RVNEWS

Retirement Victoria

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WELCOME

to the first edition of RV News for 2017.

With more superannuation changes to come into effect on the 1st of July 2017, we have included a summary for your reference. These changes will certainly impact a large number of our clients so I encourage you to contact your adviser to ensure you do not breach any of the rules and take advantage of any opportunities the changes create for you.

Change and volatility continue to dominate the investment world:

1. With the newly elected President of the United States, Donald Trump, we have seen a stimulus on stock-markets around the globe based on his policies, however with him comes a great deal of uncertainty about his long term impact.
2. According to Shane Oliver, Head of Investment Strategy and Chief Economist at AMP Capital, Chinese economic growth stabilised in 2016 and he expects Chinese growth this year of 6.5% and inflation of 3% (Oliver's Insights, 16 February 2016). The stabilisation in Chinese growth and improvement in commodity prices is positive for the Australian economy and Australian assets.
3. In Europe after Brexit rattled the European Union in 2016, a string of high-stakes elections this year in France, Germany and the Netherlands – along with possibly Italy – could bring even greater uncertainty to the bloc in the year to come.

These circumstances emphasize how important it is to stick to a sound investment strategy and the importance of diversification. If you have any questions or concerns regarding your overall strategy or current portfolio I encourage you to contact your adviser.

The Retirement Victoria team is excited about the year ahead and continuing to work with you.

Kind Regards
Hugh Dickson
Managing Director

Working with the new super rules

As a large majority of working and retired Australians already know, in late 2016 a raft of changes to the superannuation rules were passed as law. Most come into effect from 1 July 2017. The greatest impact will be on high-income earners and individuals with large superannuation balances. If this is you, read on.

Let's begin with the key modifications:

- A new cap of $1.6 million on the amount that can be transferred into tax-free pension phase.
- The income threshold, including concessional (pre-tax) superannuation contributions, at which concessional contributions subject to an additional 15% tax, will reduce from $300,000 to $250,000 per annum.
- The non-concessional (post-tax) contributions limit falls from $180,000 to $100,000 per annum, or $300,000 within three years.
- The cap on concessional contributions reduces from $30,000 (or $35,000 for over-50s) to $25,000 per annum.

These changes further restrict the amount of money that can be built up within the low-tax superannuation environment, spurring the search for alternative, tax-advantaged investment structures. So, what are the options?

Don't dismiss super

While continuous changes make it natural to be wary about super, it's still worth utilising its concessional tax rates up to the limits allowed. For example, if you have an existing account based pension with a balance of more than $1.6 million on 30 June 2017, the surplus will need to be rolled back into the accumulation phase or withdrawn from super. While earnings in the accumulation phase are taxed at 15% (10% for capital gains on assets held for at least 12 months), that's substantially lower than the tax rates that apply to alternative investment vehicles, and depending on other income, may be below your marginal tax rate.

As for the additional 15% tax on concessional contributions for those earning $250,000 pa or more, remember that the subsequent earnings on those contributions are only taxed at 15%. That means it may still be worthwhile to maximise concessional contributions within permitted limits.

What about insurance bonds?

Once you've hit the limits for concessional and non-concessional super contributions you might take a look at insurance bonds. These are managed investments that are taxed within the product at the company tax rate, currently 30%. That's a 19% saving off the top marginal tax rate of 49% (including Medicare and Budget Repair levies), or a 9% saving for taxpayers with a taxable income between $87,000 and $180,000 pa.

To get the full tax benefit of an insurance bond it must be held for at least 10 years. However, regular contributions can be made to the bond without resetting the start date. After 10 years no additional tax is payable on earnings, with some tax concessions available after 8 years. As tax is handled internally within the bond, provided no withdrawals are made, the earnings do not need to be declared from year to year.

Upgrade the family home

Many would argue the family home is not an investment. Nonetheless, while it's not an income-producer, a principle residence could still generate attractive, tax-free capital gains. Whether it's through extensions and renovations or upsizing to a new home, investing in the roof over your head can sometimes be a financially viable strategy.

Trusts and companies

Family trusts and private companies can provide opportunities to:

- Split income with family members on a lower marginal tax rate.
- Allow funds to accumulate in a lower tax environment.

Whether trusts or companies are suited to a particular investor depends very much on personal circumstances and on whether the benefits outweigh the complexities and associated costs.

Advice is essential

The latest changes do nothing to simplify the superannuation system while introducing additional pitfalls for the unwary. Expert advice and forward planning is essential, so don't delay in talking to us about how to respond to the new rules.

Having an estate plan is more than just having a will

There seems to be a common misconception that having an estate plan is for wealthy people. Wrong. Having an estate plan is for everyone. It is about being prepared, minimising risk and making sure your loved ones receive the benefit of your estate.

Today, there are many factors which influence an estate plan. Simply having a will may not be enough for your estate to pass to your loved ones. Often, the starting point is to determine what estate assets and non-estate assets you own. It is common for mum and dad to think they own a particular asset, only to learn that their family trust in fact owns the asset.

