



Money Matters

Autumn 2018

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 \$51,813 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. Make the most of the concessional contribution limits for your superannuation (via salary sacrifice or deductible personal super contributions) to potentially reduce your marginal tax rate and at the same time boosting your retirement savings. The concessional contribution cap is \$25,000 for the 2017/18 tax year. Deductible personal super contributions are now available to employees as the old 10% self-employed test was removed from 1st July 2017.
3. If you are nearing retirement and looking to boost your superannuation consider making a non-concessional contribution of up to \$100,000 (or up to \$300,000 if the bring forward rules are available) before the end of the tax year provided your total superannuation balance was below \$1.6m as at the 30th June 2017.
4. If your spouse is expecting income (which is defined as their assessable income plus reportable fringe benefits plus reportable employer super contributions) below \$37,000 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.

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 2018. These increases have been around 4% this year which is well in excess of inflation. The net premium increase is actually slightly higher than 4.5% 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, you might want to consider if your Extras cover is offering you value for money and if obtaining Top Hospital cover only from a members own health fund could lower your premiums. Also, by accepting a higher excess per claim (say \$500 rather than \$250) you could also reduce your premiums.

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”. 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 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. Please note that I am not recommending any of these particular providers and their products. The table is included for illustrative purposes only.

Provider	Product Name	Monthly premium^
Bupa	Top Hospital Cover \$500 Excess Family	\$440.10
HCF	Premium Hospital \$500 Excess	\$440.20
Latrobe	Top Hospital CoverWise with \$500 Excess	\$396.50
Medibank	Complete Hospital \$500 Excess	\$418.70
NIB	Top Hospital \$500 Excess	\$552.99

^Source: www.PrivateHealth.gov.au

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

Choice have written a [good buying guide to Private Health Insurance](#) if you would like further information.

Macquarie wins further customer satisfaction awards.

Regular readers of my newsletter will know that I don't like to place too much emphasis on industry awards. However, it was pleasing to see the Macquarie platform rated as number one by their customers in both the CoreData SMSF and Roy Morgan Customer Satisfaction awards in 2017. I often recommend Macquarie Super and Pension Manager to my clients (I use this plan for my own superannuation savings) due to its competitive pricing, excellent product features and wide investment choice. Therefore it is good to see their customer service being recognised through third party research.

Vanguard Diversified Index Funds—Top 10 holdings

Many of my clients will have investments in one or more of the four Vanguard Diversified Index Funds (Conservative, Balanced, Growth and High-Growth). These low cost, diversified managed funds invest in multiple asset classes through a transparent and tax-efficient portfolio. The long term investment performance has been in the top quartile of their respective peer groups over five, seven and ten year periods up to 31st December 2017 according to Morningstar Australia although it is worth remembering that this past performance is not indicative of future performance.

Vanguard have recently released a guide to these funds which highlights the top 10 holdings in each asset class. The guide can be [accessed here](#) and illustrates the amount of diversification achieved through a single investment in the funds.

Some common questions regarding the changes to superannuation rules from 1st July 2017

There a number of changes to superannuation rules that came into force from 1st July 2017. Here are some of the common questions I have received concerning these changes:-

1. Is the concessional contribution limit really reducing to \$25,000 for everyone for the next financial year? Yes, I am afraid this is the case. Many employed people should have reviewed their salary sacrifice arrangements to ensure they don't exceed this limit during this financial year.
2. Is there a \$1.6m limit on how much a married couple can have in superannuation? There is no limit to the amount of money that you can have in superannuation. However, there is a limit to how much any one person can transfer into a pension when they retire (or hold in an existing pension) and not pay any tax on the investment earnings. This limit is currently \$1.6m and it applies at an individual level not as a couple.
3. Any defined benefit pensions I receive don't count towards this \$1.6m limit? Many defined benefit pensions will contribute towards the \$1.6m limit (at approximately 16 times their annual pension rate as at the 1st July 2017). The rules are complicated for defined benefit pensions and financial advice would be recommended in these circumstances.
4. If I have more than \$1.6m in total super can I put any more money into super? Yes you can but only concessional contributions (e.g. Superannuation guarantee, salary sacrifice and deductible personal super contributions). If your total super balance exceeded \$1.6m as at 1st July 2017 you won't be able to make non-concessional contributions during the this financial year. Also, the non-concessional contribution limit has reduced from \$180,000 to \$100,000 for this financial year.
5. Are there any changes applying to Transition to Retirement pensions? Yes, the main one is that the tax exemption for investment earnings has been removed from 1st July 2017. This has reduced the attractiveness of this strategy and it may make sense to commute the pension back into accumulation phase or make it a full account based pension if you have satisfied a condition of release. The full account based pension will continue to enjoy the tax exemption on investment earnings subject to the balance transfer cap restrictions.

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 30 years experience in the financial services industry in the UK, Singapore and Australia.

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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 \$2,500 (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.



There is no charge for the first meeting

Important information. This newsletter has been prepared to provide you with general information only. It is not intended to take the place of professional financial and taxation advice and you should not take action on specific issues in reliance on this information. In preparing this information we did not take into account the investment objectives, financial situation or particular needs of any particular person. The case studies in this newsletter are hypothetical and are not meant to illustrate the circumstances of any particular individual. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances. You should obtain a copy of the relevant Product Disclosure Statement (PDS) before making a decision to invest in any financial product. This information is provided for persons in Australia only and is not provided for the use of any person who is in any other country.