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QUARTERLY INSIGHT
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The Importance of Investing in Your Future

Superannuation is a long term investment

In the course of your life you may have many financial objectives, with a range of timeframes. Saving for a holiday or a used car may take a year or two, whilst saving for a property deposit usually takes longer. Once you actually purchase a property, it may take 30 plus years to pay off.

However, the longest timeframe and perhaps most significant of all your investments, is your superannuation. It will build throughout your working life, potentially becoming your biggest asset.

Consequently, your superannuation deserves to be considered more deeply than any other area of your financial life. It needs to be wisely invested, tax-effectively structured and properly maintained, if it is to meet your retirement lifestyle expectations.

The dangers of indifference

Despite its pre-eminent position in most people's financial future, there is a general tendency to leave superannuation on 'autopilot'. This approach may put you at a serious disadvantage in terms of your ultimate retirement outcomes. To get the most out of your super and to ensure you have an adequate strategy for retirement, it is important to be engaged with it and to get the right advice about how to maximise your position.

There are a lot of voices in the public domain clamouring to put in their two cents on what is best for the future of superannuation. The unfortunate truth is that many of these are vested interests that have short-term or partisan aims in mind. Political parties of all stripes, trade unions, think tanks, lobbyists and special interest associations seem to all be pushing their own agendas and many of these opinions may not necessarily be in accord with your long-term retirement interests.

Take for instance the issue of retirement ages. The idea of increasing the retirement age up to 70 has been floated in recent times and although public outcry has stifled this move for now, it is inevitable that it will rear its head again. Not a pleasant thought if you are a farmer, tradesperson or work in industries which require manual labour.

The result of this instability and 'barrow pushing' is a climate of fear, which may undermine confidence in the superannuation system and deter people from taking a proactive approach to their retirement planning.

The value of Professional Advice

Your super is a major asset that deserves your active engagement. However, the complexity of superannuation regulations and the taxation system, can make this quite a daunting prospect to deal with by yourself. This is where the value of qualified, personalised advice can come into its own.

One of the key foundations of contemporary financial advice is that it must be based a close understanding of your objectives, lifestyle circumstances and investment personality. As professional advisers, we are able to help you to identify and crystallise these issues, so that a highly individualised strategy can be developed.

Over time, circumstances change, objectives evolve and the investment environment fluctuates. A big part of our role as advisers is to help you take these changes into account. At the same time we have access to market and legislative research and analysis, which allows us to provide the kind of fact-based, objective guidance needed to capitalise on opportunities.

The current state of flux around superannuation makes it more vital than ever to have us as your professional financial adviser in your corner, to help you make sense of it all and to help ensure that your financial well-being is championed above all.

Based on an article in Adviser Ratings, *December 2016*

Superannuation Update: Rules

Although the Coalition government has made significant amendments to Australia's Superannuation rules, none of the proposed changes will apply for the 2016/17 financial year. However, if you're planning to make significant non-concessional (after-tax) contributions which trigger the bring-forward rules during the 2016/17 financial year (or if you have already triggered the bring-forward rules during the 2015/16 financial year), then you need to be aware of transitional rules that come into effect for the 2017/18 financial year, and potentially for the 2018/19 financial year.

On 15 September 2016, the Federal Government announced the scrapping of the retrospective $500,000 non-concessional contributions cap, and replaced it with an annual $100,000 cap, with a starting date of 1 July 2017. What this means is that the current non-concessional contributions caps continue to apply for the 2016/17 financial year, although a bring forward may be subject to transitional rules, if it crosses over into the 2017/18 financial year.

Super continues as normal, for 2016/17 financial year

The key elements of the superannuation system remain the same for the 2016/17 financial year, including:

- Superannuation guarantee rate remains at 9.5%
- No increase in tax on super fund investment earnings
- Concessional contributions caps (cap to be reduced from 1 July 2017)
- Non-concessional contributions caps (cap to be reduced from 1 July 2017)
- Super benefits for over-60s remain tax-free
- Tax exemption on investment earnings for transition-to-retirement pensions (TRIPs) remains until 30 June 2017 (to be removed from 1 July 2017)
- Low Income Super Contribution continues, and also beyond 30 June 2017
- Co-contribution scheme remains in place
- Tax treatment of death benefits remains the same (apart from removal of anti-detriment payment from 1 July 2017)

Although the $1.6 million transfer cap on super pension assets will not take effect until 1 July 2017, Australians receiving super pensions or planning to start a super pension will need to be mindful of the new rules. If you are one of those immediately affected by the cap, you will need to take action before July 2017.

