GFM Wealth Advisory | TRADE SECRETS

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SMSF Specialists | Investment Management | Financial Planning | Accounting

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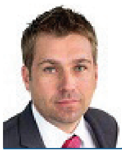


THE NEW FINANCIAL YEAR BEGINS

By Paul Nicol

To say Financial Year 2015-16 was eventful is an understatement. Investment markets were volatile, but eventually the Financial Year ended with a very small positive return. The global economic outlook is murky, geopolitical tensions unfortunately are on the rise, and of course the Government delivered the 2016-17 Federal Budget with substantial changes proposed to superannuation. We also had the long-winded campaign for the Australian Federal Election which resulted in a narrow victory to the Coalition.

On reflection, it was incredible how many issues investors had to absorb in the last 12 months. In the U.S, there were concerns of a slowing economy and the impact of increasing rates on growth. In China there were talks of a "hard landing", that is, growth in the Chinese Economy slowing quickly. And in Europe there are continued concerns around the high level of debt in the region coupled with the shock result of Brexit – the UK voting to leave the European Union.

Here in Australia, both our economy and share market has had to absorb the oil price and iron ore price hitting ten year lows, and it would seem confidence in our economy, and those charged with the responsibility to run our country, are at all-time lows.

For the Financial Year ahead, there are a multitude of unanswered questions lingering. Putting aside global economic and share market issues, the uncertainty around the proposed changes to superannuation have not been ideal. The level of enquiries we have received from existing and prospective clients post budget night has been considerable, and the general consensus is that the proposed changes are creating instability and distrust in the system. Many of the changes proposed are simply not viable, and at the time of writing, it is extremely likely we will see alterations to the proposed changes.

The biggest question we are probably asking ourselves now is; are the days of double-digit returns over and should investors in the next few years expect much lower returns? In an environment where the RBA cash rate is 1.50% (and likely to get lower), and interest rates around the world are virtually 0%, the simple answer is probably "yes". It certainly feels like returns are going to be lower over the next few years.

WITI: 20 YEARS OF OUTSTANDING SERVICE

By Tony Gilham

We are delighted that in August 2016, Witi Suma, head of our SMSF administration team, notches up 20 years of continuous service with the company. This is an incredible milestone, with Witi joining three other 20-year club members being Tony, Mai and Jenny.

It's no coincidence that Witi joined our team in August 1996, the same month that we set up our first SMSF, and she has effectively led the SMSF administration team since virtually day one, now managing a team of four. Witi also holds the designation as an SMSF Specialist Adviser, and has forged close relationships with all of our SMSF clients.

Witi was recommended to us by a client of our firm who was in the job placement recruitment business, and this client urged us not even to bother with going through an interview process, because Witi was a "gun". So we gave Witi the job and within two years, she was in charge of our SMSF administration.

For the vast majority of our clients that have ongoing dealings with Witi, the best word to describe her is "fast". In fact in the first couple of years in our office, she didn't walk around the office, she ran!

The most appealing feature of Witi's work ethic is her absolute devotion to client welfare. Although she sits in our office and manages the SMSF team, she not only works for us – she works on behalf of all our SMSF clients, with the sole objective of getting the best possible outcome for them.

Two short stories about Witi's interactions with clients over the years resonate:

In the first case, a client called on the Monday morning to lodge a small complaint about Witi. Sitting at home on the Saturday night, he sent Witi a question about his SMSF, and later that night, at around 10.20pm, he got a reply. His complaint was along the lines of: "what the hell is she doing working from home on a Saturday night?".

