GFM Wealth Advisory | TRADE SECRETS

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SMSF Specialists | Investment Management | Financial Planning | Accounting

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SELF MANAGED SUPER FUNDS: 20 YEARS OF SPECIALISATION

By Tony Gilham

The SMSF Sector is now the largest part of the superannuation landscape in Australia, with more than $600 billion in funds invested across 570,000 Self Managed Super Funds (SMSFs), larger than retail, industry, corporate and government super funds.

We are well aware of the advantages of being able to run your own fund. We were very early adopters to the SMSF phenomenon and set up our first SMSF in August 1996. Needless to say, over this time we have developed a deep understanding and expertise of the intricacies of running an SMSF.

Now, more than 90% of our financial planning practice revolves around the advice and management of SMSFs, and combined with our accounting firm we are one of the larger SMSF 'full service' providers in Melbourne. By 'full service', we basically complete all functions of running an SMSF in-house, including strategic advice, investment management, administration, taxation and compliance reporting etc. In other words, we don't outsource anything except the audit of an SMSF, which has to be done by a registered auditor on an annual basis.

SMSFs were effectively born as a result of the Superannuation Industry Supervision Act (SIS Act) at the end of 1993, when ground rules for all superannuation funds in Australia were laid down, including a section devoted to SMSFs. Prior to this, there were superannuation vehicles called "excluded funds", but there were very few rules in which these were required to operate. There had been some abuse of the superannuation system, so the Government decided to introduce new legislation for superannuation, and particularly setting the framework for SMSFs.

Back in 1996, if you saw the acronym "SMSF" in the newspaper, you would probably have had no idea what it meant. Today, most people are well aware as to what SMSFs are, but are still unsure as to whether an SMSF would suit their purposes.

The starting point for your own SMSF is to have a superannuation balance of around $250,000 or more, and an interest in having a "hands-on" involvement in your superannuation and its investments.

Importantly, all our financial advisers hold the "SMSF Association SMSF Specialist Advisor™" designation, and we take particular pride in being proactive with the strategic planning opportunities available within an SMSF. We also have very experienced SMSF administration and accounting teams, led by Witi and Melany, both of whom hold the "SMSF Association SMSF Specialist Advisor™" designation.

SMSF Team (Annie An was on maternity leave)

Adviser Team (Nicola Beswick was on leave)

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AMENDED GOVERNMENT SUPER PACKAGE: ACTION ITEMS

By Patrick Malcolm

As we have previously advised, the Federal Government has dumped the rather controversial $500,000 superannuation lifetime non-concessional contribution cap and replaced it with an annual limit of $100,000. Non-concessional super contributions are those on which no tax deduction has been claimed.

For the current financial year, an individual's annual non-concessional contribution cap remains at $180,000. Those under the age of 65 can still continue to 'bring forward' three years' of non-concessional contributions. For those aged 64 or under on 1 July 2016, they will be able to bring forward three years' non-concessional contributions in the 2017 year, i.e. $540,000 (to the extent it hasn't already been used).

Crucially, however, in the transitional period before these new caps kick in on July 1, we believe that there is a huge, once off opportunity for people to make large non-concessional contributions to superannuation, knowing that the ability to do this will be almost halved from 1 July 2017.

To compensate, the following alterations were made to the May 2016 Federal Budget proposals:

- The removal of the work test for those aged between 65 and 75 will not proceed
- The catch-up concessional contribution for those with a balance in superannuation of less than $500,000 will be deferred by 12 months to commence from 1 July 2018
- In addition, an individual with a super balance of more than $1.6 million will no longer be eligible to make non-concessional contributions.

It is expected all of the changes will commence from 1 July 2017.

These changes mean there may be opportunities for those who:

- Are 65 or under in the 2016/17 Financial Year and want to maximise their non-concessional contributions to contribute up to $540,000;
- Are over 65 (but under 75), meet the work test and want to contribute up to $180,000 in non-concessional contributions;
- Already have more than $1.6 million in super, but are eligible to contribute and it is wise to build up their super balance further

We believe that there are three distinct opportunities for individuals that are 65 or under in this Financial Year:

1. Large non-concessional contributions to build your member benefits (up to $540,000 per individual or $1.08m for a couple):

Almost ten years ago, the Government of the time dramatically increased the attractiveness of superannuation as an investment vehicle by making withdrawals tax-free for over-60s.

