GFM Wealth Advisory

TRADE SECRETS

October 2015

SMSF Specialists | Investment Management | Financial Planning | Accounting

IN THIS ISSUE

OUR BRAND NEW OFFICE

By Tony Gilham

On Friday 14th August 2015, we moved into our brand new office at 190 Through Road, Camberwell, and to say that we are delighted with the new working environment is an understatement.

Yes, it has taken a long time, but in the end it is all worthwhile, ending up with a modern, bright and spacious office environment with a welcoming atmosphere, and to the delight of many of our clients, no stairs. In 2013, we got underway with having plans drawn up and costings done, and after a couple of unexpected delays, we've finally got it finished.

There are many significant advantages of our new building, but probably the most important is the fact that the financial planning team and the accounting teams are all housed in the one building.

To celebrate the office opening, we ended up having three cocktail parties over successive weeks in September, and in total had 160 of our clients join us in the celebrations. It was nice to see so many of our clients in quite a relaxed and social atmosphere, as opposed to the serious business of managing their financial planning and taxation affairs.

On the first and last night of our cocktail parties, we had very special guests to do the opening commemoration, Trevor Matthews on 2nd September, and Hans Kunnen on 16th September.

Trevor has recently returned from 15 years working for major financial service institutions around the world, including Canada, Japan, and the United Kingdom, where most recently he was CEO of three large UK financial institutions. He is a past president of the Institute of Actuaries Australia, and back in Australia, now acts as a professional director on the boards of some large financial services companies.

Hans Kunnen is currently a Senior Economist at St George Bank in Sydney. Many of our clients will remember Hans for presentations that he did at our end of year Economic Update seminars during 2006, 2007 and 2008. Hans also was our special guest on two of our Investment Update CDs during 2006 and 2009.

Hans Kunnen - Office opening presentation

Tony Gilham, Trevor Matthews

So now we're located at our new office at 190 Through Road, Camberwell, our two firms, Gilham Financial Management Pty Ltd and P Gruchy and Associates Pty Ltd, came together nearly two years ago, now branded as GFM Wealth Advisory, and GFM Gruchy Accounting. There are a lot of similarities between the people in both organisations, with the longevity of senior staff a key feature.

The Financial Planning practice commenced 42 years ago, and the Gruchy Accounting business commenced 54 years ago, by Phil Gruchy's father, and at a later date, Phil took over the reins of the practice.

At our last office in Toorak Road, we spent 21 years, and prior to that we had 21 years in St Kilda Road, so it looks as though we don't move around much. To keep things consistent, we hope that we spend at least 21 years in Through Road.

As an organisation, we now have five well qualified Financial Planners, five Accountants, six in the SMSF Administration team, three para-planners (they put together all of the technical information that you get from us in review documents, etc.), and six other support staff across the financial planning and accounting practices.

Yes, as an organisation, we have continued to grow at a very solid rate, and as a combined entity, we are now much bigger than we were 10, 20 and 30 years ago, but one thing has remained exactly the same. The personalised approach that we take towards each client. Each client and each client portfolio is unique, and we work diligently as a team to help you achieve your very best financial objectives.

Owning our new office, which we are very proud of, is a sign of our long term commitment towards providing excellent financial planning, superannuation, retirement planning and accounting services to our ever growing client base.

Sue White, Bill Mountford, Bree Hallett, Paul and Rhonda Pelzer, Patrick Malcolm

Heather and John King, Ivan Yeung (GFM Gruchy Accountant)

Phil Gruchy, Hans Kunnen, Bill Maddocks, James Malliaros

Frank Clark, Ann Sanson, Bill Foddy, Susan Clark

MARION KELLY: A CLIENT OF GFM SINCE 2004

By Tony Gilham

Marion has kindly written the article below on her working life, retirement and the relationship she has had with our company since 2004. We greatly appreciate Marion's contribution to Trade Secrets.