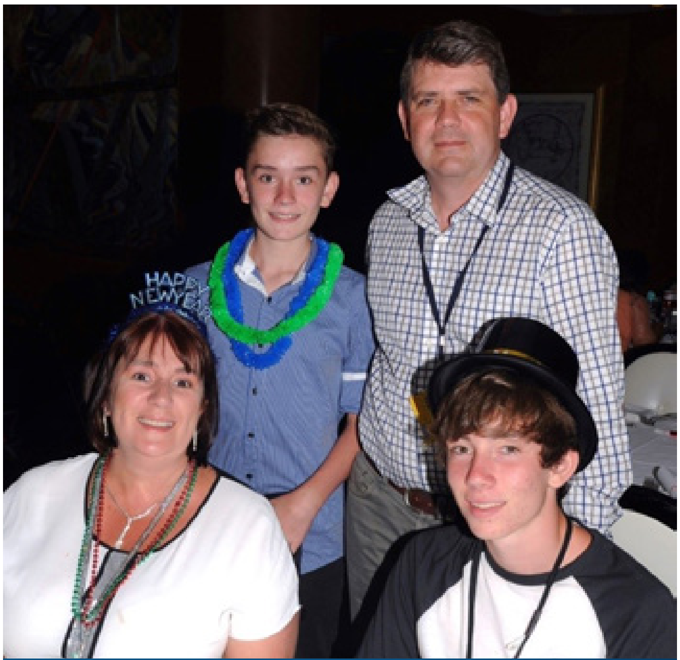
The second story is another client who was thinking of sending an email to Witi with a query regarding their SMSF, but this client received an answer to their query before the email was actually sent.

Although this article is written in a slightly light-hearted vein, the truth is that Witi is a much admired member of the GFM team, has a wonderfully happy personality, and there's absolutely no question that the significant success of our SMSF management, administration and investment operations have flourished under her watchful eye. We are very lucky and thankful to have Witi as she is such a dedicated and hard-working member of our team.

LISA & JOHN DOWNING: CLIENTS OF GFM SINCE 1996

By James Malliaros

Lisa and John have kindly written the article below for Trade Secrets on their family, working life, holidays and the long term relationship they have had with our company over the last 20 years – we greatly appreciate their contribution to this edition of Trade Secrets.



Lisa & John Downing

I was recommended to GFM in the early 90's as I was looking for a superannuation provider. I was moving jobs and didn't want to end up with several super accounts.

John and I were married in 1996. He too joined GFM.

Both John and I work in the telecommunications industry. We worked together for the first 5 years. I then went out on my own and John worked for Communications Australia and is now with Optus.

We have two boys, Nick (17) and Matt (14). We enjoy caravanning over the summer and the boys enjoy jet skiing and water skiing.

Nick is currently in Year 11 at Caulfield Grammar School, Wheelers Hill. He enjoys Hockey, Karate and Parkour. He has aspirations of becoming a movie stunt man when he finishes school next year.

Matt is in Year 8 also at Caulfield Grammar, he enjoys playing the violin and listening to music.

We have been with GFM for some 20 years. We have found the entire team wonderful to work with. James has looked after us for most of the time we have been with GFM and he has done an amazing job. He has been very patient with us as we need lots of help.

We are looking at a long term investment plan as we are still in out 40's (albeit just). GFM have helped tailor a portfolio that will take us into the future.

Since having children, we were really keen to set up our futures financially but unsure how to achieve this. James presented us with a number of different options and tailored a portfolio that suited our long term financial objectives.

We have to say that having the professional advice and guidance from James has kept us on track with our long term plan. We are very happy with the returns of our portfolio and appreciate the value of professional advice.

I remember when we set up our investment portfolio, markets were volatile and it was a rocky start. James was there to support and guide us through the difficult times and we are very glad that we stuck to the long term plan rather than panic.

We enjoy catching up with James for our regular meetings to review our portfolio and financial position.

We would not hesitate in recommending GFM. They take the time to get to know you and help you all the way with planning for the future.

INVESTMENT MARKET WRAP: 2015/16 FINANCIAL YEAR

By Tony Gilham

Sentiment seemed negative for 2015/16. We started the year with a third Greek bailout package, then a mini-meltdown in China with the Shanghai Composite Index down -28.6% in the first three months, Japanese Bond Rates went negative for the first time in January and we finished the Financial Year with the "Brexit" referendum, which upset markets around the world.

In Australia, commodity prices took a thumping, but partially recovered towards the end of the financial year, naturally having a negative impact on our national income.

The Reserve Bank cut the official cash rate to 1.75% in May, and the 10-year Australian Government Bond finished the financial year at 1.99%, the lowest bond rate in Australia in 141 years.