In addition to tax free withdrawals after the age of 60, 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 once an income stream is commenced upon reaching preservation age, the tax rate imposed on income and capital gains in the pension account is reduced to zero.

Whilst the proposed changes to superannuation will lead to it being more difficult to get money into that environment, there is absolutely no doubt that as an investment vehicle for retirement, superannuation is easily the best structure for Australians to build their wealth. Superannuation still enjoys significant tax advantages over other alternative structures, even after the proposed changes.

Simply put, there is no other vehicle that is anywhere near as tax efficient for retirement.

The proposed change to income streams is the limit of $1.6m for tax free income streams. But where else can a couple invest legally and have $3.2m with earnings completely free of tax? The answer is nowhere. It also important to note that if this couple has above $3.2m, that the amount above this is still only taxed at the concessional rate of 15% and that drawings remain completely tax free from age 60.

It obviously takes time to assess your situation and determine the best way for you to take advantage of this opportunity. The right option for you will depend upon your circumstances. Some options may take time to put in place. If you believe that you are in a position to take advantage of these opportunities you should talk to your adviser now about your options.

If you don't have liquid funds readily available to contribute, some of the other options you may wish to consider are as follows:

- Borrowing to contribute to super
- Transferring real property used in a business into a self managed fund
- Transferring shares or other investments from your own name into super

2. The Re-contribution Strategy:

As the name suggests a re-contribution strategy involves the withdrawal of your superannuation benefits and the contribution of these funds back into super.

Why would you go about this process you may ask? The objective of the re-contribution strategy is to maximise the tax free component of your super death benefit.

When a super benefit is paid from a super fund, be it as a lump sum or income stream, the benefit will include both tax free and taxable components. The benefit will have the same proportion of components as the total value of the super fund. These components will determine how much tax will be paid upon accessing the super benefits.

As you know, individuals who are aged 60 and over do not pay tax on super income streams regardless of the components. However, the re-contribution strategy can provide significant estate planning benefits. Should an individual pass away the taxable component of the benefit paid on death may incur tax if the beneficiary receiving the benefit is classified as a non-dependant. Again, the re-contribution strategy works by maximising the tax free component of any potential benefit paid on death.

This strategy should be discussed with your adviser as it relies on the ability to both withdraw super benefits and then re-contribute them back.

3. Transferring of superannuation assets to a younger spouse to maximise potential Centrelink benefits:

The strategy of transferring superannuation assets from one member of a couple to another 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 Age Pension Assets Test, while that person is under their 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 preservation age) has been met, this person may also have access to the funds that are held within the accumulation phase and tax free after the age of 60.

Again, we stress the need for this strategy to be discussed with your adviser as it may or may not work in your particular circumstances.

As can be seen, there is a huge, once off opportunity to take advantage of one or more of these strategies in the transitional period before these new caps kick in. It is important that advice is sought sooner rather than later to determine the best course of action over the remainder of the Financial Year.

PETER & VERA LAZIC: CLIENTS OF GFM SINCE 1976

By Tony Gilham

Peter and Vera have kindly written the article below on their family, working life, retirement and the relationship they have had with our company since 1976. We greatly appreciate their contribution to this edition of Trade Secrets.

Peter & Vera Lazic

As with many GFM clients, we have been with the company for a very long time. We are proud to say we are amongst the very first clients back in the days when the company consisted of just Tony Gilham and an assistant. Over this time we have seen GFM Wealth Advisory grow into a very successful Superannuation, Financial Planning and Accounting practice, with a great team of people who are dedicated to the goal of client satisfaction.

We have been married for 44 years and have a beautiful daughter, Tina, who is married with two children that absolutely light up our lives.

Peter started out as an apprentice refrigeration mechanic with Pioneer Refrigeration in South Melbourne, servicing refrigeration in about 80% of the hotels in Melbourne. At one stage he worked on the refrigeration plants at the original Melbourne Fruit and Vegetable Market, seven days a week for 12 months without a day off. As the name says, the company was a pioneer in the industry and many refrigeration companies that exist today evolved from people that forged their trade at Pioneer, where the ethics were hard work and constant learning.

