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NEWSLETTER

Informative articles, Centrelink News & Market Update

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Do you know what changes can affect your Age Pension?

If something changes in your life, you need to tell us so you don't get a debt.

It's important you tell us about any changes to your circumstances as it could reduce your Age Pension payment.

If you don't tell us, we may pay you too much. This could lead to a debt you'll have to repay.
A change of circumstances includes things like:

- you change or correct your name
- you change address
- you marry or start living with your partner
- you or your partner's income or assets change
- you or your partner get employment income
- you leave Australia temporarily or to live somewhere else.

You need to tell us about any change of circumstances within 14 days.

5 IDEAS FOR GENERATING PASSIVE INCOME

I'Passive income' – the term conjures up images of long days relaxing on a beach free of financial worries because your investments are generating enough for you to enjoy life without needing a job.

Maybe the term 'replacement income' is more accurate as it gives the idea of working towards eventually replacing the income you generate from your job. Thanks to super, we're all working towards the passive/replacement income in retirement goal.

There are also people who aren't prepared to wait until retirement for passive income. You may have heard of the Financial Independence, Retire Early (FIRE) movement, made up of people devoted to a program of extreme savings and investment that aims to allow them to retire very early, like 30 in some cases!

That's probably a stretch for most of us, but aside from growing money in super, here are 5 ideas for generating passive income.

1. Property investing

We all know about Australians' love affair with real estate. According to CoreLogic, more than 2.2 million of us, or around 20% of us, are property investors.

Buying an investment property probably means borrowing money. In the early years, the cash flow from rental income may not cover loan payments. Depending on the type of loan (assuming it's a principal and interest loan, and not an interest-only loan), over time, the debt is likely to be paid down and the rental income go up, so that eventually the property will generate surplus cash.

Hold the property long enough and the debt is likely to be repaid and you can enjoy the full benefits of a passive income source.

Of course, there are downsides to owning property like council rates, insurance, repairs, and upkeep. There can also be issues with tenants, some of whom may not treat the property well. And you can't sell a bathroom if you need to access part of your investment.

For those who don't want the hassles associated with direct property ownership, there's the option of investing in listed property funds, also known as Australian real estate investment trusts (A-REITs), providing exposure to commercial property.

In the case of A-REITs, all property management, tenancies, and sourcing new properties are the responsibility of the manager of the A-REIT. It's also diversified across lots of different property sectors, and regions.

But values of A-REITs do fluctuate more because they're listed on the share market. Investors are constantly buying and selling A-REITs every day and in doing so they're revaluing them constantly. Unlike an investment property, which is sold once in a blue moon.

2. Share ownership
Shares are another passive income source. Companies generally provide income in the form of dividends.

It's also easy to diversify your share investments, especially if you own managed funds giving exposure to Australian as well as global companies.

You can also invest in shares through Exchange Traded Funds (ETFs), which are listed on the stock exchange and offer exposure to many industries, companies, and countries.

Shares, whether directly owned, or indirectly owned through managed funds and ETFs, are generally liquid. You can usually buy and sell them quickly, and it usually doesn't require a lot of money to start investing in them.

The ASX website as well as MoneySmart are good sources of information about share investing.

3. Investing in bonds/fixed income
Governments, as well as companies, borrow money from investors. Those borrowings are known as 'bonds.' In exchange for those borrowings, governments and companies make interest payments.

It's because of the interest payments made by bonds that they are also referred to as 'fixed income' investments.

Government bonds, especially those associated with the governments of advanced economies like Australia and the UK, are generally considered to be less risky than bonds issued by companies. Bonds are typically regarded as being less risky than shares. That said, bond values can go up as well as down, so they're not risk-free.

There are many types of bonds with different structures and time horizons. Bonds are issued to institutional investors, like super funds, and minimum investments are generally measured in millions of dollars.

However, bonds are made accessible to everyday investors through managed funds as well as bond ETFs.

5. Be an Airbnb host
COVID-19 has been a massive hit to the travel and holiday market, including short-term Airbnb stays.

The upside is that the restrictions we've become accustomed to for health and safety reasons, will eventually end, and life will migrate to something resembling what we remember as normal. That should be a huge boost for the travel industry.

So, if you have an investment property, rather than renting it out for long-term tenancy, you could make it available for shorter stays through Airbnb and reap the benefits. Of course, you don't even need an investment property to be an Airbnb host.

Some people rent out a spare room in their house or apartment.

Airbnb also has something called Airbnb Experiences, where you host events, meetups and tours of your city. Doing this could be a variation of starting a low-input business.

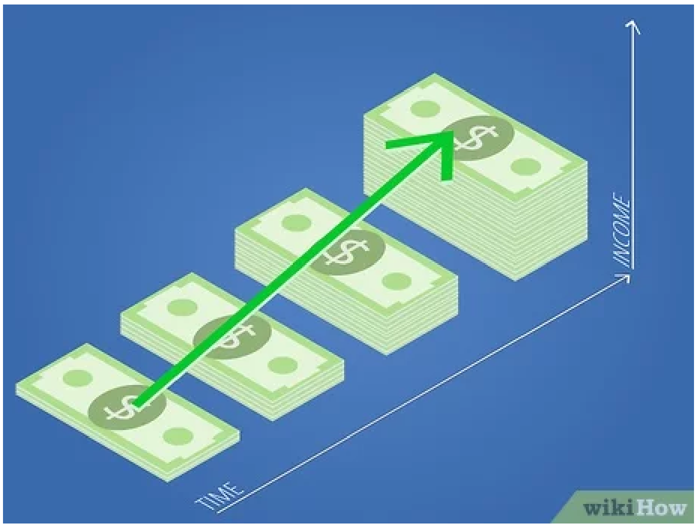
Other possibilities

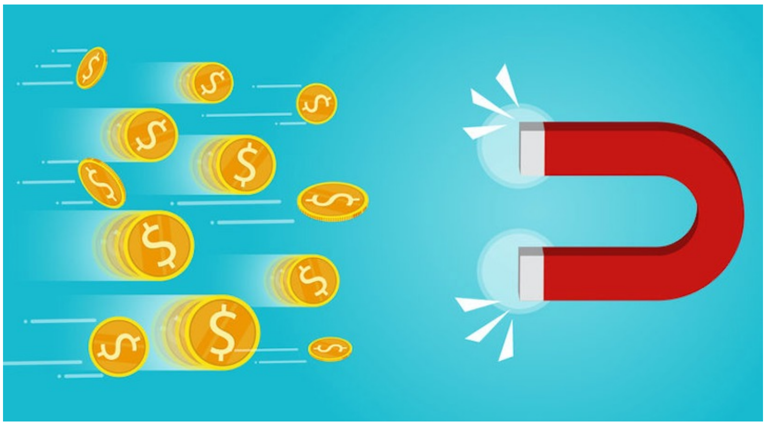
In a world where technology has become so accessible, easy-to-use, and low cost, there are many more ways to try and generate a passive income than the five mainstream ideas mentioned.

There are people doing everything from creating their own YouTube content, to blogging, building and selling websites, and being online reviewers for products ranging from food to cars, and much more.

Taking action to develop passive income can help to add to the earnings from your 9 to 5 job or be the first step towards replacing the income from your job altogether.

It's about your goals and motivations. All you need to do is get started.





Important information and disclaimer

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