The ASX (Australian Stock Exchange) had 6 positive months and 6 negative months, and finished the year with a total return of only 0.56%. In addition, the seven biggest companies in Australia, the so called "Blue Chips", all posted negative returns, with their share prices dropping on average by -17.5%. Most investors have a healthy exposure to the "Blue Chips", certainly making it a difficult investment year.

The standout asset class for the year was the listed property trusts (A-REITS) with the S&P/ASX200 A-REIT Index posting a very impressive +24.57% for the year.

We suspected that the 2015/16 Financial Year would be more difficult and reflecting on what we said in the July 2015 edition of this newsletter:

"After 3 phenomenal years in Australian and global investment markets, certainly a period of more subdued returns is on the cards and like we've seen recently, there probably will be some negative periods."

The tables below show the major index numbers for the 2015/16 Financial Year, and average numbers over the last 3 and 5 years.

	INDEX	2015/16 FY	3 Year Average	5 Year Average
Australian Shares	S&P/ASX200 Accumulation Index	0.56%	7.66%	7.40%
International Shares	MSCI in AUD	0.35%	14.57%	14.66%
A-REITS (listed property)	S&P/ASX200 A-REIT Index	24.57%	18.50%	18.07%

We've included some of the Australian sector indices below to show the significant divergence in returns between various sectors.

	SECTOR RETURNS	2015/16 FY	3 Year Average	5 Year Average
Top 20 Stocks	S&P/ASX20 Accumulation Index	-7.01%	4.64%	6.49%
Top 50 Stocks	S&P/ASX50 Accumulation Index	-2.64%	6.41%	7.44%
Financials	S&P/ASX200 Financial ex A-REITS	-8.68%	6.51%	11.14%
Health Care	S&P/ASX200 Health Care	21.50%	20.39%	22.97%
Resources	S&P/ASX200 Resources	-12.04%	4.74%	-10.37%
Small Companies (outside top 100)	S&P/ASX Small Ordinaries Accumulation Index	14.40%	9.13%	1.00%

SUPERANNUATION IS SIMPLY THE BEST: BETTER THAN ALL THE REST!

By Paul Nicol

The recent proposed changes to superannuation in the Federal Budget took most by surprise. Substantial changes have been proposed to both pre-tax and post-tax contributions, Transition to Retirement pensions (TtR's) and limits on the level of funds you can invest in the pension phase which enjoys tax free earnings.

There is no doubt that many of the proposed changes have been poorly thought out. It is extremely likely the changes as proposed are likely to be altered before being legislated, hopefully with better collaboration between the Government and industry bodies.

Unfortunately, the proposed changes have created instability and distrust in the system. It must be said though, reaction by some to the changes has bordered on hysteria. In fact, some of the headlines and commentary around the changes have been staggering, the following headline especially catching our eye:

"In light of the proposed budget changes to superannuation, investors have been urged to consider altering their superannuation strategies and investigate other strategies"

We would like to set the record straight. Whilst the proposed changes to superannuation could lead to the system being less favourable than before, there is absolutely no doubt that as an investment vehicle for retirement, superannuation is easily the best structure for Australians to build their retirement wealth. Superannuation still enjoys significant tax advantages over other alternative structures, even after the proposed changes, with the key advantages being:

Concessionally taxed contributions:

In simple terms, concessionally taxed super contributions are either self-employed tax deductible contributions or employee salary sacrifice contributions. Salary sacrifice is the most popular way to increase retirement savings. The benefit of these contributions is the concessional rate of tax that is levied at only 15% (currently for incomes up to $300,000) compared to the personal marginal tax rates of up to 49% of the individual making the contribution.

Below is a table highlighting the tax benefits of salary sacrifice:

Income Band $	Personal Marginal Tax Rate	After tax benefit on $10,000 Salary	Super Contributions Tax Rate	After Tax benefit on $10,000 Super	Additional Benefits in Super
18,201-37,000	21.0%	$7,900	15%	$8,500	7.59%
37,001-66,666	36.0%	$6,400	15%	$8,500	32.81%
66,667-80,000	34.5%	$6,550	15%	$8,500	29.77%
80,001-180,000	39.0%	$6,100	15%	$8,500	39.34%
180,001-300,000	49.0%	$5,100	15%	$8,500	66.67%

For example, an income earner of between $80,000 to $180,000 who elects to salary sacrifice let's say $10,000 into super rather than take this as salary, after the 15% contributions tax end up with $8,500 in their superannuation as opposed to taking this amount as salary and ending up with $6,100. They are 39.34% better off for saving via salary sacrifice in superannuation.