Concessional contributions caps change from 1 July 2017

For the 2016/17 financial year, the concessional contributions caps have not changed. If you're aged 48 years or under on 30 June 2016, then your concessional cap is $30,000 for the 2016/17 financial year. If you're aged 49 years or over on 30 June 2016, your cap is $35,000 for the financial year.

However, from 1 July 2017, the Coalition government has reduced the concessional cap to $25,000 across all age groups. Voluntary concessional contributions will still be possible, subject of course to the lower cap.

Non-concessional (after-tax) contributions caps change from 1 July 2017

For the 2016/17 financial year, the non-concessional contributions (NCC) caps have not changed. The annual NCC cap is $180,000, and if you're under the age of 65, you can bring forward 2 years' worth of contributions, which means you can make up to $540,000 in NCCs in one financial year.

However, from 1 July 2017, the annual NCC cap will drop to $100,000 and the maximum bring forward has dropped to $300,000.

If you're planning to make significant non-concessional (after-tax) contributions triggering the bring-forward rules, then you need to be aware of transitional rules that come into effect for the 2017/18 financial year, and potentially for the 2018/19 financial year.

Tax-free super benefits for over-60s

The tax treatment of investment earnings on super pension assets is a different policy from the tax treatment of super benefits paid from a super or pension account. If you're aged 60 years or over, you can still receive your super benefit payments tax-free.

Australians aged 60 years or over who are withdrawing super benefits as a super pension, or a lump sum, can continue to expect these benefit payments to be tax-free. The only exception to this tax-free treatment is if you belong to certain older public sector funds and receive a benefit from an untaxed source.

If you're aged under 60 years but you have reached your preservation age, the taxable component of your super benefit payments from a taxed source will continue to receive concessional tax treatment, in the form of 15 per cent pension tax offset for the taxable component of super pension payments, and a tax-free threshold for lump sum payments.

for the 2016/17 Financial Year

Tax exemption for TRIPs remains until 30 June 2017

Taking effect from 1 July 2017, the government has removed the tax-exempt status of earnings supporting a transition-to-retirement pension (TRIP). Until 30 June 2017, the investment earnings on super assets financing a TRIP are exempt from tax. From 1 July 2017, removal of the tax exemption will affect existing recipients of TRIPs and future recipients of TRIPs.

Low Income Super Contribution/Low Income Super Tax Offset

For lower-income earners, the ATO continues to pay the Low Income Super Contribution, which is a refund of contributions tax into an individual's super account. If you earn less than $37,000 and concessional contributions are paid into your super account, either by your employer or yourself, you can expect a refund of up to $500 a year for the contributions tax deducted from the super contributions. The threshold of $37,000 applies to your 'adjusted taxable income', which includes non-Superannuation Guarantee concessional contributions, net investment losses and several other items.

Co-contribution scheme remains in place

Making a small non-concessional contribution continues to be compelling for those Australians eligible for the co-contribution scheme. If your total income is less than $51,021 for the 2016/17 financial year, and you make a non-concessional contribution to your super fund, the federal government will make a tax-free co-contribution to your super account.

The federal government will pay you 50 cents for each dollar you contribute to your super fund in after-tax dollars, subject to you also satisfying a work test and assuming you're under the age of 71. The maximum co-contribution of $500, on a $1,000 after-tax contribution, is payable if your total income is less than $36,021 (for the 2016/17 financial year).

Tax treatment of death benefits

The tax treatment of death benefits is unchanged with dependants under the tax laws (such as spouses and children under the age of 18), continuing to receive death benefits free of tax, and non-dependants (such as financially independent adult children) liable for a 15 per cent tax on the taxable component of the death benefit.

From 1 July 2017, the opportunity to make anti-detriment payments ends. The Coalition government has changed the laws so that super funds will not be able to pay a refund of a member's lifetime superannuation contributions tax payments into an estate, and the super fund likewise will not be able to claim a tax deduction for this payment.

Please contact our office for more information or go to: www.superguide.com.au.

Based on an update by Trish Power from Super Guide.

Improve Your Family's Financial Literacy

Did you know that on average it takes a recipient of inheritance 19 days until they buy a new car? I don't know about you, but my thoughts are that perhaps this may not be the most financially-savvy way to spend an inheritance.

