Financial **Focus**

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Welcome to Financial Focus. I hope you enjoy the articles and find them interesting and informative. If you have any feedback, questions, or would like to review your financial plan, please feel free to contact me.

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MOBILE:

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Australians in for a boom with new super changes in 2018

Australians who are looking to buy their first home or are preparing for retirement could be in for a windfall in 2018, with a number of key superannuation changes expected to come into effect.

MLC Director of SMSF and Customer Behaviour, Gemma Dale said a number of key super reforms are expected to come into effect this year, so it's important consumers stay on top of these change to ensure they capitalise on the opportunities.

"One of the big changes this year is the Downsizer contribution, which allows individuals aged 65 years plus to make non-concessional contributions of up to $300,000 per person to their super from the proceeds of selling their main residences," Ms Dale said.

"But it is important to note that these contributions only apply to contracts of sale entered into from 1 July 2018, and the property also needs to be owned for at least 10 years before disposal.

Another key change is the first home super saver scheme.

"This scheme will allow eligible individuals who make voluntary super contributions from 1 July 2017 to withdraw these contributions, together with associated earnings for the purpose of purchasing their first home," Ms Dale said.

"These voluntary contributions will be limited to $15,000 per year, up to a total of $30,000, and count towards the relevant contribution cap.

"Eligible individuals will be able to have up to 100 per cent of non-concessional and 85 per cent of concessional contributions plus associated earnings withdrawn from super to purchase their first home from 1 July."

From 1 July, individuals with super balances of less than $500,000 on 30 June of the prior financial year will be able to access a higher annual cap and contribute their remaining unused concessional contribution cap on a rolling basis for a period of five years. But only unused amounts accrued from 1 July 2018 can be carried forward.

"This measure will enable customers who take time out of work or work part-time to make catch-up contributions when they accumulate lumpy income or decide to work full-time," Ms Dale said.

Ms Dale encouraged Australians to seek advice before making any decisions to ensure it is in their best interest.

Some key super changes expected to come into effect from 1 July 2018

- **First home super saver scheme** – This scheme allows eligible individuals who make voluntary super contributions on or after 1 July 2017 to withdraw these contributions, together with associated earnings for the purpose of purchasing their first home. These voluntary contributions are limited to $15,000 per year, up to a total of $30,000 and count towards the relevant contribution cap.
- **Downsizer contributions** – The Government introduced a Bill in September 2017 allowing individuals aged 65 years or over to make non-concessional contributions of up to $300,000 (per person) to their superannuation from proceeds of selling their main residences.
- **Catch-up contribution concessions** – Individuals with super balances less than $500,000 on 30 June of the prior financial year will be able to access a higher annual cap and contribute their remaining unused concessional contribution cap on a rolling basis for a period of five years. Only unused amounts accrued from 1 July 2018 can be carried forward.

Estate planning

Considered putting together your estate plan? We'll show you a few tips to help make sure your money and assets go towards your loved ones after you've died.

Most of us don't like to think about dying. But it's important to think about what will happen to your assets when you die. Having an estate plan can save your family a lot of arguments as well as give you the peace of mind that your final wishes will be fulfilled.

Give me the main points

- An estate plan includes your will as well as any other directions on how you want your assets distributed after you die.
- Estate planning also involves outlining your wishes in case you become ill or injured and are unable to make decisions about your finances or health.
- If you die without a valid will, it's called 'dying intestate' and your assets will be distributed according to the inheritance laws of the states in Australia.
- It's a good idea to use a legal professional to check your estate plan – this can minimise the tax paid by your beneficiaries and also help avoid family feuds.
- Keep your estate plan up-to-date, especially if your personal or financial situation changes.

What's an estate?

Your estate is the sum of your assets including cash, property, cars, boats, furniture, jewellery, family heirlooms, art, shares etc. Estate planning is basically the process of making a plan in advance and documenting how you want your assets divided when you die.

The importance of estate planning

Estate planning isn't only for the rich. Without a plan in place, there could be a long-lasting impact on your loved ones, even if you don't have an expensive home, large investment account or valuable art to pass on.