Twelve months after we married we moved to live and work in Nhulunbuy, a bauxite mining town in the Northern Territory. At the time the area had no TV and radio reception was very poor. Peter worked on refrigeration/air-conditioning plants and Vera worked in the office for the Department of Aboriginal Affairs. Living there, Peter developed his love of four-wheel driving and camping and the immense beauty of the Australian bush.

On returning to Melbourne after a couple of years, Peter's work took him to many diverse countries, having worked on projects in Iran during the era when the Shah ruled, building cold storage complexes in the poorest parts of the country. In 1978 Pioneer built the largest turnkey cold storage facility in Dubai with a 3000 tonne capacity. Back then, Dubai was a sparse country compared with today. Other refrigeration projects took Peter as far as Canada, USA, Solomon Islands, Fiji and Papua New Guinea. Peter became a part owner of C and G Coolrooms and was for over 30 years until he retired five years ago.

Vera was a professional secretary for many large companies in and around Melbourne. In recent years she has been a carer for her parents and Peter's brother.

Now that we are retired, we both enjoy watching rugby league and follow the Melbourne Storm. Along with our daughter and her family, we are all ardent Hawthorn members and attend most games in Melbourne.

We were heavily involved in the Carrum Rowing Club for many years even after our daughter stopped rowing. Vera was Regatta Secretary and Peter served as President and we were both awarded life memberships.

Peter has pursued his love of four wheel driving and has crossed the Simpson Desert three times, been to Ayers Rock, Cape York, and have intersected the WA, SA, NT and Qld borders, camping in the great outdoors along the way.

GFM staff members have followed our travels and always ask where our next trip will be. We like that when we call, we actually speak to a "real" person. Peter is a bit of a prankster, and for a laugh, he often tries to disguise his voice when he calls. It's always reassuring that when we have a query, the GFM team always puts us at ease.

We started our SMSF in 2002, and like the fact that everything is done for us. It's just so great that when dealing with such an important subject (a happy and successful retirement) that we can talk to staff that we know and trust.

GFM have educated us as well with many informative seminars and we always enjoy the various guest speakers. Many of our friends have now become GFM clients and they also refer family and friends, all finding the same assurance we have with the team at GFM.

STAFF PROFILE: BARBARA RUSSELL

By Paul Nicol

Barbara joined GFM in January 2016 as a relief receptionist working one day per week (Thursday) and providing ongoing relief when staff are on leave. Barbara had recently retired from the workforce, having completed a distinguished career spanning 20 years with RMIT in office and project management roles. We were very fortunate to have Barbara join the team.

Barbara has fitted into our organisation perfectly and we are thrilled to welcome her into the business.

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

Q1. How are you enjoying your time with GFM?

I have really enjoyed my time at GFM. All staff members have been so friendly and welcoming and flexible with my working arrangements. It's also been great meeting so many of the clients and gradually getting to know them.

Q2. Your family?

I have two sons. James is married and working in Melbourne. Sam is a fly in fly out engineer currently working on a mining project in Darwin. My partner Carl has two sons and one grand-daughter in Sydney.

I have a sister and brother and father (still with us at 97)!

Q3. Favourite food?

I am enjoying eating a lot of fish lately as it's so good for you. My favourite cuisine style used to be Italian/French but like everyone I am increasingly enjoying fusion styles and Thai/ Malaysian/ Indian occasionally.

Q4. Little known fact about yourself?

Over the years I've worked in many different industries. I started in an Insurance company where I was an Actuarial Clerk! In other varied roles I've worked at The Age, Visy, in architectural and accounting practices, electrical contractors, in the Federal Public Service and for educational bodies, including 20 years with RMIT University.

Q5. What sports do you follow?

I enjoy watching Olympics' sports, Tennis events and football (the Bombers will be back!). I played netball and hockey at school.

Q6. What are your interests?

Reading, walking, nature, Yoga, Theatre, Arts, and learning French.

WHY EVERY MEMBER OF AN SMSF SHOULD HAVE AN ENDURING POWER OF ATTORNEY

By Witi Suma

In the last edition of Trade Secrets, we emphasised the importance of SMSF members having a valid Binding Death Benefit Nomination. In this edition, we will focus on why it is so important for every member of an SMSF to also have an Enduring Power of Attorney (EPOA) in place.

Most of us are reluctant to admit that there may come a time when we are unable to make decisions for ourselves due to illness or an accident. However things can and do happen, so it is vital that there's a mechanism in place that allows someone else to legally make decisions on your behalf.

