THE VOICE of Pensioners and Superannuants

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Where can you get more than one-third of a per cent for your cash?

THE maximum rate for risk-free annual term deposits these days is about one-third of a per cent a year

The rate of inflation is currently 1.1 per cent. That means the real interest rate on your term deposit bond is minus 0.8 per cent.

Investing your money in term deposits actually costs you money. At the moment, a term deposit is only risk-free because it is an absolute certainty that you will lose money.

However, the fixed interest market is bigger than just bank term deposits.

For pensioners with savings from a few thousand dollars to a lot more to invest there are possibilities to get more than a third of 1 per cent, or minus 0.8 per cent after inflation

The Mutual Cash Term Deposits and Bank Bills Fund has averaged a return of 1.7 per cent over the last five years, for example. Make that 1.45 per cent after fees and 0.35 per cent after inflation.

The Schroder Fixed Income Fund, which also invests in bonds, about doubles that rate: 3.6 per cent, or 2.9 per cent after fees and 1.8 per cent after inflation

The IOOF MultiMix Diversified Fixed Interest Trust, which invests in Australian and overseas bonds, scored 4.45 per cent, or 3.75 per cent after fees and 2.65 per cent after inflation

All these types of managed funds typically operate with a minimum investment amount of between $5,000 to $25,000

An Australian start-up called Blossom is a bit different in that it operates with no minimum (or maximum) investment amount. It says it aims for 3 per cent, 2.5 per cent after fees, 1.4 per cent after inflation.

This post is not an endorsement for any of the funds mentioned (or not mentioned).

The point of this post is that by sticking with term deposits at the moment, you are sure to lose money because the rate of inflation is higher than the term deposit interest rate.

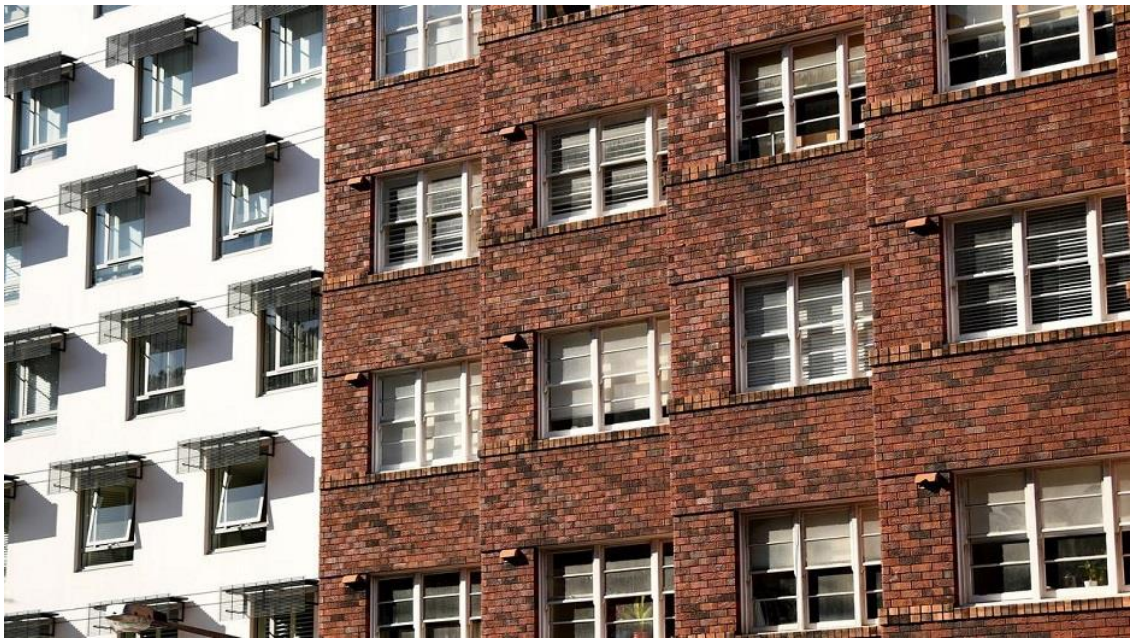
By investing in a fund, you are likely to get more than 1.1 per cent, the rate of inflation

But risk remains.