You should have an estate plan so that:

- Your assets don't end up with unintended beneficiaries.
- If you have small children, you decide and not the courts, who and how they'll be cared for.
- You minimise the tax your beneficiaries (the people entitled to receive funds or property) may pay when they inherit your assets.
- Family members don't end up fighting unnecessarily about who gets what.

Writing a will

A will takes effect when you die. It's a legal document that gives instructions about how you want your estate to be managed and distributed once you're gone.

If your estate is fairly straightforward, it's possible to write your own will. Will packs can be bought at Australia Post offices and many newsagents, or downloaded online.

For more complex estates or distributions, it's wise to get help from a solicitor or the Public Trustee in your state. In such cases, you can appoint them to be your executor. You'll need to pay for their services though.

Your financial planner will also have expertise to help you get things sorted.

Who you name as beneficiaries, and how you choose to distribute your estate is entirely up to you. But make sure your will includes the following:

- clearly identifies your beneficiaries (the people entitled to receive funds or property)
- clearly identifies your executor (the person who carries out the terms of the will)
- is dated correctly
- is signed correctly
- is witnessed correctly
- lists exactly how you want your estate to be distributed amongst your beneficiaries (including contingencies if they die before you)
- is up-to-date.

Types of Powers of Attorney

Appointing someone as your power of attorney gives them the legal authority to look after your affairs on your behalf. There are different types of powers of attorney.

- **General power of attorney** – makes financial and legal decisions for you for a specific time period, like if you're on holidays overseas. This person becomes invalid once that time period ends.
- **Enduring power of attorney** – makes financial and legal decisions for you if you lose the capacity to make decisions yourself.

- **Medical power of attorney** – makes decisions about your medical treatment if you become mentally or physically unable to make decisions for yourself.

Reviewing your estate plan when life changes

You should update your estate plan any time there's a change in your financial or family circumstances or at different life stages like: marriage, children, divorce, death of a spouse or dependent.

Other things to consider

Organising life insurance and a funeral plan can also help alleviate some of the stress your family may face after you're gone.

Is a debt consolidation loan right for you?

Consolidating your debts into one place makes a lot of sense. Fewer fees, lower interest – and way less stress

Do you have too many debts in too many places? Are the repayments (that feel like they're due at the same time) stressing you out? A debt consolidation loan might be the answer.

Why can't I pay off my debts?

Debts can add up. Quickly. Say you've applied for a store card to get that fancy new laptop, but you want special software to go with it. You whack the extras on your credit card, no sweat.

You decide to concentrate paying off your credit card, because the store card's interest-free for 12 months. Good thinking. But a year later, your credit card's maxed out and the store card's high interest is starting to kick in.

One repayment's due on the 15th of each month, another on the 20th. By the time one comes around, you can't afford the other. It's spiralling out of control.

Or perhaps your hot water goes, with the plumber recommending a completely new unit. You put it on your card.

Both these purchases can be justified and were affordable at the time. But now the debts are piling up – and it's starting to stress you out.

How can you simplify? Take back some control?

What is a debt consolidation loan?

A debt consolidation loan is a way of bringing all of your loans together. By rolling your debts into one – credit card, store card, student debt etc. – you can manage them better.

No multiple annual fees, no huge array of interest rates (and conditions). One loan means one regular repayment, with one interest rate.

To get a better idea of your situation and how you can get it under control, enter your debts into our debt consolidation calculator. It's a fantastic tool that'll show you how much your minimum repayments – and monthly interest – change.

Once you roll your debts into one, though, it doesn't mean you're instantly on easy street – you still have to pay off the loan. But it does mean you can take a breath. No more stressing about multiple debts.

Why consolidate my loans?

The benefits of one debt consolidation loan usually outweigh having a heap of little debts.

- It can save you money, either by having less interest or fewer fees to pay (or both).
- One loan's much easier to manage than multiple loans – just one monthly repayment.
- Because there's only one loan, setting up a repayment plan is easy – you'll have a better idea of when you'll be debt free.
- Having one, easy-to-manage debt is a good way to improve your credit rating.

