RESERVE
Financial Consulting

Money Matters

Autumn 2016

Welcome to this Autumn edition of the personal finance newsletter from Richard Shermon at Reserve Financial Consulting. With the warm weather now behind us and the end of the tax year only a couple of months away now is a great time to be reviewing your financial plan.

Make the most of your superannuation tax concessions!

With the end of the tax year only a couple of months away this is a good time to check you are making the most of your superannuation tax concessions in order to give your retirement savings a boost. Here are some of the concessions which might be available to you depending on your personal circumstances.

1. If your total income for this tax year is likely to be less than $50,454 then consider making a contribution to your superannuation fund of up to $1,000 as you may qualify for the Government co-contribution of up to $500.
2. Concessional contributions, which typically comprise of employer contributions (including salary sacrifice) and personal contributions claimed as a tax deduction, are a great way to boost your superannuation savings. This is because the contribution is only taxed at a rate of 15% rather than at your marginal tax rate if taken as income. These contributions are capped at $30,000 for the 2015/16 tax year ($35,000 if age 49 or over on 30th June 2015). If your income is above $300,000 then the tax rate on your concessional contributions increases up to 30%.
3. If you are nearing retirement and looking to boost your superannuation consider making a non-concessional contribution of up to $180,000 before the end of the tax year. If you were under the age of 65 at any time in the financial year you may bring forward up to 2 future years' entitlements. Where these bring forward rules are used, total non-concessional contributions made in a 3-year period (starting on the 1 July of the first financial year in which non-concessional contributions exceeded $180,000) cannot exceed $540,000.
4. If your spouse is expecting income (which is defined as their assessable income plus reportable fringe benefits plus reportable employer super contributions) below $10,800 then you might consider making a contribution of up to $3,000 to boost their superannuation as you might then qualify for a spouse contribution tax offset of up to $540.
5. If you have reached your preservation age (which is age 55 if you were born before 30th June 1960) and are still working then there may well be tax savings by moving your superannuation from accumulation to pension phase under the transition to retirement rules.

If you would like to discuss any of these ideas further then please give me a call on 0401 357 071.

Visit www.reservefc.com.au for more details

Private Health Insurance Premiums Increase Yet Again!

Many people with Private Health Insurance will have recently received notification of yet another rate increase effective from 1st April 2016. These increases have been around 5.5% this year which is well in excess of inflation. The net premium increase is actually closer to 7% when you factor in the reduction in the Private Health Insurance Rebate.

This is a good time to review the cover you have and see if you can obtain a better deal by changing the type of cover as well as your provider.

For example, I personally believe that paying for Extras cover does not offer great value for money and I usually recommend that clients consider obtaining Top Hospital cover only from a members own health fund. Also, accepting a higher excess per claim (say $500 rather than $250) can make a significant impact to the premium.

To compare different policies each Health Fund has to produce a Standard Information Statement so that you can make sure you are comparing "apples with apples". There is usually no waiting periods for cover for which you already qualify for when switching provider. Also if you decide to use a comparison website service be aware that not all Health Funds may be represented so you might not be obtaining the best deal in the market.

There is great independent, unbiased website for product searches: http://privatehealth.gov.au/

Here are some examples of the monthly premium rates (before any Federal Government rebate or loadings) being quoted by various Health funds for Top Hospital Cover only, excess of $500 and no co-payments. The rates are for two adults with dependant(s) cover.

Provider	Product Name	Monthly premium
Bupa	Top Hospital Cover $500 Excess Family	$389.70
HCF	Premium Hospital $500 Excess	$407.80
Latrobe	Top Hospital CoverWise with $500 Excess	$344.42
Medibank	Top Hospital $500 Excess	$402.80
NIB	Top Hospital $500 Excess	$492.29

As you can see there is quite a large variation in monthly premiums which should make it worth your time to shop around!

Centrelink Assets Test set to "tighten" from 1st January 2017

Are you already receiving an Age Pension entitlement? From 1st January next year the Government will be increasing the assets test limit to qualify for a full Age Pension to $375,000 for homeowner couples and $250,000 for single homeowners. The pension amount you lose for owning assets above these full Age Pension thresholds will increase and therefore the "upper limit" cut off point to receive at least a part pension (and the valuable Pensioner Concession Card) will decrease from the current level of $1,170,000 to $823,000 for homeowner couples and from $788,250 to $547,000 for single homeowners.

If you think you might be impacted by these changes it would make sense to review your financial position to see if there are any options and strategies that you could put in place before the end of this year to minimise the potential reduction in your Age Pension.

For example you could consider making an additional super contribution to your spouse if they are under Age Pension age and haven't yet started a pension, use some of your funds to bring forward those home improvements or renovations to your home that you may have been planning for years or making some gifts to your children (remembering to allow for the deprivation of assets rules).

RESERVE
Financial Consulting

Making the most of the bring forward rules for your non-concessional contributions

Individuals under the age of 65 on 1 July of the relevant year have the opportunity to make a non-concessional contribution of up to $540,000, averaged over three financial years. Those aged 65 but less than 75 can make non-concessional contributions of up to $180,000 each financial year, subject to satisfying the work test, i.e. where the member has worked 40 hours in 30 consecutive days at any time during the relevant financial year.

The three-year averaging provisions for non-concessional contributions allow individuals to bring forward two years of future non-concessional contributions. Individuals aged 63 or 64 can take advantage of the $540,000 non-concessional contributions cap and are not required to meet the work test in relation to years two and three unless further contributions are made in those years.

Here is an example. Anne, aged 63, has $700,000 net proceeds from the sale of an investment property. She intends to use these funds to make a non-concessional contribution into her superannuation prior to retiring when she turns 65.

Under option 1, Anne contributes $540,000 in 2015/16. She exceeds the annual non-concessional cap of $180,000 in the 2015/16 financial year and the bring-forward provisions are triggered, which means that the $540,000 contribution is averaged over 2015/16, 2016/17 and 2017/18.

She is unable to contribute the remaining $160,000 in 2018/19 as she is over 65 years of age and does not satisfy the work test. Therefore, she has not achieved her aim of contributing the entire $700,000 into her superannuation.

Anne's financial planner suggests that she consider an alternative strategy. Under option 2, Anne contributes $160,000 in 2015/16 and does not exceed the annual non-concessional cap, i.e. she does not trigger a bring-forward period. Anne then contributes the remaining $540,000 in 2016/17.

She exceeds the annual non-concessional cap of $180,000 in the 2016/17 financial year and the bring-forward provisions are triggered, which means that the $540,000 contribution is averaged over 2016/17, 2017/18 and 2018/19. She is not required to meet the work test as she is aged 64 at the time of making the $540,000 contribution. Anne has achieved her aim of contributing the entire $700,000 into superannuation under option 2.

How can you obtain quality financial advice?

By contacting Reserve Financial Consulting which is a financial planning business based in the Bayside area. I specialise in providing advice in the area of Investments, Insurance, Superannuation and Pensions.

I am the Managing Director of the business and I have over 25 years experience in the financial services industry in the UK, Singapore and Australia.

Richard Shermon BA FIA DIP FIN SERV (FP)

I provide advice to my clients on a fee for service basis and no commission is received on any of the products I may recommend. A typical financial plan costs approximately $2,000 (plus GST) to research, prepare and implement.

Please give me a call to set up an initial appointment to discuss any personal finance issues or concerns that you may have. I am sure I will be able to help.

Reserve Financial Consulting

Suite 4, 10 Station Road,

Cheltenham

M: 0401 357 071

E: richard@reservefc.com.au

W: www.reservefc.com.au

There is no charge for the first meeting