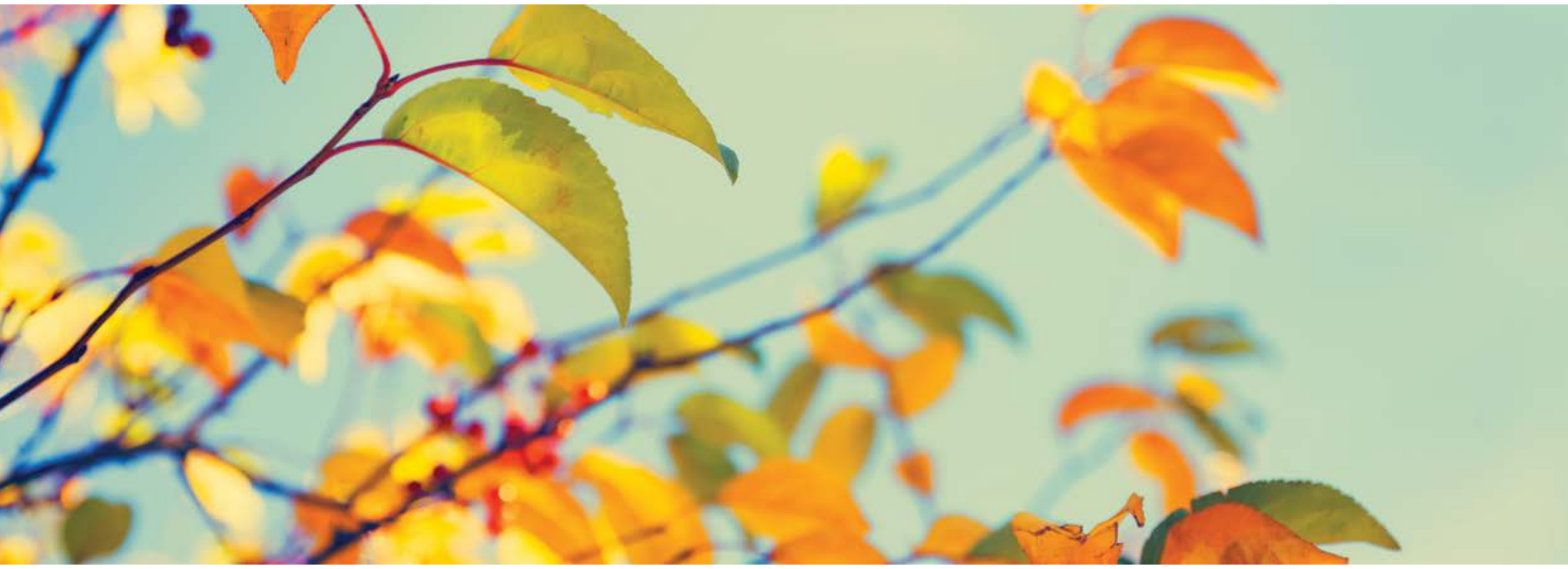
Consilium Financial



Autumn 2017

Autumn has arrived after a flurry of economic data on the home front during February. The company reporting season for the six months to December was extremely positive overall, confirming that corporate Australia is in good shape.

CommSec's survey of results from the ASX top 200 companies showed 94 per cent recorded a profit in the December half, with total profits up 130 per cent on the previous corresponding period (up 37 per cent excluding BHP). Earnings per share rose 19 per cent, cash levels were up 11 per cent and dividends were up 6 per cent. The strong performance was due to booming home construction and higher commodity prices, especially for iron ore, which is up 80 per cent over the past year to around US$90 a tonne.

One area of concern is the low level of business investment. The latest figures from the Australian Bureau of Statistics show new spending on buildings and equipment fell 2.1 per cent in the December quarter, down 15.5 per cent over the year. While the Aussie dollar has fallen from record highs during the mining boom, Reserve Bank governor Philip Lowe told the House of Representatives Standing Committee on Economics "it would be better if it was lower still" to support the rebalancing of the economy. The dollar is currently trading at around US76c.

Consilium Financial
Level 1, 132 Main Street,
Osborne Park WA 6017
PO Box 307,
Osborne Park WA 6917
P 08 9443 9981
E admin@consiliumfinancial.com.au
W www.consiliumfinancial.com.au
Facebook profile.
php?id=100014168221219
Twitter ConsiliumFP

Countdown to super deadline

The clock is ticking for investors who want to take advantage of the more generous tax concessions available in super this financial year. As of July 1, new rules come into effect that will reduce contribution limits.