In our busy lives, talking about money with our family members may prove to be a daunting and sometimes emotional subject to bring up. We may think that if we do not disclose our wealth we will encourage hard work, and by putting our chips on the table our family may start to become lazy and entitled.

Avoiding a conversation about money may have us running the risk of us not passing on the knowledge and wisdom gained in our lifetime, and the financial literacy skills we have gained through experience, self-education and with the help of professional advisers.

Financial literacy may be defined as 'a combination of financial knowledge, skills, attitudes and behaviours necessary to make sound financial decisions, based on your personal circumstances, to improve your financial wellbeing'.

There are five key indicative behaviours that relate to your financial literacy:

1	**Keeping track of finances**	Your approach to managing everyday expenses.
2	**Planning ahead**	Planning for the medium and longer term, including for your retirement and beyond.
3	**Choosing financial products**	Based on your understanding and assessment of different investment options and their underlying risks.
4	**Staying informed**	Your use of information, tools and guidance when needed.
5	**Financial control**	Your savings behaviour and managing debt.

You may be asking why it is important to pass on your financial literacy skills. According to Roy Williams, Founder and President of Williams Group, the statistics are less than rosy when it comes to looking at what happens to the wealth that one day will pass from you to your family. Roughly 70% of wealthy families lose their wealth by the second generation, and a stunning 90% by the third*.

While you may not consider yourself 'wealthy', it is still important to reflect on the two key reasons that were found to be behind these high percentages, having low or no financial literacy by the second and third generations, and trust and communication breakdown among family members. With this in mind, here are a couple of things that you can do to improve your family's financial literacy.

- Sit down as a family and have an open discussion about the money that is expected, how you came to accumulate this wealth, the strategies that you have employed to build and retain your wealth, and any expectations that you might have regarding the use of your assets in the future.
- Suggest that adult family members seek professional advice about their existing circumstances. A professional adviser can put them on the path to understanding their current financial situation compared to where they would like to be in the future, and how best to handle receiving a future inheritance.

Financial literacy is important for both you and your family. Think about how important financial literacy has been to you in your lifetime.

Call us as we can help you take steps to improve the financial literacy of your family.

* Over a 20-year period, Roy Williams and his associates interviewed 2,500 wealthy families who had gone through estate planning and wealth transition. Williams, R., & Preisser, V. (2010). *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values.* Robert Reed Publishers.

Based on an article from iress Financial Knowledge Centre

Create a 'Stop Doing' List and Start Growing in 2017

Michael Kitches shares his number one tip for getting 'unstuck' in the New Year. Create a 'Stop Doing' list, to help you prioritise and focus your efforts to manage your time.

Time management is crucial, as we're all limited by the same 24 hours in a day and 168 hours in a week. The challenge, however, is that even knowing time management is important, sometimes you don't even realise there's a problem until it's too late. Like the analogy of the boiled frog, that just sits in a pot of cool water that heats gradually until it boils itself to death, never realising the growing threat. The slow and steady accumulation of clients and work can mean that we overburden ourselves too slowly to realise we need to do something about it, until by the end we're buried and it feels like there isn't even enough time to fix the problem.

As contrasted with a 'To-Do' list of things that must be done, a 'Stop-Doing' list tells us things we should not be getting done. Or at least, not be personally doing anymore. In other words, it's about making a commitment to creating free time by literally not doing as much as you have in the past.

How do you figure out what goes onto a 'Stop-Doing' list? The easiest way it to simply list out all of the tasks you do routinely and repeatedly… and then figure out how to stop doing them and instead delegate them to someone else.

Unfortunately, delegation itself is hard. But an easy way to delegate repetitive tasks in particular is through the use of screencasting software. If you're not familiar, screencasting software lets you capture what's happening on your computer screen, as well as any audio from your microphone. Screencast-o-matic and Snagit are two such examples of screencasting software. You simply need to identify a task you complete repeatedly, record yourself doing it while talking through each of the steps, narrate out loud what you're doing and then give someone else the video to use as a guide! Congratulations! You've just now delegated a task and trained someone how to do it, and it only took you the time it takes you to just do it yourself! It's a way to train how to do a delegated task, in no more time than it takes to just do it anyway (and you'll never have to do it again!).

