



Welcome to the May 2015 edition of our Money Matters Newsletter. We have included articles covering the recent Federal Budget, investment market movements, as well as updates on Age Pension and Travelling overseas and other areas of interest.

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## FEDERAL BUDGET 2015

The Government announced the 2015-16 Federal Budget on 12 May. The following proposed measures may be relevant to you:

From 1 January 2017 the Asset Test thresholds will be altered as follows, the amount of assets you can have before your age pension reduces will increase from the current level. However the amount of assets you can have before your age pension is cut off will be reducing.

### ASSET TEST THRESHOLDS

HOME-OWNER	CURRENT	PROPOSED
<b>SINGLE</b>		
Pension reduced at	\$202,000	\$250,000
Pension stopped at	\$775,500	\$547,000
<b>COUPLE</b>		
Pension reduced at	\$286,500	\$375,000
Pension stopped at	\$1,151,000	\$823,000



As a result of these measures:

- \* Singles with assets between \$202,000 and \$289,500 will get an age pension increase.
- \* Singles with assets over \$289,000 will get a decrease in their age pension.
- \* Couples with assets between \$286,500 and \$451,500 will get an age pension increase.
- \* Couples with assets over \$451,500 will have a decrease in their age pension.

Importantly, pensioners who lose their age pension due to these new thresholds will be automatically granted the Commonwealth Seniors Health Care Card (CSHC).

It should be pointed out that some age pensioners expecting an increase under the assets test may find themselves impacted by the income test. Depending on how much they have in financial assets, they may not receive the full amount of increase under the assets test.

At present, aged care residents who rent out their former home and have an outstanding amount on their lump sum Accommodation Payment, have their rental income exempted from the aged care Means Tested Care Fee. As of 1 July 2016 this exemption will not apply for new aged care residents. It should be noted that this exemption will still apply for the age pension income test. There were no major changes proposed to superannuation or personal taxation.

The following measures proposed in the 2014 Budget will NOT be going ahead:

- Indexation of Age Pension at CPI rather than Average Weekly Earnings
- Freezing of Asset and Income Test thresholds from 1 July 2017 to 1 July 2020
- Reduction of deeming rate thresholds to \$30,000 for singles and \$50,000 for couples



## CENTRELINK AND GOING OVERSEAS

Currently Age Pensioners can go overseas for up to 6 weeks without having their age pension payments affected. There is no longer the need to notify Centrelink if you are going overseas for less than 6 weeks. After 6 weeks the age pension will be reduced by \$43.60 per fortnight for singles and \$65.80 per fortnight for couples. These amounts represent the Energy Supplement component of the age pension and half the

Pension Supplement component of the age pension. If you spend more than 26 weeks overseas your age pension may be reduced further depending on your Working Life Residency (this is the period from age 16 to age pension age). If you have lived and worked in Australia for more than 35 years, then your age pension will not be affected. However if you have lived and worked in Australia for less than 35 years your age pension will be reduced. For example, if you have lived and worked in Australia for 20 years then your age pension would reduce to 20/35ths (57%) of the age pension. In the 2015 Budget the government has proposed to reduce this 26 week period to 6 weeks as of 1 January 2017. The Disability Support Pension is only paid for overseas absences of up to 4 weeks in a 12 month period. The Commonwealth Seniors Health Card (CSHC) is cancelled if you are overseas for more than 19 weeks.



## DO I HAVE TO LODGE A TAX RETURN?

Individuals under age pension age do not have to pay tax if their taxable income is less than \$18,200 per annum. As such they do not need to lodge a tax return unless they have had tax withheld from their income that they wish to claim back. If you are age pension age you qualify for the Seniors & Pensioners Tax Offset. This offset allows pension age singles to earn up to \$32,279 without having to pay any tax. It allows pension age couples to earn a combined amount of \$57,948 without having to pay any tax. If your taxable income is below these amounts then you do not need to lodge a tax return. This taxable income is made up of any age pension payments you receive, income from investments and income from paid employment. It does not include pension payments from allocated pensions as these are tax free for individuals aged 60 and over. If you simply have franking credits to get back, you need to lodge a special return called "Application for refund of franking credits for individuals".