Please note there is a limit on the amount of your salary that can be sacrificed to super. For 2016-17 the limits are:

- $30,000 if you are under age 50 on 30 June 2017; or
- $35,000 if you are 50 or more by 30 June 2017

These limits also include any compulsory Superannuation Guarantee (SG) contributions an employer is required to pay.

Concessionally taxed investment earnings and gains

A significant advantage of building wealth within superannuation is the rate of tax applying to investment income and gains. The table below shows the tax rates on investment income and gains within superannuation:

	Income Tax	Capital Gains Tax for assets held less than 12 months	Capital Gains Tax for assets held more than 12 months
Accumulation Phase	15%	15%	10%
Pension Phase	Nil	Nil	Nil

Anybody earning taxable income of more than $18,201 per annum is taxed at a minimum tax rate of 21% (including the Medicare Levy) and as high as 49% on a taxable income above $180,000. A significant benefit of investing in superannuation is the maximum rate of tax which applies to earnings of 15%, and for a individual super fund in the pension phase, earning and capital gains are completely tax free.

Where else can you invest to provide such a tax efficient savings vehicle for retirement? The simple answer is nowhere.

Under the proposed changes to individuals who are running Transition to Retirement Pensions (TtRs), it is proposed earnings will be taxed at 15%, rather than the current rate of 0%. Importantly, Account Based Pensions (ABPs) remain untouched and earnings will remain completely tax free. An ABP is a pension set up when the individual has retired (from age 56) or reached age 65, whichever comes earlier.

The other proposed change to pensions is that an individual will be limited to having $1.6m in an ABP which will remain tax free. Member values above this will need to remain in accumulation phase and be taxed at 15%.

Honestly, is this such a big deal? Where else can a couple invest legally in Australia where combined they can have $3.2m invested and earnings are completely tax free? Again, the answer is nowhere. And bear in mind, if this couple has above $3.2m in their superannuation, the amount above this is still only taxed at the concessional rate of 15%. It is also important to note that drawings (whether a lump sum or in the form of pension payments) will remain completely tax free for an individual with an ABP from age 60.

There are many more benefits of investing in superannuation for retirement which includes concessional Centrelink treatment and Estate Planning advantages.

So, despite the hysteria, don't be mistaken. Superannuation is easily the best structure for Australians to build their retirement wealth, both from a contribution perspective as well as from an earnings and drawings perspective. Better than all the rest!

STAFF PROFILE:
IVAN YEUNG

By Phil Gruchy

Ivan joined GFM Gruchy Accounting (previously P G Gruchy & Associates) in 2011, shortly after completing his Commerce/Science double degree at Monash University. Ivan is involved in many areas of the business and is well known to clients.

In the first few years, Ivan combined full time work with part time study as he undertook the Chartered Accountants program which he successfully completed in early 2013. He is currently a member of the Chartered Accountants Australia & New Zealand.

Ivan is responsible for the preparation of Individual, Company, Trust and Self Managed Superannuation Fund tax returns as well as the preparation of year-end financial reports. In addition to this, Ivan has assisted both Andrew and Philip with more complex tax work and meeting with clients as part of his continuing development.

Here's a quick Q and A with Ivan and some things you may not know about him.

Q1. How have you enjoyed the merging of the Accounting and Private Wealth businesses and what do you see as the major benefit for the clients?

The amalgamation of the two businesses has, personally, been invigorating as it's provided a more dynamic environment which I've enjoyed thoroughly. Also it's given clients of both businesses a more complete service which, in an age where we are all to a certain extent time poor, is invaluable.

Q2 . Your family

I'm from a family of 5 and I am the eldest of three children. There's also our neighbour's cat who comes over enough that he is basically a part of the family!

Q3. Favourite food/drink?

It's a tie between Japanese and Spanish. Japanese because it's simple, fresh and versatile. Spanish because it's vibrant, full of flavour and designed to be shared.

