



LEISHMAN FINANCIAL SERVICES PTY LTD

ABN: 76 074579749; AFSL: 227747
L 4 / 295 Springvale Rd Glen Waverley
Ph: 03 95619699; E: info@leishmans.com.au

MONEY MATTERS

Winter Edition, July 2013

Welcome to the July 2013 edition of Leishman Financial Service's "Money Matters" newsletter. We hope you will read the articles with keen interest. Thank you for your ongoing support.

What's in this edition?

- Market Review
- 2013 Federal Budget
- Super, how much can I contribute?
- Super Co-contribution
- Allocated Pension Minimums
- Netwealth & Wealthtrac
- FoFA...what is it?
- Binding Death Benefit Instructions

MARKET REVIEW

Despite a downturn in the Australian share market in May and June, the All Ordinaries index still managed to close 15.48% higher for the financial year at 30 June 2013. This has mainly been due to an increase in positive economic news out of the United States, a decrease in negative economic news out of Europe, and a decrease in our official interest rates (which dropped from 3.75% in May 2012 to 2.75% in May 2013). The downturn in the market in May-June appears to have become a cyclical event occurring since May – June 2010. The United States share market also did extremely well, with the Dow Jones Index returning 15.75% for the year ending 30 June 2013. The \$A stayed above the \$US for most of the past 12 months, however it had fallen to \$US0.92 at the end of June 2013. It is anticipated that the RBA will drop interest rates further, later in the year. This, along with the falling \$A, should eventually result in better returns for our share market.



FEDERAL BUDGET 2013

Federal Treasurer Wayne Swan delivered his 2013/14 budget statement on 14 May. The main features of the 2013 Budget were as follows:

- Increase in the Medicare Levy from 1.5% to 2% from 1 July 2014.
- Income Free threshold for Centrelink Allowance payments to increase from \$62 per fortnight to \$100 per fortnight from 20 March 2014.
- Increase in concessional superannuation contribution cap from \$25,000 to \$35,000 for people aged 60+ from 1 July 2013 and for people age 50+ from 1 July 2014.
- Excess concessional superannuation contributions to be taxed at the member's personal marginal tax rate instead of 46.5% from 1 July 2013.
- 15% tax on earnings in excess of \$100,000 to apply to pension accounts from 1 July 2014 (we would expect that this would only affect people with pension accounts of \$2 million or more).
- Deeming rates to apply to any new pension accounts established after 1 January 2015 (this would be instead of the current arrangement where the assessable income for Centrelink purposes is reduced by a deductible amount based on the pension's purchase price).
- No new claims for the Pension Bonus Scheme from 1 March 2014.
- Proposal to exempt up to \$200,000 from Centrelink assessment of the proceeds from the sale of a pensioner's home for a period of up to 10 years providing the proceeds are deposited into a specially designated account (more detail on this proposal is forthcoming).

It should be pointed out that at this stage ALL of these measures are just proposals and if there is a change of government in September some of them may not go ahead.

HOW MUCH CAN I CONTRIBUTE TO SUPERANNUATION

There is a great deal of confusion about how much people can contribute to superannuation. The amount you are allowed to contribute is determined by what type of contribution is being made. Concessional contributions are currently limited to \$25,000 per annum.* Concessional contributions include your employer guarantee contribution (9.25% as of 1 July 2013) as well as any salary sacrifice contributions (for example from 1 July 2013 someone who earns \$75,000 per annum can only salary sacrifice \$18,062 to superannuation as they already have \$6,938 being contributed to superannuation as their 9.25% super guarantee). These contributions attract 15% contributions tax. At present any Concessional amount above the \$25,000 threshold is taxed at 46.5%.*

Maximising your super before age 65 is still a great opportunity.

Non-Concessional contributions are the other type of contributions that can be made to superannuation. These are also known as personal contributions, and unlike concessional contributions, are NOT taxed at 15%. Non-Concessional contributions are capped at \$150,000 per financial year, however if you are under 65 you can bring forward the following two financial years to make a \$450,000 contribution (this means you can effectively contribute \$600,000 in one year, \$150,000 before 1 July and \$450,000 after 1 July). If you are 65 or over you are limited to \$150,000 per financial year. You must also meet a "work" test to be eligible to contribute to superannuation if you are 65 and over. This eligibility requires you to have undertaken 40 hours of paid employment over a 30 day period within a financial year.

**These details are subject to change as outlined in the Federal Budget article Page 1.*



THE GOVERNMENT SUPERANNUATION CO-CONTRIBUTION

The Government Superannuation Co-contribution is a facility where the government will make a bonus payment to your superannuation if you make personal contributions to your superannuation. Although the amount of co-contribution paid was reduced by the Government last year it is still something people should consider. The amount of co-contribution you receive is based on your gross income for the year. If your gross income is below \$33,516 then the government will contribute \$0.50 for every \$1 of personal contribution you put into superannuation, up to \$1,000 (ie: if you put in \$1,000 the Government will put in \$500). If you earn over \$33,516 the amount of co-contribution paid is reduced on a sliding scale. If you earn over \$48,516 then you are not eligible for a co-contribution payment.