In June of 2004 I became a client of GFM Wealth Advisory. I had started thinking more seriously about retirement and needed to consolidate my finances. Being single was also an important factor in getting a solid plan underway for the future. I knew I was only perhaps 10 or 12 years from retirement, and it was about time to get my finances in order.

When making enquiries as to the best advice I could possibly receive, the subject of Self-Managed Super came into the conversation, followed by a recommendation from a good friend, that I "at least" meet Tony Gilham. Right from the beginning I felt comfortable with all that Tony covered and his advice as to what should immediately be put into action.

The six monthly review meetings with Patrick and contact in between, continue to impress me with the genuine interest taken to ensure the portfolio continues to provide good results. Whilst not having met all the GFM Wealth Advisory colleagues, I do have reasonably regular contact with quite a few of the team, including Patrick, Tony, Witi, Mai and Jacqui, and they are always so helpful and friendly. An important factor when they are members of such a professional team. It is just so comforting to be able to ring and speak to someone who knows me, and attend to any small request that I may have.

Starting my own SMSF in June 2004 was a timely move, and since commencement, my fund balance has more than tripled, a combination of good investment returns, making lots of additional contributions to the fund, and good strategic advice to take advantage of every opportunity available to increase the size of my fund.

I am very comfortable with the long-term relationships I have built with the GFM Wealth Advisory team, and being in the position to pursue my retirement aspirations, without having to get bogged down in superannuation technicalities and paperwork. They do it all for me. A fantastic team, dedicated to a very professional standard of superannuation and retirement advice.

The personalised approach they take when making detailed suggestions in order to maximise my longer term financial security, makes me feel very special. I know that I am just not "a number" in a big financial institution.

On Friday August 14th, 2015, I retired from a fulfilling career in hospitality having commenced at the Wentworth Hotel Melbourne (now Sofitel) in 1981 a month prior to the hotel opening. I was an administration assistant in the sales department and as the opening drew closer all departments were helping each other and the whole environment was exhilarating. I was hooked!

In 1984 I accepted a position with ITT Sheraton Hotels (now Starwood) in their Melbourne sales office and a few years on watched Sheraton Towers Southgate being built from our offices in City Road. The hotel opened in 1992 and I became executive assistant to the first General Manager and went on to work with another five GM's. In 2005 the hotel became The Langham Melbourne with senior management remaining in place.

After 31 years of continuous employment with Sheraton and Langham, and having enjoyed the pleasure of working with such professional colleagues and meeting so many interesting and inspiring people, retiring has been a difficult decision. But there comes a time for complete freedom and late last year I made the decision that August 2015 was "the time".

There were more than a few retirement lunches in August and a memorable get-together was with some of the GFM team including Mai, Patrick, Tony and a long-time friend Don Stammer who flew down from Sydney for the lunch.

Travel has always been a passion and now not having to wait for leave is certainly a retirement bonus! I am very close to my family and have a fun circle of friends here and overseas. Other keen interests include supporting The Australian Ballet, entertaining, gardening, theatre, movies AND my young great nieces and nephews are a joy. I'm not about to be bored in fact the days seem to be going faster.

From my experience, I have no hesitation suggesting to anyone that they should take the time to contact GFM Wealth Advisory and explore the opportunities available of this well-structured financial organization. The management of my SMSF, meticulous record-keeping, regular quarterly reports (very detailed) and ongoing good advice relating to my portfolio and personal financial position, gives me a lot of comfort that my financial future is in the hands of an expert SMSF organisation.

TAKE CONTROL OF YOUR SMSF DESTINY: WITHIN LEGAL LIMITS

By Witi Suma

When it comes to deciding to set up a Self Managed Superannuation Fund (SMSF), it all comes down to a matter of trust.

All superannuation funds are a form of trust – and an SMSF is no different. One of the first steps in setting up your own fund is arranging for a trust deed to be prepared. The deed is essentially a legal document that provides you with an overview of the rules that govern the operation of your fund. Your fund cannot exist without a trust deed, and doesn't exist until all trustees of the SMSF have signed it.