Until then, individuals under 65 can make a non-concessional (after-tax) contribution of up to $540,000 under the bring-forward rule which allows you to bring forward two years' contributions. That means couples can put up to $1.08 million into super while the opportunity lasts.

From July 1, the cap on non-concessional contributions will reduce from $180,000 a year to $100,000 or $300,000 under the bring forward rule.

But this is only one of the wide-ranging super changes you need to plan for if you want to take full advantage of the existing rules.

Concessional contribution caps

Tighter rules will also apply to tax-deductible concessional contributions. This financial year contributions of up to $35,000 are permitted for people aged 50 and over, or $30,000 for those under 50. But from July 1, the limit will be $25,000 for everyone. These limits include the 9.5 per cent compulsory super contributions made by your employer.

These changes to the concessional and non-concessional caps provide an incentive to take full advantage of the existing rules if you can. This is especially so if you have an opportunity to make a large non-concessional contribution funded by an inheritance, the sale of a property or other assets.

Before you bring forward a sale or take any other action, be aware that there could be tax or other considerations so it's important to get advice.

There's an added incentive for people who already have large account balances to act now. From July 1, non-concessional contributions won't be allowed if your super balance is higher than $1.6 million.

Pension account limits

Super has two phases, an accumulation phase where you grow your retirement savings in a concessional tax environment, and pension phase where no tax is paid on earnings or withdrawals. Under existing rules, there are no limits on the amount of money you can hold in super. But from July 1, a maximum of $1.6 million can be held by a retiree in a tax-free pension account.

Non-concessional contributions before July 1 that push the balance above $1.6 million can stay in super.

But individuals who have more than $1.6 million in a pension account on that date will be required to put the excess back into an accumulation account where earnings are taxed at 15 per cent, or take the excess out of super entirely.

Transition to retirement tax changes

Earnings in a transition to retirement (TTR) pension will lose their tax exemption from July 1. All earnings on income and capital gains will be taxed at the concessional super rate of 15 per cent. Capital gains on assets held for longer than 12 months will be taxed at the discount rate of 10 per cent.

If you are one of the many people using a TTR strategy in combination with salary sacrifice to boost your super, the loss of the tax exemption may reduce the total amount you accumulate for retirement. While TTR pensions are still attractive, you may like to talk to us about additional ways to boost your retirement savings.

High earners to pay more tax

Individuals who earn $300,000 or more currently pay tax at a rate of 30 per cent on their super contributions, instead of the 15 per cent everyone else pays. But from July 1, the higher tax rate will apply to incomes of $250,000 or more.

If you expect to earn between $250,000 and $300,000 next financial year, you may want to make the most of your allowable concessional contributions before June 30.

The reforms that will be ushered in on July 1 amount to the biggest shake-up of super in a decade. As always, if you would like to discuss how the changes might affect you and what you can do to prepare, don't hesitate to call.

HONESTY is the best POLICY with insurance

Life insurance is one of the most important investments you can make to protect your family's future wellbeing. And like any investment, it needs careful consideration.

Taking out too little or too much insurance can be costly. Failing to disclose all relevant information to an insurer could result in a claim being denied – possibly after years of paying premiums – just when you need help most.

Negotiating in good faith

Heartbreaking stories about insurance companies failing to pay out when a policyholder suffers an illness or injury get plenty of media attention. What's often glossed over in these reports is that the company is within its legal rights to deny the claim.

There are several reasons a claim can legitimately be denied: unpaid premiums; exclusion periods or clauses; or a medical condition not being severe enough to qualify for a payout. But non-disclosure is the most easily avoidable reason for claims being denied.

An insurance policy is a contract, which means both parties are required to enter into it in good faith. That means you have to respond truthfully when your insurer asks you specific questions. You also need to volunteer any information, such as pre-existing health conditions, that would be relevant in deciding whether to insure you.

The good news is that most claims are paid out in full. That noted, one of the first things an insurer will do on receiving any claim, particularly a life insurance claim that's likely to involve a substantial pay out, is double check the policyholder didn't misrepresent their circumstances when taking out the policy.

Getting assistance

Non-disclosure issues are one reason it pays to choose a retail product rather than a direct life insurance policy. As the name suggests, a direct insurance policy is sold as a one-size-fits-all direct to the consumer, rather than through an adviser. It's easy to apply for online or over the phone, with little or no medical information required.