For drink, a friend of mine introduced me to gin a while ago so that would be my poison of choice.

Q4. Little known fact about yourself

I'm a bit of a green thumb. I have recently started growing some herbs and vegetables in the backyard which has proven to be fairly successful (so far).

Q5. What sports do you follow?

The better question would be which sports don't I follow! Primarily, I follow the Geelong Cats in the AFL, Dallas Mavericks in the NBA and Manchester United in the EPL.

Q6. What are your interests?

I am an avid traveller and in the early stages of planning the next big trip. Beyond that, I enjoy hikes, movies, music and playing indoor soccer with the SOBA Hooligans.

YOUR OWN BUSINESS: WHICH STRUCTURE IS RIGHT FOR YOU? (PART 4)

By Andrew Goldman

A lot of people start their own business venture without considering the long term advantages and disadvantages of the way in which the ownership of the business is set up. Previously we have covered the ownership structures of a Sole Trader, Partnership and Company.

In the final part of his four part series for Trade Secrets, GFM Gruchy Accounting Partner Andrew Goldman looks at utilising a Trust in more detail.

Trusts

A trust is a vehicle utilised to hold assets for the benefit of another party. The trustee of the trust can be an individual or a company and the activities of the trust are overseen by the trustee. The most commonly utilised trusts for business ownership are Discretionary and Unit trusts.

The main difference between the two trust types comes down to the distribution capabilities of the trustee. As the name suggests, the trustee of a discretionary trust has the discretion to distribute the income and capital of the trust to beneficiaries how they see fit. Conversely, the trustee of a unit trust must distribute the income and capital of the trust in proportion to the units held by respective unit holders.

Whilst a trust is required to lodge a tax return each year, in the majority of cases many trusts do not pay tax in their own right. Any income and capital distributed by the trust will be taxed in the hands of the beneficiaries or unit holders at their Marginal Tax Rate.

Advantages

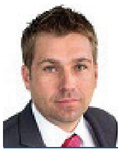
- Potential asset protection
- Flexibility of asset and income distribution (discretionary trust)
- Easy to sell and transfer ownership (unit trust)
- Well understood and accepted structure
- Limited liability especially where a company trustee is used
- Can carry forward losses to offset against future profits
- Excellent estate planning tool

Disadvantages

- More complex to wind-up
- Cannot distribute losses

If you would like further information on Trusts or assistance with setting up a business and determining which ownership structure is right for you, please call GFM Gruchy Accounting on 8809 0700 to discuss your specific needs.

Trusts are particularly popular for those that are self-employed. We also envisage the use of Trusts increasing for high net worth retirees with the proposed restrictions on superannuation contributions.



BREE AND NICOLA BECOME SMSF SPECIALIST ADVISERS

By Paul Nicol

Bree Hallett

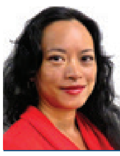
Nicola Beswick

The SMSF Association is the peak professional body representing SMSF professionals and the SMSF sector in Australia. The SMSF Association has an accreditation program to ensure professional standards are achieved and maintained by practitioners specialising in the provision of services to the SMSF sector. This is the first program in Australia to offer independent certification of an adviser's competence, independence, experience and knowledge.

We are very pleased to announce that another two of our Financial Advisers, Bree Hallett and Nicola Beswick have just completed the SMSF Specialist Adviser accreditation program, and they both passed with flying colours. Bree and Nicola now join Tony, James, Patrick, Witi, Melany and Paul as SMSF Specialist Advisers, totalling 8 in our firm.

In addition to completing the SMSF Specialist Adviser designation, Bree is now completing her last remaining subject of the Advanced Diploma in Financial Planning and Nicola is currently studying towards becoming a Certified Financial Planner, the highest designation a Financial Planner can reach here in Australia.

Well done to Bree and Nicola!



WHY IT'S SO IMPORTANT TO PUT A BINDING DEATH BENEFIT NOMINATION (BDBN) IN PLACE

By Witi Suma

For many, superannuation can make up a very large portion of personal wealth, so it is imperative that thoughtful consideration is given to what happens to this money when someone passes away. What many don't realise is that superannuation does not automatically become part of their Estate upon death, and therefore, it is not covered by a Will.

