GOLDSBOROUGH news
GOLDSBOROUGH FINANCIAL SERVICES
ABN 89 064 640 142
AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 225330
120 Greenhill Road Unley South Australia 5061 Phone (08) 8378 4000 Facsimile (08) 8373 4544
Email: mail@goldsborough.com.au Website: www.goldsborough.com.au
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Five smart saving tips to start *today!*

With a new financial year upon us, now is a great time to review your current financial situation and put a plan in place for the next 12 months. Sorting out your finances doesn't have to be complicated, as even small savings can add up over the year.

Here are my 5 tips to help you get started.

1 Write down a list of your lifestyle wants and needs

If you want to save or invest more money this financial year, you may need to consider whether there is anything that you're willing to sacrifice to get ahead. Do you really need to update your phone again, or have that weekend away?

Make a note of where you'd like your finances to be this time next year, and then write down your income and expenses for the last month. Are you left with surplus and are your goals going to be realistic? It's only by taking a close look at your current financial situation that you can begin to take control of it.

2 Build a budget

To ensure you're getting the most from your money, build a budget. However, finding the right balance is key. If you make your budget too restrictive you'll likely break it. Alternatively, if you make it too light you might miss out on some financial benefits.

Once you have a budget, it's important you stick to it. That means tracking your expenses and a great way to do this is to use a digital money tracker such as Pocketbook or TrackMySpend.

3 Boost your super

Superannuation is one of the best ways to save for your retirement. If you receive a tax refund this year or have surplus cash flow, consider boosting your super via a lump sum or a regular contribution. Speak to your adviser about what type of contribution you should make to minimise tax or qualify for a government co-contribution.

Before you decide to invest more in super, you need to be aware that restrictions and caps apply. Penalties may apply if you exceed the relevant cap or contribute to super when you were not eligible to contribute. You also need to consider that super generally can't be accessed until you reach your preservation age and retire or meet another condition of release.

4 Make insurance more cost effective

It doesn't matter how good your financial plan is if you don't have the correct insurance in place to protect your family and your ability to earn an income. It's a good idea to regularly review your policies to ensure they remain cost effective and relevant to your circumstances. Owning insurance inside super can be cost effective from a cash flow and tax perspective. Changes in recent years have allowed members to choose their own super and own insurer, and quite often these will be different, in order to provide the best of both worlds.

5 Pay off debt

If you're paying off multiple debts with a range of interest rates, you should consider the appropriateness of paying down the debt with the highest interest (while continuing to meet your repayment obligations to other debts). Alternatively, you may be able to combine your debts with a debt consolidation loan. If you can continue to make the same level of repayments, this may reduce the amount of total interest payable and help you pay off your debt sooner.

Speak to a financial adviser

The investment market, legislation and government regulations change frequently, so unless you're a financial professional, chances are you'll need help to navigate them. A financial adviser can help you understand and maximise your eligibility for government entitlements, while supporting you to grow and manage your investment portfolio. The benefits of a tailored financial plan can add up substantially over your lifetime.

CRAIG KIRKWOOD
ADFP
Authorised Representative (401525)

What is a *Re-contribution Strategy?*

Re-contribution is not a term that you hear every day. It describes the act of taking money out of super and then putting it back in.

The Background

All superannuation funds and account-based pensions have tax components. The most common are tax-free and taxable. Typically, the tax-free component comes from personal super contributions (non-concessional contributions). The taxable component is typically employer contributions and salary sacrifice (concessional contributions). These tax components exist in your super regardless of your age, even for people over the age of 60 who typically think of their super is being tax-free upon withdrawal or when receiving income payments.

How the Strategy Works

By withdrawing money from super and contributing it back in, an individual can increase the tax-free component within their super. Withdrawals are taken proportionately from the taxable and tax-free components. Contributions on the other hand increase the tax-free component.

There are three scenarios where a re-contribution might be a good idea.

Estate Planning When a super fund (including account-based pension) pays a death benefit to a non-dependent (such as a child over the age of 18), tax of 17% (including Medicare Levy) applies on the taxable component. Reducing the taxable component can significantly reduce the tax that children could pay upon receiving a superannuation benefit in future. This is one of the few taxes that can apply upon transferring wealth your children.