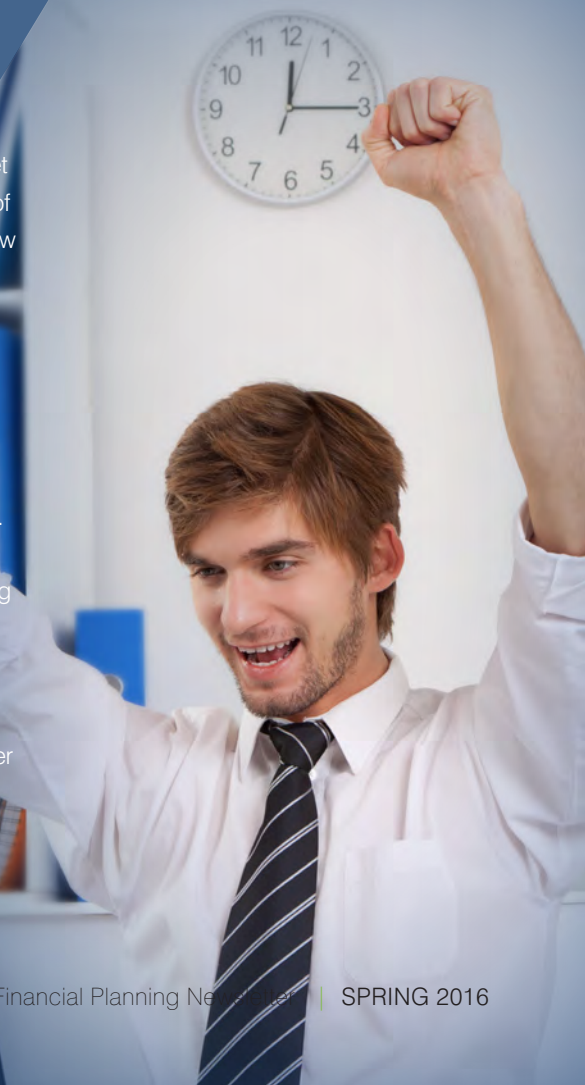
For the tasks that are less repetitive and require more expertise, you can look to hire outside professionals to free up more of your time. Because the reality is that you can't be the best at everything in a business. Focus on the most important revenue-generating responsibilities, and let go of the rest. Fortunately, a whole range of service providers are cropping up that allow us to outsource certain business activities.

As Warren Buffett says, "The difference between successful people and very successful people is that very successful people say 'No' to almost everything." Because the truth is that there's a never-ending list of things that you can be doing. So it's not a question whether you can do a task. Moving forward, it's all about finding the highest and best use of your time, focusing on that, and letting go of the rest.

The bottom line is that good time management is about saying 'No'. Whether that means saying 'No' to repetitive tasks you can delegate, or 'No' to less value-adding responsibilities you can outsource or just let go of altogether.

As we get going into the New Year, and you take some time to engage in strategic planning, my suggestion is that if you're feeling like you've hit that wall and you really want to break through, what you need to do right now is not figure out the next great idea that grows your business – but instead to sit down and make your 'Stop doing' list. You need to figure out what you're going to get off your plate so that you can free up the time to actually take your business forward.

Creating a 'Stop-Doing' list for 2017 may be one of the most effective ways to gain control over your schedule!



Reaching Your Wealth Goals

One in two Australians feel they aren't doing enough to achieve their financial goals. According to recent research by *MLC Wealth Sentiment Survey,* a lack of financial planning and poor financial confidence are the reasons why.

In the study, 50 per cent of Australian participants said self-doubt is the reason for falling short on wealth goals, while 32 per cent said not earning enough money is the problem. These two factors were nominated by respondents as more significant than being scared of risk or spending more than they earn.

Closely tied to the lagging confidence of Australians is the number of people who do not have a plan to save and invest, with just one in four respondents having a financial plan.

With so few people having a financial plan, perhaps it is not surprising that Australians doubt themselves and don't believe they have done enough to reach their wealth goals.

The survey also asked Australians to define 'wealth'. On average, 33 per cent said they defined wealth as income, 29 per cent defined it as lifestyle wealth and 24 per cent said net worth.