Throughout the life of an SMSF, the trustees must continue to make significant decisions about their fund. If one trustee becomes incapacitated, technically they can no longer act as a trustee (or director of the trustee company), and the SMSF ceases to be a complying fund, losing its eligibility for concessional tax treatment. From a practical perspective this can be costly – the member must either leave the fund and withdraw their benefits, appoint an approved trustee, or rollover to a retail fund. Rolling over to a retail fund can have tax consequences (such as CGT and stamp duty), and can be difficult and financially prohibitive to arrange if the SMSF is forced to sell an illiquid asset (e.g. a property) in order to transfer the member's benefit to another fund.

This is where an EPOA becomes essential. An EPOA is a legal document that enables a person to appoint a trusted person – or people – to make financial decisions on their behalf should they find themselves unable or incapable of conducting their own affairs. The good news for SMSF trustees is that the Superannuation Act allows an SMSF to continue to be complying, provided that a legal personal representative (LPR) of the member is appointed as trustee or director within six months of the date on which the member ceased to be a trustee/ director. An EPOA qualifies as an LPR.

Some important points to note when appointing an EPOA:

- It must be an Enduring Power of Attorney as opposed to a General Power of Attorney, as an EPOA continues to operate after you have lost mental capacity whereas a General Power of Attorney ceases on loss of mental capacity.
- The EPOA must relate to financial, business and property affairs, and not just medical and lifestyle issues. Importantly it must not exclude dealing with the member's superannuation affairs.
- The person appointed as an attorney must be at least 18 years old and be of sound mind. They can be a spouse, partner or adult child, a relative, or a friend.
- The attorney must not be a "disqualified person" (e.g. someone convicted of an offence involving dishonesty).
- Each Australian state and territory has its own legislation when it comes to powers of attorney, so it's vital that you take heed of their respective provisions to ensure that the EPOA is valid.
- It is permissible for an SMSF member to appoint another member (such as their spouse) as their attorney.

- Where the EPOA appoints multiple attorneys, one or more of these attorneys can be appointed as an SMSF trustee/director in place of the member.
- The EPOA automatically ceases upon the appointer's death.

It goes without saying that power of attorney should only be given to a person whom the trustee believes is capable, has sufficient time to devote to the task, and can be trusted implicitly, keeping in mind that the attorney has the power to not only make investment decisions, but decide on whether – and to whom – a benefit can be paid. It is also important to periodically review the appointed attorney to ensure they continue to remain appropriate.

The fact that an EPOA has been drafted and signed is not enough – i.e. a person doesn't automatically become a trustee or director merely because they hold an EPOA. The member who has lost capacity must actually resign as a trustee of the fund (or director of the corporate trustee) and the attorney must be appointed in their place. The attorney then takes on the responsibilities and obligations of the trustee/director.

It's also critical that the appointment of the attorney and the resignation of the member as trustee are executed in accordance with not only the SMSF's trust deed and the Superannuation Act, but where a corporate trustee is in place, with the company's constitution and the Corporations Act.

Let's look at a case study:

David and Susan, aged 39 and 37 respectively, are individual trustees of their SMSF. They are keen property investors, owning a property within their SMSF. This particular property makes up 80% of the Fund's assets.

They are both active cyclists and enter competitions regularly. On this occasion, David was taking part in a competition and was unfortunately hit by a car. He has been in a coma since.

Neither of them has an EPOA in place.

Under superannuation law, both trustees are required to make decisions in respect of the SMSF. As David is unable to, his member balance must be removed from the SMSF in order to avoid the Fund becoming non-complying. As the Fund doesn't hold enough cash to pay his benefit as a lump sum, the property needs to be sold. This could result in significant losses should the property market be in the middle of a downturn as well as potentially unnecessary costs.

Within six months of David losing capacity, Susan must either appoint a new trustee to replace David, appoint a corporate trustee, or wind up the Fund. If they had EPOAs in place, their SMSF could have continued as a complying fund, and David could have retained his member balance within it.

Conclusion:

As seen in the example above, failing to have an EPOA if you are a member of an SMSF – regardless of age – can lead to disaster. Having an EPOA is a cost-effective way to ensure that your assets are protected and that your affairs are taken care of by someone you trust. It will also ensure that your SMSF can continue to be complying should a trustee of the fund become incapable of fulfilling their obligations – due to loss of capacity for any reason – thus enabling the member's balance to remain in the fund.