Income Tax People over age 60 can draw income tax-free from their superannuation as an account-based pension. For people drawing an income under age 60 the income is taxable in the same proportion as the taxable component of the fund. Re-contribution can increase the amount of tax-free income that can be withdrawn each year.

Social Security Where a couple are of different ages, drawing funds out of the older partner's super fund and contributing into the younger partner's super fund super can reduce their assessable assets. This is because superannuation is an exempt asset for people under Age Pension age.

Withdrawing from Super

The ability to withdraw is determined by the superannuation preservation rules. You must meet a condition of release to withdraw from super. Withdrawals after age 60 are tax-free but prior to age 60 there may be tax implications.

Contributing to Super

How much you can contribute back in will depend upon your age. If under age 65, you could contribute $100,000 or use the bring-forward rules to contribute $300,000 (and forego the ability to contribute for the next two years). People over age 65 must declare they have been working and they are not able to take advantage of the bring forward rules. People over 75 are not able to make a personal contribution to super regardless of their work status.

Re-contribution Strategy Example

Ted and Sally are recently retired at age 63. Ted has $1 million in super which is 100% taxable. Sally has no superannuation. How can they minimise the potential impact of tax on their future beneficiaries?

- Ted could withdraw $600,000 and re-contribute $300,000 each into new super accounts for both himself and Sally, using the bring forward rules.
- Alternatively, they could each contribute $100,000 each in the current financial year, plus a further $300,000 in July. This would give them $400,000 of tax-free superannuation each. By eliminating $800,000 worth of taxable superannuation, they could potentially be saving their beneficiaries $136,000.
- The remaining $200,000 could remain in super or they could consider withdrawing the $200,000 out of superannuation altogether and hold that money in a jointly owned investment. This would eliminate the last of their taxable superannuation, potentially saving their beneficiaries a total of $170,000 in tax.

Ted and Sally need to plan carefully and act before turning age 65. By delaying this strategy, they could miss a great opportunity to maximise the legacy left for future generations.

LACHLAN HARVEY CFP®
Authorised Representative (227293)

Travel Insurance *don't leave home without it!*

A few weeks ago I received an anxious call from a client who needed to withdraw some money to pay off their credit card.

They were left with a hefty hospital bill while they were travelling abroad. It reminded me of the time I landed myself in a foreign hospital. I was 16 weeks pregnant on a remote island in Fiji. I know what you're probably thinking, not the smartest place to be in my condition. But who actually thinks anything bad will ever happen to them?

I had unexpected complications that needed urgent medical attention. As there were no doctors on the island, the resort arranged a private seaplane to airlift me back to the mainland. I then saw a local doctor in Nadi who referred me to hospital in nearby Lautoka.

It was an anxious drive to Lautoka and when we arrived at the hospital, my nerves remained on high alert. The hospital was run down, overcrowded and I seemed to be the only foreigner there. Sick patients were lying on the hard floor waiting to be seen. The hospital was lacking what I would call basic necessities such as clean linen, medical supplies and equipment. It was quite confronting and not the idyllic Fiji that's promoted to tourists. But to my surprise, I was seen to fairly quickly… maybe because I was a tourist? I'll never know for sure, but I have to confess that I was relieved.

As luck would have it, an ultra-sound machine was donated to the hospital by Australia just a week earlier; prior to which they wouldn't have been able to do anything meaningful for me other than wait. There was an Aussie volunteering in the maternity ward who saw me and thanks to the donation, she was able to tell me what was happening. But the only thing I really heard was "your baby is okay"; the rest was a blur.

My little fella is now 5 and totally perfect and at least for me, all's well that ends well. I've since become less ungrateful for the medical services we have here, because so many others aren't so lucky. I found the people of Fiji to be wonderful, kind natured and giving. Most especially the Resort Manager who accompanied me from the island to hospital and who I had the opportunity to get to know.

It came as no surprise that the bill wasn't cheap. But I had travel insurance that paid for all of it; all I had to pay was a small excess. They covered the seaplane, local doctor's fee, hospital fees, car hire, boat transfer back to the island and the international phone call to my doctor in Australia. While at the time the experience was unnerving, at least I didn't have to think about how much it was going to cost me. I can look back on the experience as just that.

I can't express enough how important it is to get travel insurance before you go overseas. What starts out as an exciting adventure can easily go horribly wrong. Many travel insurance policies cover not only medical emergencies but other things as well, such as lost or stolen property and unexpected disruptions to your trip.