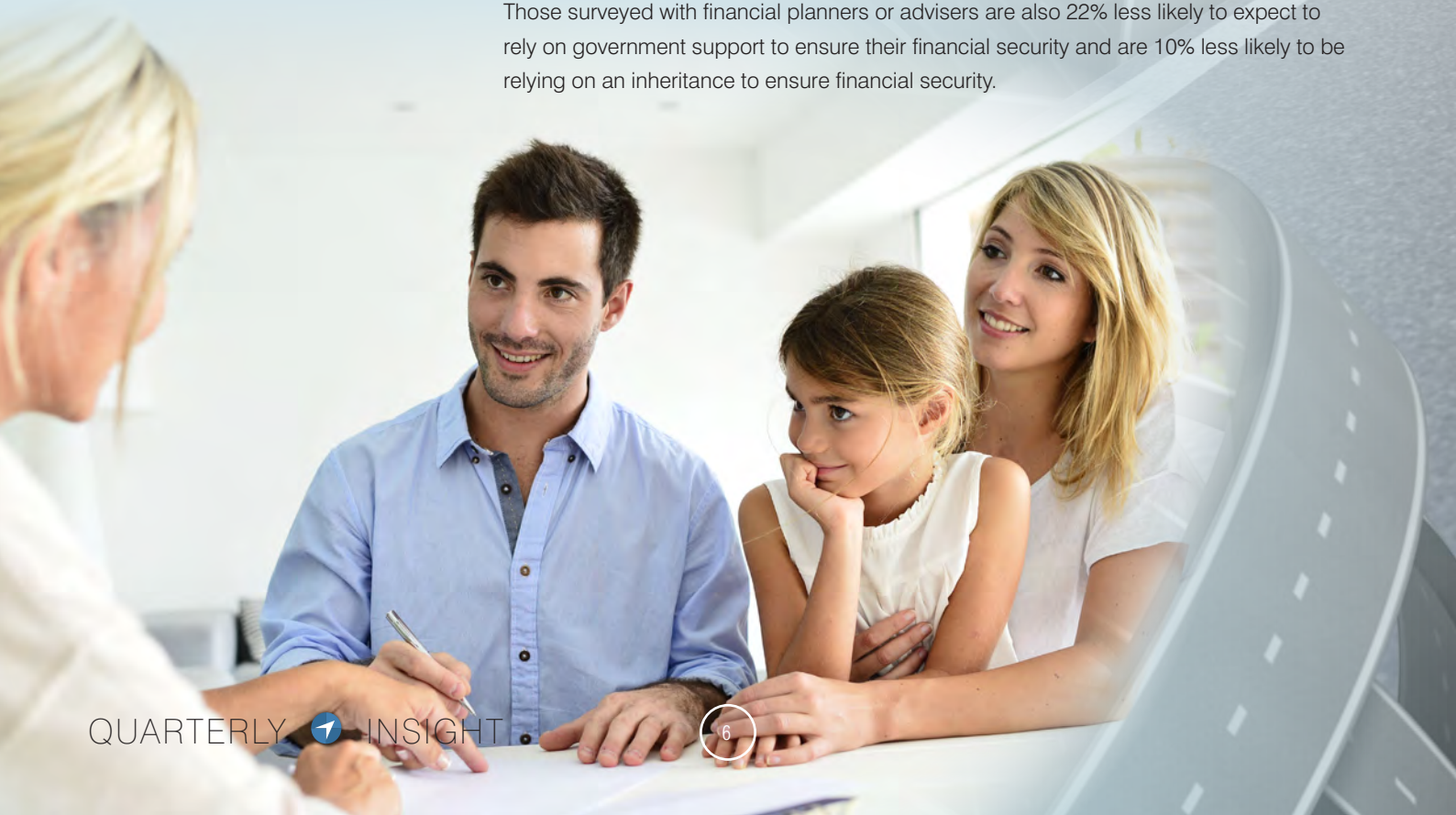
The survey responses highlighted the most important aspects of lifestyle wealth as being debt free, having enough money for emergencies, and being able to fund desired lifestyles.