2013-14 Super Co-Contribution rules clarified here--- →

ALLOCATED PENSION PAYMENTS

Over the past five years the Government has allowed allocated pension holders to draw a reduced minimum pension payment from their pension accounts. It appears that the Government has decided not to continue this measure and as such allocated pension minimum payments will revert to their standard minimums from 1 July 2013. Those clients who were taking a reduced rate of minimum pension will accordingly see their annual pension payment increase for 2013/14. The standard pension minimums are as follows:

Under age 65	4%
65 to 74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%



*Our family has been
looking after
families like yours
since 1985.*

WEALTHTRAC & NETWEALTH

Since the takeover of Navigator by MLC in 2009 we have seen a decrease in their service standards and have come to the conclusion that their business direction is no longer aligned with ours. As such we have begun the process of moving our remaining Navigator clients over to two other platforms; Wealthtrac and Netwealth. Wealthtrac is administered by Oasis, a division of OnePath which is owned by the ANZ bank. Netwealth is owned by Heine who are a well established investment company both here and overseas. We will be looking at each Navigator account individually and determining which of the two platforms is appropriate for each account based on fees and the account's own requirements. Importantly there will be no fee involved in moving clients out of Navigator over to Wealthtrac and Netwealth, and in most cases there will be a savings in the ongoing administration fees under the new platform. Those clients who had accounts with Strategy, will be aware that these were moved to Wealthtrac in May this year due to concerns over the future of AFS, the company that own Strategy.

FoFA – The Future of Financial Advice

Regulations were introduced on July 1st requiring financial planners to do a lot more administration work in order to comply with the new rules. One part of these rules - the only one that impacts clients directly so far - is the Fee Disclosure Statements (FDS) that must be sent out each year for clients. LFS has had to purchase and implement two new software programs to administer these rules, as we do not exclusively place your money with one Manager or Service. We have also had to determine if a client is an individual or a "household". In relation to this, we have used the word "Client" to cover immediately related entities for tax purposes, e.g., domestic partners (spouses), related trusts, companies or Self Managed Super Funds. We have also had to, for every "client", determine the relevant anniversary date for their accounts. As such, between July 1st and June 30th, if you pay fees (not commissions) to LFS on any product that we have placed on your behalf, you will receive a Fee Disclosure Statement covering yourself and related entities for the previous 12 months. For this reason it is essential that you keep us up-to-date with your postal and email addresses.

Other FoFA rules, such as "best interest", LFS welcomes. In our practice we have always applied a best interest duty of care when providing advice, and we welcome this formal requirement on our peers. Other, far more reaching and less reasonable rules, such as "opt-in", are not yet in place and hopefully these will not proceed as they force clients into legally binding fixed term contracts. They also place an enormous work load on our administration staff, but do nothing to improve the quality of advice or service to you. However they would mean a further increase in costs to LFS to incorporate into our business.

CONTACT US:

Leishman Financial
Services Pty Ltd is
located at

Level 4,
295 Springvale Road,
Glen Waverley.

Postal Address:
PO Box 3
Glen Waverley 3150

PHONE: 03 95619699

FAX: 03 95619301



Email:

info@leishmans.com.au

Chris Vanden-Driesen

chris@leishmans.com.au

Simone Vanden-Driesen

simone@leishmans.com.au

Chris Harrower

chrish@leishmans.com.au

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BINDING NOMINATION OF BENEFICIARIES

Clients with Superannuation and Pension accounts can elect to have their account paid to one or several beneficiaries upon their death. To ensure your money goes to the people you want, it is best to choose a Non-Lapsing Binding Nomination. This way the Trustee of the superannuation/pension account must abide by your nomination indefinitely. However there are restrictions on who you can specifically nominate. The people eligible for nomination are:

- Your spouse
- Your child
- A financial dependent
- Someone you have an interdependent relationship with

Some people may want to nominate siblings, parents, nieces & nephews or close friends. If these people do not meet any of the above eligible criteria then the best thing for the client to do is nominate their Legal Personal Representative, which then has the benefit paid to their Estate and will be distributed as per the terms of their Will. It is therefore vitally important that your will is written in a manner that takes your superannuation or pension account into consideration if you nominate your Legal Personal Representative as your beneficiary.

MOVEMENTS AT THE STATION





In May this year we welcomed Nicole Andres to the team to assist Kathleen in Reception and Administration on a part time basis. Nicole has been known to LFS for almost 20 years and is a great addition to our well rounded team.

In June/July 2014 Simone & Chris will be taking their boys on a well deserved trip to the USA. We advise you of this now, so that those clients whose annual review fall during these months can arrange to come in either before or after the big holiday. Chris Harrower (Harry) will be on deck during the period and we have sourced other advisers who are on stand-by to help out. With the miracles of modern technology, Simone and Chris will be available on email and mobile phone every day. With an added bonus, our new software - once fully installed - will allow them to log in from anywhere and check on the progress of your accounts.



Some clients are still having difficulty with our parking facilities. We remind you that we have parking available under our building for clients.

For access, please press the  button then the  button. The same buttons need to be pressed at the lift on level "B" for lift access. LFS is on level 4.