The research also found that almost one in five Australians plan to use their tax cut to reduce their mortgage, particularly those aged between 35-54 years.

In addition, 16 per cent will use this as an opportunity to invest in the stock market – mainly to buy Australian shares (41 per cent) and Exchange Traded Funds / ETFs (40 per cent). The intention to invest in the stock market was higher among men compared to women (20 per cent versus 11 per cent).

Surprisingly, only 11 per cent of Australians said they planned to use their tax saving to pay off high interest debt such as credit card and buy now pay later accounts.

Super 'not so super' as preferred spending priority

According to the research, topping up super or retirement savings is the lowest priority for the vast majority of Australians, with only 6 per cent planning to use tax cuts to replenish their super balances. This is despite 16 per cent of respondents having withdrawn super as part of the Government's early release of super scheme.

The research also highlighted that while the highest proportion of early withdrawals (54 per cent) came from 25-44 year olds, the majority of those looking to top up their super were aged between 55-64 years.

Ms Power said: "The research indicates that those who have needed to access super early as a way of surviving income loss, particularly younger Australians, are not making rebuilding their superannuation a priority.

"As we begin to emerge on the other side of the pandemic, it's important to start thinking about the long-term impact your super withdrawal could have on the quality of your retirement. Seemingly small decisions now could have a big effect on the kind of retirement you've always dreamed of.

"Everyone's circumstances are different so whether you decide to spend it, use it to pay down debts, build up savings or make super contributions, it's important Australians put the money towards what matters to them," Ms Power concluded.

Taking control - top tips on how to use your income tax savings:

- **Manage your debts:** It might be a personal loan, a credit card or a mortgage (or a combination of all). The general rule is that it's always good to pay off any high-interest debts first.
- **Think long-term:** If you were one of the many people who took up to \$20,000 out of your super, perhaps think about replenishing it. Putting some money back into super will help you in retirement. The longer it's in there, the more it builds. Many Australians* will get an extra \$1080 or approximately \$20 per week in their back pockets this year. If you salary sacrificed approximately \$15 of your pre-tax

income per week, you would still be left with an extra \$10 per week in your back pocket after tax and benefit from an extra \$40,832** at retirement. And by splitting your tax cut in this way you balance the use of the extra cash - both now and into the future.

- **Seek advice:** Advice can come in different shapes and sizes. Make the most of free online resources that provide useful tips and information to help you make the best possible financial decisions. The government's Money Smart website is a great resource. A financial adviser can also help you plan for your future.

Ends

About the research

The research was undertaken in October 2020 by Pureprofile with over 2,000 Australians who are eligible to pay taxes, aged 18 and above.

About Colonial First State

Colonial First State (which includes Colonial First State Investments Limited ABN 98 002 348 352 AFSL 232468 (CFSIL) and Avanteos Investments Limited ABN 20 096 259 979 AFSL 245531 (Avanteos) (trading as Custom Solutions) is the issuer of investment, superannuation and retirement products to individuals and corporate and superannuation fund investors, as well as being the operator and administrator of investment platforms.

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* Australians earning between \$45,000 and \$90,000

** Note – strategy would result in reduction of after tax income of up to approximately \$10 per week from 2021-22 onwards due to removal of LMITO. Calculated using ASIC Moneysmart superannuation calculator. Assumes member age 30 earning \$60,000 (32.5% tax rate) salary sacrifices \$16.23 pre-tax income per week up until retirement at age 67. ASIC default assumptions applied. Extra retirement savings in today's dollars.