What is an estate asset?
An estate asset is an asset held in your own personal name. Examples of estate assets include real property held in your personal name or an interest as tenants in common, bank accounts, vehicles and shares.

Estate assets are dealt with in accordance with your Will.

What is a non-estate asset?
A non-estate asset cannot be dealt with in accordance with your Will. Non-estate assets may be assets owned:

1. as joint tenants;
2. by your self-managed superannuation fund;
3. by your family discretionary trust;

When dealing with a non-estate asset, your estate plan can often be tailored so that the control of any non-estate assets is passing to your loved ones.

What happens to property owned as joint tenants?
The right of survivorship applies to property held among individuals as joint tenants. This means that upon the death of one of the owners, full ownership of the property will automatically revert to the surviving owner. The property will not form part of the deceased owner's estate.

In your estate plan, if you do not wish for the right of survivorship to apply, steps can be taken to sever a joint tenancy, so that the property is held as tenants in common. This will ensure that your interest in the property flows to your estate.

What happens to your superannuation?
Superannuation is separate to your estate, therefore, it is not automatically distributed in accordance with your will. Without an estate plan, the trustee of your superannuation fund will decide which dependents to pay your superannuation to. However, with a plan, you can control which dependents your superannuation is paid to, via a binding death benefit nomination. There are strict compliance issues which impact whether a binding death benefit nomination is valid.

What happens to assets held by a discretionary family trust?
Trust property will not form part of your estate as the assets are owned by the trust itself. Without an estate plan, assets held by these separate legal entities may not pass to your loved ones. With a plan, you can transfer the control of these assets to a specific person. If you are concerned about assets held in a separate legal entity, it is imperative that you have your trust and company documentation reviewed and seek advice on how the transfer can be incorporated into your estate plan

What happens to life insurance?
If you have taken out a life insurance policy to ensure that your loved ones continue to enjoy their lifestyle in the event of your passing, it is important to consider how this policy has been established. If a beneficiary has been nominated on the policy, the life insurer must pay the beneficiary directly, which means that the proceeds will not form part of the insured's estate.

An effective estate plan means considering and appreciating all aspects of a person's life.

Source: Written by Chloé Kopilovic, Lawyer at Ferguson Cannon Lawyers. Reproduced with permission of Chloé Kopilovic. This article was originally published at www.australianestatelawtoday.com.au

Client Seminar KYIT 2016

Our annual Keeping You In Touch-KYIT-Client Seminar was presented in December to a record number of RV clients. Feedback each year encourages us to keep with the format of one speaker on economic or financial issues, and the second speaker as inspirational and entertaining.

For the first time we featured a "Bring A Friend" programme, of which many clients responded to. IT is an opportunity for friends or colleagues to have a taste of what RV is all about, and meet our Advisers and Staff. Our sincere thanks to those clients who invited guests. We trust they enjoyed the day.

Head of Technical Services at Challenger, Andrew Lowe's presentation focussed on the Age Pension changes occurring on January 1st 2017and was well appreciated by clients. Typical feedback comments were "knowledgeable, down to earth, easy to understand", excellent blend of current social situations – political, economic and financial", 'relevant, informative and useful".

Rachael Robertson – CSP, MBA – is an author and inspirational woman who led a team of 18 people through the long Antarctic winter at Davis Station. Her presentation "365 Shades of White" both entertained and motivated us. Typical comments from clients were inspiring, uplifting, brilliant", "really stretched our horizons", "best speaker ever, and that's a big compliment!".

We look forward to this year's KYIT which will be on December 8th – please put in your calendar!

6 Ways to Support Ageing Parents

With the rise in our use of social media, internet banking, emailing and apps, the risk of identity theft in Australia is now on the increase. The Australian Bureau of Statistics reported that last year alone that 770,000 people were a victim of identity crime, costing a staggering $1.6 billion dollars*.

It is also commonly noted that adult children are taking more active roles in caring for their parents as they enter their senior years. For people who are facing this situation, there may be questions around how best to assist their parents in better managing their financial affairs. This can take many different forms, sometimes even the smallest things can make a meaningful difference.

1. Start by having a frank and open discussion

With your parent/s and other family members so you all come to an agreement on the type of support that is necessary. Get across the practicalities. Do your parents have a secure place where they keep their important documents and passwords? Do you know which financial institutions they use? Do they have their own professional advisers? Where do they keep their valuables?

2. Discuss their current financial situation

Think about whether they can meet their needs and responsibilities. Are they **receiving sufficient income** to cover their expenses? Is their money appropriately invested to meet their ongoing needs? Are they receiving the government entitlements for which they are eligible? What kind of health cover do they have and is this appropriate to their needs?

3. Check that appropriate legal documents are in place

Including their **Will and Powers of Attorney** (financial and medical). Are these current or do they need to be revisited? It's important that your parents receive appropriate professional advice and ensure that important decisions are addressed while they still have the capacity to make decisions.

