

# LEISHMAN FINANCIAL SERVICES PTY LTD

## MONEY MATTERS

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**Welcome to the May 2018 edition of Leishman Financial Services' Money Matters Newsletter. We hope you find it interesting and informative and we remind you to contact our office if there is any article on which you would like more information.**

### THE 2018 FEDERAL BUDGET

Most of the changes outlined in this year's Federal Budget focused on alterations to the personal income tax rates that will be rolled out between 2018 and 2024. On top of these changes will be the introduction of a Low & Middle Income Tax Offset (LMITO) that will provide a tax offset of up to \$530 to people earning between \$18,200 and \$125,333 over the next 4 financial years.



Other notable features of the Federal Budget include:

- Leaving the Medicare Levy at 2% instead of increasing it to 2.5% as proposed.
- From 1 July 2019 there will be an increase in the amount of exempt employment income for the Age Pension income test from \$250 per fortnight to \$300 per fortnight (ie: \$6,500 per annum to \$7,800 per annum). This will be extended to self-employed people also.
- Allowing people aged 65 to 74 who have under \$300,000 in their superannuation to contribute money to superannuation for 12 months after the end of the financial year in which they retired (effective from 1 July 2019).
- A ban on all exit fees on superannuation funds from 1 July 2019.

*It should be pointed out that at this stage these measures are just proposals and have not been legislated.*

### WHEN DO I REACH AGE PENSION AGE?

When you can qualify for the Age Pension will depend on what date you were born as outlined in the following table:

Prior to 01/07/1952	65	01/01/1960 to 30/06/1961	68
01/07/1952 to 31/12/1953	65.5	01/07/1961 to 31/12/1962	68.5
01/01/1954 to 30/06/1955	66	01/01/1963 to 30/06/1964	69
01/07/1955 to 31/12/1956	66.5	01/07/1964 to 30/12/1965	69.5
01/01/1957 to 30/06/1958	67	After 01/01/1966	70
01/07/1958 to 31/12/1959	67.5		

Once you reach your Age Pension age you can still apply for the Age Pension even if you have not retired, how much you receive will depend on your assessable income and assets.

## MARKET REVIEW

For the 12 months to the 30 April 2018 the Australian sharemarket was only up 1.59%. The March quarter (1 Jan 2018 to 31 March 2018) was particularly weak with the Australian sharemarket falling 4.83%, however since then it has recovered 3.46% to 30 April.

The Australian listed property market was down 4.56% for the 12 months to 30 April 2018. It was this sector that we moved our clients out of in September 2017. The Global sharemarket (MSCI) was up 11.73% for the same 12 month period, with the US Dow Jones index up 15.54%. It was the Global share sector that we moved clients into from the property securities sector in September 2017.

Despite increases in the US cash rates the Reserve Bank of Australia has chosen to keep our cash rate at 1.50%, where it has been since August 2016. At present the interest rate on most Australian 12 month term deposits is sitting at around 2.2% to 2.5%. It is still anticipated that the Reserve Bank's next rate move will be upwards, but this may not take place until 2019.



The Australian dollar has fluctuated between \$0.74 and \$0.81 against the US dollar for the past 12 months. It was sitting at \$0.75 as at the start of May 2018. Despite this we continue to use currency hedging on 50% of the international share exposure as a risk management tool.



## SENIORS DOWNSIZING SUPERANNUATION MEASURE

From 1 July this year, people aged 65 and older will be able to contribute up to \$300,000 from the proceeds of the sale of their home, to superannuation without having to meet the work test obligations. This means that if a couple sell their home they can contribute up to \$600,000 (\$300,000 each to superannuation). The main advantage of being able to do this is so that the proceeds made to superannuation can then be converted into a non-taxable retirement pension.

The following rules apply to this measure:

- You must be 65 or older at the time of making the contribution
- The contract of sale must have taken place after 1 July 2018
- You must have owned and lived in the home for at least 10 years prior to the sale
- The proceeds can only come from the sale of your home
- The contribution must be made within 90 days of receiving the sale proceeds
- The contribution can still be made if your super balance exceeds \$1.6 million (though the contribution does count towards the allowable pension transfer limit of \$1.6 million).
- You can only make downsizing contributions from the sale of one home, you cannot do it again from the sale of a second home at a later time.



## ANNUAL ALLOCATED PENSION REVIEW LETTER

Clients with allocated or account based pensions automatically have their pension reviewed by their provider in July each year to make sure they will meet the minimum pension requirements for the new financial year. With the exception of Wealthtrac clients, all pension providers will send you a letter for review in July. For Wealthtrac clients, the letter will come from our office.

We ask you to please review the pension amount; if you do not want to make a change then you do not need to take any action. If you wish to alter the regular amount (ie the monthly payment amount) please respond to the Pension Review Letter as it instructs.

Where your current pension falls below the new minimum, your pension will automatically be increased to the new minimum pension amount to meet regulated requirements.

## WHEN CAN I ACCESS MY SUPER?

To be able to access your superannuation you have to have finished working and reached what is known as your preservation age. Your preservation age is based on when you were born as outlined below:

Prior to 01/07/1960	55
01/07/1960 to 30/06/1961	56
01/07/1961 to 30/06/1962	57
01/07/1962 to 30/06/1963	58
01/07/1963 to 30/06/1964	59
After 01/07/1964	60



If you are aged between 55 and 60 there may be taxation applied to any superannuation you access. Once you are aged 60 no taxation will apply. If you are still working you cannot access your superannuation until you are aged 65, unless after age 60, an employment arrangement ends. (eg you go from full time to part time employment).