That is why it is important, if you're a member of a superannuation fund – whether that be a public offer, government or corporate fund, or a self managed superannuation fund (SMSF) – to direct how your superannuation benefits are to be paid upon your death, by way of a death benefit nomination. A death benefit nomination is simply a written direction you give to the trustee of your fund that instructs them to pay your super to your nominated dependants and/or your Legal Personal Representative (LPR).

Who can you nominate to receive your superannuation benefits?

There are restrictions on who can receive your superannuation death benefit. It is a very common mistake for members of superannuation funds to nominate individuals who are not eligible beneficiaries, such as grandchildren, friends, neighbours, or charities.

Eligible superannuation beneficiaries are restricted to the following:

- A **dependant**, defined as follows:
  - Current spouse (includes defacto and same-sex);
  - Child (includes adopted, stepchild, ex-nuptial, foster child, and child of your spouse);
  - Any person who is financially dependent on you;
  - Any person with whom you are in an "interdependency" relationship – this is described as a close personal relationship between two people who live together where one or both provides for the financial and domestic support and care of the other.
- **Your LPR**, i.e. the executor or administrator of your Estate. If you choose your LPR, your benefit is paid to your Estate and distributed according to the terms of your Will if you have one, or if you don't, in accordance with the laws of intestacy;

Who is a dependant?

Note that there are some differences in the definition of a dependant for superannuation purposes (known as a "SIS dependant"), and tax purposes (known as "tax dependant"). Briefly, anybody who receives death benefits directly from your superannuation fund (or via your Estate) and is classed as a tax dependant, will receive the payout tax-free. A tax dependant includes the following:

- Current spouse or former spouse;
- Child aged less than 18; (and less than 25 if still a student)
- Any person with whom you are in an interdependency relationship;
- Any person who is financially dependent on you.

What options do you have when it comes to nominating a beneficiary?

- A binding death benefit nomination (BDBN) – the trustee of the fund is legally bound to abide by your instructions. This is our very strong preference.
- A non-binding death benefit nomination – this is merely an expression of your wishes. The trustee is required to give consideration to your request, but is not obliged to follow it.
- No nomination – the trustee has full discretion to distribute the funds to the Estate or any dependant that they choose. They will typically make enquiries about your family situation, provisions in your Will, etc. before making a decision. We do not recommend this.

The main disadvantage of the last two options is that your superannuation could potentially be subject to a legal challenge by, e.g. feuding relatives, or wayward children. Only by making a binding nomination can you be sure that your intentions for your superannuation will be carried out, thereby removing any uncertainty about who receives your super (which can include insurance payments) when you die.

To ensure that your death benefit nomination is valid:

- The beneficiary you've chosen must be either a dependant or your LPR;
- The allocations to the beneficiaries must add up to 100%;
- The nomination must be in writing, signed and dated by you in the presence of two adult witnesses who are not beneficiaries;
- The nominated beneficiaries must still be dependants as at the date of your death.

If your nomination is invalid for any reason, e.g. it hasn't been properly signed or witnessed, your superannuation will be paid at the discretion of the trustee.

Non-lapsing death benefit nominations:

Many superannuation funds – including SMSFs that are managed by GFM – now offer non-lapsing death benefit nominations, meaning that they don't need to be renewed every three years (as is the case with some retail or industry super funds). A non-lapsing nomination continues to be valid until you change or revoke it.

Although non-lapsing nominations are convenient, it is strongly recommended that you review your nominated beneficiaries whenever circumstances change. Changing a death benefit nomination can be done at any time by simply completing a new document and having it properly executed.

Cascading nominations:

Most superannuation funds – again, including SMSFs that are managed by GFM – offer BDBNs that enable members to put in place a tiered system of nominations. An example would be to nominate your spouse to receive 100% of your superannuation benefit, but in the event that you both pass away simultaneously, you have a secondary instruction that 100% that was to be paid to your spouse is then paid to your LPR.

Conclusion:

For most of us, superannuation will be our largest financial asset; therefore it is crucial that the right decisions are made in advance. A non-binding nomination – or worse, no nomination – leaves the decision in the hands of the fund's trustee, which could lead to costly disputes amongst any remaining dependants or relatives.