How do I consolidate my loans?

Rolling everything into one makes sense. But before you apply, you should do some homework.

1. See how much your new loan repayment will be over different loan terms (or periods) with NAB's debt consolidation calculator[1].
2. Once you've consolidated your debts, it's a good time to really get on top of your finances.

Planning your retirement income

Here's how to understand all your financial options in retirement.

When it comes to planning a comfortable retirement income, you've got a wide range of options inside and outside super to choose from. How you organise your retirement income streams can make a huge difference to your quality of life. Here are some options you might want to consider:

What will you do with your super?

You have plenty of flexibility as there's a wide range of options inside and outside superannuation. But this is a complex area, with tax and government entitlement implications, and your needs may change over time, too. It might be helpful to talk to a professional financial adviser about things like tax on superannuation withdrawals before making any significant decisions.

Leave it where it is

When you reach your superannuation access age (or 'preservation age') and you're eligible to withdraw your super, you can simply leave it where it is and continue adding to it if you are eligible to contribute. If there's been a downturn in the market, you might want to wait for it to improve but you could pay more tax on your earnings than if you invested the money in an income stream.

[1] https://www.nab.com.au/personal/loans/personal-loans/personal-loan-calculators/debt-consolidation-calculator

Transfer it to a pension

Most people transfer their super balance into a pension account, as your pension and any earnings from it are usually tax-free after you turn 60. Pension accounts pay a regular income on a monthly, quarterly, half-yearly or yearly basis. You can also nominate the pension payment amount and vary it at any time. The only stipulation is that you withdraw at least the minimum amount specified by the government.

It's important to understand that unless you have a guaranteed product, you may outlive your pension account as the balance can increase or decrease in response to market performance and other variables.

Invest in an annuity

Another option is an annuity, which gives you the peace of mind of knowing exactly how much your income will be and how long the payments will continue. An annuity is paid by a life insurer in return for a lump sum – from a super fund or other savings. Again, your payments can usually be paid monthly, quarterly, half-yearly or yearly and you can receive them for a certain period or for the rest of your life.

The main disadvantage is that your money is locked away, although there are now some products that allow you to make extra withdrawals.

Accessing superannuation

You can withdraw some or all of your super in one go – perhaps to pay off debts or invest elsewhere. It's important to do your homework before investing outside your super as your earnings might be taxed.

Investments outside superannuation

There are many investment options for retirees outside super but many prefer to prioritise security. Diversification is also very important, as it can help to minimise your risk.

Capital growth investments

Capital growth investments, such as property and shares, can rise and fall in value but over the long term they usually outperform other types of investment. This makes them important for increasing the time your savings will last. They can also provide an income stream. Your time frame is key with growth investments – you should be prepared to invest them for a number of years.

- Shares are more flexible than property as you can sell them off in small numbers if you need emergency cash. However, they are more volatile – their value can drop fast and hard.
- Managed funds provide a diversified mix of investments that are managed by qualified investment professionals – though it's still important to research which will be best for you.

If you invest most or all of your money in property, you lose the benefits of diversification. And, while property may be less volatile than shares, prices can fall. If you rely on rent for your income, there could also be a problem if you're without a tenant for any length of time. Unlike shares, you can't sell a portion of a property to free up your cash. The sale time is also much longer.

Interest-bearing investments

Savings accounts and term deposits are easy to open and there's no risk of losing your initial investment. The trade-off is they usually pay a lower interest rate and there are no capital gains or tax benefits.

Everyday banking

An everyday account designed specifically for retirees could help keep your costs down. NAB's Retirement Account, for example, has no minimum balance requirement, no monthly fees and is available to anyone receiving a government pension.

Most people want a mix of products to provide the retirement income needed. The right investment strategy can help you to make the most of your retirement and your retirement savings.

For more information, help with your questions and impartial general advice, talk to your financial adviser.

Important information and disclaimer

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Accordingly, reliance should not be placed on the information contained in this document as the basis for making any financial investment, insurance or other decision. Please seek personal advice prior to acting on this information.

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