Take it from me, don't leave home without it.

MICHELLE SANCHEZ-MCCALLUM
Authorised Representative
(325471)

Splitting *the*

In recent years there have been a number of changes to superannuation, some which will have more effect on wealth accumulators than others. Some of the proposed changes should only impact a small minority, others however, affect most people saving for their retirement.

In particular the new concessional contribution limits reduced to $25,000 per annum (which includes super guarantee and salary sacrifice) could have a significant impact on the retirement savings of those in their latter years.

Another change, which admittedly will not affect too many people, is the $1.6 million cap on super benefits that can be transferred into the pension phase and enjoy the advantage of tax-free earnings. It is a limit per person, so if the super for a married couple benefit is mostly in one partner's name, there is a good reason to try and move funds into the other partner's name.

Because of this change, and other changes that have occurred in the past, I have for a long time believed in contribution super splitting. It is an excellent strategy, but is unfortunately not taken up by many people. Perhaps it is because many people do not seek advice and therefore do not know about it.

Regulatory Reform Fees *why are they needed?*

Superannuation trustees charge an ongoing administration fee either as a percentage, a fixed dollar amount or a combination of both so why do they charge ad hoc regulatory reform fees?

The government regularly changes the superannuation legislation, often on a yearly basis and these are the rules by which superannuation trustees operate. When the rules change the trustees are required to update their systems to comply to these changes, and this comes at a cost. Sometimes these changes may be easy to administer and require no additional fees, and other times the administrative requirements are expensive and additional fees are charged to help offset some of the cost.

Each superannuation trustee accounts for the regulatory reform fees differently, and they disclose how they do so in their product disclosure statements (PDS), or it may be written within their trust deed and they notify each individual client by letter prior to the fee being charged.

Some of the regulatory reform changes required more recently include:

- Automated data matching with the Department of Human Services. Meaning Centrelink Schedules are now sent electronically to Centrelink twice yearly on a member's behalf.
- Tax changes to Transition to Retirement Pensions.
- ATO reporting for:
  - Transfer balance cap reporting for retirement pensions.
  - Member account transaction service reporting.
  - Tax deductibility for personal contributions.
  - Changes to the contribution caps.

Each product provider takes a different approach to regulatory reform expense recovery. Some charge a consistent amount every year with it being disclosed in their PDS, others charge it on an as needed basis. One, for example, hasn't charged an additional fee for a number of years and then charged $60 last financial year and will charge $24 this financial year.

From my perspective I prefer the trustee to charge the fee on an as needed basis, as the regulatory reform required and their expenses vary from year to year.

The fees are a reminder that legislation changes by the government do come at a cost to the end consumer. Even if it is for the greater good, as we believe to be the case with the introduction of streamlined reporting, faster processing and increased consumer protection.

SAM MARTIN CFP®
Authorised Representative (252676)

difference ••••••

In essence, any concessional contributions made in a financial year can be transferred into their spouse's super account after the financial year has ended. This is any amount up to the $25,000 per annum limit. 15% contributions tax is deducted before the transfer so a maximum of $21,250pa can be moved across.

This is a good way to reduce your balance and increase your spouse's balance, thereby allowing you to take full advantage of the tax-free earnings in the pension phase. As I said, not many people will be in the situation of exceeding the $1.6m cap and need to transfer funds, but I think it is still worthwhile for a number of reasons.

Firstly, if one spouse is older than the other, it will allow access to the funds sooner than the other. Secondly, many people like to have even balances so they receive an equal income in retirement. Thirdly, it may assist with the age pension if one partner is older than the other, as super is exempt from the assets test if they are under age pension age.

Finally, who knows what changes to super may be introduced in the future. Splitting funds reduces the impact that any changes may have on your benefit. As usual, if you need to discuss this in more detail please contact your Goldsborough adviser.

JOHN OLIVER CFP®
Director
Authorised Representative (No 227298)

Retirement Stressful? *you bet it can be!*

For the vast majority of clients that I see, that period of time leading up to retirement is one of the more stressful that they have experienced in their lives. This can particularly be the case if retirement has crept up on you and you're not ready — whether it be mentally, physically or financially. The good news is that this same group of clients thoroughly enjoy retirement and engage with the freedom that this time of life affords.

