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ANOTHER NEW FINANCIAL YEAR THE PERFECT TIME FOR A

Financial SERVICE

Everyone thinks about change and making resolutions when the calendar year ends.. but what about when the financial year ends?

The new financial year is a perfect time to make some resolutions to improve your financial health. If you create simple and easy-to-follow resolutions you will be more likely to succeed. To start, you can ask yourself the following questions:

- What do I really want to change?
- What are the benefits of making changes?
- What steps do I need to take to make changes?
- What will stop me from making positive changes?
- Are my changes realistic and long term?

This article lists some simple, easy-to implement resolutions you could take on for the new financial year.

Keep your receipts

The most common reason people don't take advantage of tax deductions when they file their tax return is simply because they don't keep receipts. While keeping receipts for big ticket items is necessary, you don't always need a receipt for the smaller items such as stationery and books.



Create a budget

Achieving your financial goals doesn't have to be daunting; a good way to start is with a budget. Try to keep a diary for your expenses and your spending. This will enable you to track where your money is going and how much spare cash you can use to either attack your debt or build investments.



Cut your spending

Look at cutting unnecessary expenses. This could be as easy as making your lunch or coffee at home, cutting out optional extras such as lottery tickets or taking public transport instead of driving.



Pay extra

Try paying more than the minimum off your debts. Whether it's personal loans or credit cards, paying the minimum will hardly make a dent as you will only be paying off the interest.



Increase your savings

Set aside a little bit of extra money each day, week or month. If you can save just \$10 a day, you will have an extra \$3,650 at the end of the year. You can talk to your employer about automatically deducting it from your pay – if you don't see it you are less likely to miss it.



Contribute to your super

Think of the long term and your lifestyle when you retire. One way to increase your retirement savings is through salary sacrificing some of your pre-tax salary.

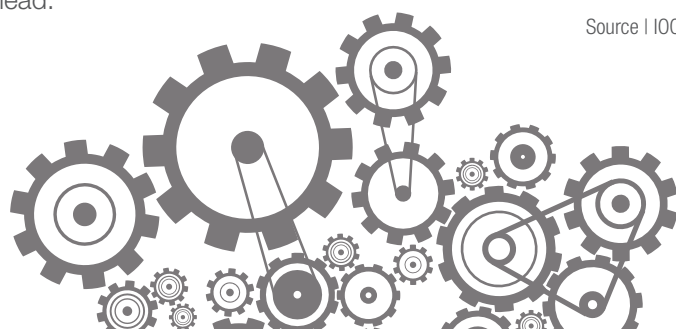
This will not only help to increase your super savings but could also reduce the amount of tax you pay.



Seek professional advice

Speak to us today about helping you keep to your resolutions and make sure your financial strategy is appropriate for the year ahead.

Source | IOOF



A unique opportunity for people aged 60 and over to save more in super this year.

There are two types of contributions that can be made to a superannuation fund. They are:

Non-concessional contributions – these are contributions a person makes on their own behalf or for their spouse. They are made from “after-tax” income.

1. Concessional contributions – any contribution that is not a non-concessional contribution is treated as a concessional contribution. This includes contributions made by an employer on behalf of their employees.
2. Concessional contributions made by an employer on behalf of their employee is made from pre-tax income. They are however taxed at a rate of 15% within the superannuation fund to which they are made. By having an employer make additional contributions to a superannuation fund, rather than being paid as salary or wages which is taxed at an employee’s marginal tax rate (which can be as high as 45%, plus Medicare Levy), an employee may benefit from a significant tax saving.

Does this sound too good to be true?

Perhaps so, but for some of us, things just got even better.

Concessional contributions made to a superannuation fund are subject to an annual limit (also referred to as a “cap”) of \$25,000 per annum. This will increase to \$30,000 from 1 July 2014.

However, commencing from 1 July 2013, any person aged 59 or older on 30 June 2013 has a concessional contribution limit of \$35,000. And this will extend to people aged 49 and older from 1 July 2014.

So, for anyone who was 59 or older on 30 June 2013, they can have concessional contributions of up to \$35,000 made in the 2013/14 financial year.

The concessional contribution limit of \$35,000 applies to contributions made by employers on behalf of their employees and to self-employed people who are eligible to claim a tax deduction for their personal contributions. The 9.25% contribution made by employers under superannuation guarantee is counted towards the \$35,000 limit. However, even after superannuation guarantee contributions are taken into account, there is ample opportunity for older workers to have their employer contributions increased under a salary sacrifice arrangement.

When salary sacrificing, an employee foregoes receiving part of their salary in return for additional contributions made to superannuation of their behalf.



How it works:

Let's take a simple example of a 60 year old, receiving a salary of \$80,000 in the 2013/14 financial year.

	Before salary sacrifice	After salary sacrifice
Salary	\$80,000	\$80,000
Salary sacrifice to super	\$ 0	\$27,600
Assessable income	\$80,000	\$52,400
Tax payable	\$17,547	\$ 8,577
Net pay (2013/14 tax rates)	\$62,453	\$43,823
Medicare levy	\$ 1,200	\$ 786
Tax on salary sacrificed super	\$ 0	\$ 4,140
Total tax and Medicare Levy paid	\$18,747	\$13,503

The total tax saving achieved by salary sacrificing \$27,600 to superannuation is \$5,244.

The amount salary sacrificed to superannuation, in this example, has been limited to \$27,600. This arises because the amount of superannuation guarantee payable on a salary of \$80,000 is \$7,400. The superannuation guarantee contributions, plus salary sacrificed superannuation contributions total \$35,000.