The key is to ensure you put these measures in place now when you are able to, rather than attempting to fix problems when it may be too late, which can lead to significant compliance issues as well as unintended financial consequences.

AFSA RETIREMENT STANDARD

By James Malliaros

We often meet with clients who have no concept of what their cost of living may be in retirement, or how to estimate what it may be when they get there. To this end, AFSA have developed a retirement standard, which is a benchmark of the annual budget needed by Australians to fund a modest or comfortable lifestyle during retirement.

The standard was developed to assist people in gauging what they need in the future to fund their lifestyle and is particularly helpful 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 a modest or comfortable lifestyle.

A modest retirement lifestyle is considered better than the Age Pension, but still only able to afford fairly basic activities whereas a comfortable retirement lifestyle allows involvement in a broad range of leisure and recreational activities and a good standard of living. 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 March 2016:

	Modest Lifestyle		Comfortable Lifestyle	
	Single (p.a.)	Couple (p.a.)	Single (p.a.)	Couple (p.a.)
Retirees 65-85	$23,651	$34,064	$42,893	$58,922
Retirees 85+	$23,160	$34,363	$38,587	$54,122

For a detailed budget break down and further information, please visit the AFSA website: www.superannuation.asn.au

CASE STUDY: HOW TO MITIGATE CHANGES TO THE AGE PENSION ASSETS TEST

By Nicola Beswick

As a follow up from the article in the August 2016 Trade Secrets "Changes to the Centrelink Assets Test: January 2017" by Bree Hallett, covering changes to the Assets Test thresholds may have an impact on your current Age Pension entitlements. This follow on article discusses ways to combat the upcoming reduced asset test limit.

Based on the current assets test thresholds, for every $1,000 reduction, a person will receive an additional $39 per annum in Age Pension. However, with the new thresholds coming into effect from 1 January 2017, a person will receive an additional $78 per annum in Age Pension.

If a single or a couple are over the new upper Assets Test thresholds of $542,500 or $816,000 respectively (for a home-owner), attempting to reduce assets may not be a worthwhile strategy particularly if your assets are near the current upper thresholds of $793,750 (single) and $1,178,500 (couple).

However, if your assets are near these new upper thresholds, it may be worthwhile to try and reduce them in order to retain an entitlement to the Age Pension.

The options that are available, in order to reduce your asset base include:

Spending cash funds

This can include undertaking home maintenance or prepaying upcoming travel.

Purchasing a Funeral Bond

A funeral bond sets money aside, and is used to pay for the owner's funeral expense upon their passing. Money from the funeral bond can only be withdrawn from a funeral bond, upon the death of the owner.

Each member of a couple can purchase a Funeral Bond, up to the initial purchase amount of $12,500 (for the 2016/2017 Financial Year). Therefore, a couple can invest a combined $25,000 in Funeral Bonds, and have the asset remain exempt from Centrelink's Assets Test.

Furthermore any growth within the Funeral Bond remains exempt from Centrelink's Assets Test and any funds not spent on a person's Funeral will be returned to the person's Estate.

Gifting

Gifting funds is another option to decrease the value of assets assessed by Centrelink. However, there are restrictions around the amounts and timeframes that a person can gift funds. These are:

1. 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).
2. A total of $30,000 only can be gifted over a rolling five year period.

Superannuation

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. Therefore, transferring superannuation assets to a younger, non-Age Pension recipient could be considered.

However there are a few key points to note, if this strategy is to be used. These include:

- The receiving spouse's superannuation funds must remain in the accumulation phase, and they do not commence a pension from these assets.
- If funds are transferred between spouses, care must be taken to ensure that the non-concessional contribution limits are not exceeded.
- The transferred assets will become assessable when the younger spouse reaches their Age Pension age.
- What their combined income is.

Case Study – John and Mary

Let's see what effect implementing one or more of these strategies has on a couple's Age Pension entitlements, in light of the upcoming changes to Centrelink's Assets Test.