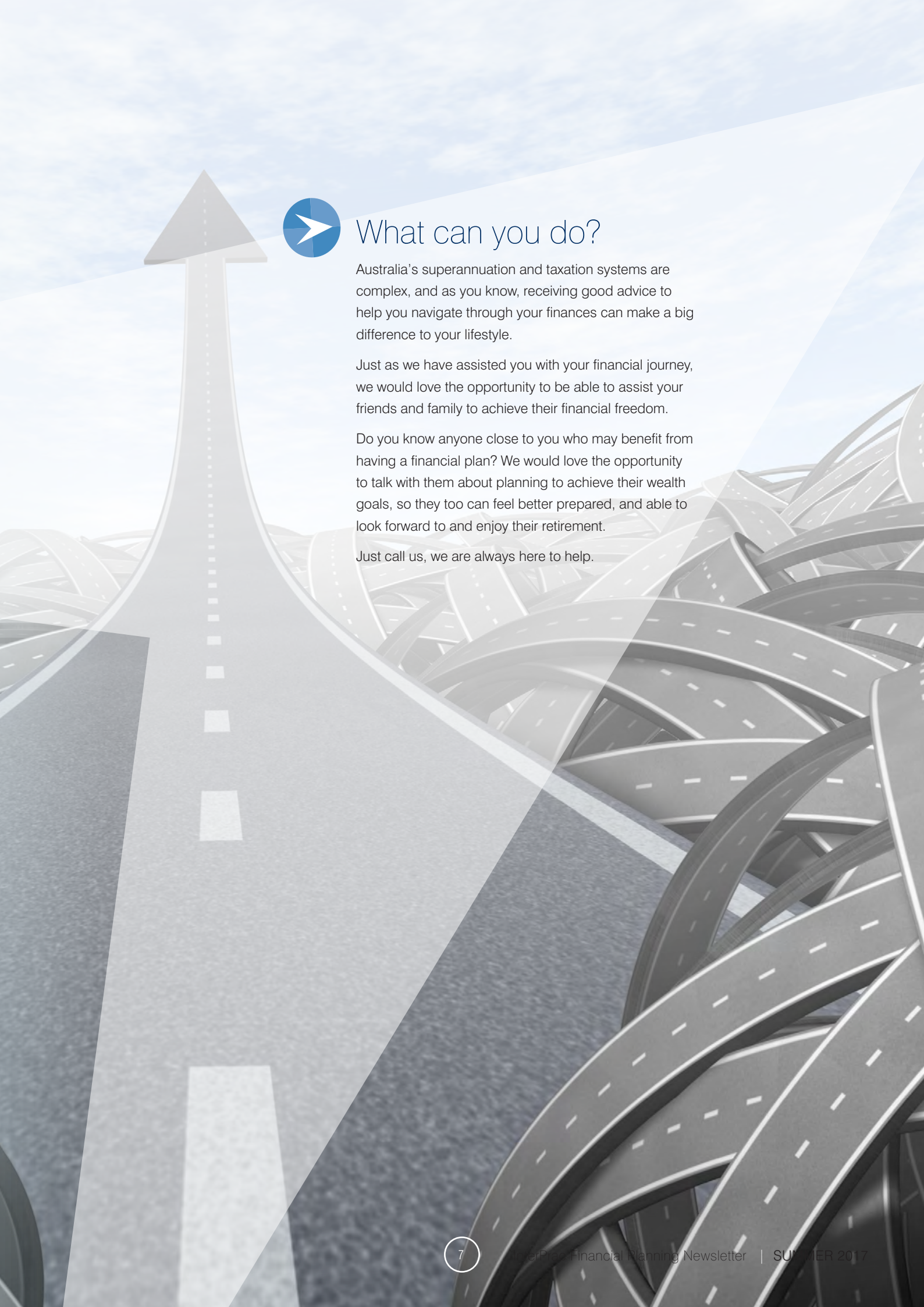
On average, participants estimated they would need approximately $818,000 in savings and investments in order to retire, however, they expect to retire on just $557,000 (excluding home equity).

The good news from another MLC study, the Australia Today report, is that help from financial professionals has an encouraging impact on financial confidence and security.

Australians engaging the help of financial professionals are more than twice as likely to feel 'very or fairly well prepared' for retirement than those without a financial professional.

Those surveyed with financial planners or advisers are also 22% less likely to expect to rely on government support to ensure their financial security and are 10% less likely to be relying on an inheritance to ensure financial security.





What can you do?

Australia's superannuation and taxation systems are complex, and as you know, receiving good advice to help you navigate through your finances can make a big difference to your lifestyle.

Just as we have assisted you with your financial journey, we would love the opportunity to be able to assist your friends and family to achieve their financial freedom.

Do you know anyone close to you who may benefit from having a financial plan? We would love the opportunity to talk with them about planning to achieve their wealth goals, so they too can feel better prepared, and able to look forward to and enjoy their retirement.

Just call us, we are always here to help.

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