A valid BDBN gives you certainty that your superannuation benefit will be paid to whom you would like it paid, after you pass away. It is a vital document that should form part of your estate planning.

CHANGES TO THE CENTRELINK ASSETS TEST: 1 JANUARY 2017

By Bree Hallett

From 1 January 2017 there will be significant changes to the Centrelink Age Pension Asset Test thresholds. If your Age Pension entitlements are currently impacted by the Income Test your payments will be unaffected by these changes.

The lower asset-test thresholds (under which a full pension is payable) will be increased. But once exceeded, the taper rate by which a pension is reduced will increase to $3.00 per $1,000 in assets. This will significantly lower the assets test cut-off thresholds.

The following table sets out the current and new thresholds:

	Current Lower Threshold	New Lower Threshold	Current Cut-Off Limit	New Cut-Off Limit
Single Home Owner:	$209,000	$250,000	$791,750	$574,000
Single Non Home Owner:	$360,500	$450,000	$943,250	$747,000
Couple Home Owner:	$296,500	$375,000	$1,175,000	$823,000
Couple Non Home Owners:	$448,000	$575,000	$1,326,500	$1,023,000

The government has confirmed the comparatively larger increase in the lower assets test level for non-homeowners is in recognition of higher living costs.

The aim of the changes is to reduce the government's expenditure on Age Pension by reducing how many people receive it. As a result of these changes a substantial number of people will see their entitlements reduce from 1 January 2017 or be cut-off completely. Conversely, other people may see a small increase to their entitlement.

The following chart shows the impact on home owner couples:

Assessable assets	Age Pension received at current $1.50 taper rate*	Age Pension received after 1st January 2017	Change in pension income received
$300,000	$34,116	$34,252	$137
$400,000	$30,216	$32,302	$2,087
$453,500	$28,129	$28,129	$ -
$500,000	$26,316	$24,502	-$1,814
$600,000	$22,416	$16,702	-$5,714
$700,000	$18,516	$8,902	-$9,614
$800,000	$14,616	$1,102	-$13,514
$823,000	$13,719	$ -	-$13,719
$900,000	$10,716	$ -	-$10,716
$1,000,000	$6,816	$ -	-$6,816
$1,100,000	$2,916	$ -	-$2,916
$1,200,000	$ -	$ -	$ -

Pensioner couples who are homeowners with assessable assets of less than $453,500 will actually receive a higher level of Age Pension. However, this level of assets ($453,500) is also the tipping point at which pensioner couple homeowners will start to lose the Age Pension.

Homeowner couples with:

- $500,000 will lose $1,814 per annum
- $700,000 will lose $9,614 per annum
- $823,000 will lose their eligibility, which is an income source of $14,467 per annum

The following chart shows the impact for single homeowners. It is a very similar story, just with different numbers:

Assessable assets	Age Pension received at current $1.50 taper rate*	Age Pension received after 1st January 2017	Change in pension income received
$200,000	$22,721	$22,721	$ -
$250,000	$21,122	$22,721	$1,599
$291,000	$19,523	$19,523	-$0
$300,000	$19,172	$18,821	-$351
$400,000	$15,272	$11,021	-$4,251
$500,000	$11,372	$3,221	-$8,151
$547,000	$9,539	$ -	-$9,539
$600,000	$7,472	$ -	-$7,472
$700,000	$3,572	$ -	-$3,572
$800,000	$ -	$ -	$ -

If you do lose your Age Pension entitlements due to these changes you will be automatically entitled to a lifetime Commonwealth Seniors Health Card. A Commonwealth Seniors Health Card helps with the cost of prescription medicines and other services (as listed below) if you are of Age Pension age but do not qualify for the Age Pension.

Other services may include:

- Bulk-billed GP appointments, at the discretion of the GP (the Australian Government provides financial incentives for GPs to bulk-bill concession card holders)
- A reduction in the cost of out-of-hospital medical expenses above a concessional threshold, through Medicare Safety Net
- Great Southern Rail services such as The Indian Pacific, The Ghan and The Overland
- In some instances, additional health, household, transport, education and recreation concessions which may be offered by State or Territory and local governments and private providers. Note: these providers offer these concessions at their own discretion, and the availability of these concessions may vary from state to state.