With a retail policy, an expert adviser will walk you through the application process, taking care to ensure you don't inadvertently fail to disclose any relevant information. It may be a little more expensive but it can save you money in the long run. An Australian Securities and Investments Commission (ASIC) report found average declined claim rates were highest for non-advised policies (12 per cent), compared to 7 per cent for retail policies."[i]

There are other reasons direct insurance policies can offer false economy. These include a basic level of cover with few extra benefits and a wide-ranging clause stating 'claims due to pre-existing conditions are not valid'.

As life changes, so should your insurance

Another issue to be aware of is that your insurance needs will vary at different life stages. So it's sensible to get into the habit of reviewing your insurance cover annually or, at the very least, whenever major life events, such as the following, occur.

- **You welcome or farewell a child**
  Kids are expensive, something to consider when calculating the income your partner would require should the worst happen. Alternatively, if your children have reached the age where they are independent, you may be able to scale back your policy and premiums.

- **You welcome or farewell a partner**
  As your relationship status changes, so might your main beneficiary and the amount you wish them to receive.

- **Your income or debt levels fluctuate**
  That payout of $80,000 a year, which seemed sufficient when you had the lifestyle of a young middle manager, might not be so livable when you're a fifty something executive. On the other hand, once you own your home and your partner will not be left with the burden of a mortgage, you may be able to reduce your cover.

The right insurance solution for you and your family will be as unique as you are. If you would like to discuss your insurance needs, don't hesitate to give us a call.

i ASIC REP 498 'Life Insurance Claims: An Industry Review', 12 October 2016

Learning from LITTLE ONES

Feel like you could fill a book with all the weird and wonderful statements you've heard from your kids? Ever been on the receiving end of an 'honest' comment from a kid (and a rushed "sorry, no filter on this one!" from their parent)?

There's a reason kids' quotes are popular topics everywhere from Twitter and Instagram to forums and blogs. Before little ones learn manners and pick up on the subtle 'rules' of social interaction in different contexts, they're pretty happy to say whatever's on their mind.

Behind that lack of inhibition is something deeper, too. Kids don't have the hindrance of past experience to hold them back from enjoying life. And that's where the lessons lie.

Dreaming big

Ask a little kid what they want to be when they grow up, and chances are you'll get anything but doctor, lawyer or engineer. But that kid who's determined to be a crime-fighting dinosaur when he grows up might be on to something. Same with the little girl who wants to drive a garbage truck.

What would your career path look like if you didn't care what other people thought of your job? Would you have chosen a different job if you'd felt more confident in your ability to push yourself to be the best – at whatever you picked? What about if you based your choice on the opportunity to interact with people all the time, or build something tangible, or go on 'adventures' overseas?

Ask for help

As kids grow up, they learn how to do things for themselves. They establish independence, and that's a good thing. However, especially when they're younger, they also have no qualms about asking for help. That's because they implicitly trust the people they're surrounded with, and they know their parents or guardians will give them a hand whatever the circumstances.

If you've been feeling like asking a family member, friend or trusted colleague for help with something, try to remind yourself that your relationship creates a safe space where you can speak up and that it's Ok to admit you need a helping hand.

Make friends easily

There's a reason that most people make friends at a much slower rate as they get older compared to their school days. And it's not just work, family or a lack of free time. Often adults judge people by their appearance, or are afraid that others are judging them, or are just too shy or afraid of being rebuffed to take things further than small talk.

You might not follow your kid's lead, march up to a stranger and ask if they'd like to be best friends. But you can start small. Next time you make a new acquaintance who you'd like to be friends with, why not take the plunge and ask them out for coffee, a drink, or something related to your mutual interest/s. You've got nothing to lose.

Try new things

With the (notable) exception of most veggies, kids are pretty open to trying new things. Adults, on the other hand, have subconscious minds packed with memories of being injured/being upset/getting in trouble.

The desire to avoid negative experiences can cause us to play a little too safe in the way we lead our lives and mean that we miss out on the joyful moments as well.

Before declining an opportunity or invite to do something new, ask yourself why your first instinct was to say no. After all, life's too short not to take chances.

As the writer William W. Purkey once said:

> *"You've gotta dance like there's nobody watching, love like you'll never be hurt, sing like there's nobody listening, and live like it's heaven on earth."*