The trust deed sets the boundaries on what is acceptable for the Fund's members and trustees. If you were to act outside the limits of your SMSF, you are technically in breach of superannuation law. Depending on the severity of the breach, you could be subject to a financial penalty, or be at risk of the ATO deeming your fund to be non-compliant.

A good deed should allow you to do broadly anything that is required under superannuation law. As an example, you could ask questions such as "is my SMSF permitted to borrow to invest in accordance with current superannuation law?" or "can I pay a transition to retirement income stream from my SMSF?" Ensuring the deed allows for these strategies before you undertake them is absolutely critical.

So how often should you review your SMSF's trust deed?

If there is anything we know with certainty – it's that superannuation laws will change over time; so as the trustee of your fund, you need to ensure that your deed remains as current as possible. Reviewing trust deeds is a service that GFM provides you on a regular basis, to ensure that you don't miss out on opportunities simply because your deed does not contain the most up to date provisions.

Just like your SMSF's investment strategy – which we also review regularly – the approach to reviewing your fund's trust deed is the same. We consider what has changed in the superannuation landscape (and the financial industry in general) over the previous 12 months, as well as what type of strategies we may recommend that you undertake now and in the future.

Reviewing your deed regularly doesn't mean it needs to be changed – but it helps to reduce the chances of missing out on opportunities, or more critically, doing something no longer permitted under law.

Finally, it is important that you take the time to read and understand your deed. As it is a legal document, the content might seem quite complex. However, you need to remember that you are ultimately liable for any actions that you undertake in your capacity as trustee and member of your fund. Not understanding your deed is sadly no excuse if something goes wrong.

Having said this, GFM is here to ensure that you meet all of your trustee obligations, and act in accordance with your trust deed and superannuation law. Certainly if you have any queries about the deed, or your SMSF in general, we encourage you to ask us questions until you are comfortable, as that's what we're here for.

CASE STUDY: YOUR ASSETS AND CENTRELINK'S ASSET TEST

By Patrick Malcolm

As you may recall, there are two tests that Centrelink apply, when determining a person's Age Pension entitlements. They are the Asset Test and the Income Test. The amount of Age Pension that a person will receive is determined by the test that produces the lowest Age Pension entitlement.

In the last issue of Trade Secrets, our Case Study looked at Centrelink's Income Test, and the changes in the assessment of a person's Account Based Pensions. In this article, we look at Centrelink's Assets Test, and what options there are to decrease the total amount of Assessable Assets.

The current thresholds, for Centrelink's Asset Tests, along with the new thresholds that are coming into effect on 1 January 2017 are shown in the table below.

	Current Asset Thresholds - From 20 Sept 2015		Asset Thresholds - From 1 Jan 2017	
Homeowner	For Full Pension	For Part Pension	For Full Pension	For Part Pension
Single	$205,500	$783,500	$250,000	$547,000
Couple (combined)	$291,500	$1,163,000	$375,000	$823,000
Non-homeowner				
Single	$354,500	$932,500	$450,000	$747,000
Couple (combined)	$440,500	$1,312,000	$575,000	$1,023,000

There are a number of things that can be done to decrease your level of assessable assets under Centrelink's Asset Test, and potentially assist in increasing your Age Pension entitlements.

Home maintenance, travel, or spend the cash funds

As the family home (and surrounding land up to 2 hectares) is exempt from Centrelink's Assets Test, spending funds on the family home may assist. Further, going on a holiday, or prepaying for upcoming intended travel, is another option. Please note that this results in a depletion of liquid funds.

Funeral expenses

Another option may be to prepay for funeral expenses (up to any amount provided costs are not refundable) or purchase a Funeral Bond. Each member of a couple can purchase a Funeral Bond, up to the initial purchase amount of $12,250 (for the 2015/2016 Financial Year). This means that members of a couple can effectively hold up to $24,500 in Funeral Bonds. Further, any growth in the value of the Bond remains exempt from Centrelink's Assets Test assessment.