## LFS WEBSITE

Leishman Financial Services have now launched our official website at [www.leishmans.com.au](http://www.leishmans.com.au). On the website you can find details of the services we provide, details on our team members, and links to the investment platforms we use such as Wealthtrac and NetWealth. You will also be able to find on the website important updates and copies of current and past newsletters. We welcome your feedback on the website as it continues to develop. Please also keep us up-to-date with your email addresses by emailing [info@leishmans.com.au](mailto:info@leishmans.com.au)



## MARKET COMMENTARY



Although the Australian share market only returned 5.5% for the 12 months to the end of April 2015, it still outperformed term deposit and cash rates, which only returned 2.7% on average. Over the past 12 months the Reserve Bank has cut the cash rate from 2.5% down to a record low of 2%. It is anticipated that cash rates will eventually go up either towards the end of this year or early next year. However there is still the possibility that rates may drop even further between now and the end of 2015. This makes shares a much more attractive investment option, but the key is diversi-

fication and stock selection, as well as diversifying across other asset classes. The two sectors that have had outstanding performance are the Property Securities sector and International Shares. Property Securities have returned 19.8% for the 12 months to the end of April 2015. The unhedged International MSCI Index has returned 27.4% for the past 12 months while the hedged International MSCI Index has returned 17.2%. The outstanding performance of the unhedged index has been partly due to the continued fall in the Australian dollar, from US\$0.927 to US\$0.799, a drop of 13.8%.

## FROZEN FUNDS

Many clients still have small amounts of money invested in frozen/suspended managed funds. Most of these funds are still with MLC Navigator. Here is an update on the status of these funds:



- AMP Enhanced Yield Fund: the bulk of our clients with frozen funds hold this fund. AMP have advised us that they expect to finally wind up the fund sometime in the next few months. Once this is done the money from the fund will go to the Navigator cash account and you will then able to cash the account in full and close the account.
- ING (Onepath) Income Plus Fund: Onepath have advised us that they are hoping to have this fund wound up by the end of the year.
- Perpetual Monthly Income Fund: Perpetual have advised that they will be making a decision in July as to what is happening with the wind up of this fund.

We thank all clients who have money in frozen funds for their patience in this matter and remind them that while the fund managers decisions to put a freeze on these funds is annoying, it has helped to preserve the capital in the funds, most of which has now been returned to clients in the form of capital distributions.

## SUPERANNUATION CONTRIBUTION THRESHOLDS

A reminder for superannuation contributions for the 2014/15 financial year.

### Concessional Contributions limits (Pre-tax; ie SGC & salary sacrifice)

- \* Under age 50      \$30,000 – including your 9.5% employer super guarantee
- \* Over age 50      \$35,000 – including your 9.5% employer super guarantee



### Non-Concessional Contributions (post tax – personal contributions or personal non-taxable)

- \* Under age 65      \$180,000 - Note that if you are under 65 you can bring forward the next three years to make a total Non-Concessional Contribution of up to \$540,000.
- \* Over age 65      \$180,000 – No “bring forward” allowed.

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Don't forget to keep  
your details up-to-  
date!

## ROYAL COMMISSION RECOMMENDATIONS

For many years we have been asked the questions, "Why wouldn't I use an industry fund? Aren't they free?". These questions are based on incorrect information spouted by industry fund marketing people. They say "all profits go to members", and while this is true, they neglect to mention that profit actually means income LESS EXPENSES. Industry funds are NOT free. These same industry funds tell you not to pay commissions to financial advisers, but since 1/7/14, commissions on new super investment have been banned. You might be paying fees to an adviser, negotiated between you and that adviser, but we would hope that you see value in the ongoing service and investment monitoring you receive for that fee. What you don't pay to financial advisers, but you do with industry

funds, are secret payments to unions and union officials in order for them to negotiate your enterprise agreement to include their specific industry fund. In no way does this represent your best interest and it does not add any value to the superannuation fund. The current federal government has seen that these backroom deals have been going on and is finally taking action with a Royal Commission. The full report from the Royal Commission is not yet released, but preliminary comments indicate that CHOICE of SUPER should apply to ALL EMPLOYEES in ALL INDUSTRIES. So, to those who consider using industry funds we recommend taking these points into consideration.

## WITHDRAWALS NOTICE

Presently we are experiencing 8 to 10 business days to receive the proceeds from partial withdrawals from all platforms. While this will hopefully improve, we ask you to keep this in mind should you be in need of a withdrawal of funds. If you require funds urgently, please advise us at the time of requesting the withdrawal as it may change the underlying investments we sell down for you.

Full account closures from platforms take around 4 weeks due to auditing requirements. This standard has not altered.

## MOVEMENTS AT THE STATION

LFS is Celebrating 30 years in 2015.

It is with much excitement we reach our 30<sup>th</sup> anniversary in July 2015. We take this opportunity to say a big thank you to all our clients without whom, the last 30 years would not have been possible.

We are also pleased to say that we still have the same full time team members that we have had for the past 2 years; Nicole at Reception, Kathleen in Client Admin, Shelley in Records Management and Chris, Simone and Chris (Harry) Advising. We have part timers in other roles, including Sharron on Mondays, but the main faces and voices you will meet are above.

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