Does this mean that retirement will then be completely stress-free? It's pretty unlikely! Throughout life we experience many stressful events, but some of these become more prevalent in our retirement years and it is important to ensure that you have a strong support network around you in these more difficult times.

Some of the most stressful life events can include:

- The death of a spouse (a harsh reality that you may live alone for a portion of retirement);
- Divorce (the rate of "grey" divorce does continue to climb);
- Death of a close family member (as we age, we tend to lose family members — including parents);
- Personal injury or illness (think Cancer, Parkinson's, Alzheimer's or other significant illnesses);
- Death of a close friend (impacting on our social networks);
- Change in the number of arguments with your spouse (they tend to go up with the more time spent together in retirement);
- The change in living conditions (or time together, ageing parents moving in, or adult kids coming back home for a period of time); and
- A change in residence (including downsizing or relocating).

Can you imagine a TV commercial for retirement if it included items from this list? It certainly wouldn't be a happy couple walking on the beach, applauding at their grand-kids graduation, or writing their first novel. More likely it would be sad people, suffering in silence and unsure as to why retirement didn't turn out the way they thought it would.

I haven't written this to leave you feeling depressed or anxious in your retirement (or as you head towards retirement). I'm wanting to raise awareness about retirement planning and the preparation you need to make beyond the finances.

For many retirees who read this article, some of those items listed left will ring very true. For those of you looking towards retirement, please don't let this list put you off retiring!

It's important that we all have strong support networks around us, clubs and hobbies that we can engage with and friends that we know are there throughout the good times and the bad.

Finally, it's important that we build an element of resilience into our lives so that as we experience significant life events we are able to cope in our own way. Bottling stuff up inside is only going to lead to a greater level of stress and anxiety — the last thing that anyone wants or needs in what should be a genuinely enjoyable time of life.

BRENTON MIEGEL CFP®
Authorised Representative (227297)

2018 RETIREMENT PLANNING TALKS

TUE 14 AUG
TUE 11 SEP
TUE 9 OCT

2.30pm and 6.00pm

There's never a better time to plan for tomorrow than today! We'd love to help you start planning your financial future, and it's as simple as attending one of our free ***Retirement Planning Talks.***

Bookings essential
Telephone 8378 4000
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www.goldsborough.com.au

Goldsborough is a referral based business

The biggest compliment any client can give us at Goldsborough is the referral of a friend, relative or business associate who could benefit from our services.

As an indication of our appreciation for the referrals that we receive from our clients, we have instituted a quarterly draw where the names of the referring clients for that quarter are put in a box and one is drawn out.

The winner of the draw receives a $100 shopping voucher!

We have pleasure in announcing the winners of our 'Referrers Award' for the June 2018 Quarter are Ted and Pam O'Callaghan — congratulations Ted and Pam, your voucher is on its way.

Scaling efficiencies of SMSF's

The Productivity Commission recently released its draft report into the superannuation system, and among the many facets of the superannuation industry raised, one page jumped out at me; specifically, page 159 regarding scale inefficiency in Self Managed Super Funds (SMSFs).

When I first took an interest in the finance and superannuation industry around two decades ago, I recall being told that a SMSF needed to generally have around $400,000 to really make it worthwhile, given all the costs of keeping it compliant. Ten years later, just before the GFC, SMSFs had become more popular, everyone was doing well on growth markets and at that time, a balance of around $500,000 was used to justify the costs of a SMSF.

Then forward another ten years (including a whopping GFC correction) to today and the Productivity Commission's report suggests that the current line in the sand for SMSF's is to have a balance of around $1 million dollars. Lower balances don't appear to have the scale to be cost efficient which in turn harms those fund's net performance when compared to other publicly available funds (APRA funds).

What I like about their report is that it's not coming from any sales angle; there's not a property versus shares argument or an Accountant versus Super Administrator perspective.

Now, that doesn't mean that you shouldn't have a SMSF if you have less than $1m, but it's harder to justify the costs unless you are confident of doing very well from it. Short of possessing a functioning crystal ball, certainty of significantly outperforming the market year in/year out is not easy to achieve. So if a SMSF is on your mind and you find yourself drawn to the glossy advertising of how awesome it is to have a SMSF, just stop for a moment to consider the costs and chat to your adviser about whether it is right for you.

WILL CHAPMAN DipFS(FP)
Authorised Representative (311745)

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