Gifting

Currently, Centrelink do not assess funds that are gifted under the following two conditions. Firstly, a maximum of $10,000 can be gifted within a single Financial Year (regardless of whether a person is a single or a member of a couple). Secondly, a total of $30,000 can only be gifted over the course of five years, to ensure the total amount(s) gifted remain exempt under the Asset Test. Again, please note that this results in a depletion of liquid funds.

Superannuation

An alternative to these options is transferring superannuation assets from one member of a couple to another. This strategy can be particularly effective where one member of a couple is receiving, or about to qualify, for the Age Pension, and the other person will not qualify for the Age Pension for some time.

Currently, superannuation assets that are held in the accumulation phase are exempt from the Assets Test, while that person is under their Age Pension qualifying age. The key point to note is that these assets must remain in the accumulation phase, and that person does not commence an income stream from these assets. Provided that a condition of release (i.e. retirement after a person's preservation age) has been met, this person may also have access to these superannuation funds that are held within the accumulation phase and tax free after the age of 60.

Another key point here is to ensure that funds 'transferred' from one member of a couple can be re-contributed to the other persons superannuation, and that the non-concessional contribution limits of $180,000 p.a. or $540,000 (over a three year rolling period, for people under the age of 65 years) will not be exceeded.

Case Study – Peter and Sue

Peter and Sue are both about to retire. Peter is 65 and Sue is 56 and they own their own home. Between them, they have the following assets:

Assets	Value
Car and Contents	$10,000
Cash at Bank	$44,500
Peter's super	$790,000
Sue's super	$48,000
Total Assessable Assets	$892,500.00

Assuming no changes are made to their financial situation, and based on Centrelink's current Asset Test thresholds, Peter is likely to receive an estimated Age Pension of $233 per fortnight ($6,058 p.a.). As Sue is under Age Pension age, Sue does not qualify to receive any Age Pension.

Should Peter and Sue's affairs remain as they are currently structured, upon the new Asset Test thresholds coming into force from 1 January 2017, Peter will become ineligible for any Age Pension. This is because their combined assessable assets exceed the new upper threshold ($823,000) to receive any Age Pension.

However, before 1 January 2017, Peter and Sue receive some advice regarding the structure of their financial affairs. The advice that they receive includes undertaking the following strategies:

- Gifting $10,000 both this Financial Year and next (a total of $20,000);
- Each purchase a Funeral Bond for $12,250;
- Withdraw $180,000 from Peter's superannuation assets, and re-contribute the total funds into Sue's superannuation this Financial Year; and
- Withdraw $223,000 from Peter's superannuation assets and re-contribute the total funds into Sue's superannuation next Financial Year.
- Leave Sue's total superannuation assets within the accumulation phase.

Upon undertaking these strategies, their Assessable Assets, and Peter's respective Age Pension entitlements from 1 January 2017, are outlined in the table below:

	Before	After
Assessable Assets	$892,500.00	$445,000.00
Lower Threshold	$375,000.00	$823,000.00
Amount Above Threshold	$517,500.00	$70,000.00
Reduction (p.f.)	**$776.25**	**$105.00**
Full Age Pension (p.f)	$648.40	$648.40
Actual Age Pension (p.f.)	**$ -**	**$543.40**
Actual Age Pension (p.a.)	**$ -**	**$14,128.40**
Improvement (p.a.)		**$14,128.40**

As shown, Peter goes from not being entitled to any of the Age Pension, to becoming eligible for Age Pension of $543.40 per fortnight. This is a total of $14,128.40 p.a. for 11 years, at which point Sue will reach her Age Pension age.

Further, Peter can also start an income stream, from his Superannuation Assets, and start drawing a pension payment without it affecting his Age Pension. Additionally, as Sue is retired (and therefore met a condition of release), there is the ability to make lump sum withdrawals from Sue's superannuation.