John and Mary, both aged 67, own their own home, and currently receive part of the Age Pension. Between them, they have the following assets:

Assets (combined)	Amount
Superannuation	$540,000.00
Cash Accounts	$5,000.00
Motor Vehicles	$10,000.00
Contents	$10,000.00
Total Assets	$565,000.00

Under the current Assets Test thresholds, they receive $459.83 each per fortnight in Age Pension, or $11,955.58, each, per annum.

However, with the new Assets Test thresholds coming into effect on 1 January 2017, their Age Pension entitlement will reduce to $376.20 each a fortnight, or $9,781.20, each per annum.

With the change in the Asset Test threshold from 1 January 2017, John and Mary will lose $83.63 each per fortnight in Age Pension. However, if John and Mary each purchase a Funeral Bond at that point for a combined purchase price of $25,000 (as shown in the far right column), their loss in Age Pension is then only $46.13 each per fortnight. This is shown in Table 1 below:

TABLE 1

ASSET TEST	Current	From 1 Jan 2017	From 1 Jan 2017 - Each purchase a Funeral Bond
Asset	Amount	Amount	Amount
Superannuation	$540,000.00	$540,000.00	$515,000.00* (Reduced to pay for Funeral Bonds)
Cash Accounts	$5,000.00	$5,000.00	$5,000.00
Motor Vehicles	$10,000.00	$10,000.00	$10,000.00
Contents	$10,000.00	$10,000.00	$10,000.00
Total Assets	$565,000.00	$565,000.00	$540,000.00
Lower Threshold	$291,500.00	$375,000.00	$375,000.00
Assets Above Lower Threshold	$273,500.00	$190,000.00	$165,000.00
Pension Entitlement per fortnight (each)	$459.83	$376.20	$413.70
Annual Pension Entitlement (each)	$11,955.58	$9,781.20	$10,756.20
Loss in Age Pension per fortnight (each)		$83.63	$46.13

In Summary:

There are a number of things that can be done to maximize a person's entitlements under Centrelink's Asset Test. These include:

- Spending the money on your home or travel,
- Purchasing Funeral Bonds or pre-paying for funerals,
- Gift funds to another person or charity, or
- Transferring superannuation funds from the older member of a couple to the younger member. Albeit this strategy will only remain applicable, until the younger spouse reaches Age Pension age.

However, there are implications for each of these strategies that need to be considered. Therefore, professional advice regarding your personal situation should always be sought.

THE ROLE AND IMPORTANCE OF PERSONAL INSURANCES

By Bree Hallett

You insure your car and your home, however, nothing is more important than your life and your ability to make a living. So it makes good sense to insure your greatest asset – you!

As we move through life, find a partner, raise a family, and maybe start a business, the importance of personal insurance in a long term plan increases. It allows you to plan your family's financial future with confidence. An effective financial wealth planning strategy will cover not only your financial objectives but wealth protection as well.

Four key reasons personal insurance is so important

1. Protection for you and your family – Your family depend on your financial support to enjoy a decent standard of living. It means the people who matter most in your life may be protected from financial hardship if the unexpected happens.
2. Reduce stress during difficult times – None of us know what lies around the corner. Unforeseen tragedies such as illness, injury or permanent disability, even death – can leave you and your family facing tremendous emotional stress, and even grief. With insurance in place, you or your family's financial stress will be reduced, and you can focus on recovery and rebuilding your lives.
3. Peace of mind – No amount of money can replace your health and wellbeing – or the role you play in your family. But you can at least have peace of mind knowing that if anything happened to you, your family's financial security is assisted by insurance.
4. A legacy to leave behind – A lump sum death benefit can secure the financial future for your children and protect their standard of living.

Types of personal insurance

There are different types of personal insurance that meet various needs:

Term Life Insurance

Life insurance pays a lump-sum benefit on the death of the life insured. Some policies also pay if the life insured is suffering from a terminal illness. The payout means your family will be assisted financially if you are no longer around.

Total and Permanent Disablement Insurance (TPD)

Total and permanent disablement insurance pays a lump-sum benefit if the life insured suffers an illness or injury that totally and permanently prevents them from working. A choice of TPD cover options are available to suit your different needs. For example, you can select to be covered if you can't work, can't perform domestic duties, or if you suffer a permanent disability that prevents you from performing everyday tasks.

Income Protection Insurance

Income Protection insurance covers you against a loss of income whilst you are unable to work due to illness or injury. The policy will pay you a benefit after the waiting period is over. As a rule, the payout from income protection insurance typically replaces up to 80% of your current income (including superannuation contributions) while you are unable to work due to sickness or injury.