Services you will no longer be entitled to as a result of being transitioned from the Age Pension Concession Card to the Commonwealth Seniors Health Card;

- Reductions on property and water rates
- Reductions on energy bills
- Reduced fares on public transport
- Reductions on motor vehicle registration, and
- Free rail journeys

In the October edition of Trade Secrets, we will have a follow up article discussing ways to combat the upcoming reduced asset test limit.

A NEW FINANCIAL YEAR BRINGS NEW OPPORTUNITIES: NEW (FINANCIAL) YEAR RESOLUTIONS

By Andrew Goldman

Just like the beginning of a new calendar year, the onset of the new Financial Year provides us all with the opportunity to make some New (Financial) Year's resolutions.

For some it may be to simply improve record keeping practices or to take steps to ensure our financial accounts and income tax returns are prepared earlier than usual or to seek out specific accounting or taxation advice.

However, New Year's resolutions are often more significant. They often relate to relationships and long term change.

If you are a client of GFM Wealth Advisory (GFMW), the relationship you have with them is an important one, one where they constantly strive to add value. This desire resulted in the formation of GFM Gruchy Accounting (GFMG).

Many have taken advantage of the relationship between GFMW and GFMG. These clients have benefited greatly from the synergies between the two organisations.

Benefits clients have been able to take advantage of include:

- A united team of wealth management, taxation and accounting professionals working to a common goal
- Minimisation of communication issues found when dealing with unrelated professionals
- A centralised location offering convenience

We encourage you to meet with a member of the GFMG Team to determine how you may benefit from the relationship the organisations share.

While the decision to change accountants is often difficult and this is understandable, we pride ourselves on being approachable and accessible. The first step is to make contact and express your desire for a discussion with us.

Once we have had the opportunity to break the ice, we like to arrange an initial face-to-face meeting. It's important to note that this first meeting is cost and obligation free. This meeting is a fact finding mission where we can learn about each other, where important information can be gathered and exchanged.

"SUPERANNUATION AND PERSONAL TAXATION IMPACTS FROM THE 2016 FEDERAL BUDGET"

By Mai Davies

We held our post Budget seminar on Wednesday 1st June 2016 at Leonda by the Yarra.

This was well attended by almost 200 clients and guests, our largest attendance for a seminar.

Superannuation was a key focus of the Budget with the announced superannuation package being the most significant proposed changes to the system since Peter Costello's "Simpler Super" package was announced in the 2006–07 Budget.

Paul Nicol and Patrick Malcolm provided an overview of the proposed changes, which included:

- A reduction to the concessional contribution (pre-tax) cap and allowing catch up concessional contributions
- Removal of contribution eligibility requirements for those wishing to make a contribution aged 65 –75
- Extension of deductions for personal super contributions
- Lifetime cap of $500,000 for non–concessional (after tax) superannuation contributions (backdated to 1/7/2007)
- Changes to the taxation of Transition to Retirement (TtR) pensions
- Introduction of a $1.6 million superannuation transfer balance cap for Account Based Pensions and TtR pensions
- Low Income Super Tax Offset and Spouse Contributions

If legislated, the announced proposals will make superannuation even more complex. It is virtually impossible for the average person to understand the complexities of the superannuation system and high quality advice will be paramount.

It is important to note that these are only proposed and with the election behind us, it is now expected there will likely be alterations. We expect to hold another seminar on these changes once they are legislated.

UPCOMING ESTATE PLANNING AND CENTRELINK SEMINAR: MONDAY 5TH SEPTEMBER 2016 AT 12 NOON

By Mai Davies

We are holding our next Quarterly Business Lunch on Monday 5th September 2016 at 12 noon at Leonda by the Yarra. Our special guest presenter is Andrew Lord, Principal of Lord Com-mercial Lawyers who will give a general overview of Estate Planning and will also specifically cover the Tips and Traps of SMSF Estate Planning.

Paul Nicol will provide an overview of the Centrelink Age Pension System and the changes from 1st January 2017 which will impact almost all Centrelink Age Pension recipients.

If you have not yet reserved your place and would like to attend, please call Mai on 9809 1221.