In Summary

There are a number of things that can be done to maximize a person's entitlements under the Asset Test for the Age Pension. These include, spending the money on your home or travel, purchase Funeral Bonds, or gift funds to another person or charity. Alternatively, if you are a member of a couple transferring superannuation funds from the older member, to the younger member, may also assist in maximizing any Age Pension entitlements.

However, one should always be mindful that there is also the Income Test that Centrelink use to quantify a person's entitlements. Therefore, these strategies also need to take this into consideration, and advice from a professional, regarding your personal situation, should always be obtained.

JENNIFER CHIN: LEAVING GFM AFTER 23 YEARS AS FINANCIAL CONTROLLER

By Bryan Meehan

Jenny has been an outstanding and dedicated employee of GFM for over 23 years. The vast majority of her employment with us has been as our Financial Controller. Jenny graduated with a commerce degree from the Australian National University in Canberra in 1991 and commenced her first full time employment role a short time after that in May 1992 as a superannuation administrator.

It did not take very long for the company to realise Jenny's potential and she quickly assumed the role of Financial Controller. It is fair to say that Jenny performed this very important role with absolute accuracy, dedication, honesty, integrity and confidentiality. Over this 23 year period, the role of the Financial Controller position grew in line with our business growth, and Jenny also assumed IT responsibilities that allowed GFM to embrace technological changes for the benefit of the business and clients alike.

In January 2012 Jenny moved back to Canberra with her three children to be closer to her families but continued in her position working remotely from her home. Jenny grew up, attending high school and University in Canberra before moving to Melbourne to commence her career with GFM.

In February this year Jenny informed us that she was finding it very difficult working on her own and greatly missed the daily interaction she had previously had with all our staff. While we were all very sad, we certainly understood Jenny's dilemma and everyone wants the very best for her.

Jenny has always had the business at heart and with company approval, Jenny devised a six monthly program where she would provide training to Ting Zhu (our new Financial Controller) before she took a well-earned break and looked for a new position.

Words cannot describe the gratitude the company feels towards Jenny. GFM remain totally indebted to Jenny for her outstanding contribution over 23 years to the success of our business.

Everyone at GFM wishes Jenny all the very best in whatever employment role she takes on in the future and we all thank her for all the assistance she has provided during her time with GFM. Jenny has built lifelong friendships with many GFM staff that will remain in force, but in our workplace, Jenny will be greatly missed.

ASFA RETIREMENT STANDARD

By James Malliaros

The ASFA retirement standard is a benchmark of the annual budget needed by Australians to fund a comfortable or modest lifestyle in their retirement. The standard was developed as many people have no concept of what they need in the future to fund their lifestyle, particularly when retirement is some years away.

The benchmark is updated quarterly to reflect inflation, and provides detailed budgets of what singles and couples would need to support their chosen lifestyle – modest or comfortable.

A modest retirement lifestyle is considered better than the Age Pension, but still only able to afford fairly basic activities. A comfortable retirement lifestyle allows involvement in a broad range of leisure and recreational activities, and a good standard of living through the purchase of such things as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment and holiday travel.

Both budgets assume the retirees have no financial dependants, own their own home unencumbered and are relatively healthy.

The table below shows the benchmark cost of living in retirement as at June 2015:

	Modest Lifestyle		Comfortable Lifestyle	
	Single (p.a)	Couple (p.a)	Single (p.a)	Couple (p.a)
Retirees 65-85	$23,662	$34,051	$42,861	$58,784
Retirees 85+	$23,026	$34,214	$38,369	$53,825

And the table below shows the savings required at retirement for a modest or comfortable lifestyle:

	Single	Couple
Modest Lifestyle	$35,000	$50,000
Comfortable Lifestyle	$545,000	$640,000

Figures are in present dollars using an inflation rate of 3.75% and an assumed investment earning rate of 7% p.a. with no lump sum capital withdrawals.

