No bump for retailers as tax refund goes in the bank

ANTHONY KEANE

BILLIONS of dollars handed out in tax cuts last year failed to flow to retailers as Australians used it to pay bills or squirrelled it away, new data suggests.

Retail trade dropped 0.5 per cent in December after a strong November, according to the Bureau of Statistics, while Reserve Bank governor Philip Lowe last week said households had scaled back their spending and had used higher tax refunds to pay more off mortgages.

A new survey by comparison website money.com.au has found that just 5 per cent of Australians who received tax refunds spent it shopping.

In contrast, one third of people saved it, 28 per cent paid bills and 22 per cent paid off debt.

People were uncertain about the future and were parking money for protection "in case something goes wrong", said Money.com.au spokeswoman Helen Baker.

Ms Baker said households were battling rising costs in areas including petrol, health insurance and electricity.

"All of these everyday items that people need have been increasing and yet we haven't seen wage growth," she said.

Tax cuts of up to $1080 for more than 11 million Australians were payable in lump sums through tax returns last year, and a similar handout is due this year.

Ms Baker said good ways to use tax refunds included paying off credit card debt, starting an investment plan or contributing to superannuation if you qualified for the government's $500 super co-contribution.

The lack of retail and economic stimulus from 2019's tax cuts gives the government less incentive to hand out bigger tax cuts this year.

The principal of Mr Taxman, chartered accountant Adrian Raftery, said because people filed their tax returns and received refunds at different times, retailers had not been able to excite them with campaigns, as they did during the GFC cash handouts a decade ago. "Australians have a lot more debt now and are paying off a lot more," he said.

As for spending tax refunds, Dr Raftery said the super co-contribution offered a "risk-free return on your money" of 50 per cent to low and middle-income earners who qualified.

And pay off high-interest debt first, Dr Raftery said.

"You'll probably get 0.1 per cent (on savings) in a bank account but credit card rates are up to 24 per cent," he said.

WHERE THE REFUND WENT

Saved it	33%
Paid bills	28%
Groceries and household costs	8%
Paid down mortgage	7%
Reduced ATO debt	7%
Paid down credit card debt	6%
Spent at retail stores	5%
Leisure activities	5%
Paid down personal loan	2%

Source: Money.com.au

'We looked at our expenses and identified ways to cut back – like dinners out and shopping trips'

First-time parent Bianca Khouri

NEW EXPENSES: First-time parents Bianca and Chris Khouri with their daughter, Teresa-Eve. Picture: See Soul Photography

Babies need not be expensive

PATRICK TADROS

FIRST comes love, then comes marriage, then comes a baby and a whole lot of stress.

For many new parents, the birth of a child is financially daunting.

Figures from the Australian Institute of Family Studies estimate the weekly cost of raising a child is close to $170. That's $8840 a year and $159,120 by the time your child becomes an adult.

But there's no reason to make having a baby more expensive than it needs to be, and it pays to understand a new family's financial necessities.

Consumer group Choice's insurance specialist, Jodi Bird, said parents should consider life insurance. This will give both parents peace of mind that their family will be taken care of if something tragic happens to one of them.

"If you have cover with your super, make sure you've made a binding nomination so that the money goes to the person you intended," Mr Bird said.

"This is especially important for blended families or if you've been married before."

If you have group insurance through an employer, check to see if that cover meets your changed needs.

Consider doing some research around health insurance and it may need to be extended to a family policy.

You could also be eligible for Centrelink benefits, including the Family Tax Benefit, parenting payment, rent assistance or a healthcare card.

Thirdview director and financial adviser Peter Foley said, before buying baby items brand new, look for opportunities to borrow, swap or save on second-hand options. "Change tables, prams and cots can all be found online at a fraction of the price," he said.

There are a variety of commonly overlooked expenses that can cause first-time parents to overspend, including babysitting services and extra doctor visits.

Mr Foley suggested parents set up a budget and start putting money aside for the future.

A budget can help track existing day-to-day expenses such as bills, groceries, petrol, insurance, rent or home loan repayments, and other debts.

"Know your goals and write them down," Mr Foley said. "That way, you can visualise that your short-term sacrifice comes with long-term rewards."

First-time parents Bianca and Chris Khouri started paying off debt six months before their daughter, Teresa-Eve, arrived.

They cut their grocery budget by $120 and used part of that saving to put $50 to $100 a month into an emergency fund.

"We looked at our expenses and identified ways to cut back – like dinners out and shopping trips – in order to pay for any upcoming expenses," Ms Khouri said. "Education is expensive and we're starting to save for that."

Epidemic sparks holiday rethink

The coronavirus outbreak highlights how important it is to have good travel insurance, writes **Sophie Elsworth**

JETSETTERS travelling abroad in the coming months need to think carefully about where they book holidays to avoid possible disruptions and hits to their hip pocket.

The coronavirus epidemic continues to spread, claiming lives, infecting thousands of people and throwing travel plans into disarray.

Travellers should not be given a false sense of security with travel insurance either, as some policies don't cover claims made as a result of epidemics or pandemics.

Comparetravelinsurance.com.au's director, Natalie Ball, said anyone considering travelling to China should hold off booking.

"With the coronavirus evolving, the further out you book your travel the better," she said. "If you're travelling within the next few weeks there's bound to be disruptions. I wouldn't recommend booking any trips to China for at least the next three months."

Australians should sign up to the Australian Department of Foreign Affairs and Trade's Smartraveller website to keep up to date with overseas travel information.

For now, Australians are recommended to not travel to China due to the increased risks from the coronavirus.

While travel insurance is important to take out before heading overseas, Ms Ball said it did not guarantee coverage.

"Anyone who purchased a policy before the Government updated any warnings for travel into these regions may have provisions to claim on their travel insurance," she said.

"But anyone who purchased insurance after the event is unlikely to be covered."

Ms Ball also warned people planning to travel anywhere to book their insurance "sooner rather than later".

"If there isn't any restrictions to a country you are travelling to, it could potentially be covered if something goes wrong by buying a policy sooner rather than later," she said.

Flight Centre spokesman Haydn Long said coronavirus "is not yet impacting travel to other locations or longer-term bookings but it is certainly something that we and others are monitoring".

"The best advice at the moment is to take note of the warnings and avoid China in the near term," he said.

Mr Long said Flight Centre had many enquiries from travellers who had planned trips within the next few weeks.

"People who are directly impacted tend to phone up and find out what their options are but people travelling further out (in the year) tend to wait and see," he said.

For those who have had flights or tours cancelled, normally the tour operator or airline would offer a refund.

"In this instance, airlines and tour operators have typically implemented policies that allow travellers with bookings in the next few weeks to amend or cancel their plans without penalty," Mr Long said.