The main risk of investing into government and corporate bonds is interest rates going up. For example, a $1,000 bond with a fixed interest rate of 3 per cent could only be sold for $971.70 if variable interest rates went up to 6 per cent. Add the 3 per cent ($30) fixed interest payment, and the bond-plus-interest is worth $1,001.70 on expiry, a return of 0.0017 per cent or minus 0.0093 per cent after inflation. Note that in this example it requires the variable interest rate to double, which won’t happen in a hurry.

But it’s also worth remembering that all the talk at the moment is about interest rates going up, not down. How soon is another matter, so there may still be a window of opportunity to beat term deposit rates.

NSW Budget: another missed opportunity for social and other affordable housing



50,000 households are currently on the waiting list for social housing in NSW with waiting times lasting up to two decades in certain regions of the state.

On 22 June, the NSW Government announced the 2021 Budget and allocated funding to deliver a measly 800 new social housing dwellings to address the huge backlog of people in need of housing.

This inadequate funding will force more Australians to struggle in the private rental market. The Anglicare 2021 Rental Affordability Snapshot found that 2 per cent of rental listings in the Australian rental market were affordable for households on income support. Age Pensioner couples could afford 2 per cent of rentals, single Age and Disability Support Pensioners could afford 0.3 per cent of rentals and JobSeeker Payment recipients could afford only 3 of the more than 74,000 rentals, which is 0.004 per cent of properties listed on the Australian private rental market.

The effects of housing unaffordability do not only apply to people on income support payments. The Australian Housing and Urban Research Institute said that the price of new homes has increased from 1995-96 to 2017-18 by 220.3 per cent whilst the average household income has only increased by 64.7 per cent. The enormous increase in housing prices is forcing people to rent for longer and most likely for the rest of their lives.

However, there is one big winner from the housing market boom, the NSW Government. Stamp duty is charged each time a property is sold and transferred hands. During the 2020-21 financial year the NSW Government raked in over $9 billion in stamp duty revenue, an extra $1 billion than was forecast.

Surprisingly, there was no mention in the budget of the NSW Government's proposal to abolish stamp duty and replace it with an annual land tax, which was the big-ticket item of last year's budget.

Perhaps the eye-watering $9 billion earned this year has convinced the government that stamp duty is here to stay, or maybe the proposal was not finalised in time for the budget announcement. Readers of THE VOICE will be kept updated with any news regarding an NSW annual land tax.

Energy savings are on the way

Electricity retailers are now forced to pass on wholesale cost savings to consumers meaning households will save on electricity bills in 2021, but certain consumers will save more than others.

During the COVID-19 lockdowns of 2020, household electricity bills went up 7 per cent as consumption increased by 10 per cent according to the Australian Competition and Consumer Commission (ACCC). In June 2020, a law came into effect that requires electricity retailers to pass on savings to consumers. As

there has been a reduction in wholesale electricity costs, which make up one third of electricity bills, reduced electricity bills can be expected later in 2021.

However, you don’t have to wait for these savings to be passed on to start spending less on electricity. If you haven’t changed your electricity plan in a while you may be paying more for electricity than you should be.

In the current energy market, there are two types of energy plans you could be on: the default market offer or ‘DMO’ (in 2019 customers on ‘standing offers’ were transferred to the DMO) and market offers. The DMO is not a competitive price for energy but more of a safety net for people not engaged in the energy market. Whereas market offers provide customers with discounts but normally for a set period of time, after this period customers are automatically placed on the DMO if they don’t enquire about being put on another market offer

The ACCC said in their latest electricity market report that market offers have the potential to save households $200 a year.

If you’re after a better electricity or gas deal you can use the Australian Government energy comparison tool: https://www.energymadeeasy.gov.au/ to compare current offers. Or, if you or someone you know is not online then you can call your energy retailer and ask what deals they have on offer, if a cheaper offer isn’t made it might be time to call some competitors

Don’t get stung paying more for loyalty.