The savings required for a modest lifestyle in retirement are very low as it is assumed the full Age Pension of $22,542 p.a. for a single and $33,928 p.a. for a couple is sufficient to meet the expenditure requirements at this budget level.

The savings required for a comfortable lifestyle assume receipt of a part Age pension (based on the current means test in effect from 1 January 2017) and that retirees will draw down all their capital over their lifetime over their average life expectancy.

It is interesting to note that the figures above are based on a fairly conservative investment earnings rate of 7% p.a. In the current interest rate environment, it means that retirees will need to be invested in a well-diversified portfolio across all asset classes, not just cash, term deposits and bonds.

For a detailed budget break down and further information, please visit the ASFA website: http://www.superannuation.asn.au/resources/retirement-standard/

DON'T FALL FOR PHONY TAX DEBT SCAM

By Tony Gilham

The ATO is again warning the public to be aware of an aggressive phone scam circulating where fraudsters are intimidating people into paying a fake tax debt over the phone by threatening jail or arrest.

Unfortunately a long standing client of ours got caught up in this tax debt scam, at a cost of $6,767 dollars and reported it to their local Police Station, who were well aware of the scam, as they had several prior instances of the same scam. The scam works like this:

Our client received a phone call, supposedly from a senior officer at the ATO, claiming that they had engaged in tax fraud, between 1991 and 1994, and wanted payment of $6,767 immediately, otherwise they would issue an arrest warrant. The client was given a Canberra phone number (seemed legitimate), and was told to go to the Post Office to pay the money, which actually turned out to be an electronic transfer via Western Union, ultimately to another account which presumably is offshore.

The bogus "ATO officer" pestered the client multiple times over a 24 hour period, until the client succumbed, and went to the post office to pay the money. The police told our client that the chances of getting the money back was almost nil, and this scam had been fairly common around the area.

The ATO has issued a statement on their website which states:

- The ATO would never cold-call you about a debt. Any request for a debt payment would be sent by letter or email.
- The ATO would never threaten jail or arrest.
- If you receive a call from the ATO and are concerned about its legitimacy, you should ask for the caller's name, and phone them back through the ATO's switchboard on 13 28 69.

Investment scams had been quite common a few years ago, but the current scams seem to be a little bit more elaborate.

The simple rule is never do anything on the phone, with someone that you don't know. If you suspect that the call might be legitimate, ask for it to be put in writing.

Be very careful - telephone scamming is a global problem, and only getting bigger.

CHANGING ACCOUNTANTS: THE PROCESS

By Andrew Goldman

The decision to change accountants is often difficult and this is understandable because in many cases there has been a long standing relationship.

However, once you have made the decision to change you must realise that there is no need to make excuses or feel uncomfortable.

The Process

- We pride ourselves on being approachable and accessible so your first step is to make contact with us. Choose whatever method of communication you feel most comfortable with - telephone, email.
- Once we have had the opportunity to break the ice, we like to arrange an initial face-to-face meeting. This meeting is a fact finding mission where we can learn about each other and where important information can be gathered and exchanged. It's important to note that this first meeting is cost and obligation free.
- Once you feel comfortable with us and wish to entrust us with your affairs, we will formally advise your current accountant of our intended appointment on your behalf. This advice is a professional courtesy called an 'ethical clearance' letter whereby an incumbent asks if there is any reason why the planned engagement should not be accepted.
- As part of the ethical clearance letter, we will request copies of important documents and financial records which will include prior year tax returns, company secretarial files if relevant, any original source documents and the like.
- The outgoing accountant is obliged to reply to the ethical clearance letter and to provide the information requested free of charge and this is often just a formality. This part of the process is sometimes delayed where you may have an outstanding account with the outgoing accountant and we will discuss this with you at our initial meeting.

- Upon receipt of ethical clearance from the outgoing accountant we will send you an engagement letter which forms the basis of our relationship moving forward. This letter covers each of our responsibilities and what we can expect from one another.