## HOW MUCH CAN I PUT INTO MY SUPER?

Under the current rules the maximum amount of personal contributions that you can make to your superannuation is \$100,000 per financial year. If you are under 65 you can bring forward the next two financial years to make a contribution of up to \$300,000. However once you turn 65 you cannot utilize the two year bring forward rule, even if you meet the contribution eligibility requirements (being that you must have undertaken 40 hours of paid employment within a 30 day period in the financial year that the contribution is made). Note that this does not apply to the Seniors Downsizing Superannuation measure. Once you have \$1.6 million in your superannuation you cannot make any further personal contributions.



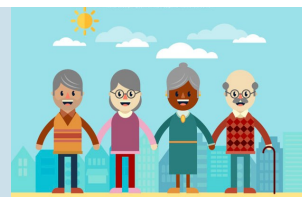
Under the current rules the maximum amount of concessional contributions that you can make to your superannuation is \$25,000 per financial year. Concessional contributions are your 9.5% employer super guarantee payment plus any additional salary sacrifice amounts you make to your superannuation. Concessional contributions can still be made to your superannuation even if you have over \$1.6 million in your superannuation.

## AGED CARE & POWERS OF ATTORNEY

Leishman Financial Services is now 33 years old. It stands to reason that many of our clients are now seeking advice on Aged Care. We often work with the family of those clients to assist in this very difficult and emotional time. All Aged Care is not the same and the costs can be not just confusing but overwhelmingly high. Recently LFS has teamed up with an Aged Care Advocate who works with our clients to find the most suitable Residential Aged Care facility for them, as well as negotiating the entry cost (called a RAD or a DAP).

We encourage you to talk to us about your Aged Care options and costs. We would be happy to refer you to "Well Placed Care" to assist you.

We would like to provide a timely reminder to all clients to get their Wills and Powers of Attorney reviewed. If you do not have a Power of Attorney appointed, in the event of your legal capacity to make decisions being lost, a Trustee company would be appointed for you. This is not someone who knows you, they have no personal interest in your care or well being, and they will not know your wishes to carry them out. We see this happen all too often. So please, for your own sake, speak to your adviser or solicitor today about appointing a Power of Attorney.





Creating  
strategies for you  
to achieve your  
lifestyle financial  
goals, since  
1985.

## THE ROYAL COMMISSION INTO BANKING

As you may be aware there is currently a Royal Commission taking place that is reviewing the activities undertaken by the banking sector, including the provision of Financial Advice. We are very disappointed to hear the reports from the Royal Commission and the media, about “Financial Planners” not putting their clients first. At LFS we have always prided ourselves, and held above all else, the best interest of the client and the goals and objectives of the client. We ask that our clients come and see us at least once a year and we encourage you to call us with any questions, big or small. We do not charge additional fees for your annual review appointments, and we never charge for phone calls.

We take great care in selecting products for our Approved Products List, that have the features and benefits needed by our clients at a cost that is fair and reasonable.

We are proud to report that in our April 2018 ongoing compliance review, conducted by an external consultant, we received praise and compliments on always exceeding our minimum obligations to clients.

We employ a very simple philosophy, “If I was in this client’s shoes, what would I do?” And that is how we give advice and stay true to our principles.

### WHAT DO WE DO?

Our clients predominantly pay us a “fee for service”. A “fee” is a payment agreed to by an investor, and paid to an Adviser, regardless of how it is collected. Leishman Financial Services have not taken commissions, with the exception of life products and annuities, for over 8 years. We have charged fees, either as a percentage of the value of funds under management, or indexed flat dollar fees, and have collected them from the product provider in order to minimise our overheads and thus keep fees down well below market average.

Yet another unknown fact is that most industry funds, and many public offer super funds, do not refund imputation (tax) credits to members. This single point can add 5% income or more to a portfolio with only 25% in Australian Shares. All super funds on the LFS Approved Products List must include the feature of refunding imputation credits to members. Industry funds say that using a financial planner can cost you up to 2% per annum more. The fact is that the super funds we choose have built-in tax crediting, adding up to 5% income back to your account. You are still 3% better off by not using the industry fund, plus you actually get personal financial advice, which is what you are paying for. Average Adviser fees in the industry are 1.1% per annum. LFS generally charge well below this, with the exception of Self-Managed Super where there is a higher degree of service, complexity and compliance work required.

The charging out of an hourly rate has been considered and reviewed several times by LFS. The rate would be \$550 per hour, as quoted in our FSG. We do not believe it is a fair system and it makes clients conscious of the minutes ticking by during meetings rather than being relaxed and discussing all that needs revising. Outside of meetings with clients, LFS spends time reviewing recommended investment products, making switching recommendations and implementing these when appropriate, reviewing Centrelink correspondence for more than two thirds of our clients, reviewing and actively keeping up to date with legislative changes and revising other relevant financial developments. It is extremely difficult to proportion these costs across clients at an hourly rate. We also prepare and report to you in your annual Fee Disclosure Statement, the services available to you, those you have used and the fees paid to LFS.

Annual portfolio reviews have always been offered to every client. The concept is introduced in the financial plan or Statement of Advice that you receive prior to initial investment. We also remind you of this in every newsletter that the obligation is on you to see us once per year. Our Gold Class clients are invited to have portfolio reviews conducted 6 monthly. If you have not been in for over 12 months, please contact your adviser as soon as you can to review your portfolio and financial needs.

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