4. Look for ways you can simplify finances

To make it easier for them to manage. This could include setting up facilities to ensure bills are being paid on time, or checking whether they're paying for services they don't need. You may want to ensure appropriate credit card limits are set on any **credit cards** they have, or replace these with a debit card. Protecting them from telemarketers by adding their number to the Do Not Call Register can also help.

5. Think about aged care services

Whether they are needed in the near future. Are they likely to need specific **aged care support** and what options are available to them? How may these services impact them financially? There may be things you can do now to prepare for this, including learning about the support available. The government's My Aged Care portal may be a good place to start.

6. Ascertain whether they need financial support

If this is the case, what is the best way for you to assist them financially without impacting any benefits they may currently receive (e.g. Centrelink benefits)? Financial support may include things like contributing to their everyday expenses, giving occasional financial gifts, or helping cover medical costs and care.

As you go through these steps, keep in mind that this can be a challenging time for parents who, like all of us, value their independence. A financial adviser can help guide you through this process and advise on how to structure their finances, and yours, to meet their immediate and ongoing needs.

New Staff at RV

Welcome to Matthew

RV is pleased to welcome Matthew Rushby to the business. Matthew has joined RV to manage our client database which will assist to streamline many of our processes to further serve our clients and staff. Matthew additionally will work closely with our directors refining our business processes and marketing.

Matthew will complete studies this year graduating with a Bachelor of Business - Financial Planning. After a number of years working as an Account Analyst for Telstra Matthew is excited to integrate his knowledge of business processes and workflows into RV.

Being relatively new to Melbourne, Matthew enjoys immersing himself into the food, culture and live sport Melbourne has to offer.

Welcome to Michelle

It is a pleasure to introduce Michelle Siani who recently joined us to strengthen the team of adviser Ed Paterson. Thanks in part to the many referrals from existing clients, Ed and his CSO Jenny need additional capacity so Michelle has joined in the starting role of Admin Assistant.

Michelle finished school at Mentone Girls and did her Business Degree at RMIT majoring in Finance. After a short period at a small financial practice she is now at RV in pursuit of her career in financial planning. With her ability and personality - and with the leadership of Jenny –she will soon be making a real contribution in the business of looking after Ed's clients.

Being a Bayside girl Michelle's interests include the beach, cooking and travel.

Significant changes to contribution limits to super could prove a challenge

The changes to super and tax laws proposed in last year's federal budget, then revised and adjusted by the government in September 2016 , have been passed through Parliament and are mostly due to take effect from July 1, 2017. That means that you have until July to consider if there is any action you should take to make the most of current super rules or to comply with the upcoming changes.
We take a look at some of the key changes in the table below.

Significant super reforms

Now	New*
No limit on funds moved into tax-free pension phase.	$1.6 million transfer balance cap on super transferred to the tax-free retirement income phase.
You can contribute $180,000 of after-tax earnings to super each year (or $540,000 for those eligible to bring forward two years of contributions).	Reduction in annual after-tax contributions cap to $100,000 (or $300,000 if bringing two years of contributions forward, if eligible). Clients with balances of $1.6 million or more, just before the start of the financial year, cannot make after-tax contributions.
Annual concessional (before-tax) contributions limit of $30,000 (or $35,000 if aged 50 or over by June 30, 2017).	Reduction in the annual concessional (before–tax) contributions cap to $25,000. This applies regardless of age.
Unused concessional contributions caps are lost.	Catch-up concessional contributions may be available for those with balances less than $500,000 just before the start of the financial year.
If income from employment is less than 10% of total income, you can claim a tax deduction for personal super contributions.	Clients under age 65; or age 65-74 who satisfy the work test, can claim a tax deduction for personal super contributions.
Additional 15% tax on certain concessional contributions if your adjusted income exceeds $300,000.	Additional 15% tax on certain concessional contributions, if your adjusted income exceeds $250,000.
Earnings on transition-to-retirement super pensions are tax free.	No earnings tax exemption on transition-to-retirement super pensions. Earnings will be taxed at up to 15%.
Anti-detriment payments may apply on certain lump sum death benefits (generally a notional refund of contributions tax to be paid on death).	No anti-detriment payments on lump sum super death benefits (no refund of contributions tax paid on death).
Offset for contributions to spouse's super (if spouse earns under $13,800).	Offset for contributions to spouse's super (if spouse earns under $40,000).
The 'low-income super contribution' refunds tax (up to $500) on concessional contributions for those earning $37,000 or less.	Introduction of the low-income super tax offset (effectively a continuation of the low income super contribution).

**These measures start July 1, 2017, except for the catch-up concessional contribution measure which starts July 1, 2018.*

Appointments

To arrange an appointment with your RV Adviser, please phone (03) 9820 8088.

RV News by Email

We recently wrote to all Clients asking for the provision of email addresses so that certain communications such as the RV News could be sent by email.

You are receiving this newsletter by post because we do not have an email address for you in our records.

If you would like to remedy this, please call our office on (03) 9820 8088 or email us at **reception@retirevic.com.au.** Of course we will continue to post issues of RV News if this is your choice.