What happens after the engagement letter has been signed and things go 'live' is as follows:

- The first task is to appoint ourselves as an agent with the tax office and other lead regulators like ASIC. This will provide access to lodgement history, account balances and other information on the respective databases.
- Once access is available, we review the current lodgement status of current entities. You would be surprised how many believe their lodgements and payments are up-to-date when in fact they are not or in fact have a credit balance with the tax office they are unaware of.
- We request access to current accounting records and conduct a review of the file setup to ensure things are running smoothly. We also take this opportunity to test check several key general ledger accounts to ensure transactions are being allocated correctly and balances agree with supporting documents like bank reconciliations, Business Activity Statements and the like.
- Using the knowledge acquired from the activities mentioned above, we review the content of recent lodgements to determine accuracy and correctness.
- Using the Profit & Loss Statement and Balance Sheet as a base, we conduct a review of key elements. We verify Balance Sheet items and review income and expense accounts.
- Core issues we review include: GST registrations, methods and thresholds, superannuation for staff and contractors, payroll tax thresholds, depreciation methods, stock valuations, Fringe Benefits Tax etc.
- Where a current Business Plan exists we will review and comment. Where no plan exists we will recommend some thought be given to creating such a plan and will assist in this process.
- We will make enquiries relating to Wills, insurance coverage, special family needs relating to children and dependants, the existence of testamentary trusts or child maintenance trusts etc.

The above is a simple outline of the process. Depending upon your circumstances it may be more or less extensive. The goal of the initial process is to add value as it often highlights issues and possibly shortcomings which require immediate attention.

We hope that this short overview has removed some of the uncertainties you may have had regarding the process of changing accountants.

If you would like some assistance or would like to meet with one of our accountants, please call Andrew Goldman or Phil Gruchy on 8809 0700.

SIMPLE STEPS WHEN STARTING OUT: YOUNGER ADULTS

By Bree Hallett

For most of us, life is busier than ever but it is important to achieve a balance so you can attain all the things you want right now as well as ensure you live comfortably later in life. It is all too easy to put off fixing your finances until another day. But by waiting until tomorrow, you could be missing out.

You might be planning for a wedding, starting a family, thinking about your first investment, or you may even have your eye on an early retirement. The sooner you develop a plan for your money, the sooner you might be able to uncover financial opportunities to set yourself up for the future.

According to the Australian Securities and Investments Commission's savings goals calculator, a 30 year old who starts investing $100 a week with a 5% per annum return could have an amazing $495,000 by the time they retire at 65. However, a 50 year old would need to save around $425 per week to get the same result – investing $201,500 more of their own money.

The sooner you start, the better off you will be. In order to start making a positive difference to your finances we suggest the following simple steps;

1. Take Stock

Understand where you are today and where you want to be tomorrow. Divide a piece of paper into two columns. On one side, write down your financial and lifestyle goals with consideration to be given to:

- Short term goals (e.g. paying off a credit card, saving for your next holiday)
- Medium term goals (e.g. paying off your mortgage or funding education costs)
- Long term goals (e.g. your target retirement income)

On the other side list your assets, your debts and your income. Work out how much you can afford to save and invest each week.

2. Tackle Debt

Debt has the potential to be a burden on your ability to create wealth, so make it a priority to get your borrowings under control. Consider:

- Paying off high interest borrowings (e.g. credit cards) first;
- Consolidating your debts into a single, low interest rate loan;
- Pay off any non-deductible personal loans first.

3. Consolidate Your Super

Your super is your money and your long term savings plan so it is important to make sure it is working as hard as possible for you. Ensuring all of your super is within one account can often prevent unnecessary fees from reducing your retirement savings. By streamlining the number of accounts you hold, you will find it easier to keep track, and in taking control you will be able to more effectively monitor:

- The level of contributions made each Financial Year
- Investment performance of your super
- The level of risk your funds are exposed to via your specific investment choices
- Implementation of tax planning strategies
- Insurance cover you hold within super

4. Invest for the Future

You should plan to invest for both your short and long term goals. Consider paying yourself first by automatically transferring a fixed amount from every pay cheque into a high interest savings account. Furthermore, depending on your situation and your investment time frame, a regular investment into a managed fund could help you build your savings even more effectively over the longer term.