Where there is the capacity to save, entering a salary sacrifice arrangement may result in additional tax saving.

The technical bits:

1. An employer is not obliged to make additional superannuation contributions by way of a salary sacrifice arrangement, however most employers are willing to assist.
2. As salary sacrifice contributions are treated as an employer contribution to superannuation, some employers may offset salary sacrificed contributions against the obligation to make the 9.25% contribution. Always check that your employer will continue to make superannuation guarantee contributions in addition to amounts that you might salary sacrifice.
3. Concessional contributions that exceed the prescribed limit are taxed at the taxpayer's marginal tax rate. Where the contribution limit is exceeded, interest may also be payable on tax that would have been payable had the excess salary sacrificed contributions been paid as salary.
4. The concessional contribution limit of \$25,000 or \$35,000 applies per person, per year. Where a person contributes to more than one superannuation fund, their contributions are aggregated for the purpose of applying their concessional contribution limit.
5. Once a person turns 65 years of age, the ability to continue to make superannuation contributions is subject to a work test being met.
6. To comply with Tax Office guidelines, a salary sacrifice arrangement must be in place before the work is done that gives rise to the remuneration. This is particularly important when seeking to salary sacrifice annual and long service leave entitlements, bonuses and commissions.
7. Self-employed people, and those under the age of 65, may be eligible to claim a tax deduction for personal superannuation contributions. For those aged 59 or over on 30 June 2013, the maximum tax deductible contribution that can be claimed in the 2013/14 financial year is \$35,000. As the rules around claiming a tax deduction for personal contributions are complex, professional tax advice should be obtained before making the contribution.
8. Although not included in this summary, non-concessional contributions are also subject to caps or limits.

If you would like to find out more,
speak to your adviser today.



AGE PENSION

THE FIRST PILLAR OF THE AUSTRALIAN RETIREMENT INCOME SYSTEM

The Commonwealth of Australia's universal age pension is over 100 years old. The number of people over the age of 65 is expected to grow to more than 3 million people by 2020.

Of course not all of these people are full pensioners – a large portion are part age pensioners who do have assets or income above the current means tested thresholds to receive a full pension. The current upper level of these thresholds to receive a part age pension are fairly generous. For example, a couple who own their own home could have income up to \$72,000 per annum or assets, excluding their home, of \$1.1 million and receive a part age pension.

At 65 a person is faced with a number of decisions regarding their life going forward: do I have enough funds to retire; do I continue to work either full-time or part-time; do I down-size my property and if so what are my options; where do I want to live; and most importantly, am I entitled to an age pension and what concessions do I get?

If a person has or believes they do have an entitlement to a part age pension their first hurdle is the application form.

Depending on the person's circumstances, this application can be a fairly arduous journey of close to 150 questions, covering everything from the simple information like name, address and date of birth through to a person's company and trust details if applicable.

The next step in the journey is understanding what you are entitled to. The *Social Security Act* sets out the legislative base for the qualification and payment of the Age Pension.

Eligibility is based on age, residence and income and assets.

For most people, the age pension entitlement it is not something they worry about until they are ready to retire and even then it can appear as a bureaucratic maze created to ensure the first steps of retirement are stressful and not at all relaxing.

This is just the tip of the iceberg in terms of questions you should ask yourself before retirement can be enjoyed.

To fully understand what you need to do before retiring, contact us today to talk about how we can help you plan for your future.

Source | Mark Teale
Centrepoint Alliance

Government delivers tough 2014-15 Federal Budget

As the wet weather sets in we know that means winter woollens, gas heater and the Budget fun & games begin. This year we are being told that we need to tighten our belts, again. So I thought we would have a quick look at some of the key changes proposed for superannuation and social security are:

1. Excess Non-Concessional Contribution Refunding - any excess contributions made after 1 July 2013 over the non-concessional contribution (NCC) cap, will be able to be withdrawn along with any associated earnings from super & will be taxed at personal tax rates. If the excess NCCs are left in the fund, the excess will be taxed at the top marginal tax rate.

2. Re-phasing Superannuation Guarantee (SG)- Rate will increase to 9.5% from 1 July 2014 & be maintained at 9.5% until 30 June 2018. From 1 July 2018 it will resume increasing by 0.5% increments until it reaches 12% in 2022-23.

3. Increasing of Age Pension Age to 70 from 2035 – for those born after 1958.

4. Indexing the Age Pension by the Consumer Price Index - from 1 September 2017. This change will likely result in lower future pension increases.

5. Resetting the Pension Deeming Rate Thresholds - The income deeming thresholds used in the pension income test will be reset to \$30,000 for singles (currently \$46,600) and \$50,000 for couples (currently \$77,400) from 20 September 2017. The Government is making this change to better target pension payments, by tightening the income test.

6. Commonwealth Seniors Health Card Changes (CSHC) -:

- Indexing the current income limits by CPI.
- Include untaxed superannuation income in the eligibility assessment for the CSHC from 1 January 2015. All super account-based income streams held prior 1 January 2015 will be grandfathered under the existing rules.
- The Government will achieve savings of \$1.1 billion over five years from 2013-14 by ceasing the Seniors Supplement for holders of the CSHC from 20 September 2014.

How can we help?

If you would like some assistance with identifying how these recent changes are likely to affect your own retirement income planning, please feel free to give me a call to arrange a time to meet so that we can discuss their impact on your particular circumstances. We can then determine whether you need to make any changes to your existing arrangements.



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Your Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office.

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