Trauma Insurance

Trauma insurance offers cover in a major one off event, such as cancer, stroke, or heart attack, to alleviate the financial impost of medical expenses as well as time off work.

Understand what is right for you

As you travel through life, the protection you need is likely to change. The key to selecting the right insurance is understanding your present needs and making sure you have both the right sort and level of cover.

Just starting out

If you're just starting out in your career, your most valuable asset is your ability to earn an income over your lifetime. As your income starts to rise, or you take on more debt, such as a home loan, it becomes more critical to have the right levels of income protection insurance and possibly life cover in place.

The family years

Life and TPD insurances are especially important when you have a family. It is essential for your family to be able to survive financially if you were to pass away unexpectedly, or become permanently disabled. Even if only one of you is working, it's important for both members of the couple to have appropriate covers in place – not just the major bread winner.

Trauma insurance will also provide an additional lump sum to assist with medical and other costs in the event of serious illness or injury.

Empty nesters

More Australians are working until much later in life. Given this, income protection insurance remains relevant until you retire. Life insurance can also continue to play an important role.

In Summary:

It is important to review your insurance needs on an ongoing basis to avoid finding yourself under insured against critical events. Conversely, it is important that you are not over insured, spending valuable funds on premiums that otherwise could be invested. An essential step is to undertake a comprehensive analysis of your liabilities, assets and income levels to assist with identifying the "risk gap". This gap can then then be filled by taking out appropriate personal insurance policies.

ESTATE PLANNING AND CENTRELINK AGE PENSION CHANGES FROM 1ST JANUARY 2017

By Mai Davies

We held our Estate Planning and Centrelink Update Seminar on Monday 5th September at Leonda By The Yarra with 160 clients and guests in attendance. The two topics covered were Estate Planning and the Upcoming Changes to the Centrelink Age Pension.

The feedback from the attendees was excellent. They found the presentation very interesting and informative and appreciated having a lawyer present.

Our special guest presenter was Andrew Lord, Director of Lord Commercial Lawyers who gave a general overview of Estate Planning and specifically covered the Tips and Traps of SMSF Estate Planning.

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

Andrew and Paul discussed the following:

- Benefits of a good estate plan
- Preparing a Will
- Common mistakes with Wills & Estate Planning
- Enduring Power of Attorney
- Testamentary Trusts
- Role & Responsibilities of Executor
- Asset protection for beneficiaries
- What happens to your superannuation on death
- The best superannuation/SMSF Beneficiary options
- An overview of the Centrelink system and the Age Pension
- The upcoming decrease in the Age Pension Assets Test thresholds
- The upcoming increase in the Assets Test taper rate
- Maximising your Age Pension entitlements

Estate Planning is a complex area and it's very important to have an understanding of all the aspects involved in having a good estate plan.

If you would like a copy of the presentation, please call our office on 9809 1221.

BEWARE OF SCAMS:

By Bryan Meehan

We live in a world where the threat of scams is growing. Scammers are getting increasingly sophisticated in their attempts to obtain money or personal information.

Scams target people of all backgrounds, ages and income levels. There is no one group of people who are more likely to become a victim of a scam. Scams succeed because they look like the real thing and catch people off guard when they least expect it.

We recently had an incident where one of our clients who is receiving a Centrelink Age Pension benefit had been contacted with an automated phone message and they requested our assistance. We discovered that this contact was a potential scam and we notified Centrelink accordingly.

Thankfully, our client contacted us and didn't fall victim to a scam.

Centrelink advised that there are many types of scams and most scams involve:

- Obtaining money or confidential information from you: for example, disclosing your customer reference number, logon details, bank details, Medicare card numbers etc, and
- Asking you to pay fees or transfer money to receive a government bonus, payment or grant. The scammer usually requests money to be transferred overseas

It is very important to be alert to the fact that scams exist. When dealing with uninvited contacts from people or businesses, whether it's over the phone, by mail, email, or in person, always consider the possibility that the approach may be a scam.

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.

To find out more about scams, Scamwatch is run by the Australian Competition and Consumer Commission (ACCC). It provides information to consumers and small businesses about how to recognise, avoid and report scams.

www.scamwatch.gov.au