UPCOMING SEMINAR: MATTHEW SHERWOOD – WEDNESDAY 18/11/15 AT 7.15 PM

By Mai Davies

We will be holding our last seminar for the year covering investment market activity during 2015 and the Outlook for 2016 on Wednesday 18th November at 7.15 pm at Riversdale Golf Club.

Our special guest presenter is Matthew Sherwood, who is the Head of Investment Markets Research for Perpetual Investments, the largest independent Fund Manager in Australia. In his role, Matthew conducts research on and acts as an external voice on the Australian and global economies, financial markets and portfolio strategies.

We are very fortunate to have Matthew presenting to our clients again for the sixth year. He is an excellent presenter and this is an event that fills quickly. Invitations will be sent shortly.

CENTRELINK AGE PENSION SEMINAR

By Mai Davies

We held our lunch seminar on Monday 7th September 2015 at Riversdale Golf Club where we discussed the Centrelink system. There have been some very significant changes to the age pension system over the last 6 months. From the 1st January 2015, new Account Based Pensions (ABP) are deemed for the Centrelink Income Test and effective from the 1st January 2017 there will be changes to the Assets Test thresholds.

The session gave those currently receiving the age pension an understanding of what impact these new changes will have.

This was a very popular topic and we had a full house, having 119 clients and guests attend on the day.

Paul Nicol and Patrick Malcolm were the presenters on the day. Their presentation covered:

- Overview of the Centrelink/DVA Age Pension System
- The benefits of seeking advice
- Eligibility – Asset and Income Tests
- Deeming
- Commonwealth Seniors Health Card
- Important Changes to the Assets Test
- Practical Case Studies

The feedback from the attendees was excellent, they found it most informative and told us they gained significant benefit from attending.

Centrelink planning is a complex and important part of the financial planning process and not understanding the system can lead to sub-optimal results.

If you would like to make a time with your adviser to discuss Centrelink Age Pension Planning or if you were unable to attend and would like a copy of the presentation, please call Mai on 9809 1221.

FAMILY FEUDS OVER DEATH BENEFITS

By Paul Nicol

Part of the process that we go through as financial planners specialising in superannuation, SMSFs and retirement planning, is to discuss the estate planning implications when a super fund member passes away.

Most of our superannuation fund clients build up their wealth in the expectation that they can have a reasonably comfortable lifestyle in retirement and won't run out of money, also knowing that at the end of the day there should be something leftover for their beneficiaries, their spouse, children or grandchildren.

A flippant comment that we sometimes get (half in jest) is as follows:

"It doesn't bother me when I'm dead - they can sort it out themselves".

This normally refers to the children of the super fund member, knowing that when they and their spouse pass away, the remaining balance, including the family home and other assets, would be left to the children. But in many cases we're talking about very large amounts of money and there is an increasing incidence of family disputes brought on by one or more of the children, their respective partners, grandchildren or an estate planning solicitor that can see the possibility of a result.

As an example, a recent family dispute over superannuation death benefits led to a legal bill of more than $370,000 charged to a self-managed superannuation fund (SMSF) to defend the claim. The legal bill represents 40% of the deceased member's super death benefits. The deceased's 2 adult daughters from his first marriage, and his second wife, disagreed about who should receive the deceased's super death benefits and who is responsible for the lawyers' charges. This long-running dispute over death benefits should provide a telling warning to all superannuation fund members to get their estate planning arrangements as watertight as possible.

Reversionary pensions in the superannuation fund are a good starting point, backed up with a binding death benefit nomination.